

Research Statement

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I came of age as an economist in the classroom of Haiti. The extremes of wealth and deep, pervasive destitution there troubled me. At that time—around 1984—development economics was undergoing a sea change, parallel to the one that had taken place in macroeconomic theory in the 1970s. The frameworks of “redistribution with growth” and the “basic needs approach” to development were in the process of being discarded, and in their stead, market-oriented theoretical approaches that stressed economic openness, liberalization, and a circumscribed role for government in managing the economy moved to the forefront.

In Haiti at least, it was not obvious that liberalization could single-handedly reduce poverty or inequality. After all, in the many assembly factories that dotted the landscape of Port-au-Prince at that time, wages were so low that the women working in them (and most were women) had little left over after paying for transport to and from the factories. Any effort to raise wages was greeted by the reminder that hundreds of unemployed were waiting outside the factory doors, and, anyhow, firms could easily relocate next door to the Dominican Republic or to Honduras. Factory women’s fortunes thus did not seem helped by the dominance of these assembly factories whose presence was facilitated by trade and investment liberalization.

Spurred by that experience, I have focused the core of my work on an exploration of the relationship between inequality and macroeconomic outcomes, seeking to answer a central question of development economics—is it possible to have equity with growth, and if so, under what conditions? To understand that question fully requires an analysis of the channels by which equality affects economic growth, and in turn, the pathways by which growth can affect the degree of economic equality. The fieldwork I did in Haiti—investigating the structure of the Haitian coffee market, based on market data and interviews with peasant coffee farmers, exporters, and coffee cooperatives—underscored the importance of approaches that rely not only on economics but also sociology, psychology, and anthropology—and an appreciation of the central role of power differentials in determining economic outcomes.

My first foray into exploring these issues was an analysis of the relationship between wages, income distribution, and growth in South Korea. I developed a structuralist macroeconomic model to explore how income distribution affects economic growth in a semi-industrialized developing economy that is export-oriented. The results provided some theoretical reason to believe and evidence to support the view that the South Korean economy had been wage-led during the period of rapid growth—implying that redistribution to wages from profits was a stimulus to growth.

In that research, however, I discovered what I believe to be a central factor in South Korea's growth—the sharp degree of job segregation with women concentrated in export manufacturing industries and men in non-tradables. This job segregation, coupled with the extremely low wages paid to women relative to men that could not be explained by productivity differentials, appeared to be a stimulus to growth in that economy.

That work led me to explore in more detail the relationship between gender inequality and economic growth in semi-industrialized economies (SIEs). While much of the cross-country research on gender and growth lumps all countries together, I have argued that the channels by which these variables interact will differ depending on the structure of the economy as well as the gendered social and economic structures that slot women and men for different jobs in the economy. Most SIEs form part of the group of middle-income economies and share a similar economic structure, including a significant manufacturing sector, a strong emphasis on exports, and a surprising similarity in the degree and type of gender segregation in labor markets.

I explored the relationship between gender inequality and growth theoretically in “Macroeconomic Effects of Reducing Gender Wage Inequality” [1], co-authored with Robert Blecker (see selected publications list at the end of this document). The results of this work imply that gender inequality, measured as gender wage differentials, can be a stimulus to growth in semi-industrialized economies, largely because low female wages relax the balance of payments constraint faced by developing economies that require technology imports to move up the industrial ladder. This model also gives some idea as to what would be needed in terms of macroeconomic policy to close gender gaps without slowing growth: supportive macro-level policies such as a flexible exchange rate regime, and industrial policies that shift the mix of export goods to ones that are income elastic and price inelastic.¹

A question that emerged in developing a gendered macro model is whether there are gender differences in marginal propensities to save (and thus consume) large enough to have discernible macroeconomic effects. We were unable to answer this question at that time, and assumed no gender differences in saving propensities. But, if men and women do save at different rates, redistribution to women in the form of higher relative female/male wages would have an effect on investment (from a supply-side perspective), and aggregate demand using a demand-side approach. I therefore decided to explore these issues with Maria Floro in two articles (“Gender Effects on Aggregate Savings: A Theoretical and Empirical Analysis” [2] and “Does Gender Matter for Aggregate Saving?” [3]), again for SIEs.

In [2], we explored *why* women might choose to save at different rates than men using two approaches. First, we developed an individual saving behavior model of non-pooled income households. That model highlights the possibility of gender differences in saving, due to gender differentiated income risks. Second, we developed a Nash bargaining model framework for pooled income households to explore how a shift in the distribution of income between women and men could affect intrahousehold bargaining and thus

¹ The latter is necessary since so many women are crowded into industries that produce labor-intensive, cheap, homogenous export manufactured goods. Price inelastic goods—for example, those for which quality matters—would permit higher wages without producing a significant negative effect on product demand.

household level saving rates. Whether there are gender differences in saving behavior is, however, an empirical question. Because there is little micro data that would allow us to identify saving propensities of men and women, our approach was to estimate an aggregate saving function, controlling for a number of standard variables and employing a measure of relative female/male. The results obtained from the empirical analysis [3] indicated that a higher share of wage income going to women would result in a higher aggregate saving rate in semi-industrialized economies.

Because aggregate saving plays a central role in growth models, our results suggest that saving is an important channel by which gender inequality may produce macroeconomic effects. One cannot extrapolate from those results, however, that gender equality stimulates aggregate saving in *all* types of economies. Economic structure matters, as do the set of gender norms and stereotypes that influence job segregation, and macro-level policies that influence the volatility of income.²

While the research I have conducted on SIEs provides theoretical and empirical support for the view that gender is an important macroeconomic variable with effects that are channeled through investment, exports, saving, and consumption, more work remains to be done to more fully explore gender-growth dynamics. Two areas are ripe for greater theoretical and empirical scrutiny. First, research on these relationships in countries with other types of economic structure, such as agricultural economies, export economies that are commodity dependent, and industrialized economies would add more complexity to our understanding of how gender interacts with macro-level variables.

Second, more work needs to be done to reconcile my own findings that gender wage inequality is a stimulus to growth via the effect on exports and investment with that of others, including Klasen (2002), who find evidence that gender *equality* in education is a stimulus to growth. As Diane Elson and others have argued, the longer run impact of gender equality is likely channeled through children, caring labor more generally, and the quality of the future labor supply. It is immediately clear that the type of inequality that one is examining matters in terms of its growth effects, and as I discuss below with regard to more recent work, the effects of various types of inequality may be felt in the short-, medium- or long-run, allowing for differential growth effects of inequality.

The finding that gender wage inequality has been a stimulus to short-run growth in semi-industrialized economies is a rather disturbing one. Some have argued, however, that while gender inequality may be a stimulus to growth, we may not need to be unduly concerned. They argue that growth benefits women in absolute terms with their average living standard rising, even if their relative status does not improve. Further, some scholarship finds evidence that growth is good for women in that it can contribute to a closure of gender gaps in well-being.

I began to explore whether in fact growth does produce positive effects on women's well-being relative to men in a series of papers, first focusing on Asian economies, noted for their

² I have amassed a data set that will allow me to consider these relationships in future research for OECD countries, recognizing that the relationship between gender and saving may very well differ due to differences in social safety nets and possibly smaller gender differences in risk.

rapid growth and wide gender wage gaps (“Gender, Quality of Life, and Growth in Asia 1970 to 1990” [4]). The main challenge in this work has been to develop a measure of quality of life or well-being that is more comprehensive than simply the income metric. Using a composite index that measures well-being across dimensions of education, health, and economic outcomes, I found that the greatest improvement in gender equity in well-being in the period 1970 to 1990 was in those Asian countries that had the slowest rates of economic growth. This result was analogous to that obtained in a subsequent paper that explored the gender effects of Latin America and Caribbean economic growth (“The Great Equalizer?: Globalization Effects on Gender Equity in Well-Being in Latin America and the Caribbean” [7]).

I was particularly puzzled by the Caribbean case, where women’s unemployment rates are twice those of men despite their higher average educational attainment. I therefore investigated this in a paper with the very obvious title of “Why are Women in the Caribbean So Much More Likely Than Men to be Unemployed?” [6]. In that work, I found that national economic conditions and job segregation explain a portion of gender differences in unemployment with men more likely to find employment during an economic upturn than women. The results suggest that relying on economic growth alone to reduce gender inequality in job access may not suffice, indicating more targeted efforts are needed to ensure that women stand a fair chance of being hired.

This set of papers raised several important issues. First, it would appear at least for the countries under consideration that growth alone is insufficient to close gender gaps in well-being. One reason is that macroeconomic regimes differ in their distributive effects and thus impact on gendered well-being. This suggests that a set of gender-aware macro-level policies, combined with growth, is necessary to promote gender equity, and those policies should direct income and resources to the disadvantaged group. Second, as demonstrated in the case of the Caribbean, closing educational gaps is insufficient to ensure gender equity since the pathways available for applying those skills may be blocked due to institutional barriers. Inequality—by gender, by ethnicity, or by class—is not a random event. It becomes calcified by norms and stereotypes that reinforce and perpetuate, indeed, inure us to the causes of inequality. What persists for so long eventually looks “natural.” This clearly is the case in the Caribbean whereby the evidence shows that men are first hired during periods of rapid growth, despite women’s greater educational attainment.

The greatest challenge in assessing the effects of policy, and in particular, economic growth on gender equality in well-being lies in developing a metric that can quantify well-being in all of its complexity. In my mind, we have a great distance to go in achieving this goal. One notable effort is recent work by Grown, et. al. (2003) who have outlined a conceptual framework with gendered well-being falling into three domains: capabilities, access to economic opportunities, and security. This approach, used to assess progress in Goal 3 of the Millennium Development Goals, is a step forward, but suffers two major problems that most measures, including my own, have. First, a multi-dimensional measure of gendered well-being is by its nature a composite index, but we have no firm ground on which to assign weights to the various components of the index. Do we give the same weight to wage equality as we do to educational equality and life expectancy? Or do some of these measures deserve more weight than others? Second, indicators may vary in relevance, depending on

level of development and economic structure. For example, literacy and measures of gender differences in control over assets (such as land) are important indicators in South Asia and Sub-Saharan Africa where labor markets are thinner. But wage gaps and gender differences in tertiary education may be more relevant indicators in industrialized economies where labor markets are more widespread. This suggests that the numerous efforts in recent years to develop a universal index of gendered well-being for the purposes of cross-country comparisons are not yet on solid ground.

There is another important problem with recent efforts to develop indicators that measure gender gaps in well-being: the lack of a consistent theoretical framework that integrates sociological, psychological, and economic perspectives and is based on an understanding of the interrelationship between well-being in all of these domains. Even if we were able to develop a theoretically grounded composite index, the data challenges of empirically estimating gendered well-being are enormous, something that I discuss in more detail in “The Road to Gender Equality” [12]. It would be useful if we were able to develop a more parsimonious method (in terms of data demands) of assessing gendered well-being. Moreover, for policy purposes, it may be useful to be able to identify whether there are any components of well-being whose improvement could leverage change in other domains.

I have begun to explore this latter issue in “Plus Ça Change?” [10]. As is well known in the sociological literature, gender norms and stereotypes that perpetuate inequality are deeply embedded in social and individual consciousness and are as a result resistant to change. Gender stratification theories from sociology propose that women’s control over material resources can increase bargaining power to leverage change in key institutions, prompting a shift to more equitable norms.³ By extension, policies that permit women to take on paid employment should serve as a fulcrum for gender equitable change. This paper explores that hypothesis for a broad set of countries, using data from the World Values Survey that reflect the state of gender norms and stereotypes. The empirical results in that paper suggest that women’s economic empowerment has a positive effect on gender norms and stereotypes, as does the rate of economic growth. It would appear that for this set of countries, as the economic pie expands, there is less male resistance to female economic empowerment. These results may not be entirely consistent with the results of [4] and [7], and that may be partly due to the fact that [10] uses a broader set of countries in its sample. More work needs to be done, nevertheless, to explore and explain these inconsistencies.

I have taken this work one step further with a recent paper that uses Vector Auto Regression (VAR) [“Causality between Gender Equality in Capabilities and Economic Empowerment, and Growth” [13]]. The benefit of VAR methodology is its atheoretical approach, whereby all variables are allowed to affect all other variables. Given the embryonic stage of theory in this area, the VAR approach is very useful as it allows us to use the data to highlight causality between various domains of well-being and growth. Much more work needs to be done to develop a parsimonious set of endogenous variables for which a lengthy time series can be obtained. Nevertheless, this is a promising approach and may well provide some answers to

³ Several explanations for this link have been advanced. Social role theory is particularly convincing, arguing that occupational or family roles held by each sex lead to gender stereotypes. Because engendered personalities and behavior are set in childhood, increasing women’s movement into paid labor may alter the gender norms and stereotypes children absorb.

the question about whether gender inequality in well-being in some domains can be a fulcrum for improvements in others. This alone would not solve the problems of how to weight a composite index but may provide some additional information needed to construct such an index.

Returning to the central question I posed at the beginning of this statement, what policies can insure equity with growth? In the case of gender, are there macro-level approaches that could make gender equity in multiple domains—education, health, wages, and employment—compatible with rising living standards? I explore this question in two papers, one focused on macroeconomic policy in developing economies (“Gender Equity and Globalization: Macroeconomic Policy for Developing Countries” co-authored with Caren Grown [9]), and a second that pays particular attention to semi-industrialized economies within which women are concentrated in “mobile” export industries (“Taking Gender Differences in Bargaining Power Seriously” [6]). This work reveals that a key to understanding the failure of globalization to improve women’s relative status in developing economies is their concentration in mobile export industries (usually, (labor-intensive manufacturing). Higher wages for women result either in a decline in investment or exports or both. In both of these papers, I discuss possible policy approaches to alleviate this inverse relationship, including the potentially beneficial effects of labor standards.

I took up the challenge to more deeply explore the effects of firm mobility on wages and also productivity growth in SIEs (“Is more mobility good?” [8]). This interest was in part prompted by the observation that in many developing economies that had reduced regulations on investment flows, productivity growth during the “liberalization” period was negligible at best. Using a simple theoretical model and GMM estimation, I found evidence to support the hypothesis that firm mobility increases firm bargaining power vis-à-vis workers and can thus be a mechanism to “flatten” the labor demand curve, since firms as a result have more substitutes to domestic labor. Workers do not experience a countervailing steepening of the labor supply curve, and thus any efforts to increase wages have a stronger negative effect on employment. The “threat effect” of firm relocation appears to have held down wage growth. The slowing of wage growth has alleviated pressure on firms to increase productivity in defense of profits.⁴ Empirical results in [8], consistent with that hypothesis, may explain why women’s concentration in “mobile” industries has produced a negative effect on their wage growth, despite closing educational gaps. The results also contribute to an understanding of the causes of a slowdown in productivity growth in developing countries, despite the rise of foreign direct investment.

While much of my work has centered on gender inequality and its relationship to economic growth, it has been clear to me that the inequality-growth nexus is much more complex, varying as it does not only by how intergroup disparity is measured, but also by *which* group is experiencing the inequality. In “All Types of Inequality are Not Created Equal: Divergent Impacts of Inequality on Economic Growth” [13], I explore these issues, identifying the

⁴ This disinclination of firms to do all they can to upgrade technology investments that raise productivity in a globalized environment may be related to increased macroeconomic volatility, profit uncertainty, and much more rapidly changing product demand. These conditions make the probability of profit realization on investment more uncertain, with firms in some types of industries preferring strategies that hold down wage costs rather than investment in plant and machinery.

varying pathways by which ethnic, class, and gender inequality can affect economic growth. I also raise a question that forms the center of my current focus and that is whether we can explain persistent gender and ethnic inequality by its functionality in market economies. William Darity, Jr., in a recent paper (2005), explores this question as regards race and ethnicity, arguing that social, psychological, and economic structures work to perpetuate economic hierarchy in ways that cannot be explained by individual or group disparities in productivity-related characteristics. My own goal in this work is to contribute to the broader debate on the relationship between inequality and growth in a search for, as it were, a “unified theory” of intergroup disparity that might usefully illuminate the macro-level dynamics that perpetuate inequality by class, ethnicity, or gender, even though the pathways by which inequality is reproduced differs by group.

Three major observations can be made from the work I have pursued over the last several years. The relationship between inequality and growth depends on the type of inequality one is measuring—gender, ethnic, or class inequality, for example—affect macroeconomic outcomes, often through different channels. The inequality-growth nexus further depends on the measure of inequality, even within the same group since differing measures such as education versus wages—affect growth in varying and sometimes conflicting ways. Second, the relationship between inequality and growth depends on the structure of the economy. Third, and most importantly, that relationship is mediated by the macroeconomic and growth regime that countries are undertaking. Export-oriented growth, for example, will influence the relationship between growth and equality in a way quite different from a strategy that relies on domestic demand as the internal dynamic to growth because of its differential effect on worker and firm bargaining power.

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