Promoting Gender Equality as a Means to Finance Development

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I. Introduction

The United Nations (UN) has centered global attention on the resource challenges developing countries face in financing economic development, first with the landmark International Conference on Financing for Development held in Monterrey, Mexico and in 2008, with the follow-up Doha conference and declaration. The goals of eradicating poverty and of achieving economic growth and sustainable development form the core focus of this UN initiative. Essential to effective action is an understanding of the determinants of poverty reduction and growth.

Feminist economics research into the causes and effects of gender inequality has produced valuable new scholarship that sheds light on these relationships. Insights from that body of work contribute to an understanding of how resource constraints could be relaxed in the effort to promote broadly shared development and growth. This paper identifies the linkages between gender equality and financing for development, with an eye to connecting these results to concrete policy implications that can be adopted by developing countries to ensure a win-win outcome: greater gender equality, resource mobilization, and improvements in societal well-being.

Feminist research on the two-way relationship between gender and economic growth responds to two key questions. The first addresses how policies at the macroeconomic level–such as structural adjustment programs, fiscal and monetary policy, and trade, investment, and financial liberalization–affect the degree of gender inequality. The second focuses on how relations between men and women influence the rate of economic growth, as well as investment and trade (the latter with implications for the balance of payments and a country's ability to service external debt). Going one step further, this work evaluates how the degree of gender

inequality at the microeconomic level influences overall societal well being. Research in this area has focused on clearly identifying the pathways by which macroeconomic outcomes and gender relations interact, with a view to developing policies that are more gender equitable in their impact, while at the same time promoting rising living standards.

Currently, we are in a policy environment dubbed the "Washington Consensus" or "neoliberalism," comprised of several components: trade and investment liberalization (and in some cases, reregulation such as in extension of patent terms); fiscal restraint (a reduction of public sector deficits by spending cuts rather than tax increases); privatization of services (such as health and education), infrastructure (such as water and electricity), and production (state-owned enterprises) that were previously provided by the public sector; and financial liberalization. This paper discusses in some detail the identified relationships between gender and macroeconomic outcomes, focusing on three key reform strategies: trade and investment liberalization, contractionary public sector spending, and financial liberalization.

We further situate this discussion in the context of a financing-for-development framework. Since March 2002, when world leaders and the major multilateral institutions met at the United Nations International Conference on Financing for Development in Monterrey, the objective of financing for development has taken center stage in international dialogues on development and growth. Conference participants met to deliberate about how to best mobilize and channel financial resources in order to meet the various international agreements that had been made at prior United Nations conferences, including commitments in the 2000 Millennium Development Goals (United Nations 2002; Floro *et al.* 2004). The conference also focused on redefining the international financial architecture and pushing for increased representation of developing countries in international organizations and institutions. If anything, given the global

financial crisis of 2008 and 2009, these objectives have increased in importance. The Monterrey Conference represented the first time that high-ranking diplomats, non-governmental organizations, and corporate leaders had met together and made these financial matters their top priority rather than relegating them to lower-level technical meetings. The conference took on additional significance for emphasizing the importance of international cooperation to generate sufficient resources for programs and policies that target gender equality, poverty reduction, and women's well-being (Floro *et al.* 2004). In fact, participants agreed to a holistic approach to financing for development, and more specifically, to an approach that would finance for "sustainable, gender-sensitive, people-centred" development (United Nations 2002: 3). Given this precedent, the aim of this paper is to recommend policy reforms that can promote gender equality in its various dimensions while at the same time helping to achieve broadly-shared, economically-sustainable development.

II. The effects of macro-level policies on gender equality

There are several channels through which macro-level policies affect gender. Government policies that influence the structure of the economy—the types of goods and services produced and consumed domestically and by foreigners—will affect the types of employment available.[2] These interact with gender relations to determine who gets which jobs and gender differences in income. Macro-level policies also influence the degree of economic volatility and resources available for social insurance programs and infrastructure spending with gendered implications for investments in education and health, as well as gender relations at the household level. This section outlines some of the research findings on the role of trade and

investment liberalization in influencing gender relations, and further considers how the resulting gender effects influence a country's development prospects and rate of growth.

A. Trade, firm mobility, and employment

National and international rules on trade, investment, and finance have gendered implications. That is, women and men are frequently affected differently by such policies. This has been nowhere more evident than in the area of trade. Since the 1980s, developing countries have adopted similar trade and investment liberalization policies, not infrequently under conditions of duress and thus conditionality imposed by the World Bank and International Monetary Fund (IMF). In tandem with trade liberalization, the developmental role of the state—the ability of the state to guide the development process by directing resources to targeted and strategic sectors of the economy—has been diminished in developing countries. These trends have been accompanied by financial liberalization and other market-oriented reforms, such as the privatization of public service provision.

The World Bank and other free trade proponents have argued that such a policy shift should lead to more gender-equitable employment opportunities. This is because women's significantly lower wages renders them a key source of labor in a liberalized investment and trade environment where cost competition makes low-wage labor attractive. Low wages constitute a stimulus to profits and export demand, and therefore trade liberalization should lead to a rapid increase in women's job opportunities, giving them an independent source of income that can improve their status within families. Proponents of free trade hold that over time, the sustained demand for women's labor will drive up their wages relative to men's, leading to a narrowing of the gender wage gap.

An important feature of the recent process of globalization *has* indeed been the rapid incorporation of women into export sectors producing manufactured goods, agricultural products, and services such as tourism and data processing.[3] This trend has been dubbed "global feminization of labor" (Standing 1989, 1999). There is evidence that women are crowded into export sector jobs—that, in other words, they face difficulty in gaining access to other types of jobs in the economy due to job discrimination and/or stringent gender norms on what is "women's" work versus "men's" work.

Export Processing Zones (EPZs), also known as free trade zones FTZs or Special Economic Zones (SEZs) in different countries, have served as a particular institutional structure for mobilizing labor, especially women's labor in export industries. These structures have contributed to the export success of many industrializing countries in East and South East Asia and Central America since the late 1960s. Initially, firms recruited young, unmarried women workers, mostly from rural areas, and subsequently tapped into a more diverse workforce. While economy-wide trade liberalization has undermined somewhat the rationale for setting aside special zones of liberalized trade, these zones have continued to proliferate, with China accounting for a majority of EPZs worldwide. The numbers employed and the export volumes generated have also risen (Milberg and Amengual 2008).

Exporters achieve lower unit labor costs with women workers through women's lower wage relative to men in comparable jobs. Moreover, it is likely that exporters benefit from higher productivity of women relative to men, even though evidence of direct productivity comparisons between and men in the same jobs is hard to come by. Elson and Pearson (1984) argue that export factories must be convinced of women's higher productivity relative to men, since in publicity materials to investors they often tout the gendered qualities of women—their docility,

willingness to accept tough discipline, and suitability for tedious, monotonous, repetitious work—that would make for higher productivity.[4] In addition, the fact that women's factory employment is often cut short by marriage or bearing children allows these factories to reap the benefits of women workers' productivity at its peak, and women workers' turnover allows employers to maintain these as low-wage jobs. Furthermore, Ngai (2007) shows how the government, along with export factory employers, can boost the productivity of this workforce. Rural-urban migrant workers' compliance with shop-floor discipline and incentive to work overtime increase when employment is temporary and conditional on residency permits. By providing dormitories adjacent to the factory employers are also able to mobilize labor instantaneously and facilitate extremely long hours of work.

Women's labor in export sectors has macroeconomic implications. Their low wages are crucial for generating badly needed foreign exchange to relieve the balance of payment constraint that many developing economies face, the so-called "feminization of foreign exchange earnings" (Samarasinghe 1998). Thus, to a greater extent than in previous periods, women's labor in developing countries serves as a primary source of foreign exchange earnings. That constraint, more precisely, relates to the widespread lack of foreign exchange, with many developing countries unable to import needed intermediate inputs, stymieing the growth of their industrial sectors. An important means to overcome that constraint is the generation of foreign exchange through increased exports.

Here then we see that gender inequality improves some macroeconomic conditions—at least in the short run, in some economies. But the feminization of employment has also been accompanied by the informalization of employment and spread of working conditions traditionally associated with women's employment (Standing 1999). The expansion of informal

sector jobs has eroded job security and worker protections through weakening enforcement of regulations rather than through explicit deregulation of labor markets. Firms increasingly use flexible and informal work arrangements that are temporary, seasonal, casual, and based on unregulated labor contracts, with women slotted for those jobs (Benería 2007; Balakrishnan 2001). These conditions, over and above the lower wage rates that render women workers attractive to employers in certain export industries, also contribute to the attainment of lower labor costs.

Subcontracting toward lower-cost home-based workers also increased as a result of the intensified competition in Asia after the 1997 financial crisis (Balakrishnan 2001). The case of India is an interesting example of this process, where the recent shift toward subcontracting has been linked to the country's industrial and trade policy deregulations. Rani and Unni (2009) found that with higher formal-sector wages, firms sought cheaper ways of doing business by hiring workers in small-scale, home-based workshops where wages were lower. Home-based work was already a prominent feature of the female labor market in India before the reforms.

In contrast to other developing countries, however, after the reforms, men's labor proved more responsive to the increased employment opportunities in home-based work, with greater employment gains in home-based work for men in import-competing industries producing machinery. Since this activity was generally considered heavy work, it was socially more acceptable for men to engage in this work. When reforms led to outsourcing, firms preferred male workers even when the activity was home-based. Hence the increased competitive pressures brought men closer to women in the incidence of home-based work, resulting in downward harmonization of pay and work conditions, consistent with Standing's global feminization thesis (Standing 1989; 1999).

The wage levels and working conditions in EPZs have been a contentious issue. Lim (1990) has contested the argument of critics that these represent poor jobs for women in developing countries. She took issue with the focus of critics on the early stages of EPZs and their reliance on case studies that did not rely on multivariate examination of the question. She argued that wages and working conditions in EPZs would improve over time, once these export platforms matured and the demand for women's labor increased. Further, she challenged critics to use a local yardstick in assessing working conditions. Lim argued that jobs in EPZs offered higher wages to women workers compared to their alternatives in the local economy, as has also been argued recently by Kabeer (2004).

Based on data from a survey of female workers in the *maquiladora* factories along the Mexico-United States border, Fussell (2000) has examined Lim's argument about improvements in EPZ working conditions. She finds that as *maquiladora* employers faced intensified global competition from export manufacturing sectors of other countries, they have increasingly relied on women workers who are older, married, with children and with lowest levels of schooling. These workers, who do not have better alternatives in the local labor market and are therefore in greater need of a job, constitute both more stable and the lowest paid workers in the local labor market. Thus, Fussell shows that rising trade competition and growth of maquiladora employment over the course of the 1980s and 1990s has not brought about improvement in wages in this sector.

The notion that trade liberalization would have a global positive effect on women's share of jobs is itself problematic. The increase in one country's exports resulting from hiring low wage women may come at the cost of a decline in other countries' exports. As a result, job gains for women in some countries may be counteracted by women's job losses in others. The

intensified trade competition among developing countries following the end of the Agreement on Textiles and Clothing on January 1, 2005 is a case in point. The liberalization of trade in garments has brought a shift in exports, and thus in employment, from Central America and Africa toward Asia, especially toward China. Mexico, Honduras, El Salvador and the Dominican Republic experienced sharp declines in the export value and volume to the United States (Emerging Textiles 2007). Within Asia, China and India increased their market shares in the European Union and the United States while smaller landlocked or island economies—Fiji, Maldives, Nepal, Mongolia—experienced absolute decline in their exports. Other Asian countries have faced price competition that puts downward pressure on labor costs and hence working conditions (Adhikari and Yamamoto 2006).

There is also evidence that job losses have occurred in regions such as the Caribbean and Sub-Saharan Africa, where import liberalization has resulted in the demise of domestic industries and loss of formal employment with particularly negative effects on women's employment (Carmody 1998). Milberg and Kucera (2007) similarly find for the OECD countries that the expansion of trade with developing countries over the period 1978-95 resulted in a greater loss of female than male jobs. Lower-cost imports undermined industries such as garments and footwear in which women constituted the majority of workers.

Even in East Asia, where women's job gains in export industries are the most notable, such gains are not necessarily permanent. Some argue that the move up the industrial ladder to more skill-intensive manufacturing production results in a defeminization of that sector's workforce because employers consider men to be more skilled than women (Elson 1996). This argument is supported with evidence for a decline in women's share of employment in Taiwan and Malaysia as well as the Mexican *maquiladoras* (Berik 2000; Fussell 2000; Doraisami 2008).

For example, the share of women among operators in *maquiladoras* declined from 77 percent to 41 percent between 1982 and 1999, even as the workforce in the sector expanded (Fussell 2000). The defeminization of the maquiladora workforce accompanied both the change in characteristics of women workers employed in the sector away from young, single, childless women to older, married women, women with children and with little schooling, and the decline in real wages in the sector. Thus, the Mexican case also constitutes an example of downward harmonization of wages under trade and investment liberalization.

More generally, why do women get the worst jobs and why do they find it difficult to obtain jobs that provide a social safety net, security, training, and upward mobility? An oft-advanced rationale is that women possess fewer skills than men. However, that argument has weak support. Educational gaps have closed substantially in many countries, and educational attainment for women has surpassed men's in much of the Caribbean and in some Latin American countries (UNDP 2007). Further, entry level positions in numerous jobs, even in more capital-intensive sectors, require few skills to begin; required skills are often obtained on the job—hence job access is key to gaining skills. Employers are often unwilling to offer women access to those jobs, however, preferring instead to segregate them in "female-dominated" jobs such as sewing operator positions in garments, where the skills required are associated with gender norms. Underlying these processes is a social hierarchy that determines which group gets the best jobs and which gets the worst jobs or is excluded from the labor market altogether when jobs are in short supply. As Elson and Pearson (1984: 24) argue, "women do not do 'unskilled' jobs because they are the bearers of inferior labour; rather, the jobs they do are 'unskilled' because women enter them already determined as inferior bearers of labour." Further, gender hierarchies, which designate men as the "breadwinners," provide a rationale for hiring them into

jobs with upward mobility and slot women into low-wage insecure jobs, considered to be fitting in their role as secondary wage earners.

While the net global employment gains of trade and investment liberalization for women are unclear, it is undisputed that at least in some countries and regions, women's access to jobs has increased. And this is important since a critical factor in leveraging gender equality in the household is women's increased access to income, thereby raising their bargaining power. But as the previous discussion underscores, employment is not enough. Work needs to be under decent conditions with adequate wages, and chances for personal autonomy and security.

A major factor undermining the quality of women's employment during this recent period of globalization is increased firm mobility—that is, investment liberalization that makes it easier for firms to shift production from one country to another if facing adverse cost pressures. Kate Bronfenbrenner (2000) documents the strategy used by United States companies to secure concessions from their workers by making credible threats to move company operations to Mexico within the framework of the North American Free Trade Agreement. Workers fear that if they try to organize into unions, strike or otherwise struggle for good jobs with good wages, they will lose their jobs. The implicit or explicit threats become credible in mobile industries, such as manufacturing and communications, and within them in subsectors that employ a high proportion of women. The upshot is that workers are robbed of their right to freedom of association and collective bargaining, hence of the key instrument for improving wages and working conditions.

An example of the effect of firm mobility on working conditions is the case of Haiti's assembly goods sector. In the mid-1980s, the shoe firm Stride Rite moved from the United States, where wages were $8 per hour, to Haiti, where wages were $0.50 per hour and where a

largely female labor force was used in shoe production. When the women in Haiti asked for higher wages, the firm, which had few sunk costs or investments in training for these workers, found it easy to close up shop and move to yet another low wage country. The type of firms that hire mainly women—labor-intensive manufacturing and some service jobs (such as informatics)—find it easy to keep wages low by relocating to lower wage countries when local workers demand higher wages, or they can keep wages down simply with the threat of relocation (Seguino 2002).

Another example is the case of India's industrial and trade liberalization policies after 1991. Menon and Rodgers (2009a) found that increasing competitive forces resulting from the reforms were associated with larger wage gaps in India's manufacturing industries. The policy reforms, which included licensing deregulation as well as tariff reductions, led individual firms in India to face greater competition not only from abroad but also from other domestic firms in the same industry. The growing gender wage gaps in India fit into a framework in which groups of workers who have relatively weak bargaining power and lower workplace status are less able to negotiate for favorable working conditions and higher pay. Thus, women are placed in a vulnerable position as firms compete in the global market place and have more freedom to relocate.

Proponents of trade and investment liberalization hold that the gender wage gap will narrow over time (with women's wage rising, not due to falling wages for men as occurred in India) as a result of sustained demand for lower cost female labor, reducing gender wage gaps in the long run. Gender wage differentials have declined globally, but much of this is due to increases in women's labor market skills. The discriminatory portion of the gender wage gap shows no evidence of narrowing (Weichselbaumer and Winter-Ebmer 2005). In two rapidly

growing economies with a strong demand for female labor—China and Vietnam—the discriminatory portion of the gender wage gap has in fact been widening (Maurer-Fazio, Rawski, and Zhang 1999; Liu 2002).

B. Gender wage gaps and growth in the short to medium run

Feminist research has found that gender wage inequality–that is, paying women lower wages than men—can be a stimulus to trade, investment, and growth in semi-industrialized countries (Braunstein 2000; Seguino 2000a, 2000b; Blecker and Seguino 2002; Busse and Spielmann 2006). South Korea provides an excellent example of the role of gender inequality in stimulating growth. South Korean women's wages, less than half those of men in the early 1970s, were pivotal in holding down costs of production in labor-intensive manufacturing export industries.[5] In the early years of export-led growth, demand for South Korean exports, especially for garments and electronics, was stimulated by low female wages. The foreign exchange that exports generated was funneled into the purchase of capital-intensive goods and imported technology, helping to build capacity in industries such as automobiles, semi-conductors, steel, and shipbuilding.[6] Thus, women's labor helped to resolve the balance of payments constraint to growth that many countries faced by generating the foreign exchange to finance much needed imports.[7]

In Taiwan as well, where a similar export strategy was pursued in the 1970s, young women workers helped finance the education of their brothers who were then able to take up the more skilled jobs that became available as the country moved to the high road of industrial growth in the 1980s and 1990s (Greenhalgh 1985). Clearly, however, reliance on gender

discrimination in the labor market and in the household was part and parcel of the low road to growth.

C. Gender inequality in the long run

Whatever the short run macroeconomic benefits, in the long run, there are costs to the low-road strategy of exploiting women's lack of bargaining power in the workplace. That is because, while low wages for women can stimulate profits, investment, and exports in the short run, disadvantaging women has negative effects on a country's long-run productivity growth. The empirical evidence to support this claim is especially well-documented in the area of gender inequality in education (Hill and King 1995; Klasen 2002; Knowles, Lorgelly and Own 2002; Klasen and Lamanna 2009). Klasen and Lamanna (2009) show, for example, that per capita growth is fully 1.0 percentage point lower in South Asia than what it might have been if there were gender equality in education; 0.5 percentage points lower in Sub-Saharan Africa; and 0.7 percentage points below potential in the Middle East and Northern Africa region. The implications of educational inequality for long-run growth are substantial. Considering the case of Sub-Saharan Africa where growth rates are predicted to average 1.6 percent annually from 2006-2015, gender equality could boost average annual growth rates to 2.1 percent, reducing the number of years it takes per capita incomes to double from 43 to 33.[8]

Research has also emerged providing support for the view that job discrimination and social norms that restrict women's employment act as a brake on economic development and growth (Boschini 2003; Cavalcanti and Tavares 2007; Esteve-Volart 2009). Underinvestment in female education as well as female exclusion from jobs and job segregation result in "selection distortion"—that is, over investment in less qualified males at the same time that more talented

females are passed over for educational investments or job opportunities. This amounts to an inefficient (wasteful) use of resources.

There are other reasons that educational inequality matters, and an important one is that when women's educational attainment relative to the men in their lives increases, the women have more bargaining power in their households. This can allow them to negotiate for a fairer distribution of family resources that contribute to improvements in children's well-being, making the future labor force more productive and thereby improving economy-wide well-being. The same argument can be made for higher income for women relative to men—women's bargaining power in the household improves and children benefit (Blumberg 1988; Hoddinott and Haddad 1995; Quisumbing and Maluccio 2000). Further, less education for women relative to men inhibits their ability to control their fertility and results in fewer resources available to invest in each child. These setbacks are likely to have a long-run negative effect on the quality of the future labor supply, making it less productive than it might otherwise be were there greater gender equity.

Although educational equality can be a stimulus to growth, there is no certainty that education will lead to higher rates of female labor force participation, as evidenced by the case of the Middle East and North Africa where (Klasen and Lamanna 2009). In that region, despite high levels of female educational attainment, female labor force participation rates are very low. This regional pattern is attributed to the adverse effects of revenues from oil or worker remittances that have rendered the traditional male breadwinner family affordable and may have also stifled the development of export industries (Karshenas 2001; Assaad 2005). A similar phenomenon is found in some Western European countries, and is linked to the lack of affordable childcare.

Equally a source of concern is that higher education does not necessarily lead to higher wages. With the sharp increase in the demand for female labor and closing gender educational gaps, we would expect significant declines in gender wage gaps but there is little evidence to suggest this has occurred. Even in rapidly growing China, Vietnam, Taiwan, and South Korea, where wages are rising, the discriminatory portion of the gender wage gap is rising rather than falling (UNRISD 2005; Berik, Rodgers, and Zveglich 2004). Furthermore, if women are concentrated in industries in which the mobility of foreign direct investment limits their bargaining position in wage setting, women could gain in their education relative to men, without any assurance that gender wage equality will ensue. This argument is supported with evidence in Oostendorp (2009) that net inflows of foreign direct investment contribute to wider gender wage gaps in high-skill occupations in poorer economies. Hence efforts to promote gender equality must also pay attention to the ability of women to translate increased skills into commensurate remuneration.

The broader policy conundrum is that the very types of employment women are able to obtain in developing economies under liberalization—that is under rules of investment and trade liberalization—leave women in low wage jobs and in a low wage-low productivity trap. Due to women's low wages, government and families have little incentive to invest in girl's education. Because of this underinvestment in girls, many women can't take on the skilled jobs that become available as the economy moves up the industrial ladder. Women are thus trapped in low wage jobs.[9] When women don't do well economically, children don't do well. Investment in children declines significantly if income goes to men rather than to women. In Mexico, women spend 100 percent of their income on the household as compared to men's 50 percent. In the Ivory Coast, a 10 percent increase in women's income would yield the same outcome in children's well-being

as a 110 percent increase in men's income (Hoddinott and Haddad 1995). Hence improving women's income has implications for children and long-run growth.

III. Gender, the role of the state, and public sector expenditures

An important area of feminist research over the last two decades has focused on the impact of contractionary fiscal policies and the reduced role of the state on women's relative well-being—with consequent impacts on the potential for long-run growth and rising living standards. Feminist researchers have found that these reforms have had negative effects on women's well-being.

Public sector deficits have resulted from a variety of causes including trade liberalization, which contributed to a decline in tariff revenues. Such revenues are the major source of public sector income in developing countries (Khattry and Rao 2002).[10] Cuts in public sector budgets have led to reduced spending on food subsidies, largely affecting women due to their responsibility to providing for the family. As a result, women have had to spend more time in the informal sector to generate income for families due to a shortage of formal sector jobs, the latter in part triggered by public sector downsizing. Women's labor burden—that is, both paid and unpaid—has risen as they spend more time both in household production and informal labor market participation to make up for the loss of food subsidies and other social expenditures (Gladwin 1991; Benería and Feldman 1992; Elson 1995).

Reductions in health care expenditures have increased women's unpaid labor burden as well. The case of Trinidad and Tobago is representative of what has been observed in a number of developing countries. In the early 1990s, the government responded to economic crisis by cutting public sector expenditures on public health, including public hospitals. As a result,

patients relied on family members (usually women) to provide them with cooked food, to nurse them, and to bring them clean linens. This obligation added to women's labor burden, increasing the unpaid portion that is often invisible to policy makers because it is not measured in national income accounts. Nevertheless, such labor burdens are real, and limit women's ability to spend time in remunerative activities as a result, or reduce their leisure time. In some cases, girl children have been taken out of school to provide additional labor to the family to make up for that lost due to increased responsibility of women to provide care to sick family members (Elson 1995).

A number of countries adopted user fees in education as a way to reduce the public sector cost of funding education. One consequence is that some girl children have been taken out of school because the family could not afford the users fees required to send both female and male children to school. Such user fees are thus an example of how gender norms and hierarchies interact with economic policy in ways that are perhaps unintended but nevertheless still disadvantage females relative to males.

In addition to cuts in social spending, fiscal austerity measures have led to cuts in spending on such physical infrastructure as roads, bridges, and irrigation, as well as cuts in spending on such agricultural inputs as credit and extension services (Roy, Heuty, and Letouzé 2009). The gender implications of such cuts are severe. Public cuts in infrastructure spending in Sub-Saharan Africa over the period 1980-2000 have been particularly severe, falling from 4.2 percent of GDP in the period 1980-85 to 1.5 percent of GDP in the period 1996-2001 (Estache 2005). While it is difficult to measure the gender impact due to lack of reliable time use data, we can infer that women's unpaid labor burden has risen significantly over this time period, as roads deteriorate and the availability of clean water supplies are constrained.

Further, constraints on public sector expenditures that limit funding for agriculture, along with import liberalization, lead to increased reliance on imported food. Women provide the bulk of food in Sub-Saharan Africa. Constrained public sector budgets have a particularly negative effect on women as farmers. Studies have shown, for example, that were there equitable distribution of assets to females, on-farm productivity and output would increase substantially. Evidence from Burkina Faso, Kenya, and Zambia shows a 10 to 20 percent increase in output is possible with equalization of female access to agricultural inputs (Udry 1996; Saito 1994). Women's lack of access to agricultural inputs is in part due to laws on land ownership, with women prohibited from owning land in a number of countries. As a result, women lack the collateral to access credit needed to purchase inputs. Women's share of small farmer credit in Sub-Saharan Africa is 10 percent, and for all agriculture women's share drops to 1 percent (Doss 2006).

Another integral feature of smaller governments is public sector employment retrenchment, which is motivated by the need to trim government budget deficits, correct staffing and skill imbalances in public enterprises, improve efficiency of public sector operations, and refocus the priorities of national governments. Downsizing often involves lay-offs for employees, particularly women, who have lower levels of tenure, less education, and lower status positions. For example, during China's public sector retrenchment in the late 1990s, women experienced disproportionate job losses primarily due to women's concentration in less-skilled jobs, which also constrained women's post-lay off job prospects (Liu 2007). Not only did women lack the skills for the newly emerging jobs but also they did not have the connections to better-placed employees, who could offer helpful contacts in their job search. Furthermore, when women generate monetary incomes in the paid labor market, their earnings contribute to the

household's purchasing power and potentially to a lessening in overall income inequality if their spouses are in low-paid jobs. Ding, Dong, and Li (2009) explored this argument in the context of how changes in the employment and earnings of married women in China affected overall income inequality from 1988 to 2002, a period of profound economic reforms and substantial public sector retrenchment. They found that the disproportionate job losses of women during the retrenchment contributed to rising overall inequality in urban China, which worked against the otherwise equalizing effect that their earnings would have had on inequality. These results provide valuable new evidence that a market-oriented reform strategy to reduce the size of government can contribute to greater gender disparity in employment rates. This distorts the otherwise equalizing effect of women's labor force participation and worsens overall income inequality.

IV. Financial Liberalization

A stated goal of financial liberalization is to free up capital in order to find its best use, as evidenced by high rates of return. Auxiliary effects of financial liberalization, however, are substantial and negative, in particular as regards women's relative well-being. Increases in macroeconomic volatility have become a hallmark of this period of financial liberalization, appearing in dramatic form in the Asian financial crisis and then in subsequent crises in Turkey, Russia, and Latin America. The global financial crisis of 2008 has also underscored the devastating effects of having weak regulations over the financial sector. Such volatility and uncertainty, accompanied by economic downturns, redounds heavily on women. In some cases, the resulting recessions have led to higher female than male job loss, with the reemergence of gender norms that define men as the most deserving of existing jobs (Singh and Zammit 2002).

Joseph Lim's examination of the gender aspects of the East Asian financial crisis in the Philippines shows, in contrast, that the crisis resulted in a larger increase in men's unemployment compared to women (Lim 2000). The gender-segregated employment pattern—men's concentration in tradable and industrial sectors and women's concentration in services and sales—underpinned this outcome. Lim also found that the crisis precipitated a greater increase in both women's labor force participation and the working hours of employed women compared to men. Further, during times of economic crisis, families resort to use of savings or sale of assets to weather the economic storms. But women, who are poorer than men and have less control or ownership of assets, are in a weaker position to reduce economic vulnerability at such times (Moser 1998; Aslanbeigui and Summerfield 2001).

A particularly important feature of the era of liberalized finance is that wealth holders are now able to roam the globe in search of the highest rate of return. Countries therefore end up in a bidding war—by raising interest rates and lowering taxes—to attract much needed foreign capital. Apart from the negative effect on government budgets of tax exemptions, the tendency for interest rates to rise is particularly damaging, especially when coupled with monetary policy aimed at keeping inflation low. The low inflation strategy adopted by central banks in many developing countries is seen as a means to entice foreign capital since asset holders care about the real rate of return on investment—that is, the nominal interest rate minus the rate of inflation. Inflation targeting then is seen as an additional mechanism to attract foreign capital. Recent research suggests that inflation targeting, or more generally, disinflationary policy, has differential negative effects on women (Braunstein and Heintz 2008) as well as subaltern ethnic groups (Thorbecke 1999; Carpenter and Rodgers 2004; Rodgers 2008).

The argument that vulnerable and less powerful groups in developing countries bear a disproportionate burden of economic contraction does not necessarily hold in all countries. Takhtamanova and Sierminska (2009), for example, do not find evidence of a statistically negative gendered effect of disinflationary monetary policy on employment in OECD countries, albeit there is strong evidence of employment declines. This interesting finding underscores a theme that is emerging in the feminist literature—that the relationship between gender and macroeconomic outcomes depends on a variety of mediating institutions and conditions. The particular type of job segregation by gender, the type of social safety net, the structure of the economy, as well as other institutions such as labor unions can mediate this relationship, suggesting there is no one size fits all two-way relationship between gender and macroeconomic policies or outcomes.

The recent global financial crisis has underscored the need for fiscal stimulus packages to boost demand. However, a growing set of studies in feminist economics suggests that stimulus packages are not gender neutral and can indeed have impacts that favor men depending on men's and women's location in the economy. An example is the case of Kenya, whose informal economy is a vitally important structure that permeates the various links between gender and the macroeconomy. Because women are overrepresented in informal work, macroeconomic reforms to boost aggregate demand can lead to employment gains that disproportionately favor men. A multiplier analysis in Wanjala and Were (2009) for Kenya examines how domestic investment strategies targeting sectors with high linkages affect employment and pay. The authors show that women workers in Kenya benefit relatively less from new domestic investment in manufacturing since they predominantly work in sectors where the stimulus package creates low-paid, unskilled jobs. Hence financing for development by promoting domestic investment must support

women's skills acquisition, primarily through higher education and training opportunities, so that they have improved access to formal and skilled jobs.

V. Alternatives to Promote a Win-Win Outcome

Feminist scholars have advanced a variety of policy solutions to the problem of ongoing gender inequality in a neoliberal environment. Such solutions can have the subsidiary positive effect of stimulating investments in children, and raising economy-wide productivity. The growth that ensues from such investments generates the resources for states to further invest in development, hence the linkage between gender equality and resource mobilization to finance development. Here we focus on three innovative areas for gender-equitable reforms that could be integrated in a reconceived macroeconomic framework to promote gender equality along with economic growth.

The first area we highlight uses positive incentives through international trade to improve the wage levels and work conditions of the jobs that women do have. This approach is likely to be gender equalizing and growth enhancing insofar as more income and better work conditions generate greater income for women. These outcomes for women in turn improve children's well-being, and stimulate long-run productivity growth and output. It is important to reform international trade rules and create strong and enforceable labor standards via trade incentives that first and foremost reward promotion of good working conditions. Such a strategy also includes policies that provide disincentives for companies that seek to close plants when workers seek to improve working conditions. One example of how a trade incentive program can effectively improve working conditions is the case of *Better Factories Cambodia*, a program that grew out of the trade agreement negotiated between the Cambodian and United States

governments in 1999. In this agreement, Cambodia agreed to allow the International Labour Organization (ILO) to inspect its factories to ascertain whether decent work conditions prevailed. Names of those firms that violated the agreed-upon labor standards were posted online, providing buyers with the information needed to make choices about which goods to purchase, not only based on price but also on working conditions. Prior to the elimination of the Multi-Fiber Agreement, the United States would increase its quota allocation of garments in exchange for reports showing better working conditions in Cambodian factories. Evidence based on factory inspection reports in Berik and Rodgers (2009) indicates that the *Better Factories Cambodia* program has achieved modest improvements in working conditions in the garment sector.

There is scope for improving this approach—for example, by increasing transparency through the disclosure of the identities of buyers and of the factories that source them, thus reducing free rider problems of firms that do not comply. Other improvements include tracking more closely factory adherence to laws regarding freedom of association, collective bargaining, and non-discrimination. Nonetheless, the program constitutes an important step toward pushing firms to adopt fairer labor practices that are disciplined by trade incentives. If effective in raising wage rates, this type of program can be instrumental in moving the manufacturing sector toward a higher productivity path based on upgrading and diversification of export production. The effectiveness of such programs in improving wage levels and raising the global floor in wage rates require their simultaneous implementation in the poorest exporting countries. Otherwise the incentives are high for buyers to move to the next poorest country that has not implemented this type of program. Thus, tackling the footloose nature of capital that comes with trade and investment liberalization provides an important ingredient in the sustainability and long-run

success of a trade-incentives approach to improving working conditions. In addition, any strategy for improvement of labor standards necessitates complementary domestic policies that strengthen both labor- and non-labor aspects of export competitiveness. Non-labor components of costs and supply bottlenecks have often hampered competitiveness and created non-negotiable costs, making labor costs the only true variable cost. For example, investment climate data for Cambodia and Bangladesh show fairly clearly the need to fight corruption, which would serve not only macroeconomic objectives but also help to improve the enforcement of labor standards.

The second important area for gender-equitable policy that we highlight entails public sector investment. Investments targeted at women in the form of infrastructure expenditures (roads, clean water) reduce women's unpaid labor burdens, yielding more time to work at remunerative activities. Such investments have gained in importance as climate change and environmental degradation have forced women to adapt by spending more time on activities such as collecting water and fuel wood. Public sector investments in piped water, transportation, and electricity have direct effects of women's spending patterns on their children, and indirect effects as well, as women's bargaining power at the level of the household improves with beneficial effects on children's nutrition and educational status and women's greater control over their fertility.

Further, research shows that increased access to credit directed toward women (and facilitated by enforcement of existing legislation that permits women to own) can have important effects on food production in Sub-Saharan Africa, for example. A benefit of this, in addition to direct benefits to the family, is that reliance on food imports would diminish, conserving much-needed foreign exchange to purchase technology-intensive imports that can raise productivity and incomes. As Jeanne Koopman (2009) argues, however, without tackling import

liberalization, women farmers will not be able to compete with imported food in local markets even when they hold land titles or have access to credit.

Although fiscal austerity has made this option more difficult, use of public sector spending to equalize access to credit and agricultural inputs could have a profound positive effect on women's well-being, on children's well-being, and on overall agricultural output. One channel through which access to credit can achieve this goal is through increasing women's opportunities for self-employment. Self-employment constitutes an important source of productive work for women and men around the world. While some individuals start their own businesses as a means toward greater flexibility in generating income and new opportunities for innovation, others resort to self-employment in microenterprises as a coping strategy in the face of scarce employment opportunities. Especially in developing countries where the very poor are more constrained in their economic choices by the market environment, lack of infrastructure, and insufficient sources of affordable credit, small-scale entrepreneurship serves as one of the primary vehicles for income generation (Banerjee and Duflo 2007). In addition, women use self-employment as a means of combining employment with childcare responsibilities. A growing literature indicates that greater access to credit increases the likelihood of self-employment. Since self-employed households tend to be less poor, if greater access to finances increased self-employment probabilities, then this is one possible channel through which public sector spending on credit access can reduce poverty and improve well-being.

India's rural-sector banking reform constitutes an example of a reform that worked to increase access to credit. This state-led expansion of the banking sector, which began with the nationalization of banks in 1969, focused primarily on opening new bank branches in previously unbanked rural locations. Burgess and Pande (2005) demonstrate that this strategy led to a

statistically significant reduction in poverty in rural India while Menon and Rodgers (2009b) show that it led to an increase in women's likelihood of engaging in self-employment.

Menon and Rodgers (2009b) found pronounced differences between men and women in the responsiveness of self-employment probabilities to credit: formal bank loans and loans targeted for production purposes have a substantially stronger positive impact on women's likelihood of being self-employed as own-account workers compared to men. Furthermore, whereas such loans significantly reduce the probability of men's self-employment as unpaid family workers, they have little effect on women's work under this category. Such benefits to women from formal banking could be explained by the fact that since they have restricted access to formal employment as compared to men, the availability of loans has made it attractive for them to start a home-based enterprise.[11] Hence, at the grass-roots level, the greater outreach in rural finance afforded by India's rural banking reform benefitted women by increasing their probability of engaging in gainful self-employment beyond unpaid family work. That said, the solution to poverty reduction cannot be solely based on a strategy of generating microentrepreneurs as the ongoing popularity and proliferation of microcredit programs suggests. Such a strategy overlooks the bearing of risk by the poor, the saturation of domestic markets with microenterpreneurs, and the small loan traps that prevent women microenterpreneurs from raising their income levels beyond the poverty level.

The third area for intervention to promote gender equity highlighted in this paper is in public sector spending on human well-being. A top priority is increased funding to stop the spread of HIV/AIDS and to make treatment cheaper and more accessible for all those who are infected. The spread of HIV/AIDS has presented women with extraordinary challenges and undue hardship. Not only have women seen a dramatic increase in their risk of infection, they

have also experienced more difficulty than men in seeking treatment, and they have had to meet greater demands on their time in caring for the sick.[12] The gender discrimination and social structures that inhibit gender equality and women's rights have served as strong determining factors in the feminization of HIV/AIDS in developing regions. For example, India's macroeconomic policy reforms during the 1990s made women more susceptible to HIV/AIDS infection (Upadhyay 2000). Because the reforms cut agricultural subsidies, women shifted to jobs in the urban, informal sector, including sex work, which increased their risk of becoming infected with HIV. Decision-making power for women is closely related to their access to schooling and remunerative employment, their relations with their partners, and their reproductive rights. Understanding women's empowerment can shed new light on the particularly rapid spread of HIV/AIDS among women, since their ability to practice safe sex and seek treatment depends on their bargaining power.

Gender-aware spending programs are starting to gain prominence in policymaking efforts and in scholarly discourse. A good example is *Oportunidades* in Mexico (previously known as *Progresa* in Mexico and established as *Bolsa Familia* in Brazil). This program, recognizing that women tend to spend more of their income of families than men, offers conditional cash transfers to women. Two conditions must be met to qualify for these transfers: 1) children must be in school, and 2) children must be immunized and brought in for regular health checkups. These programs have been successful in improving children's and women's well-being, and show that small budgets can go a long way if they are targeted. However, the program's benefits are confined to families with children and those who are not so poor as to be able to afford to take away time from earning incomes in order to fulfill the conditions of the program (Latapí and Gonzales de la Rocha 2009).

Furthermore, such programs are only as good as the country's health and education system, once again raising the importance of situating them within an enabling macroeconomic policy framework. Making sure children are in school when the resources available to teach children is inadequate, or immunization when countries are plagued by other public health problems that threaten children's health reduce the effectiveness of these programs. Sufficient funding for education and health care is therefore necessary if programs such as *Oportunidades* are to achieve their long-term goal of breaking the cycle of poverty. Funding requirements include increases in public spending in excess of what has been permitted by the international financial institutions. A new approach to fiscal budgeting is sorely needed—an approach that is not short-term, but rather, recognizes that investments in health and education are long-term investments. It makes good economic sense to spend for such types of expenditures, even if it means creating or building a deficit. This argument implies that a balanced budget or a budget surplus model for the public sector budget is not realistic, or even effective. Because returns from human investments are realized over the long-run, to have a requirement that public sector budgets be balanced in the short-run is counter to the goal of sound investment, and in particular, the goal of gender equity.

Another ingredient that would enhance the effectiveness of conditional cash transfer programs is macroeconomic policies that boost demand and generate employment. The children who stay in school and are in good health will need jobs when they enter the labor force. This suggests that the government has an important developmental role to play—that is, in developing industrial policy for both manufacturing and agricultural sectors. Identifying key sectors for development, targeting credit to firms in those sectors, and socializing some of the risk of large investment projects are useful tools of industrial policy. The goal of such strategies is to: 1) help

domestic entrepreneurs move up the industrial ladder to the production of skill- and capital-intensive goods, thereby increasing the number of well-paying jobs in the economy, and 2) provide or coordinate the necessary research to improve crop yields and to develop systems to ensure that small scale farmers have access to adequate inputs to raise their productivity and output. Examples of countries that have successfully used industrial policy include South Korea (Amsden 1989), and more recently, China, which has assisted domestic producers acquire the financial resources and technology necessary to move into IT and software production.

It is important to mobilize domestic and donor resources for investment in human well-being. Detailed cost calculations in Grown et al (2008) estimate the average annual per capita costs of achieving gender equality and women's empowerment in five low-income countries (Bangladesh, Cambodia, Ghana, Tanzania, and Uganda) and find they vary between $37 - $56, which represent between 35-49 percent of the total costs of achieving the Millennium Development Goals in these countries. Such investments promote equity, raise productivity and improve long-run growth and well-being. Higher incomes generated as a result of such investments can then be used to pay down the accumulated debt used to fund such expenditures. Financing gender equality is thus a means to generate financing for overall development.

Feminist economists have advanced several innovative proposals to fund development initiatives; these proposals could readily be applied to the goal of financing gender equality, particularly given the societal payback of such investments. Kabeer (2004) notes that at the end of the 1970s, the Brandt Commission proposed that in place of foreign aid with its concomitant debilitating conditionalities, a global tax linked to a country's per capita GDP could be enacted to generate revenue for a global social fund. While that idea fell by the wayside due to fallout from the international debt crisis of the 1980s, since that time, proponents have advanced the

idea of a global currency transactions tax (CTT), such as a Tobin tax, on cross-border financial transactions. Such a tax would be beneficial because it is progressive and it deters otherwise socially costly speculative financial activity. A global CTT could serve as a useful source of revenue to target gender equalizing expenditures, with proposals for CTT rates varying from 0.005% to 0.25% that could generate between $35 to $300 billion in revenues a year, arguably enough to finance MDG3 (Seguino 2009b).

VI. Conclusions

The mobilization of resources to fund development is key to raising living standards globally. Moreover, guidance on how to invest those resources is offered by research on the role of gender in stimulating growth and development. The promotion of gender equality is not only constitutive of development, but also is instrumental for setting in motion virtuous cycles of development. Economic research also shows that investments in gender equality can stimulate economic growth, thus expanding the resource pool to fund continued development and growth.

Our discussion of the detrimental well-being effects of trade and investment liberalization, restrictive fiscal policy, and financial liberalization laid the groundwork for consideration of alternative set of macroeconomic policies. The innovative gender-aware or gender equality promoting programs that we evaluate in this review further underscore the need to situate such programs within an alternative macroeconomic framework. The promotion of gender equality as a first step in mobilizing ever-greater resources for financing development requires a macroeconomic environment in which equity is compatible with economic growth. This requires that trade and investment rules, as well as regulation of finance be subordinated to the broader goals of gender and racial/ethnic equality, job creation, and economic security. These

broader goals require a role for the state to manage trade, regulate capital flows, and act as a visionary in providing incentives for firms to base their accumulation of profits on innovation and entrepreneurial ingenuity, not on the underpayment of workers.

Industrial and agricultural policies are crucial for making growth not only equitable across households and classes (Reinert 2007), but also equitable by gender. Country-specific industrial policies will differ depending on the structure of the economy, the nature of gender employment segregation, and skill levels and differences. The basic goal of a gender sensitive industrial policy would be to provide a set of economic incentives and regulations that: 1) stimulate productivity growth in female-dominated industries; 2) promote strategic industries (such as more skill- and capital-intensive industries as well as labor-intensive industries in niche markets where quality matters) that can afford to pay high wages to workers; and 3) allow pursuit of full employment through demand-side management policies (Seguino and Grown 2006).

An enabling macroeconomic environment might require restrictions on physical capital mobility in a way that constrains firms to upgrade rather than run from higher wages.[13] A non-exhaustive list of corollary policies include state-level investments in education and health that are gender-enabling, expenditures that permit women and men to combine paid and unpaid work, capital controls, and gender-sensitive monetary policy.

Similarly, comprehensive agricultural policies that target credit and technological inputs to women farmers are essential to promoting gender equality in agricultural economies. Raising women's share of inputs and access to finance through such a strategy can raise agricultural productivity, thereby increasing food output and reducing the demand for food imports. This

strategy promises to have beneficial effects not only on gender equality but also on the balance of payments constraint (Seguino 2009a).

Future research by feminist economists can fruitfully focus on development of additional proposals that will promote gender equality and growth, with such proposals supported by simulations and estimations to provide persuasive evidence of their efficaciousness. This area of work has only begun, and we hope this paper stimulates authors to make further advances so that governments will have viable strategies and associated cost-benefit analyses to guide their actions.

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Endnotes

[1] Each author contributed equally to this paper, which emerged out of our co-editorship of a special issue of *Feminist Economics* (July 2009) on inequality, development and growth.

[2] Government adherence to trade agreements and insertion into such organizations as the World Trade Organization will constrain government policy choices.

[3] Examples in agriculture include women's employment in the production of cut flowers in Tanzania, grapes in Chile, maize, beans, and flowers in Uganda, and tea in Sri Lanka (Barrientos *et al.* 1999; Blackden *et al*. 2007; Samarasinghe 1998).

[4] Elson and Person (1984) explain how the supposed natural and innate skills of women workers that are played up by employers are the product of gender socialization and years of informal training in the home, prior to entry into employment in export factories.

[5] Much of the research suggests that gender gaps are only partially due to productivity differentials with a full 2/3 of gender gaps attributable to discrimination. For some examples, see Birdsall and Behrman (1991), Behrman and Zhang (1995), Horton (1996), and Psacharopoulos and Tzannatos (1992). The latter two studies find that the bulk of gender wage differentials (55 percent in Asia and 75 percent in Latin America) are explained by factors other than human capital differences.

[6] The state also played a key role in directing that foreign exchange to strategic high-tech industries that are male-dominated, and moved the country up the industrial ladder.

[7] One implication of these results is that gender inequality is not always and everywhere a stimulus to growth; in particular, it is likely that gender wage inequality does not serve as a stimulus to growth in some low-income agricultural economies (Blackden *et al*. 2007; Seguino 2009).

[8] The "rule of 70," a compounding formula used to estimate an investment's doubling time, was used to make this estimate.

[9] There are other reasons women cannot take on skilled jobs, even if they do possess adequate education. Such jobs may require skills training and employers are reluctant to invest in women, given gender stereotypes about men's breadwinner role and women's role as caretaker in the home and employers' fears that women will leave the labor force. This is less likely to be the case in those countries that possess national childcare programs, such as in France. A further reason is that when good jobs (jobs with security and benefits) are scarce, employers and male employees act to ensure that men are given the best jobs, due to their dominance in the gender hierarchy, with women given lesser positions with no supervisory role.

[10] Rising interest rates on external debt are another reason such public sector deficits emerged. With financial liberalization, interest rates have risen internationally, in part due to monetary policy in the US, but also due to the bid of domestic economies for now liberalized financial capital flows.

[11] This potential explanation is supported with evidence in Pitt and Khandker (2002) for Bangladesh, which cites women's small amount of time spent in paid market work relative to women's time spent in all types of work as the main reason why their labor supply responsiveness to credit does not vary much by seasons, in contrast to that of men.

[12] See the October 2008 special issue of Feminist Economics on AIDS, sexuality, and economic development on these issues.

[13] For a discussion of policies to make foreign direct investment work for gender equality, see Braunstein (2008).