

TRAINING MANUAL

THE UN WOMEN GENDER AND ECONOMICS TRAINING MANUAL



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ACRONYMS

ALMP	active labour market policy	GRB	gender-responsive budgeting
BoP	balance of payments	GVC	global value chain
CB	central bank	GWG	gender wage gap
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women	HDI	Human Development Index
CPI	Consumer Price Index	HDR	Human Development Report
CSO	civil society organization	HLFS	Household Labour Force Survey
CSW	Commission on the Status of Women	HOS	Hecksher-Ohlin-Samuelson model
D	demand	HPI	Human Poverty Index
E	employment	ICLS	International Conference of Labour Statisticians
Eq	equilibrium	IDI	Inclusive Development Index
ECI	elderly care insurance	IHDI	Inequality-adjusted Human Development Index
EGS	employment guarantee scheme	ILO	International Labour Organization
EOI	export-oriented industrialization	IMF	International Monetary Fund
EU	European Union	INSTRAW	International Research and Training Institute for the Advancement of Women
EWCS	European Working Conditions Survey	ISI	import substitution industrialization
FDI	foreign direct investment	JGSI	Jobs Gender Segregation Index
FX	foreign exchange	LF	labour force
GAD	gender and development	LFP	labour force participation
GDI	Gender Development Index	LIAE	low income agricultural economies
GDP	gross domestic product	LIMTCP	Levy Institute Measure of Time and Consumption Poverty
GEM	Gender Empowerment Measure		
GII	Gender Inequality Index		
GNI	gross national income		

LIMTIP	Levy Economics Institute Measure of Time and Income Poverty	SME	small and medium-sized enterprise
MDG	Millennium Development Goal	SNA	System of National Accounts
MEC	mineral exporter country	SPF	social protection floors
MFA	Multi-Fibre Arrangement	SSA	sub-Saharan Africa
Mol	means of implementation	TUS	time use survey
MPI	Global Multidimensional Poverty Index	U	unemployment
NGO	non-governmental organization	UN	United Nations
NICS	National Integrated Care System of Uruguay	UNDP	United Nations Development Programme
NMEC	non-mineral exporter country	VAT	value added tax
OECD	Organization for Economic Co-operation and Development	W	wage
OGSI	Occupational Gender Segregation Index	WB	World Bank
P	price	WBGB	well-being gender budgeting
PI	portfolio investments	WC	Washington Consensus
PPP	purchasing power parity	WEF	World Economic Forum
PWW	Progress of the World's Women	WID	women in development
Q	quantity	WTO	World Trade Organization
QoL	quality of life		
S	supply		
SAP	structural adjustment programmes		
SDG	Sustainable Development Goals		
SIE	semi-industrialized economies		

INTRODUCTION

This manual on gender and economics is intended to provide basic and intermediate level training to development practitioners including governments and policy and programme staff in international development agencies. The overall objective of the course is to strengthen the capacity of technical advisors and programme staff on the importance of gender-responsive economic policy. More specifically, the manual:

(1) introduces participants to economics in general and presents feminist approaches to macroeconomics, microeconomics and international economics;

(2) exposes participants to critical analyses of global and regional economic trends, including those related to economic crises;

(3) enhances the skills of participants in formulating gender-responsive economic policy for programme implementation, policymaking, and advocacy; and

(4) strengthens the capacity of participants to network with other development practitioners, scholars and policymakers.

The training course is divided into nine modules:

- Module 1: Introduction to Economics
- Module 2: Introduction to Gender-aware Economics and Methods of Analysis
- Module 3: Gender and Macroeconomics
- Module 4: Unpaid Work
- Module 5: Employment, Decent Work and Social Protection
- Module 6: Gender, Income Inequality and Poverty
- Module 7: Gender, Public Finance and Investing for Gender Equality
- Module 8: Gender, Trade and Value Chains
- Module 9: Economic Policymaking and the SDGs: How to Reach the Goals



INTRODUCTION TO ECONOMICS

MODULE 1

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LEARNING OBJECTIVES

Module 1: Introduction to Economics consists of two major sections. The first half of the module discusses the basic concepts, assumptions, methods and objectives of the discipline of economics by introducing the mainstream approach used in economics education and practice: the neoclassical framework. The second half of the module introduces a heterodox framework consisting of a series of alternative schools of economic thought distinct from, and critical of, mainstream economics. Module 1 also introduces the feminist critique of neoclassical economics – a critique discussed in depth in *Module 2: Introduction to Gender-aware Economics and Methods of Analysis*.

By the end of Module 1, participants are expected to have a basic understanding of the following key facets of mainstream economics:

- the relevance of economic insights to the work of development practitioners;
- basic economic concepts, assumptions, methods and objectives of the economics discipline, as presented in mainstream neoclassical economics;
- the mainstream neoclassical account of how markets work through supply, demand, price mechanisms and equilibrium in markets; and
- critiques of the neoclassical framework from alternative economic perspectives.

1.1 Why a Development Practitioner Needs to Know About Economics

Knowledge of economics contributes greatly to understanding and addressing development issues. The concepts and tools of economics are essential in assessing the possible outcomes of competing policy options. Development practitioners, working at national or international levels, can have a substantial impact on policy design and implementation towards economic, social and human development. While a development practitioner may lack formal training in the discipline of economics, familiarity with its analytical framework and knowledge about ongoing policy debates improves the ability to understand the local context. Module 1 presents the key features of traditional economics and then shifts to introduce various debates within the field. Finally, we examine key economics concepts using a gender-aware paradigm.

The overarching objective is to facilitate development practice that better reflects the needs and priorities of all people - leaving no one behind - including women and girls.

The main debate over economic policy concerns the best way to organize the relations of production, consumption and accumulation. The policy debate has two sides:

1. **Neoclassical economics** featuring *almost no central regulation* and facilitated through markets and price mechanism (See Box 1.3 on the demand and supply model that explains how economic relations are regulated by the price mechanism in free markets) and

2. Alternative economic perspectives featuring *limited or considerable regulation* (on a spectrum ranging from social democracy to central planning).

The debate on economic policy at international, regional and national levels has crucial implications for development practitioners; it establishes the framework of all development questions and the subsequent design of policies and programmes. The first approach argues for no central regulation. Neoclassical economics underpins neoliberal economic policies applied by governments under the guidance of international economic policy institutions, namely the International Monetary Fund (IMF) and the World Bank (WB). The second approach reflects alternative economic perspectives, pointing to the uncertainties and inequalities generated by the market mechanism. Unorthodox perspectives question the market's ability to deliver well-being for all.

Indeed, alternative economic approaches prioritize concerns related to human development, sustainable development, poverty and equality, and include non-market domains of life in the assessment of well-being. This development-oriented economics consists of a wide range of other approaches to economic policy such as Keynesian, feminist, Marxian, institutionalist and ecological economics. These unconventional methods fall under the rubric of heterodox or non-mainstream economics. The United Nations system and other development institutions often work within this human development-centred economic framework.

Neoclassical economics dominates mainstream economic policymaking. Based on a utilitarian framework, this paradigm values economic policies based on maximization of benefits and minimization of costs. Government interference in the economy is a distortion of the market mechanism leading to less efficient outcomes. In this framework, government intervention is only acceptable if its benefits exceed costs; this comparison is carried out in money-metric terms. Similarly, overall economic success is measured based on the maximization of total output, i.e. the growth rate of the gross domestic product (GDP).

Concepts of economic liberalization (trade and financial liberalization) and privatization (smaller government) presume that the most efficient ways to maximize economic growth are private ownership and market competition. The main objective of economic policy, therefore, is to maximize GDP growth so that everyone can get a larger slice of the pie. If some people are made worse-off in the process, this is a secondary issue that can be balanced out via taxation and public expenditure. Critics of the neoclassical approach to economics, however, observe that redistributive measures often come as afterthoughts. They are not intended to cause major distortions nor are they of central concern to economists.

Non-mainstream economists challenge this trust in the market mechanism, both theoretically and empirically. Heterodox economists underline that both inequalities (Marxian view) and crises (Keynesian and Marxian views) are inherent to capitalism. In contrast to the neoclassical view, state intervention is often a necessity and, ultimately, the key to sustained economic growth. Most importantly, alternative economists underline the connected nature of production and distribution and argue that “the way in which the pie is produced constrains the way in which it can be sliced” (Balakrishnan and Elson, 2008, p. 3). They assert that redistribution of wealth is far from a systemic occurrence. Indeed, it is neither included in policy design nor is it likely to occur when faced with resistance from those who benefit most from conventional approaches to the economy.

The focus of heterodox economists, as well as UN institutions, is not GDP growth but the advancement of human capabilities and development. This approach eschews the use of gross domestic product per capita alone. GDP, when divided by population, only indicates how much each person would receive from the pie if it were distributed equally; it does not question *how* the pie is to be distributed in the first place. Instead, alternative perspectives pay attention to the advancement of public expenditures that address human development issues and inequalities and assesses whether there has been progress over time and/or compared to countries with comparable per capita GDP (Balakrishnan and Elson, 2008, p. 11). Unlike orthodox economists, heterodox

economists prioritize issues of inequality, poverty and other human development-related concerns as central policy objectives.

Development currently faces critical challenges due to frequent and increasingly long-lasting economic and financial crises. Moreover, contemporary development struggles with food and ecological crises, pressures on reproduction due to poverty of time and crises in care provisioning, and major political and security turbulence. The increasing frequency and severity of crises seriously impact the development agenda of many countries. Within the context of economic downturn, the dominant neoclassical approach to the economy clings to procyclical fiscal policies and tends to claw back resources originally intended for development.

To preserve and advance development gains in an uncertain economic environment, development practitioners need to be able to evaluate the macroeconomic context that enables, or sets, barriers to development objectives. To gain and preserve ground, development practitioners need to assess the macroeconomic framework of mainstream economics. They need to be familiar with alternatives if they are to maintain the development agenda. *Module 3: Gender and Macroeconomics* features in-depth discussion on competing frameworks in macroeconomic policy and provides insight into the benefits for practitioners in applying a gender-aware macro policy framework.

The field of economics also provides development practitioners with insights into how to adequately evaluate alternatives. For example, consider a non-governmental organization (NGO) that addresses the low school enrolment of specific groups of children. While the first idea might be to invest in building a new school, or enforcing mandatory schooling, neither idea will solve the problem if parents need their children to work and support family consumption needs instead of going to school. This is indeed the case in many underdeveloped rural settings where children help parents with family farming, fetching and carrying water and firewood. To tackle any development-related problem, it is important to properly understand local economic circumstances and how they impact individuals.

This training manual is aimed at development practitioners with little or no background in economics, as well as those with a background limited to mainstream economics. Through the programme, participants will gain insight into how to broach real world problems using an alternative and progressive understanding of economics. With a view to accessibility, the manual simplifies the field of economics and does not require familiarity with advanced mathematics. *The key objective is to equip development practitioners with a basic knowledge of the field's theoretical perspectives and provide analytical tools and useful examples of empirical research in support of gender-sensitive economic analysis.*

1.2 Introduction to Economics in Mainstream Neoclassical Textbooks

Most contemporary economics textbooks focus on the neoclassical approach. This section briefly introduces the mainstream understanding of basic economic concepts, the market mechanism and so-called scientific knowledge production.

1.2.1 Thinking Like an “Economist”

Economist as a Scientist

Economics, as a social science, claims to adopt the *scientific method* to develop and test theories of how the world works. It asserts that economists should approach the economic phenomena they study with the attitude of a physicist or any other positivist scientist. Accordingly, the role of the economist is solely to explain how the economy works using an objective, value-free approach.

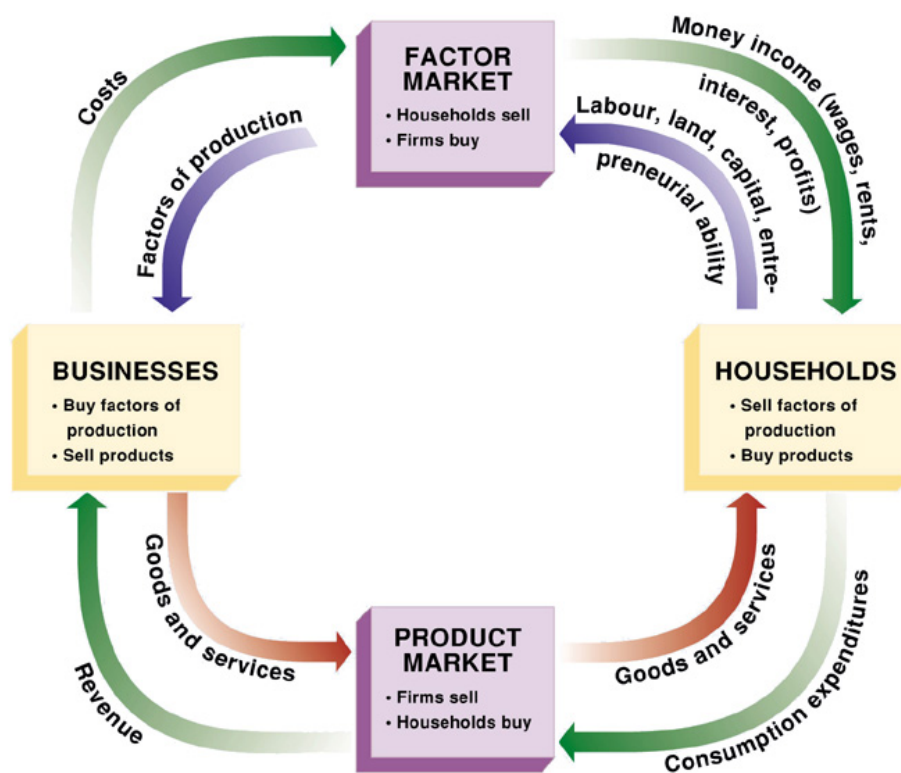
The role of assumptions and models

Unlike most of the sciences, economists cannot undertake experiments; they can neither determine economic events nor replicate ones that have already taken place. Instead, economists can build models based on realistic assumptions and use historical data to test their theories. To simplify a complex world and understand the question at hand, economists

must make **assumptions**. As will be presented shortly, neoclassical economic theory is based on what are considered axiomatic assumptions regarding human behaviour. These unquestionable beliefs are used to

inform models and explain economic phenomena. In the conventional approach, **economic models** are simplified representations of economic dynamics, commonly composed of mathematical equations and graphs.

FIGURE 1.1
Circular Flow of the Economy



Source: Retrieved from The University of British Columbia http://wiki.ubc.ca/The_Circular_Flow_Diagram

The circular flow diagram is a simplified depiction of the economy with two groups of agents: households and businesses. *Households consist of individuals who own and supply factors of production* (land, labour, entrepreneurial ability and capital) in the factors market to earn money income from businesses (rents, wages, profits and interest). *Businesses demand factors of production* in the factor market and use them in production. They sell their goods and services at the product market to consumer households who spend their factor income to satisfy needs. The outer flow in the diagram, with green arrows, shows the monetary elements of the exchanges whereas

the inner stream in red illustrates the flow of goods and services and factors of production.

Positive versus Normative Economics

Positive economics concerns the development of positive statements that are objective and verifiable. On the one hand, positive statements aim to reflect the material reality and do not entail our political or ethical judgments. On the other hand, normative statements include subjective value judgments and often include words like *should*, *ought to*, and *must*.

BOX 1.1

Positive vs Normative Economics

Positive economics concerns objective and scientific explanations of the working of the economy.

Normative economics offers recommendations based on personal value judgments.

Microeconomics versus Macroeconomics

Microeconomics focuses on a unit of analysis and studies the behaviour of individuals, households and individual firms in decision-making processes within various market settings.

Macroeconomics studies economy-wide phenomena such as economic growth, inflation, unemployment, monetary policy, and fiscal policy.

1.2.2 What is Economics?

Economics is the study of how people make economic decisions, how they interact in the economic sphere and the general trends in economic indicators. **It looks at the production, distribution and consumption of commodities and how these limited resources are allocated.**

There are *two major components* in economics: scarcity on one side and infinite human wants and desires on the other. Scarce resources are limited factors of production, namely labour, natural resources and capital. The objective of meeting the endless needs of people derives from the assumption that people possess limitless desire for goods and services and inevitably believe that more is better. This assumption is referred to as the *non-satiation principle*.

There are three central coordination questions in economics. What to produce? Who to produce it? For whom to produce? In answering these fundamental questions, economics explains how scarce resources should be allocated given competing claims on their use. The trade-offs people face in allocating their limited resources forces them to decide and choose between alternatives. The centrality of the question of choice defines the choice-theoretical framework of neoclassical economics.

1.2.3 How People Make Choices: Assumptions About Human Behaviour

Human behaviour is complex; any single decision and behaviour rests upon an accumulation of personal history, the individual's psychological state and circumstances, as well as her or his dynamic interaction with others and the environment. Despite this complexity, conventional economics simplifies and defines a representative individual and human behaviour for all humanity.

Referred to as "**Homo economicus**" or **economic man** in neoclassical economics, this representative unit of analysis makes decisions based on cost and benefit analysis. Hence, she or he knows and compares the costs and benefits of alternative courses of action. All people are assumed to be such rational beings, systematically and purposefully weighing the marginal benefit and marginal cost of their actions to maximize utility.

Another fundamental assumption is that all individuals respond to incentives; in other words, their decisions can be influenced by punishment and reward.

BOX 1.2

Axiomatic Assumptions about Human Behaviour

- All people are perfectly rational.
- People are utility and profit maximizers, making decisions by comparing the marginal benefit and marginal cost of their behaviour.
- Preferences are formed by external factors that are outside the realm of economics.
- People are egoistic, self-interested and competitive by nature.
- Preferences are formed independently and without the influence of others.
- People have perfect information.
- Insatiability: more is better. The utility we receive increases as we consume more of a good or service. The utility we receive is high at initial levels of consumption of a good or service yet as the quantity consumed increases, the utility we receive from the additional units of consumption decreases. Hence, due to this *decreasing marginal utility principle*, at higher levels of consumption total utility we receive increases – but at a decreasing rate.

1.2.4 How Markets Work: the Invisible Hand

The intellectual basis and basic concepts of classical economics are found in Adam Smith's **The Wealth of Nations**, published in 1776. Both this book and Smith's earlier publication, **The Theory of Moral Sentiments**, argue that an individual's main drive is the pursuit of self-interest rather than the public good. In Smith's (1776) theory of free markets, he argues that if left alone, *all individuals pursuing their own interests would unintentionally promote public interest*. He states:

It's not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow citizens...Every individual...neither intends to promote the public interest, nor knows how much he is promoting it...He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end, which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it (p.19).

The unintentional promotion of public interest in the pursuit of one's own interest is explained by the price mechanism and market dynamics. The **market** is a physical or virtual place where buyers and sellers of goods and services meet for exchange. In a market setting, buyers and sellers are two groups with conflicting interests. Buyers would like to purchase the best quality goods and services by paying the least price possible. Sellers would like to maximize their profitability by producing, in the least costly way, and selling their goods and services for the highest price possible.

Classical economics assumes that markets in a free market economy are perfectly competitive. To achieve a **competitive market**, basic assumptions include the following: there are many buyers and sellers, hence none can have monopoly power in price determination; entry to and exit from the market is free; and everyone has perfect information; in other words, all information is accessible by anyone. Due to competition among suppliers, each one is forced to produce in the most effective way and sell at the lowest possible price to achieve quality and price competitiveness. Everyone is guided by the price mechanism to pursue her or his own interest. For example, when a seller's goods are expensive compared to other market suppliers, she will recognize this via accumulating stocks and lower the price. Indeed, the belief is that the price mechanism will lead everyone – like an invisible hand – to ask for and pay the equilibrium price

rate; in other words, the price level that equalizes the quantity supplied and quantity demanded of the good, thereby satisfying all market participants.

Market Forces

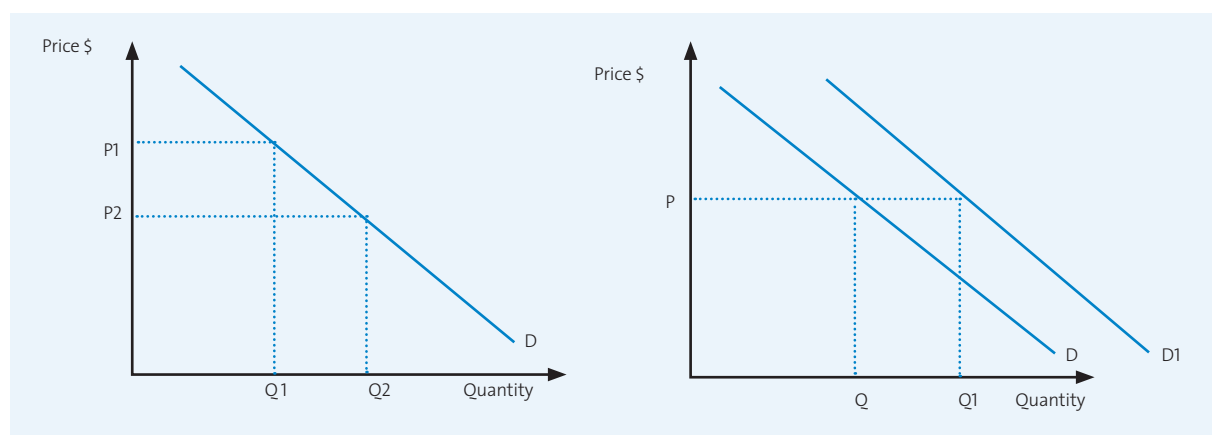
Demand

Demand (D) schedule for a good or service is a table indicating quantities that will be bought at various prices. The demand curve reflects the negative relationship between price (P) and quantity (Q) demanded. If the price of a good or service increases, the quantity demanded decreases as the ability and willingness to buy decreases. Inversely, if the price of a good or service decreases, the change leads to an increase in people's ability and willingness to buy more of that good or service. Hence, a change in the price of a good or service results in movement in an opposite direction along the demand curve. Market demand is derived by adding up all the individual demand curves in the market. This is called the horizontal summation of demands by all

individuals for a product. It is the addition of quantities represented in the horizontal axis (Figure 1.2).

Other factors that affect the demand for a good or service – such as changes in people's income, the number of buyers, the price of related goods (substituting goods, complementary goods), tastes and preferences, and future expectations – shift the demand curve to the right or to the left, leading to greater or lesser demand in quantity for the good at the ongoing price level. For example, when the income levels of buyers increase, they can afford to buy more of the good or the service. Goods are categorized as normal goods and inferior goods in relation to the difference in demand behaviour of consumers when the income level changes. Inferior goods are relatively cheaper substitutes that consumers would demand less if they had higher income levels. On the contrary, if the good is a normal good, the quantity demanded at each price level increases when the incomes of the buyers increase and the demand curve shifts to the right.

FIGURE 1.2
Movement along the Demand Curve vs Shift of the Demand Curve



Supply

Supply (S) of a good or service indicates various output quantities sellers are willing and able to sell at various prices. There is a positive relationship between the price and quantity supplied of the good. The profit of the seller is the difference between total revenue (price multiplied by the quantity supplied) and total

cost. Sellers, aiming for profit maximization, can reach this goal either by minimizing production costs or by maximizing total revenues. All things being equal, a change in the price leads to a change in quantity supplied in the same direction, with price depicted as a movement along the supply curve. An increase in prices results in a greater quantity supplied – both due to increasing willingness to supply more with

higher profitability and to increasing ability to supply more. The market supply is the horizontal sum of all sellers' individual supply curves.

Other factors that affect the supply curve are input prices, technology, expectations, and the number of sellers in the economy. When a change occurs that

influences the supply of a product, other than the price of that product, the whole supply curve shifts. For example, an increase in input prices leads to a decrease in profitability and a lower quantity supplied at all price levels. This impact is depicted with a leftward shift of the supply curve (Figure 1.3).

FIGURE 1.3
Movement along the Supply Curve vs Shift of the Supply Curve



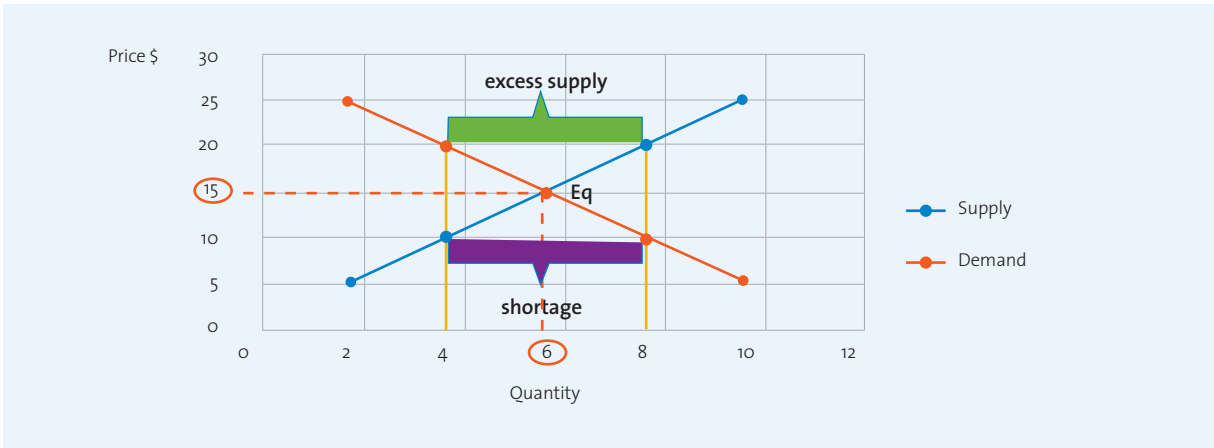
Market Equilibrium

Economic equilibrium (Eq) in a market occurs when conflicting interests in the supply and demand sides of the market are mutually satisfied by the price level at which quantity demanded equals quantity supplied. The intersection point of the supply curve and the demand curve on the graph below is the market equilibrium (Box 1.3). Corresponding price and quantity are the equilibrium price and equilibrium quantity. At the equilibrium, neither the supply side nor the demand side creates any pressure on the prices to change.

Mainstream economics argues that unless there are influences on – or interventions in – the economy, market forces automatically bring the market to economic equilibrium. To illustrate, if the price level is above the equilibrium price level, the accumulating stocks of unsold products indicate to suppliers to lower the price and produce less as they move down along the supply curve. Conversely, when the price level is below the equilibrium rate, the shortage of goods leads the demand side to pay more, moving up along the demand curve and then market equilibrium is achieved.

BOX 1.3 Market Equilibrium

Quantity Supplied	Price	Quantity Demanded	Excess Supply/Shortage
10	25	2	8
8	20	4	4
6	15	6	0
4	10	8	-4
2	5	10	-8

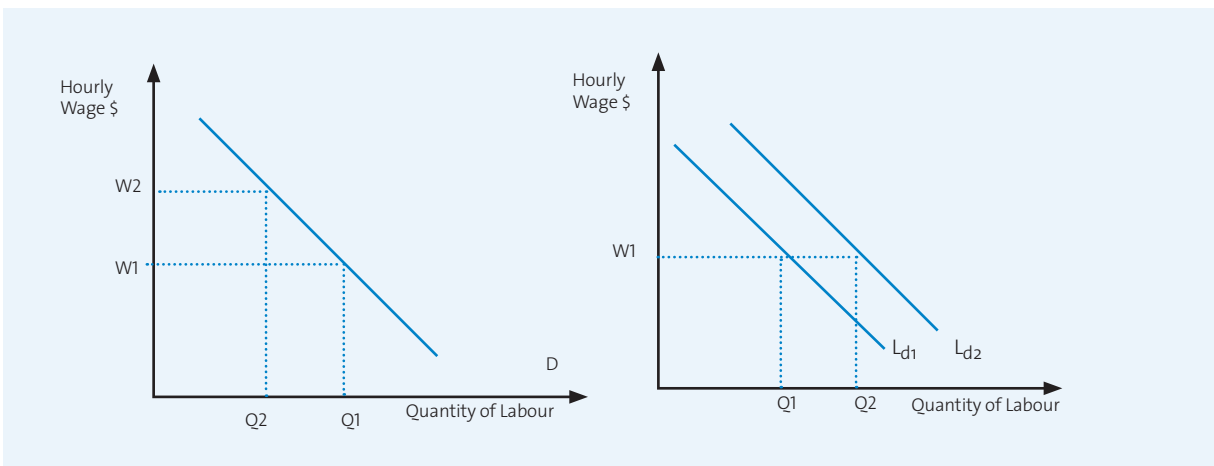


The Market for the Factors of Production: Equilibrium in the Labour Market

As presented in Figure 1.1 **Circular Flow of the Economy**, the market for factors of production includes the inputs used in the production of goods and services. Land, labour, entrepreneurial ability and capital are the four fundamental factors of production with labour the most important. In the neoclassical framework, the supply and demand dynamics in the labour market are like those in the market for goods and services.

In the labour market, employers constitute the **demand for labour** because firms need to hire labour to produce goods and services. Employer demand for labour has an inverse relationship with the wage rate. The quantity of labour hours demanded increases as the hourly wage decreases and vice versa (Figure 1.4). Demand for labour is determined by demand for products. Other factors causing the labour demand curve to shift are changes in output price, technological change and the supply of other factors.

FIGURE 1.4
Movement along the Labour Demand Curve vs Shift of the Labour Demand Curve



Household members, willing and able to rent their labour power at the ongoing wage rate to sustain a living, comprise the **labour supply**. Labour differs from other factors of production or other goods supplied in

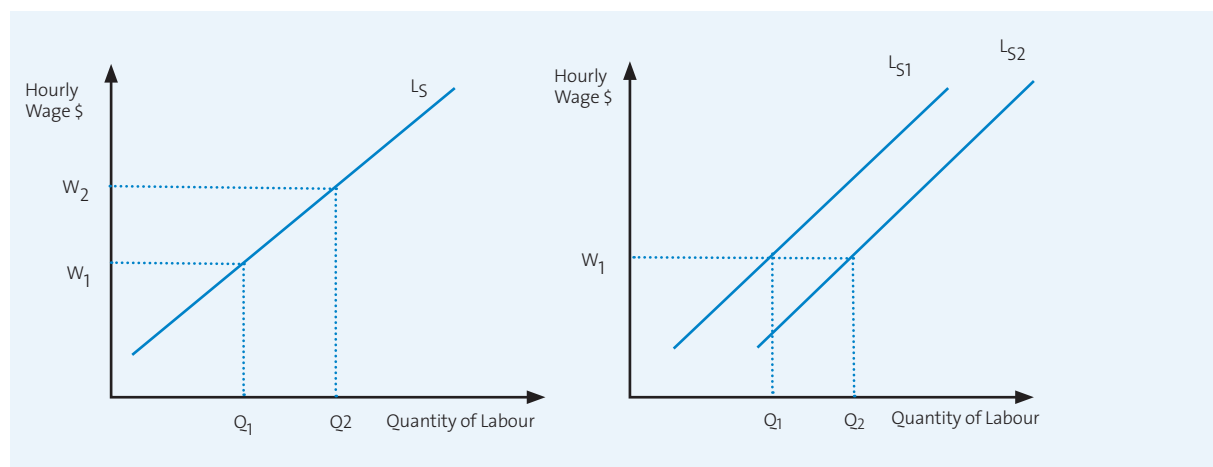
the market as it is inseparable from the person who supplies it. Besides the wage rate, many factors described under decent work conditions can determine the supply of labour. The inseparability of labour power

from the labourer necessitates legal and institutional regulations that enforce a basic floor to ensure decent working conditions for all.

In neoclassical economics, the labour supply decision is described as a choice between work and leisure. This **choice theoretical framework**, based on the opportunity cost concept, argues that the labour supply decision depends on the opportunity cost of (an hour of) leisure. If the hourly wage is \$15, the opportunity

cost of leisure time is \$15. If the wage rate goes up to \$18, then the opportunity cost of enjoying leisure time becomes costlier. There is a positive relationship between wages and the quantity of labour hours supplied. A wage increase or decrease results in an upward or downward movement along the labour supply curve. Any other factor that affects the labour supply decision, apart from the wage rate, results in a shift of the curve (Figure 1.5).

FIGURE 1.5
Movement Along the Labour Supply Curve vs Shift of the Labour Supply Curve



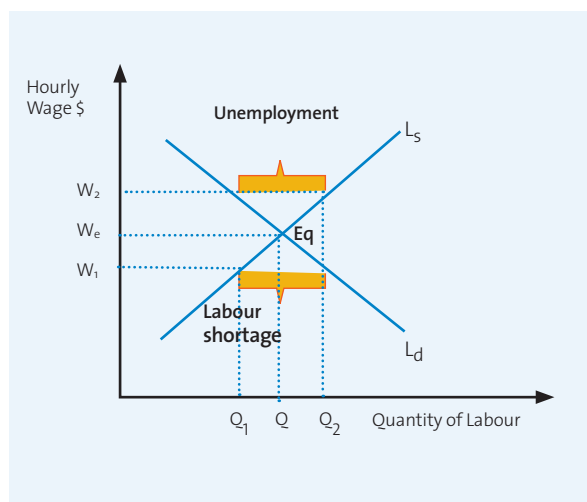
Equilibrium in the labour market is also achieved through the price mechanism and wages adjust to balance demand for, and supply of, labour. When the economy is at equilibrium, all supplied labour is employed at the equilibrium wage rate and there is no unemployment (Figure 1.6). Any wage rate above the equilibrium wage rate results in a greater quantity of labour supplied compared to quantity of labour demanded and causes unemployment.

Unless prevented by regulation, unemployment leads to a lowering of the reservation wage (the wage rate workers accept to supply their labour) until it becomes equal with the equilibrium wage rate and unemployment disappears. This scenario is the foundation of a well-known neoclassical counterargument against minimum wage policy: adoption of a legal wage floor,

above the ongoing equilibrium wage, does not help but instead hurts labourers as it creates unemployment. At the same time, any wage level below the equilibrium wage leads to excess labour demand driving up wages.

Contrary to the neoclassical assumption that labour market clearing of excess supply or demand occurs like in any other product market, the Keynesian framework argues that neither wages, nor other prices, are flexible in real life and that market clearing does not occur by itself. See *Module 3: Gender and Macroeconomics* and *Module 4: Unpaid Work* for detailed discussion.

FIGURE 1.6
Labour Market Equilibrium



1.3 Heterodox Critiques of Neoclassical Economics

As noted earlier, other schools of economic thought question the basic assumptions, functioning and objective of neoclassical or orthodox economics. This section briefly summarizes the viewpoint of heterodox economic approaches and introduces the feminist

critique of economics – a topic discussed at length in *Module 2: Introduction to Gender-aware Economics and Methods of Analysis*.

Heterodox economics reflects alternative theoretical systems, such as those developed by Marx, Keynes and Veblen (see Appendix 1.1 for major tenets of six key schools: classical, neoclassical, Marxian, Keynesian, institutionalist and feminist). Box 1.4 summarizes the key characteristics and criticisms of heterodox economics and describes ten fundamental paradigmatic differences.

To elaborate on the variations between orthodox and heterodox economics, we turn now to their respective interpretations of the history of economic thought. Theories cannot be understood outside social and historical context. Hodgson’s (2001) contention that “economics forgot history” carries a double meaning, both addressing how historical time has been removed from economic analysis and how the history of economic thought became irrelevant in current economic practice. There are many claims in neoclassical economics that belie historical context such as the assumption that human behaviours formed under capitalism are universal and eternal and that the nature of economics is unchanging.

BOX 1.4
Differences between Orthodox and Heterodox Economics

Orthodox	Heterodox
1. Economics is the study of choice under conditions of scarcity.	1. Economics is about the social processes of providing people’s needs not merely about choices and scarcity.
2. Economic actors are motivated by rational self-interest to maximize their satisfaction from consumption (based on a given set of preferences).	2. Both scarcity and wants are socially defined and created.
3. Economics, practiced correctly, is a ‘positive science’ premised upon value-free, objective knowledge. The role of the economist is to engage in the science of ‘positive’ analysis of the economic processes described above.	3. Economics is not ‘value-free’ and ideology shapes our analysis, conclusions and economists.
4. The history of economic thought is a specialist subject inessential to the study of contemporary economic theory.	4. The history of economic thought is critical to the study of ‘basic principles’ of economics.
5. The individual, understood as an entity separated from others, is the principal unit of analysis.	5. The individual should be understood as complex and connected to others and as a means to understanding the operation of the whole economy.

6. Economies and markets tend toward equilibrium. Equilibrium is a foundational concept in economics.	6. Although equilibrium can be a useful concept, economies do not generally tend toward equilibrium; indeed, there may be no equilibrium to tend towards; thus, economics should focus on dynamic processes rather than equilibria.
7. The market values (prices) established in the 'free market' economy are a critical guide to economic efficiency, thus imposing costs on society.	7. Valuation is a social process.
8. Although a free market is believed to be the ideal way to achieve efficiency and maximum social welfare, there are many failures in the market requiring intervention by the government.	8. Markets are social institutions which could never work as posited by orthodox theory. Many of the failures described by orthodoxy are essential features of markets.
9. Distribution of wealth and income rests on marginal production of individuals, determined by their characteristics.	9. Distribution is shaped by membership in groups based on race, gender and class, and the relative power exercised by those groups.
10. The natural world, the source of all energy and materials and repository for all waste, is not a necessary (complementary) element in production.	10. Ecological literacy (economy-ecology interface, unity between biophysical first principles and economic sustainability) is essential to understanding the economic process.

Source: A. Mearman, 2007.

The ahistorical perception of neoclassical economics is problematic because it is an ideological stance that presents a vision of the world as unchangeable. As Nelson (2003) argues, reality and the world we live in are not ready-made. Evolution is constant and we participate in it knowingly or not. Institutional and feminist perspectives believe in “the view of the world as a moving, shifting, even living target for our investigations, with our investigations themselves contributing to the moving forces” (p. 52).

Since the knowledge we create makes a difference, what kind it should make is a moral question that we all need to answer. Heterodox economists refute the objectivity claim of neoclassical economics and state that there is no value-free science, especially not in social sciences. They unmask the ideological stance inherent in the field of neoclassical economics, questioning its assumptions, values, and policies.

Another point of criticism is the neoclassical framework's reduction of economics to a choice theory of disconnected individuals at the micro level and its subsequent construction of macro analysis on these micro foundations. Several approaches under heterodox economics find the micro/macro distinction meaningless. Orthodox economics sees the individual as the micro

unit of analysis; however, heterodox or institutionalist economists take institutions as the unit of analysis that operates through and on individuals. Marxian economics takes class as the unit of analysis thereby rendering the micro/macro division irrelevant.

Moreover, the initial assumption regarding how people make choices is unrealistic. The Homo economicus figure is defined as autonomous, self-interested and all knowing, one who can weigh the consequences of actions and choose between the options in a disconnected manner. However, heterodox economics considers this disconnected, unsympathetic and self-oriented behaviour neither socially acceptable nor psychologically healthy behaviour in real life.

People's choices and behaviours are determined under the circumstances in which they dwell and reflect their mutual exchange with others. Each individual, therefore, is a socially-embedded being interconnected to, and influenced by, relations with other people. In its belief in an unrealistic vision of human behaviour, neoclassical economics distorts the models built upon it and results in conclusions that fail to reflect real economic phenomena.

1.3.1 A Brief Introduction to Feminist Critiques of Neoclassical Concepts

Module 2 presents a detailed discussion of the changes economics must undergo to become an *economics*

for all. Box 1.5 introduces feminist criticisms of the fundamental concepts informing neoclassical economics and reveals that economic agents are, in fact, gendered agents.

BOX 1.5

Gender Analysis of Neoclassical Economics: Fundamental Concepts/Assumptions

Neoclassical Economic Analysis:	Gender Analysis
<p>Resources: There is a fundamental distinction between a free resource and an economic resource. A free resource (good) is unlimited in supply, and its use carries no cost in terms of an alternative use sacrificed. Only scarce goods (in relation to unlimited wants) fall within the definition and scope of economics</p>	<p>The reason why neoclassical analysis does not count women's unpaid reproductive work, nurturing activity, just as it does not count the use of natural "resources", is the implicit assumption that nurture and nature are free goods: unlimited in supply and infinitely renewable, with unlimited assimilative capacity.</p>
<p>The economic problem: The economic problem is how to allocate scarce resources among infinite competing ends. While the above free (unlimited) resources are used, they do not have an influence on the price and quantity of economic goods, and therefore are irrelevant to economic analysis.</p>	<p>If this assumption is removed, and women's time and energy is understood as not infinitely elastic, then there is an economic link between unpaid reproductive work and paid productive work. There are trade-offs and women's work becomes part of the economic problem. It is no longer a question of autonomous economic and social spheres.</p>
<p>"Homo Economicus" 1. The individual economic agent is <i>free</i> to enter into market transactions in a wage economy.</p>	<p>Women generally have nurturing obligations, principal claims on their time and energy. Some economists consider it as a reproductive "tax", affecting their entry into paid work and their ability to mobilize money and make economic decisions about how much paid work they can do, at what price they will sell their labour, and what jobs and career paths they can take.</p>
<p>"Homo Economicus" 2. The individual economic agent is able to exchange assets (as an owner of his own labour, land, capital resources) for money income (wages, profit), and thereby achieve more command/purchasing power on goods and services (consumer spending, accumulation).</p>	<p>Women often do not have the ownership of, entitlement to, their own labour, and no independent right to work. The assumption that the individual economic agent is a private agent and does not depend on the state is untenable. If the state, through the rule of law, cannot guarantee independent property rights for women, to their own labour, or to land and capital, and indeed to the security and freedom of physical movement, they are <i>excluded</i> from the labour, capital and credit markets. This failure of governance is also a key economic issue of efficiency and equity. At the root of it, again, is the treatment of women as "natural" physical reproductive and nurturing beings, rather than legal and economic agents with rights.</p>
<p>"Homo Economicus" 3. The individual economic agent is willing to, and does reveal, consumption preferences. As a self-interested rational individual, he seeks to maximize his own utility, and can choose among well-defined preferences.</p>	<p>Women may not be able to exercise choice over well-defined preferences because of the circumstances under which they live (their social position), and their socialization as self-effacing nurturing beings rather than ego-centred agents.</p>

Source: UNDP 2001, *Information Pack: Gender Analysis*, p. 103.

APPENDIX

Heterodox Economics: Alternative Approaches

Neoclassical economics, today's predominant economic theory, is but one of the various frameworks to have emerged in the history of economics. The table below presents the major tenets of six fundamental schools: classical, neo-classical, Marxian, Keynesian, institutionalist and feminist.

These economic doctrines differ regarding their positioning of the free market economy of capitalism in historical context and the spheres they focus on in their analyses. Doctrines that concentrate on the production sphere inevitably observe conflicting interests among economic classes. By focusing on the sphere of exchange, they define the production and redistribution relations outside their realm of analysis and conclude that an exchange of assets will be beneficial for all who participate. Therefore, by focusing only on the exchange sphere, such doctrines conclude that classes are in harmony and share common interests.

Classical economists like Adam Smith and David Ricardo – who focused on the production sphere – realized that labour is the source of value. While this understanding should have led them to accept the inevitability of conflicts of interest in class societies, these economists instead believed in the existence of a harmony of interests. **Neoclassical followers** of the classical school avoided this contradictory stand by leaving production aside in favour of focusing on the exchange sphere. Neoclassical economists used utility, rather than labour, as the measuring rod of price differences. Since these theorists accepted class endowments as exogenously-provided natural distribution in society, they also concluded that capitalism was the natural economic system.

In contrast, **Marx** developed the political economy of the capitalist system by analysing its dynamics within historical perspective. He stated that a system that leaves people bereft of the means of production and left only with the choice of supplying their labour in

an impersonal and asocial context is by no means natural. Marx asserted that such a system leads to the alienation of people from the production and consumption relations in which they exist. Moreover, he argued that capitalism prevents people from living up to their human potential. Marx considered economic classes as the unit of analysis and placed their conflicting interests at the heart of his work.

Keynesian economics became the dominant macro-economic framework during the Great Depression of the 1930s until the end of the 1970s. In his 1936 book, **The General Theory of Employment, Interest and Money**, John Maynard Keynes challenged the supply-side economics of the classical school and the assumption that markets would automatically return to equilibrium due to price adjustment. Keynesian economists argue for government intervention in the economy since they observe that private sector decisions most often lead to inefficient outcomes. In contrast to classical economists, Keynesians emphasize the importance of effective demand as the trigger of economic expansion and argue for active fiscal and monetary policies to promote investment in full employment.

Institutionalism emerged at the end of 19th century and influenced many American thinkers. Witnessing the increase in productivity due to new technology, novel sources of energy and the rise of big business, institutionalists created their own understanding of this new period. William Dugger (1989) states that contrary to mainstream economics, with its concentration on static efficiency and market equilibrium, institutionalism emerged from the study of change. Indeed, institutionalism is often defined as *the economics of change*.

Institutionalism criticizes the ahistorical and static character of mainstream economics and offers a historical analysis based on the institutions of the period.

As North observes (1990): “Institutions are the rules of the game in a society or, formally, are the humanly-devised constraints that shape human interaction. In consequence, they structure human incentives in human exchange, whether political, social or economic” (p. 3). Institutions are not understood as static and deterministic but rather as a basis on which individuals exercise their freedom.

Feminist economics is discussed in detail in the coming modules, therefore the discussion here is brief. Since the 1970s, feminists have used Marxism and institutionalism as alternative approaches to neoclassical economics. The Marxian approach focuses on the systemic tendency of capitalism to create social hierarchies and inequalities to increase and legitimize exploitation. This economic framework opens the door to analysis of the power hierarchies between men and women.

During the 1960s and 1970s, feminists contributed to the literature on the domestic labour debate; their work addressed the function of domestic labour within the economic system in terms of lowering

the cost of reproduction of present and future labour power. However, feminists also criticized the Marxian framework as it “failed to identify and analyse implicit gender relations behind domestic work and household division of labour and to address more specific questions about gender inequality and reproduction” (Benería, 2003, p. 37).

Institutionalist economics of the 1970s and 1980s focused on labour economists in the United States and combined Marxian and institutionalist approaches to analyse labour stratification based on race, class and gender inequalities. Feminist economists adopted an institutionalist approach to explain gender discrimination and segmentation and wage inequality. Institutional economics, based on the notion that social processes are not governed by universal laws and should be analysed within their cultural and historical contexts, have influenced feminist analysis. With the emergence of feminist economics in the 1980s and 1990s, gender has become the central analytical category and spheres of the economy are now analysed as gendered institutions.

TABLE 1.1
Fundamental Properties of Different Schools of Economics

PROPERTIES	CLASSICAL	NEO-CLASSICAL	MARXIAN	KEYNESIAN	INSTITUTIONALIST	FEMINIST
Unit of Analysis	social classes	individuals	social classes	social classes	individuals and institutions	institutions and social-classes (gender, class, ethnicity, race as analytical categories)
Human Behaviour Assumption	selfish and rational	selfish and rational	driven by material conditions	driven by multiple mechanisms	driven by multiple mechanisms (dynamic interaction between individuals and institutions)	socially-embedded beings driven by multiple mechanisms
Analytical Framework	production and distribution	exchange	production and distribution	production and distribution	production	reproduction, production and distribution
Fundamental Problematique	Growth	exchange and allocation of resources	value, distribution and growth	unemployment and instability	uncertain	reproduction of species – sustainable and inclusive development

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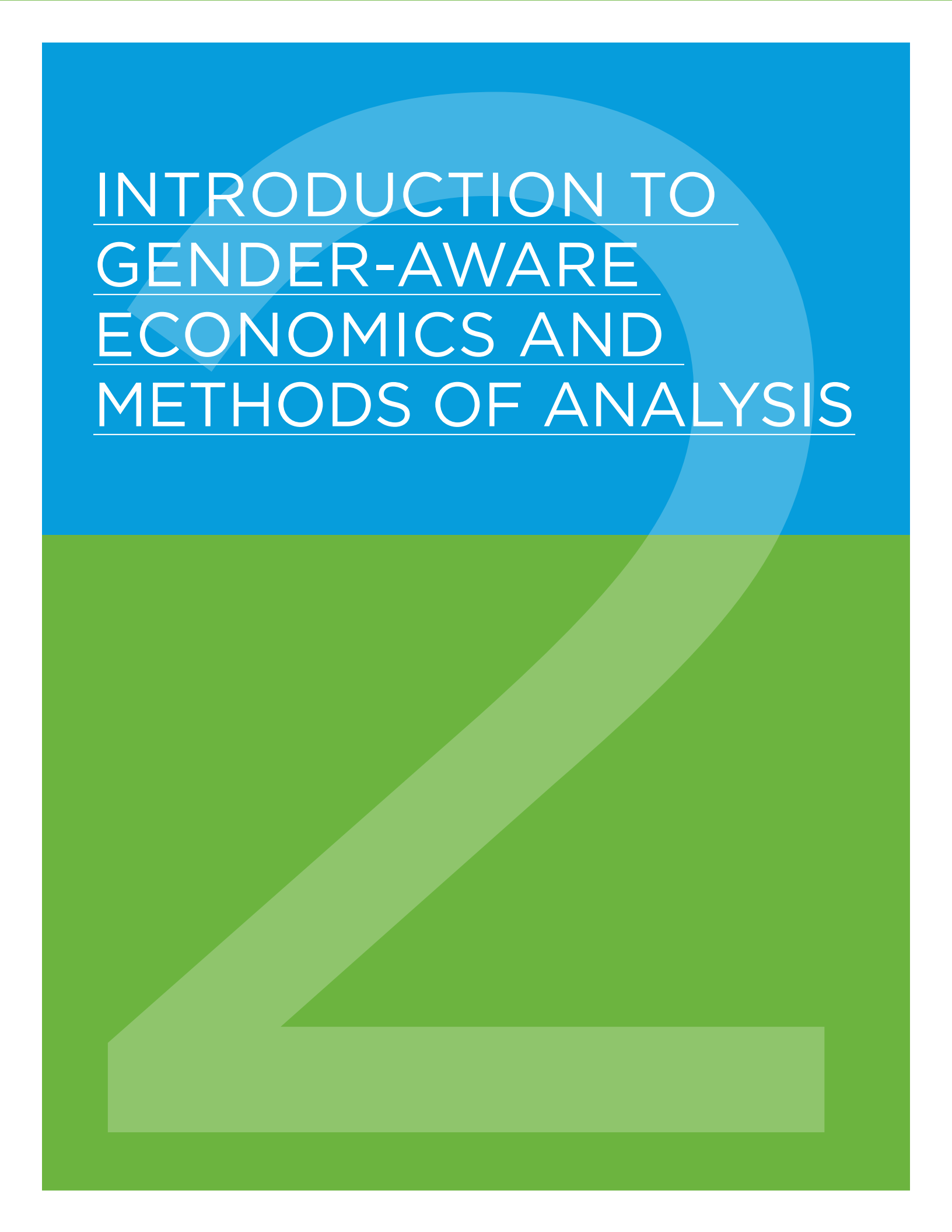
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INTRODUCTION TO GENDER-AWARE ECONOMICS AND METHODS OF ANALYSIS

MODULE 2

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LEARNING OBJECTIVES

Module 2: Introduction to Gender-aware Economics and Methods of Analysis presents the theoretical and methodological contributions of gender-aware economics in two parts. The first section of the module presents the basic tenets that underpin the engendering of economics. It provides an overview of the story of how women's inclusion in economics has evolved into feminist economics. The second part focuses on the methodological contributions of feminist economists. We conclude with data-related challenges and introduce two popular analytical frameworks that provide a good basis for the development of gender-aware indicators for use in quantitative and qualitative evaluation.

By the end of Module 2, participants are expected to understand the following:

- the objective and main features of feminist economics;
- feminist critique of the fundamental assumptions of neoclassical and gender-blind economics;
- the historical overview of women's inclusion in economics;
- the difference between gender-aware and gender-blind visions of the economy via a simplified depiction of the economy: the circular flow diagram; and
- the principles and contributions of feminist methodology.

2.1 Introduction to Gender-aware Economics

The expansion of traditional economics to include gender has a remarkable history. Below, we explore the basic concepts behind gender-aware economics, discuss feminist critiques of conventional economic thinking and the eventual inclusion of women and gender in the field of economics.

2.1.1 Basic Concepts

What is Gender?

Gender refers to socially-constructed stereotypes or the roles attributed to women and men. Gender roles are determined by different sociocultural contexts. What is expected, allowed or restricted for a girl/woman and a boy/man varies between cultures and is not fixed over time. The institutional structure of a society – its customs and economic, political, legal and

educational systems – reflects and establishes a society's gender system. Consequently, efforts towards gender equality require transforming the institutions that function as bearers of gender. Gender needs to be applied alongside all other cross-cutting variables such as class, race and age. Due to the intertwined nature of these cross-cutting analytical categories, a development practitioner must be alert to the complexity of the causes and effects that contextualize the problem at hand.

Two common misuses of the term “gender” create confusion and blur what gender-aware analysis means. The first issue is the reduction of gender to sex. **Sex** is about the physical differences between men and women and **sexuality** is about the sexual orientation of the individual, regardless of her or his sex. **Feminists underline the difference between sex and gender to distinguish inborn activities from socially-constructed stereotypes.** The second issue concerns the notion that gender relates solely to women when it involves both women and men.

Gender Equality

Gender equality means equality in rights, responsibilities and opportunities for women and men. Gender equality does not mean women and men are to become the same. Instead, **gender equality requires that the perceptions, priorities and needs of women and men will have equal weight in the planning and allocation of resources.**

At the Fourth World Conference on Women in Beijing in 1995, the United Nations decided to use the term gender equality rather than gender equity. As UNDP (2013) states in *Gender Equality Made Easy*: “Gender equity denotes an element of interpretation of social justice, usually based on tradition, custom, religion or culture, which is most often to the detriment to women. Such use of equity in relation to the advancement of women is unacceptable” (p. 4). Delegates viewed equality as a fundamental right, whereas equity suggests a favour bestowed within a male framework.

Gender Mainstreaming

Gender mainstreaming requires integration of a gender perspective into the research, planning, implementation and monitoring processes of all legislations, policies and programmes. Built upon the recognition that men and women are subject to different opportunities and constraints – in terms of their ability to participate, determine and benefit from any policy, programme or project – gender mainstreaming addresses these differences to achieve equality in outcomes. Compared to other frameworks, gender mainstreaming recognizes gender biases in a broader context to address women’s needs and interests (Table 1.1); it does not, however, mean that targeted activities for women are no longer useful. On the contrary, women-only programmes continue to play an important role in reducing existing disparities.

Since the Beijing conference, gender mainstreaming has become the agreed strategy for governments and development organizations. As we shall see in Module 2, the path towards gender mainstreaming was the outcome of accumulated experiences addressing women’s needs within development work. Table 2.1 highlights the various ways development responses account for women’s interests and priorities.

TABLE 2.1
Types of Projects to Address Women’s Needs and Interests

Women-specific: Projects exclusively designed for women. Women-specific projects play an important role in closing the gap due to prior inequalities when applied alongside gender mainstreaming.

Women’s Component: Projects/programmes with separate resources and activities for women. Women are perceived as a discrete category and the women’s component is generally formulated as an add-on to initial project planning.

Integrated: This approach is a more thorough application of the add-on approach; it aims to include women and men on an equal footing and attempts to integrate gender into the existing framework.

Mainstreamed: Women’s concerns and priorities, as well as men’s, permeate all processes of the policy agenda; mainstreaming includes a conscious attempt to eliminate gender bias in processes of policymaking and in the institutional structure.

Source: UNDP, 2001, p. 13.

Productive work

Productive work is production for exchange in the market to earn income. Both neoclassical economics and Marxian economics define productive work as paid work that creates value added and is counted in the gross national income (GNI) in the monetized sphere. Social reproduction mechanisms, however, include various forms of work and require not only paid work but also unpaid work. Feminist economists criticize the dominant vision of economics for leaving unpaid reproductive work outside the economic realm, overlooking the intertwined nature of productive and reproductive work and only valuing certain forms of production.

Reproductive Work

Reproductive work entails any service and support provided for the current and future workforce (i.e. for those who undertake the productive work). It includes the daily production of goods and services in the household for household consumption, caring and nurturing of children, elderly and the sick, and intergenerational biological reproduction. Reproductive work, therefore, is the essential basis of productive work; however, most of it is unrecorded and uncounted in national accounts. The gender division of labour that makes women and girls mainly responsible for reproductive work has repercussions at all levels of an economy and society. Consequently, **feminist economists assert that reproductive work should be an integral part of policy design and implementation.**

Discrimination

As the 1979 Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) states in Article 1:

“Discrimination against women” shall mean any distinction, exclusion or restriction made on the basis of sex which has the effect or purpose of impairing or nullifying the recognition, enjoyment or exercise by women, irrespective of their marital status, on a basis of equality of men and women, of human rights and fundamental freedoms in the political, economic, social, cultural, civil or any other field.

Systemic discrimination is discrimination that is built into the institutional structure and the ways institutions operate via policies and practices that exclude or disadvantage women and certain groups (UNDP, 2001).

2.1.2 Fundamental Tenets of Feminist Economics

The Objective of Feminist Economics

Feminist economists restructure economics – in terms of its assumptions, subject matter, methodology and objectives – to build in a gender-aware perspective. They assert that being a woman or a man determines how one participates in the economy and how one is impacted by economic policy. Consequently, **the focal argument of feminist economists is that no economic theory or policy is gender neutral.** By engendering economics, feminist economists are transforming the discipline into one that embraces all equally.

Engendering economics goes beyond gender-disaggregated analysis or the integration of topics relevant to women; rather, it requires transforming the field of economics entirely. Importantly, feminist economists have contributed to efforts by feminist scientists, researchers and activists to engender their own fields and to transform knowledge creation and policy-making processes towards an egalitarian paradigm. This revolutionary shift is critical because it helps to demystify existing social hierarchies based on gender, class, race, and ethnicity – hierarchies hidden by gender-blind mainstream economics. The following five sections explore key tenets of feminist economics.

1. Detached Individual: Homo Economicus (Rational Man)

Feminist economists contribute greatly to the heterodox critique of traditional economics. Their work challenges the behavioural description of Homo economicus by arguing that models of free individual choice cannot explain real life phenomena in a world of dependence, tradition and power. As Nelson (1993, p. 32) contends, "Homo economicus", separated from physical and social constraints and making decisions

based solely on material well-being, is an individual separated from the world. Benhabib (1985) describes this figure as a “mushroom man” – appearing suddenly out of nowhere, without any background and deciding freely as if completely detached from all that is around him.

Feminists counter this image and contend that social traditions of privilege and subordination construct preferences. They claim that the assumption that everyone has perfect information is not realistic. Access and use of information are subject to multiple constraints as well as relations of power. As Nussbaum (2004) states, “Women often have no preference for economic independence before they learn about avenues through which women like them might pursue this goal; nor do they think of themselves as citizens with rights that were being ignored, before they learn of their rights and are encouraged to believe in their equal worth” (p. 247). Feminists argue that by treating preferences as if they are without context, we tend to regard them as fixed and given – an idea that reinforces inequalities.

2. False Dichotomies and Feminist Critique of Homo economicus

The social construct of gender is based on dualisms in which masculine and feminine are believed to have contrasting roles and characteristics such as mind/body, rational/sentimental and active/passive. Feminism claims that these role divisions are by no means natural; indeed, they are enforced social constructs preventing both women and men from fulfilling their potential.

While the field of neoclassical economics does not question such dualisms, its gender-biased theories, policymaking and institutions reproduce and reinforce binary gender roles. The fundamental assumption of neoclassical economics views people as rational, all-knowing, utility-maximizing individuals who constantly make the right decisions for themselves by comparing the marginal benefit and cost of alternatives given their limited resources. The implicit description of human nature as selfish, disconnected individuals who value endless consumption underpins this behavioural assumption.

Feminists claim that this perspective ignores non-physical sources of human satisfaction as drivers of behaviour in the “economic” realm (production and exchange spheres). They point out that neoclassical economics disregards other drivers of human behaviour and focuses instead on material sources of human satisfaction. Feminists acknowledge that people make decisions based not only on cost and benefit analysis but also based on their attachments to other people. Becker accepts the role of altruistic behaviour in decision-making but limits it to the household (Becker, 1981).

The traditional gender division of labour defines women’s role in the household (reproductive/private sphere) and men’s role in the economic (productive/public) sphere. Mainstream economists regard the detached, selfish human behaviour of “Homo economicus” as the most instrumental and objective starting point for economics. Feminist economists, however, regard male (rational, autonomous, detached) and female (emotional, dependent, connected) gender stereotypes as unhelpful distortions of reality.

3. Gender and Other Social Stratifiers

Gender determines the options and constraints experienced by both women and men. However, what being a man or a woman entails is also shaped by other social stratifiers that define the extent to which we can take in part in, or benefit from, any economic policy or development. Therefore, the field of feminist economics argues that other social stratifiers must also be accepted as analytical categories. Gender must be used as an overarching variable applied to all other cross-cutting variables such as race, class, age and ethnicity to realistically assess the impact of social hierarchies on people’s capabilities.

4. Holistic View of the Economy: Interlinkages Between Different Types of Economic Activity

Mainstream economics – as well as many heterodox schools of thought, such as Keynesian economics, post-Keynesian economics, structuralist economics and Marxian economics – focus only on the monetized

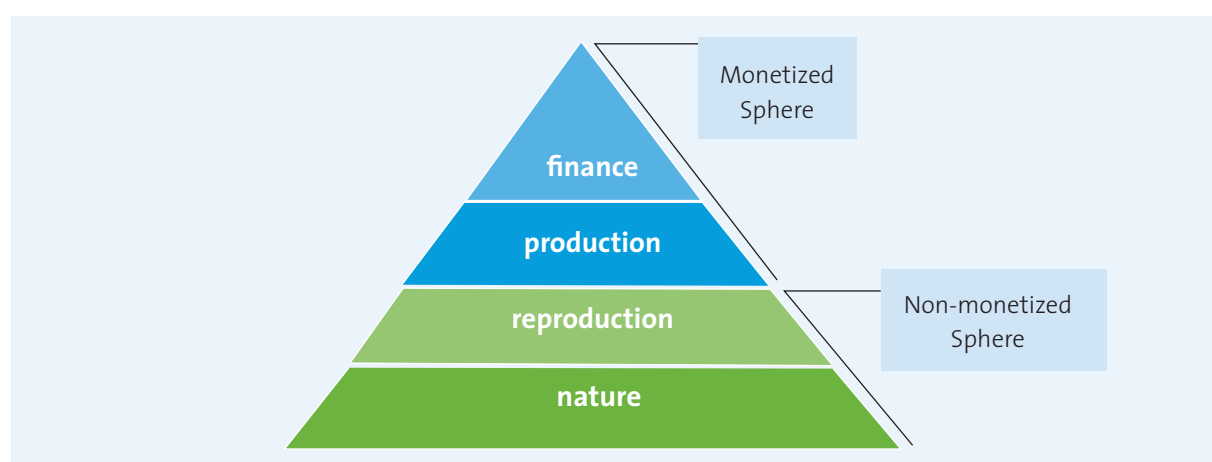
sphere and excludes household production. The result is a synthetic division between production and reproduction. Feminist economists redefine the economy as the “totality of interconnected paid and unpaid activities required for provisioning of human beings” (Berik, 2009, p. 8). Feminists underline the primary objective of economic activity as the self-preservation of the species. Hence, this artificial division is criticized not only because it fails to explain the holistic nature of the real world and the intertwined nature of spheres but also because it threatens the balance between different realms of production.

The field of feminist economics embraces a holistic approach to the reproduction of human beings and other species. The pyramid in Figure 2.1 depicts four economic spheres that are built upon each other and are in continuous mutual interaction. Each sphere emerges from, and relies on, the sphere below. Nature is the primary producer of resources for the

continuation of human beings and all other species. The production sphere is essentially dependent on the reproduction of the workforce. For instance, the financial sector rises upon the accumulation of capital generated by the production sector. Finance and production are monetized, and reproduction and nature remain in the non-monetized sphere.

Conventional economics analyses only the monetized spheres whereas feminists describe economics as a discipline concerned with all four spheres. They maintain that each sphere functions in its own time frame. The circulation in finance is much faster compared to the production sphere. Reproduction has three dimensions: daily reproduction, generational reproduction and biological reproduction. Each one features a different time dimension with production by nature – and its own reproduction – occurring over the greatest time span.

FIGURE 2.1
Spheres of the Economy



Harmonization of the four spheres, in terms of their time cycles and resources, is necessary to prevent conflicts that could lead to crisis. For example, when the production sphere does not leave enough time for reproduction, the outcome is a crisis of care. Another example occurs when production takes place beyond what nature can absorb and leads to ecological crisis. The high valuation of endless consumption is another ideological assumption of mainstream economics

that neglects alternative behaviours and, ultimately, threatens nature and sustainability.

In today’s world, finance tops the pyramid, dominating the rest of the economy. The economic system functions in a way that leaves us with frequent financial crises as well as serious problems related to the production sector, jobs, the environment, and the provision of care. Feminist economists advocate for

a sustainable and inclusive economics not only to overcome gender inequalities but also to transform economics into a field that aims for the reproduction and well-being of all species.

5. Objective of Economics

Feminist economists define the objective of economics as provisioning the needs of human beings and other species. Therefore, the success and soundness of an economic policy is evaluated for its ability to draw society towards social justice and increase people's well-being. *Social justice* entails fair distribution, social interconnectedness, freedom from discrimination and enhancement of human capabilities (Berik, 2009; Elson and Çagatay, 2000). *Well-being* is a multidimensional concept that includes material well-being and sentimental and social well-being. In contrast to utilitarian and income-based methodologies, feminist economists regard Sen's Capabilities approach – with its focus on human capabilities – as an instrumental framework. (See Section 2.2.4.1 *Capabilities Approach* for further discussion).

2.1.3 The Study of Women and Gender in Economics

Male Domination in Economics

Both in numbers and ideologically, men have dominated the field of economics creating an unwelcoming environment for women as economists, as well as simply for bringing up questions relevant to women. A late 19th century professional economist was expected to earn a PhD, join the right economic circles, hold an academic job and publish in scholarly journals – all of which were next to impossible for women. Indeed, gender-based discrimination in the field has significantly limited the number of women in the profession (Pujol, 1992). In the 1970s, women could receive up to 6 per cent of the PhDs in the USA. By the 1980s, their share was 14 per cent (Seiz, 2003, p. 454).

Male dominance has led “the world of economic man” to be shaped without benefit of women's contributions. This absence has resulted in a theoretical

framework that reproduces gender inequalities based on misrepresentation or even outright excludes women's experiences. Pujol (1992), in her pioneering feminist work on the history of economic thought, uses the term “male-stream economics” to underline the gender bias in mainstream economics. Gender inequality, like other inequalities, was considered a given and treated as “beyond the purview of economic analysis, either in the realm of biological givens or sociological imponderables” (Folbre and Hartmann, 1988, p. 184).

By overlooking gender-related differences and claiming to use supposedly gender-neutral concepts, mainstream economics not only masks gender privileges and disadvantages but also preserves and reinforces the hierarchical structure of the economy. The lack of interest in traditionally female-dominated realms of the economy has led to a marked absence of policies to improve women's position.

From “the Woman Question” to Engendering Economics

As an alternative paradigm, feminist economics has been in the making for a long time. Feminist economists primarily challenge women's inclusion in economics under the ideological rubric of “the woman question” on microeconomic grounds. Since the 1980s, feminist economists have developed gender and development (GAD) literature and a new macroeconomic framework of their own. Benería (2003) takes historical account of how issues pertaining to women have gradually been incorporated into the discipline. She shows that initially economic inequalities were addressed without any attention given to gender relations. Later this changed as feminist influence became more visible from the 1970s, and particularly after the 1990s. Berik (2009) provides a rich overview of more recent literature on engendering development and macroeconomic policies by presenting the findings of up-to-date empirical studies from a wide range of countries.

The earliest interest in women and the economy emerged in the 1930s with concern about wage differentials between men and women. *Equal pay*

controversy was an analysis of inequalities with a focus on market dynamics rather than gender discrimination and unequal power relations. Next, we will trace women's inclusion in economics, and the development path of feminist economics literature via two main strands of literature: first, women's inclusion in economics and responses from a feminist perspective on microeconomic grounds; and second, gender and development (GAD) and feminist macroeconomics.

Microeconomic Questions from a Feminist Perspective

The first strand of literature, focused mainly on economically-advanced countries, consists of neoclassical contributions and feminist critique of the mainstream framework. In the 1950s, women's participation in the workforce in the United States drew the attention of neoclassical economists to the reasons behind women's labour force participation. The increasing participation of women in the labour force, despite increasing household income, was interesting as a contradictory phenomenon. Mincer (1962) explained the increase in women's labour force participation with a **choice theoretical approach**, arguing for the increasing cost of staying at home in an environment of increasing wages. Mincer's work was a step towards the inclusion of topics related to women and women's work in mainstream economics.

Growing interest in the sphere of the household led to the theory of **New Household Economics** by Becker (1976, 1981) and other human capital theorists in the 1960s. New Household Economics was basically an application of market-oriented concepts to the household sphere. Asymmetries in the division of labour, economics of marriage, choice of labour supply, inequalities in domestic work, decisions on number of children and fertility rates were explained through individual choices made under utility maximization principles. During the 1970s, the analysis moved to labour market inequalities based on human capital theory and educational differences between men and women as well as macro issues such as social security, welfare policies and training programmes.

Feminist economists have written extensively on the limitations of the choice-theoretical framework underpinning Becker's New Household Economics. The feminist critique showed how this "add women and stir" approach did not ask questions relevant to women. Feminists also challenged the presentation of the household as a unit consisting of people with harmonious interests and instead stressed the relations of subordination and domination among family members. The critique of New Household Economics by feminists greatly enriched discussions on the fundamentals of feminist economics and feminist critiques of mainstream economics.

Feminist Macroeconomics

The second strand of literature, feminist macroeconomics, emerged from decades of accumulated experience on gender and development. Until the early 1970s, based on the so-called welfare approach, development policies assumed that the effects of economic growth and modernization would trickle down to the poor. Poor women were addressed as mothers and wives whose economic condition would improve alongside their husbands. Boserup (1970) challenged the linking of a woman's economic position with her husband's and pointed out how in developing countries economic modernization marginalized women in the initial phases of the development process.

Literature following Boserup's pioneering work focused on an inward-oriented (*import substitution industrialization* or ISI) strategy in developing countries. It presented the gender-differentiated adverse effects of agricultural transformation and industrialization on women's labour market status and social status. The debt crisis of the 1980s led to a shift in macroeconomic policy from inward-oriented to outward-oriented strategy in most of the developing world. An outward-oriented strategy, *export-oriented industrialization* (EOI), was pursued based on the stabilization and structural adjustment programmes of the International Monetary Fund (IMF) and the World Bank (WB); these strategies entailed trade and financial liberalization, fiscal austerity, deregulation and privatization and came to be known as the Washington Consensus (WC).

Feminist economists analysed the gendered consequences of the debt crisis and subsequent structural adjustment programmes (SAPs) on poverty, inequality and labour markets during the 1980s and early 1990s (See Benería and Feldman, 1992; Elson, 1995). The growing literature on the feminist critique of the WC policies since the mid-1990s underscores many adverse outcomes in those countries around the world that adopted gender-blind macroeconomic policies (Çağatay et al., 1995; Berik et al., 2007; Van Staveren et al., 2012).

Lack of attention to gender and class differences in policy design resulted in inadequate assessment of programme costs and outcomes. Feminist economists documented the double time pressure women had to face due both to increasing unpaid household labour needed due to shortfalls in public services (Fofana et

al., 2005) and the increasing pressure on them to enter paid employment to help make up growing losses in household income (Fontana and Wood, 2000; Nordas, 2003; Barrientos et al., 2004). Since women's unpaid labour is not infinitely elastic, this double time pressure on women is costly. Time and income poverty is an instrumental measure developed by feminist economists to show the link between paid and unpaid labour and the well-being outcomes of unpaid labour for household members (Kaya and Memiş, 2013). (See section on time and income poverty in *Module 6: Gender, Income Inequality and Poverty*).

Case studies are used to analyse the complex relationship between gender inequality and macroeconomic outcomes, especially economic growth and export competitiveness. Empirical evidence on the two-way causality between gender inequality and economic

BOX 2.1

From WID to GAD: UN Conferences and the International Feminist Agenda

During the 1970s, the degraded contribution and disadvantaged position of women in development processes was underlined by research and feminist activism both in the United States and in Europe. Following the 1975 women's conference in Mexico, the UN declared 1975 the UN International Year for Women and 1976-1985 the UN International Women's Decade. These efforts drew high-level attention to women and led to the institutionalization of women in development (WID) policies in governments, NGOs and donor agencies.

WID policies, by ministries and NGOs, aimed to integrate women into economic development. However, policies and projects for women were designed as *add-on* peripheral interventions to mainstream development. WID policies focused only on productive work, typically income-generation projects, and failed to link it with reproductive work. This kind of isolation considers women as the source of the problem and leaves unchallenged the existing gender relations that lead to economic and social inequalities (DFID, 2002).

In the 1980s, the gender and development (GAD) approach emerged as an alternative to WID. It focused on the unequal relations between women and men and argued for a development process that transforms gender relations and enables both men and women to take part on equal terms. By the mid 1990s, the gender approach had been adopted in most institutions despite many gender units continuing to apply a WID approach. After an accumulation of research documenting the negative consequences of structural adjustment policies and economic crises throughout the developing world, many organizations and governments have now committed to *gender mainstreaming*. From the inaugural world conference in Mexico in 1975 to the Fourth World Conference on Women in Beijing 20 years later, UN Conferences have provided the political space and opportunity for international feminism to grow and reflect the developments in feminist research and activism.

growth is mixed. Gender inequality can stimulate economic growth (Seguino, 2000) or slow economic growth (Braunstein, 2014). In the reverse direction, economic growth can improve (Forsythe et al., 2000) or worsen (Baliamoune-Lutz, 2007) gender equality. (See *Module 8: Gender, Trade and Value Chains* for further discussion on the two-way relationship between gender inequality and trade competitiveness.)

An essential effort in engendering economics has been to develop gender-aware macroeconomic models. Çağatay et al. (1995) show various alternatives for how the gender dimension can be added to macro models. Three early examples of gendered macro modelling include: *gender disaggregation* of macroeconomic variables based on the assumption that men and women have different behaviours; the use of a *gendered macro variable* to capture the structure of gender relations; and a *two sector/system method* consisting of one with traditional economic variables and a second sector that reflects the unpaid reproduction sphere of the economy (Darity, 1995; Çağatay and Ertürk, 1995; Braunstein, 2000). A more recent example of feminist macro modelling, combining the other three approaches, is the *computable general equilibrium model*; this method enables the study of macroeconomics in greater detail including the linkages and feedback effects between the monetary economy and the household economy (Fontana and Rodgers, 2005).

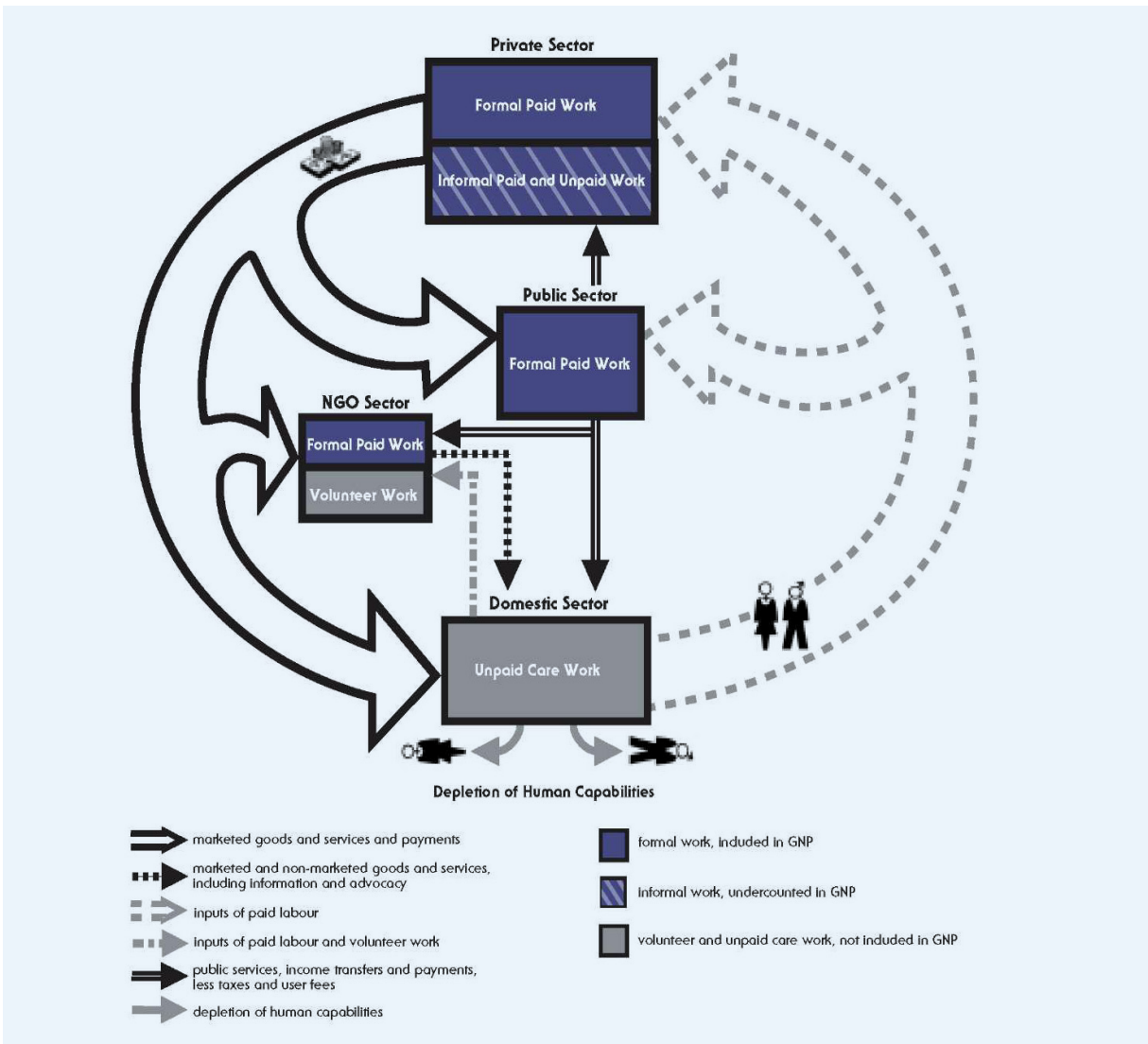
2.1.4 Gender-aware Representation of the Economy: Circular Flow Revisited

Reproduction occurring within the household is the prerequisite of production and yet it is traditionally left out of the circular flow of the economic sphere (see *Module 1: Introduction to Economics*). Feminist economists dealt with this absence by drawing attention to the reproduction sphere (see *Module 4: Unpaid Work* for detailed discussion on unpaid work). The term *unpaid care work* addresses the fact that – unlike the care provided by the public, private sector or non-governmental organizations (NGOs) – women’s care work is unremunerated despite requiring considerable time and energy. The conventional circular flow of the economy refers to the movement between

households and firms of the factors of production and products in exchange for income and revenues. This vision treats labour like the other factors of production and neglects the reality that labour needs the goods and services bought from the market to be processed for its reproduction.

Elson and Keklik (2000) reimagine the economy through women’s eyes by depicting the centrality of domestic production (Figure 2.2). Total work, as defined in this alternative vision, is the total number of hours spent on production in the domestic sector (unpaid care work by members of the household - mostly women - and female neighbours), NGO sector, public sector and private sector. Private sector employment includes formal and informal paid and unpaid work.¹ Gross domestic product (GDP) includes both formal and informal work, yet informal work is generally undercounted. Public sector employment only consists of formal employment and offers the highest social protection and job security. Public sector services are financed by taxation and the main drive is increasing public benefits rather than profits. Similarly, NGOs are institutions that do not aim for profit but for public good. NGOs are financed by donations and grants and employ both paid employees and unpaid volunteers.

FIGURE 2.2.
Revisoning the Economy Through Women’s Eyes



Source: Elson and Keklik, 2000, p. 26.

These four sectors of the economy are linked with each other. The private sector sells goods to all three other sectors, the domestic sector provides people to all sectors, the public sector collects taxes, makes income transfers, and provides public services while NGOs provide paid or unpaid services. As Elson and Keklik (2000) state:

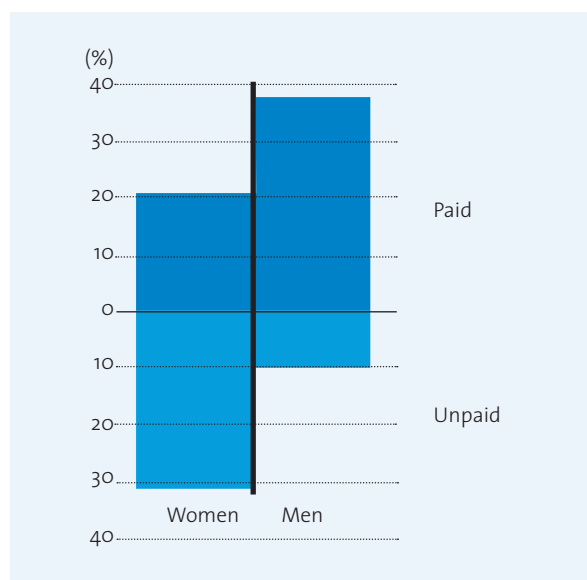
These channels are cultural as well as financial, carrying messages and values as well as goods, money and people. Commercial values

flow from the private sector, emphasizing the importance of making money and creating a kind of equality but only for those with sufficient money. Regulatory values flow from the public sector, emphasizing the importance of citizenship, rules and laws, but often failing to ensure the rules and laws are democratic rather than autocratic and bureaucratic. Provisioning values flow from the domestic sector, emphasizing the importance of meeting people’s needs, but often meaning that

adult able-bodied women meet everyone else's needs while remaining needy themselves. Values of mutuality and cooperation flow from the NGO sector but often in ways that remain hierarchal and exclusionary (p. 27).

The gender division of labour in these four sectors explains the relative weakness of women in social, political and economic life. Unpaid care work, volunteer work, informal and unpaid work are female-intensive areas whereas paid employment opportunities in the private sector and NGOs are male-intensive. Women prefer to work – and are less subject to discrimination – in the public sector. Public sector employment, however, has been shrinking along with the size of the public sector in economies due to cuts in public expenditure resulting from the neoliberal reforms applied since the 1980s. As Figure 2.3 illustrates, total work (paid and unpaid) by women (52%) exceeds total work by men (48%) and yet, as Keklik and Elson (2000) observe, women's actual work is not counted as part of gender-blind economics.

FIGURE 2.3
Paid and Unpaid Work by Gender (Global)



Source: Human Development Report, 2015, p. 107.

2.2 Methodology

2.2.1 Common Ground Principles of Gender-aware Analysis

Gender-aware analysis transforms the discipline of economics through its use of gender as an analytical category. Conventional economics considers endowments and existing inequalities as givens and outside its realm. This claim to value neutrality is in fact highly value-laden and preserves the status quo – a status quo often injurious to women's needs and priorities. Critical analysis is essential as economics in its current form rationalizes and naturalizes existing social hierarchies.

Given gender-blind economics, one should have "concerns about whether and how customary approaches to knowledge production promote or obstruct the development of more democratic social relations" (Harding and Norberg, 2005, p. 1) The type of analysis and methodology that is lauded as good research in mainstream economics leaves out other forms of knowledge, leading to an unnecessary emphasis on abstract and highly mathematical models. Instead, the method of analysis should be determined based on its instrumentality to assess the question at hand. In this respect, feminist economists do not reject the use of formal models or econometric analysis but they do argue for a richer economics that does not exclude other forms of knowledge.

An important objection of feminist economists concerns the political act of discriminating against, or empowering, specific social groups within knowledge production. Consequently, feminist economists are in the process of developing research principles and practices aware to the needs of disadvantaged groups. Feminist literature criticizes the methodologies adopted by the social sciences and rejects their claims of objectivity while proposing alternative knowledge claims and methods. The implicit male bias in purportedly objective economic analysis, as well as other social sciences, has been unmasked in large part due to this feminist critique.

Harding (1995) underlines how any research is inescapably value-laden. The background, values and preferences of the researcher determine the research question and method as well as the conclusions they will make based on findings. Hence, feminists argue that one needs to be aware of self-subjectivity to achieve strong objectivity. In other words, as Nelson (1993) underscores, feminists do not criticize the field of economics because it is too objective; on the contrary, they argue that it is not objective enough. This ethical standpoint has led feminists to search for new methods that minimize problems stemming from self-subjectivity. Self-awareness, acknowledgement and adopting tools that can lead to continuous self-correcting have been critical to enhancing objectivity.

In the social provisioning approach, Power (2004) takes stock of an implicit consensus among feminist economists around five key methodological points:

1. Incorporate caring and unpaid labour as fundamental economic activities and therefore consider interconnected human actors as the centre of analysis not as isolated individuals.

2. In line with Sen, consider human well-being as the measure of economic success.
3. Understand the importance of agency and evaluating economic events by also examining the processes and outcomes and think about questions of power, and unequal access to power, as part of the analysis from the very beginning.
4. Accept ethical judgment as a valid and inescapable part of economic analysis.
5. Consider the steps forward for an intersectional analysis in terms of differences such as class, race-ethnicity, caste and other factors, as well as interactions between these elements.

2.2.2 Examples of Research Using Feminist Methodology

Acknowledging the potential impacts of researcher subjectivity, feminist economists looked for new research methods to minimize the loss, or misrepresentation, of information. In Table 2.2, Fonow and Cook (2005) provide a rich list of methods used by feminist scholars with these concerns.

TABLE 2.2
Methods Employed by Feminist Scholars

Method	
Action/participatory	Genealogy
Autoethnography	Geographic information systems
Biography	Historiography
Case study	Institutional ethnography
Close reading	Intertextuality
Comparative case study	Meta analysis
Content analysis	Multisite
Conversational analysis	Narratology
Cross-culture analysis	Needs assessments
Deconstruction	Oral history
Deviant historiography	Participant observation
Discourse analysis	Personal narrative
Ethnography	Simulation

Source: Fonow and Cook 2005, p. 214.

The **in-depth interview** is a research method often used by feminist economists in the field for various methods such as *ethnography* or *autoethnography*. It involves relatively unstructured conversations and contains mostly open-ended questions that allow respondents to describe their experiences and freely choose what to focus on during the conversation. Interviewer flexibility facilitates deeper insight into the perspectives of participants; the key challenges with this method are in picking relevant information from an abundance and a lack of comparability.

Another popular feminist research method is the **focus group interview**. This method involves the collection of qualitative data by gathering a small group of people to engage in an informal discussion focused on a specific topic or set of issues (Wilkinson, 2004). Focus groups enable women to exchange their experiences and ideas and gain mutual awareness of their respective situations. If the groups are structured with a diversity perspective, these interviews can also create space for people from different cultures or standpoints to relate to each other and learn of other perspectives. Van Staveren (1997) describes the status of the researcher in a focus group as a careful listener or a facilitator, rather than the controller of the process. The researcher who uses this methodology steps down from the position of the objective and detached scientist who knows the right questions. The researcher is aware of the complexity and unpredictability of social life and does not let subjectivity block learning from the field.

With its use of multiple methods and diverse data resources to assess the same topic, **triangulation** is preferred to increase the reliability of collected information (Lennie, 2006). Triangulation – used in both qualitative and quantitative research – maximizes information quality and provides a check for biases that may be introduced by single methods.

Bahramitash and Olmsted (2014) provide a recent example of triangulation and the use of feminist qualitative methods. Their work focused on women in low-income communities in Tehran and examined women's perception of their work experiences based on interviews and participant observation. The

researchers used case-specific methods to overcome barriers to information and employed multiple methods to collect accurate information. Initially, they conducted a randomized survey; however, due to the political atmosphere and stringent rules regarding permission to conduct large surveys, the researchers switched to a nonrandomized snowballing technique.

To prepare the semi-structured questionnaire, which included detailed questions on work conditions and family relations as well as open-ended questions, Bahramitash and Olmsted conducted several focus group meetings with women they identified in the field. In this respect, the study is a good example of learning what to ask from the field rather than imposing a predetermined set of questions. Moreover, the researchers built a network and picked their research assistants from low-income neighbourhoods to minimize interviewer bias. Alongside ninety interviews conducted with low-income working women, Bahramitash and Olmsted also triangulated using participant observation to collect details that might not have come out during the interview process.

2.2.3 Data

Data availability and concerns about gender bias in the available secondary data remain as a major problem for gender-aware analysis. Conventional economists undertaking empirical research strive to avoid any questioning of data reliability. Consequently, they tend to work with only a handful of commonly-accepted data sources such as government censuses and surveys. The effect is to constrain the questions that can be explored. Berik (1997) summarizes the difficulties such a research culture creates for feminist economists:

First, survey-generated data bear the imprint of values and ideological beliefs in survey design and implementation, and often produce male-biased accounts. Second, the economist, isolated from the subject matter of his/her study by the deductive-positivist approach, loses the opportunity to understand the subtleties of economic life and enrich his/her analysis accordingly. Since empirical

questions are circumscribed by the nature of available data, the method may prevent asking different questions, especially questions which are of marginal concern to both the discipline and the official statistics enterprise (pp. 121-122).

Apart from these concerns, available data is generally not gender-disaggregated; typically, questions relevant to gender-aware analysis are missing from questionnaires. While the collection of primary data helps the researcher better learn the subject matter, this method is suspect in conventional economics. Moreover, primary data collection is a costly process that requires resources – an ongoing fact that constrains the advancement of gender-aware research by feminist scholars.

Gender analysis may be conducted with sex-disaggregated statistics, gender statistics, gender-sensitive indicators and social gender indicators. While **sex-disaggregated data** provide the number of men and women in a population, **gender statistics** reveal the relationship behind those numbers and do not need to be disaggregated by gender. For example, statistics on violence against women present facts regarding the status of women whereas **gender-sensitive indicators** help researchers to compare the gap between men and women or the gap compared to another reference group or normative standard. Finally, **social gender indicators** are tools for policymakers and planners that reveal progress towards a gender equality target or policy priority (UNDP, 2001 p. 18). Table 2.3 below uses the case of school attendance to illustrate gender analysis with both sex-disaggregated statistics and gender data.

TABLE 2.3
Gender Analysis with Gender Data vs Sex-disaggregated Statistics

Girls	Boys	Implications
Statistics Disaggregated by Sex		
40	60	There are more boys than girls in the school.
Gender Data		
10 of 40 are from poor households (25%)	35 of 60 are from poor households (55%)	Poor households make more effort to educate sons.
Of the ten girls from poor households, 1 girl is from a Muslim family.	Of the 35 boys from poor households, 22 are from Muslim families.	Correlation with proportion of Muslim families in the population at large indicates that Muslim families place additional importance on boys' rather than girls' education.
30% are malnourished	20% are malnourished	This tells us how girls are treated at home relative to boys. Nutritional level affects learning and retention. Boys and girls may both be able to attend school, but they cannot access the opportunity equally if girls are malnourished relative to boys.
Domestic work for 4 hours before and after school, including water, firewood, cooking, cleaning, sibling child care, and selected agricultural tasks	Domestic work for 30 minutes after school, taking care of cattle	This has implications for homework and for discussion of entitlements, in relation to leisure time as a resource.

Source: Adapted from UNDP, 2001, p. 102.

2.2.4 Towards more Gender-sensitive Indicators

Feminist economists search for alternative ways to frame development challenges and use gender-sensitive indicators. In this regard, both the capabilities approach and time use studies are increasingly used by feminist economists. The capabilities approach, defining development as the expansion of human capabilities, provides a framework that embraces gender-sensitive measures. Time use studies, based on time use data, enable researchers to assess total work (paid and unpaid).

2.2.4.1 Capabilities Approach

The capabilities approach, developed by Amartya Sen, has been put into practice in UNDP's Human Development Reports. The methodology is a more comprehensive approach to measuring quality of life when compared to more prevalent measures such as income-based GNI (or GDP) per capita and preferences-based utility maximization.

An income-based approach that uses economic growth to measure quality of life reveals little about income distribution – or the quality of people's lives in terms of life expectancy, education, infant mortality, health care, employment opportunities, and political liberties. Even if income distribution is balanced in a country, the income-based approach still fails to depict well-being due to differences in the ability of individuals to convert resources into functionings. The preventative or supportive role of social norms in turning resources into functionings is crucial to consider. For example, a project that aims for equality in educational attainment needs to account for extra resources for women and girls who encounter obstacles based on traditional hierarchy.

The preference-based approach (utilitarianism) is also problematic as it assumes preferences are exogenous and independent from social and economic conditions. The disregard of the source of preferences leads to their treatment as fixed, thereby reinforcing existing traditions of privilege and subordination.

The capabilities approach shifts the attention from the subjective measures of utilitarianism and the income-based approaches commonly used by economists. Instead, this approach promotes human capabilities. Nussbaum (2000) states that the central question in the capabilities approach is neither “How much in the way of resources is she able to command?” nor “How satisfied is she?” Instead, the central question is “What is she actually able to do and be?” (p. 247).

The capabilities approach is not a ready-made tool to study gender equality but it does provide a useful framework. Gender-aware economics employs the capabilities approach often as it provides a rich alternative to other methods and is consistent with the demands of women's rights groups for gender equality. Sen (2004) rejects the idea of a fixed list of central capabilities and argues that capabilities must be context-specific. Nussbaum (2000) proposes “a list of normative things to do” which is formulated at an abstract level to allow for community or country specifications.

Nussbaum (2004, p. 251) aims to develop a set of cross-cultural norms of gender equality based on the capabilities approach and, to this end, announces a working list of functions central in human life. The list of central capabilities includes the following:

- (i) Life: able to live a human life at a normal length
- (ii) Bodily health: able to remain healthy, adequate nourishment, reproductive health, shelter
- (iii) Bodily integrity: freedom to move and change places, freedom to be secure against violent assault including sexual assault or domestic violence, having opportunities for sexual satisfaction and choice in reproduction
- (iv) Senses, imagination, thought: education, freedom of expression, freedom to exercise political/artistic/religious activities, being able to have pleasurable experiences and avoid unnecessary pain

- (v) Emotions (able to have attachment to things and people)
- (vi) Practical reason (able to form a conception of the good and to engage in critical reflection about the planning of one's life)
- (vii) Affiliation (able to engage in social interactions and having the social basis to feel equal worth with others)
- (vii) Other species (able to live and be concerned with animals, plants and nature)
- (viii) Play (able to laugh, to play and to enjoy recreational activities)

- (ix) Control over one's environment both in the political sense (able to effectively participate in political life) and in the material sense (able to hold property, be employed equally)

Nussbaum also stresses that while these functionings are separate components, there are complementarities among them.

Contrary to Nussbaum, Robeyns (2003) argues against endorsing one definitive and universal list of capabilities and instead argues for developing a list of criteria that can help researchers in defining context-specific capabilities. Robeyns developed a list of capabilities specific to the assessment of gender equality in post-industrialized countries (Table 2.4).

TABLE 2.4
Capabilities Lists of Gender Equality by Nussbaum and Robeyns

	Nussbaum (2003, 2004)	Robeyns (2003)
Aim/scope	Universal Norms of Gender Equality	Gender Inequality in Western Societies
Abstraction	High	Low
Dimensions	Life Bodily health Bodily Integrity Senses, Imagination and Thought Emotions Practical Reason Affiliation Other Species Play Control over One's Environment	Life and Physical Health Mental Well-being Bodily Integrity and Safety Social Relations Political Empowerment Education and Knowledge Domestic Work and Nonmarket Care Paid Work and Other Projects Shelter and Environment Mobility Leisure Activities Time-autonomy Respect Religion

Source: Adapted from Robeyns, 2003, p. 74.

The comprehensive nature of the capabilities approach captures considerable facets of human development and gender equality, yet data and quantification remain a major problem. The 2030 Agenda for Sustainable Development is promising in terms of generating new indicators and a “measure what we treasure” approach. The allocation of resources to this end can enhance the capabilities approach.

2.2.4.2 Time Use Data

Time use data is an important tool for gender-aware economics as it provides data about unpaid care work and enables us to include in economic analysis the reproductive activities mostly performed by women. (See *Module 4: Unpaid Work* and *Module 6: Gender, Income Inequality and Poverty* for a detailed discussion on time use data and analysis.)

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ENDNOTES

- 1 Informal paid and unpaid work includes: (i) wage earners working in the informal private sector as well as domestic workers who work for pay in households; (ii) unpaid family workers; (iii) own-account workers; and (iv) home-based paid workers working on subcontracts.

The image features a solid blue background in the upper half and a solid green background in the lower half. A large, light blue number '7' is positioned in the upper right, and a large, light green number '5' is positioned in the lower right. The text 'GENDER AND MACROECONOMICS' is centered in the blue area, with 'GENDER AND' on the top line and 'MACROECONOMICS' on the bottom line, both underlined.

GENDER AND MACROECONOMICS

MODULE 3

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LEARNING OBJECTIVES

Module 3: Gender and Macroeconomics provides an overview of macroeconomic theory and gender as a category. The first part of the module introduces the fundamentals through a discussion of the mainstream macroeconomic framework as well as its critiques and alternatives. Against this background, the second part of the module presents a gendered approach to the macroeconomic framework and the main themes and debates emerging in feminist macroeconomics.

By the end of Module 3, participants are expected to understand the following:

- macroeconomic indicators, policies and the mainstream macroeconomic framework for their analysis;
- various critiques of mainstream macroeconomics and non-mainstream alternative macroeconomic frameworks (other than gender);
- gender critiques of mainstream macroeconomics regarding the distributive impact of macroeconomic outcomes and policies by gender and class and the impact of gender (in)equality on macroeconomic outcomes; and
- advances in gendered macroeconomic analysis and emerging areas of work.

3.1 Macroeconomic Framework

Microeconomics entails the study of individual consumer, worker or producer behaviour and of single product markets, while *macroeconomics* is the study of economic aggregates. Macroeconomics explores the aggregated outcomes that emerge from the everyday microeconomic decisions and actions of millions of individual consumers, workers and producers. These outcomes include aggregate consumption spending, aggregate production of goods and services, aggregate labour supply and demand and changes in price levels.

Before discussing gender and macroeconomics, we first explore basic macroeconomic concepts and mainstream analytical frameworks. We also introduce critiques of mainstream macroeconomics, focusing particularly on two ongoing debates:

- Free (supposedly self-regulating) markets versus the need for government intervention and market regulation to prevent/recover from crises and to ensure sustained growth.

- The need for macroeconomics to transform its narrow focus on growth and price stability – as exclusive performance indicators or policy targets – in order to integrate issues of distribution (equality) and sustainability.

These critiques provide an entry point into gender and macroeconomics and shine light on the gender distributive effects of macroeconomic outcomes and policies. They culminate in a call for government intervention to ensure gender equitable growth and sustainable human development.

3.1.1 Basic Macroeconomic Variables and Measures as Targets for Macroeconomic Policy

Macroeconomic analysis revolves around three sets of fundamental macroeconomic variables: national income and growth; inflation and interest rates; and unemployment. National income and growth constitute the most important reference point in macroeconomics. Inflation and interest rate policies

serve as tools to ascertain sustained growth with the latter expected to solve issues such as unemployment.

National Income (GDP) and Growth

National income, measured by gross domestic product (GDP), is defined as follows:

The total market value of all final goods and services produced in a country in a given period of time (typically a year).

GDP measures aggregate production. Production generates income and hence serves as a measure of the total national income of a country. GDP is divided by the total population to serve as an indicator of average production (income) per person.

GDP per capita = GDP / total population

To assess changes in the productive (and income-generative) capacity of an economy, we assess the progress of GDP over time. The assessment requires an adjustment of GDP from its *nominal value* (value expressed in current domestic currency units) to its *real value* (value corrected for any inflationary effects). A change in nominal GDP over time entails both price and production changes. To identify the component of GDP that has increased purely due to expansion of productive capacity, we correct for inflationary effects by choosing a fixed base year and calculating the GDP of different years using market prices from that base year.

The *economic growth rate* is the per cent change in *real* GDP from one year to another.

Growth rate = % annual Δ real GDP

A further adjustment to GDP is purchasing power parity, known as **PPP GDP per capita**. Conventional GDP is measured in local prices (in local currency) and then converted to USD using the exchange rate observed in the foreign exchange market. As such, conventional GDP time-series data are subject to

fluctuations in exchange rate markets. As well, it does not address the problem of differences in purchasing power due to variance in national prices (particularly of non-tradables). Since prices of non-tradable commodities, such as housing and most services in lower-income economies, are less than prices of comparable commodities in higher-income economies, it is usually the case that a single USD can purchase more goods and services in a developing economy than in a developed economy. The conventional GDP per capita measurement is calculated first in local currency and then converted into USD using the market exchange rate. This conventional measure reflects a larger differential in purchasing power than if it were measured in terms of goods and services.

The PPP adjustment is based on the use of USD prices in the calculation of the basket of goods and services that constitutes the GDP. By using USD prices, PPP GDP per capita is expected to correct for any imbalances in purchasing power due to differences in national price levels. PPP adjustment does not suffer from fluctuations in the exchange rate. Given the lower prices of non-tradable commodities in developing economies, it is usually the case that their PPP GDP per capita (in USD) is higher than the GDP per capita calculated using the market exchange rate.

It is critical to note, however, an important shortcoming of PPP GDP per capita: it does not reflect purchasing power over commodities in global markets as defined by hard (internationally-accepted) currencies such as the USD. By contrast, the conventional GDP per capita (based on the market exchange rate) shows the real average purchasing power of the per capita income of a developing country over goods and services in global markets.

GDP per capita (real and/or PPP) is commonly used as an indicator of economic well-being and quality of life. Its comparison across countries in a given year is used as an indicator of how average quality of life differs across countries. Its progress over time in a given country is interpreted as an indicator of the success or failure of a country's economic performance with respect to improving the well-being of citizens.

Critiques of GDP per capita as an indicator of well-being

There are numerous critiques of the exclusive focus on GDP per capita as the main reference point in the evaluation of macroeconomic performance or the design of policies. These critiques argue that GDP per capita is neither a sufficient nor an accurate indicator of well-being for the reasons below (Goodwin, et al., 2014; Cypher and Dietz, 2009).

1. GDP excludes home-based production and hence its contribution to well-being. While GDP is supposed to measure the market value of all goods and services, it leaves out an important set of those that are produced and consumed such as domestically-produced goods and care services by unpaid labour. As discussed in *Module 2: Introduction to Gender-aware Economics and Methods of Analysis*, the sphere of domestic production – based mainly on women’s unpaid labour – is an important focus of feminist economics. This feminist critique of GDP for excluding production by unpaid labour has led to the development of satellite accounts of household production. This issue is discussed further in *Module 4: Unpaid Work*.

2. GDP excludes ecological degradation and the consequent decline in well-being. While growth in the production of goods and services generates value, it also depletes natural resources. This depletion is absent in the calculation of GDP. For example, while an industrial investment plan which does not impose environmental regulations may have the potential to create conditions for high profitability and increase the growth rate over the short run. The resulting loss in value through environmental destruction, in the long run, may well create negative net value. Hence, environmental economists have developed satellite environmental GDP accounts (similar to household production accounts) to account for depletion of natural resources in the process of increasing production.

3. GDP per capita is an average number and does not reflect the extent of inequalities in income distribution. In the presence of gross inequalities in income distribution, GDP per capita as an average might not serve

as an accurate indicator of the average purchasing power in an economy. Elite groups might have purchasing power considerably above the average, while disadvantaged groups have income levels much lower than this average. Under some conditions and policies, a strong growth rate can come at the expense of worsening income distribution and increasing inequalities. Such an unequal growth process can neither be defined as development, nor is it socially or economically sustainable over the long term. This critique has led to the notion of *inclusive growth*, whereby the benefits of the increase in production and income are shared equally by different segments of society.

Measures of income inequality – such as the Gini coefficient, the Palma ratio or wage share in value added – are also important indicators of well-being and should be included in assessments of economic performance and policy evaluation. (See *Module 6: Gender, Income Inequality and Poverty*).

4. Quality of life is far more encompassing than just GDP per capita, which primarily measures average purchasing power over commodities. *Quality of life (QoL)* entails the following components: access to quality education and health services; time for care and leisure; peace and freedom from violence; access to a healthy environment; participatory and transparent democracy and rule of law; and equality of opportunity by gender, class and origin. Purchasing power over commodities, to some extent, improves access to several of these QoL components such as education and health, yet it has hardly any effect on some of the other important components.

GDP per capita might be inversely related to some QoL dimensions, such as time for care and leisure. For example, GDP per capita might increase due to higher labour market work hours by employed workers. This means, however, that the time available for care and leisure has decreased, helping to deteriorate QoL. Moreover, some lower GDP per capita countries show better performance on several of these indicators, such as health and education or gender equality than some higher income countries, suggesting that the link is not automatic.

The above shortcomings of GDP per capita as an indicator of QoL carry important ramifications in terms of how we define development and design policy. The common distinction between developed and developing economies rests on their respective GDP per capita. In the footsteps of critiques of GDP per capita as an indicator of QoL, Sen put forth a different definition of development as the expansion of freedoms and human capabilities. This approach has come to be known as the *capabilities approach* to development and ultimately culminated in the **human development paradigm**. The human development paradigm constitutes a much more encompassing approach to well-being that goes beyond the narrow focus of macroeconomics on GDP per capita and the growth rate.¹ It also provides a more appropriate and useful model for the introduction of gender and development issues. (See *Module 2: Introduction to Gender-aware Economics and Methods of Analysis* for a detailed discussion on the use of the capabilities approach.)

The following series of alternative measures has been developed by United Nations Development Programme (UNDP) to serve in the place of GDP per capita:

- **Human Development Index (HDI)**
- **Inequality-adjusted HDI (IHDI)**
- **Gender Development Index (GDI)**
- **Gender Inequality Index (GII)**
- **Multidimensional Poverty Index (MPI)**

These UNDP indices use a combination of three types of indicators: access to health; education; and purchasing power (see *Module 6: Gender, Income Inequality and Poverty* for more information on the calculation of indices).

There are alternative measures of development or well-being. The **Genuine Progress Indicator (GPI)**, for example, uses several sustainability indicators on environmental as well as social sustainability in addition to official GDP and produces a net sum.² There are also happiness or life satisfaction indices based on subjective evaluations of individuals as to how happy/satisfied they are with their lives.

Comparisons of GDP per capita to alternative measures of well-being indicate that while there is some positive correlation between the two sets of measures, GDP per capita is by no means a perfect indicator of well-being. In some cases, countries with the same level of GDP per capita are observed to have vastly different levels of HDI, GDI, MPI or life satisfaction/happiness. Moreover, as GDP increases, GPI remains stagnant or even decreases (Appendix 3.1). Consequently, an important critique of the mainstream macroeconomic paradigm is its narrow focus on GDP and on the economic growth rate (See Section 3.2 on Gender and Macroeconomics for further discussion).

Inflation and Interest Rates

Inflation is the increase in the general price level. The price level is measured through a weighted average of the prices of different goods and services. For instance, the **Consumer Price Index (CPI)** is an average of the prices of all goods and services consumed by the typical consumer household, weighted by their average shares in total household consumption. The **GDP Deflator** is another commonly-used indicator of the general price level and is a weighted average of the prices of all goods and services produced in an economy. The **inflation rate** is the per cent change in a price index such as the GDI.

$$\text{Inflation rate} = \% \text{ annual } \Delta \text{ in CPI}$$

Inflation is also measured and reported as monthly or quarterly inflation. While the most commonly-used price index in measuring and reporting inflation is the CPI, other price indices, such as the GDP Deflator or Producer Price Index, can also be employed.

High and unexpected inflation (resulting in price instability) is deemed to have negative economic consequences through:

- creating a negative environment for investment due to lower price stability;
- reducing consumers' real purchasing power; and
- facilitating an appreciation of the real exchange rate, hence a decline in exports.

Consequently, an important target of macroeconomic policy is to ensure price stability and low inflation. The objective is to contribute to growth by maintaining purchasing power stability and improving the environment both for investments and exports.

The **interest rate** is the rate of returns to savings or the price of borrowing credit. There are different interest rates charged by private banks to clients for borrowing and lending. There is also the central bank (CB) interest rate, the rate charged by the bank in its role as a lender of last resort. Changes in the CB interest rate determine the direction of the changes in the other market interest rates. The real interest rate is adjusted for the price of inflation such that it shows the net returns in purchasing power.

$$\text{real i rate} = \text{nominal i rate} - \text{inflation rate}$$

Macroeconomic policies that facilitate a low interest rate are expected to support investment and growth, and vice versa. A negative real interest rate means that the inflation rate is greater than the nominal interest rate. The real return on a savings account is negative; in other words, the purchasing power of savings diminishes in cash form despite a seemingly positive nominal interest rate. This could result in a situation called *the liquidity trap* meaning that macroeconomic (monetary) policy has reached the limit in terms of promoting growth through lower interest rates.

Unemployment rate

The unemployment rate is the ratio of the unemployed to the labour force (sum of employed and unemployed).

$$\text{Unemployment rate} = \text{unemployed/labour force}$$

An unemployed individual is one who lacks a job for pay in cash or in kind, has been actively pursuing work in the reference week of the HLF5, and is prepared to start work within 15 days following a job offer. The official unemployment rate, hence calculated, is criticized for being an inadequate indicator of the true level of joblessness; there are other categories of people who should be considered unemployed but

are not captured by the above criteria. (See *Module 5: Employment, Decent Work, and Social Protection* for more detailed discussion on unemployment, joblessness and other labour market indicators.)

An important objective of macroeconomic policy is to decrease the unemployment rate, with full employment as the ultimate target. Nevertheless, conventional macroeconomic policy focuses primarily on achieving a high growth rate – a strategy assumed to be the best response for bringing down the unemployment rate. Consequently, the unemployment rate better resembles an indirect macroeconomic policy objective.

Recent experience from around the world, however, has shown that unemployment can persist despite growth – a phenomenon known as *jobless growth*. Non-mainstream macroeconomics, such as Keynesian economics, advocates for full employment as a direct and primary target of macroeconomic policy. This objective is particularly important from a gender and class perspective. Given women's traditional role as secondary earners, an environment of high unemployment often harms women's income-earning opportunities more than it harms men since women are often given priority when jobs are limited. Similarly, low-skilled workers suffer more under high unemployment as their already weak bargaining position over wages and working conditions deteriorates further.

In circumstances where growth is not sufficient to decrease the unemployment rate, alternative approaches call for interventionist policies such as public employment and employment guarantee programmes. Such policies can serve to promote employment of women and low-skilled workers. A recent example is the job guarantee programme implemented in Greece following the economic crisis. Low-skilled workers, primarily women, were among the primary beneficiaries (Antonopoulos et al., 2014). Consequently, establishing full employment as the direct and primary objective of macroeconomic policy is an important tool towards inclusive growth.

Exchange Rates and Balance of Payments (BoP)

The exchange rate shows the value of a local currency in terms of foreign currency. For national economies to engage in international transactions, local currency needs to be convertible into foreign currency. The balance of payments (BoP) is the record of all international transactions conducted between resident units of countries (individuals, firms, banks, governments and central banks) through international trade or international capital flows. Foreign currency that flows from the local economy into foreign economies (outflows) are registered as debit (–) and foreign currency that flows into the national economy from abroad (inflows) are registered as credit (+) in the BoP. The BoP consists of the following three parts:

- **current account balance** which registers foreign exchange (FX) revenues and expenditures due to international trade (income from exports and spending on imports) and other flows of income (such as interest income or remittances);
- **capital and financial account balance** which registers foreign exchange flows that create assets and liabilities mainly due to investments abroad and foreign investment in the domestic economy; and
- **official reserves** which are financial assets of the central banks denominated in foreign currency, held for the purposes of stability in local financial markets and to avoid problems with international payments.

The balance of payments must equal zero. In other words, the net of foreign exchange flows through current account and capital account balances should be equal to the change in official reserves. Since the trade balance is the biggest component of current account balance, a current account deficit refers to a trade deficit in many countries. *Trade deficit* shows up when the country spends more on imports (and other forms of income flowing abroad) than it earns from exports (and other forms of income earned abroad). The deficit in the current account must be financed (balanced) by a surplus in the capital account.

A *capital account surplus* means the country is receiving more capital inflows from abroad (due to increased borrowing) than capital outflows (what the country is lending). A *BoP crisis* is when a country's ability to borrow from abroad (run a capital account surplus) receives a negative shock such that its ability to finance overspending in the current account is reduced. Under a flexible exchange rate regime, this results in a sudden depreciation in the exchange rate or, under a fixed exchange rate regime, in a devaluation of the local currency by the central bank.

Many developing economies are characterized by trade deficits and hence experience BoP constraints to growth. BoP problems also increase their vulnerability in the face of negative economic shocks. Export-led growth strategies aim to improve the competitiveness of developing economies in global markets and their capacity to earn foreign exchange through exports. The debate here concerns how to improve competitiveness in global markets.

The mainstream neoclassical macroeconomic approach argues for short-run solutions through suppression of domestic demand and domestic prices via austerity measures, cuts in public spending, tight monetary policy and wage depression (see Stabilization and Structural Adjustment Policies in Section 3.1.2). Instead, non-mainstream macroeconomic approaches (institutionalist, structuralist and post-Keynesian economics) propose long-term policy interventions to improve capital and labour productivity in export and related sectors through public interventions in research and development, human capital improvements and strategic investment subsidies.

Economic crises

An economic crisis occurs when the economy experiences a negative shock and there is a sudden and unexpected decline in the growth rate (in the case of a negative growth rate or a decline in GDP). Such crisis is usually accompanied by a rise in unemployment. A characteristic of capitalist economies, economic upheaval can be caused through a multitude of shocks

acting either on the demand side (e.g. falling exports triggered by a global economic crisis) or on the supply side (e.g. an unexpected increase in energy prices and hence production costs). An important objective of macroeconomic policy is to improve the resilience of the economy in the face of economic crises and to undertake actions towards stabilization.

The level of vulnerability to economic shocks varies both at the macroeconomic level across countries as well as at the microeconomic level across different population subgroups (UNDP, 2011). Developing economies are more vulnerable to shocks due to macroeconomic structural factors such as their dependence on primary exports as a source of income and on foreign capital as a source of investment. In the case of underdeveloped economies, there is also great reliance on foreign aid both as a source of income and investment. These sources of income and investment are procyclical, increasing the vulnerability of developing economies to negative economic shocks.

At the microeconomic level, lower-skilled workers, the poor, migrants and many women also have lower resilience in the face of economic crises. Typically, they face not only poorer job prospects and have lower incomes to fall back on, but they are also relatively more dependent on publicly-provided goods and services to meet basic needs (UNDP, 2011). Consequently, the fall in tax revenue in times of economic crisis, and subsequent cuts in public spending, impose heavier penalties on women and other vulnerable population groups.

While inequalities increase due to economic crisis, Keynesian macroeconomics contend that they also cause crisis in the first place. Generally, a rise in income (and wealth) inequality reduces the purchasing power of low- and middle-income households, creating a tendency towards reduced levels of aggregate effective demand, i.e. consumer demand. When firms perceive weak consumer demand, it dampens their investment appetite, leading to decreasing growth rates and increasing unemployment.

UNDP (2011) notes that economic crises erode the long-term development gains of countries in a relatively short period with *multiplier effects* and lasting

detrimental consequences. Mittnik and Semmler (2014) illustrate that multiplier effects are regime dependent, varying with the state of the business cycle. Multiplier effects are intensified in periods of slow economic growth rather than during high economic activity. Certainly, this feature of macroeconomics highlights why it is important to address the issue of access to decent work for the whole population, but also for women who find it increasingly difficult to secure decent employment opportunities during a jobless recovery. Consequently, it is vital that developing economies, faced with negative shocks, shore up systemic resilience to economic crises. (See more on related policy proposals under Section 3.1.2.).

Macroeconomic Policies: Fiscal Policy and Monetary Policy

To reiterate, the primary objectives of mainstream macroeconomic policy include:

- high growth rate and an increase in GDP per capita;
- price stability and low inflation;
- reduced unemployment rate; and
- stabilization of the economy in the face of economic crises.

Most commonly-adopted macroeconomic policies towards these objectives are fiscal and monetary. **Fiscal policy** pertains to tax policies through which the government decides how much to spend and where to allocate public spending. Typically, the Ministry of Finance is responsible for fiscal policy design, subject to approval by the National Cabinet of Ministers and the parliament. *Expansionary fiscal policy* increases public spending and/or tax cuts and functions to stimulate aggregate spending and economic expansion. While the growth rate is consequently expected to increase, a fiscal expansion risks an increase in inflation as well as a public budget deficit.

Contractionary fiscal policy entails a decrease in public spending and/or tax increases (also known as austerity measures) and functions to depress aggregate spending and cause economic contraction. This response is expected to ensure price stability,

lower inflationary pressures and decrease public budget deficits; however, it negatively impacts growth (at least in the short-run) and leads to the declining quantity and quality of public services and, ultimately, human development. (*Module 7: Gender, Public Finance and Investing for Gender Equality* provides an in-depth discussion on gender and fiscal policy.)

Wage policy is related to fiscal policy. The government has control over the minimum wage as well as public wages; any changes here have spillover effects on private sector wages. A reduction in real wages through a nominal wage freeze, or an increase in the nominal wage under the inflation rate, produces an outcome that resembles that of contractionary fiscal policy. Wage reduction can negatively impact aggregate consumption spending.

Monetary policy pertains to the central bank's control over money supply and interest rates. *Expansionary monetary policy* entails an increase in money supply and a consequent fall in interest rates. This approach is expected to stimulate economic growth through increased borrowing for investment or consumer spending but it also runs the risk of inflationary pressures as in expansionary fiscal policy. Contractionary monetary policy entails a decrease in money supply and a consequent increase in interest rates. This action is expected to reduce borrowing for investment or consumer spending and hence contribute to price stability and inflation control.

Supply-side macroeconomic policies pertain to neoclassical long-term growth strategies to increase efficiency through market liberalization. These policies emerge from so-called supply-side economics, another name given to mainstream neoclassical economics. This approach puts the emphasis on the supply side of the economy (i.e. the firm or the producer) unlike Keynesian economics which focuses on the demand side (i.e. the consumer). Given the emphasis on the firm as the primary driver of investment and growth, supply-side economics argues for interventions such as tax incentives and subsidies to firms to support production-led (or profit-led) growth. The Keynesian approach, on the other hand, calls for tax incentives

and subsidies to consumers to support consumption-led (or wage-led) growth.³

The chief focus of **supply-side macroeconomic policies**, therefore, is price stabilization and inflation control, labour market flexibilization to ensure wage flexibility, and trade and financial liberalization. Stabilization and structural adjustment policies (SAPs), or austerity measures, are examples of supply-side policies and are further discussed below.

Accompanying these macroeconomic policies is a set of complementary and mutually intersecting policies such as international trade policies (discussed in *Module 8: Gender, Trade and Value Chains*), capital flows and financial regulation policies and industrial development policies. It is important to note that while mainstream economics imposes a sharp divide between economic and social policy, this is increasingly critiqued as a false dichotomy. Social development policies – including a wide array of areas from education and health to gender equality and anti-poverty policies – are mutually interactive with economic policies, including macroeconomic policy.

3.1.2 Competing Analytical Frameworks to Explain Crises and Growth

Mainstream (Neoclassical) vs Keynesian Macroeconomic approaches to Crisis and Growth

The mainstream (neoclassical) macroeconomic framework distinguishes between short-, medium- and long-run analysis. The *short run* is defined as the time frame where supply (GDP and hence the Unemployment (U) rate) is determined by aggregate demand.

The *medium run* is defined as the time frame where supply (GDP and hence the U rate) is determined by the aggregate supply that prevails when the domestic economy produces at full capacity. This level of aggregate supply is called the **natural rate of output** and depends on the amount of capital, labour and natural resources and the level of technology. In the

medium-run, as GDP equals the natural rate of output, the unemployment rate settles at the so-called natural (or structural) level of unemployment. This is the rate at which unemployment consists of only frictional (voluntary) short-term unemployment. Frictional unemployment is short-term unemployment due to the job search and placement process taking time. Hence, the natural rate of unemployment is also interpreted as a full-employment state.

The *long run* is defined as the time frame where supply (GDP and hence the U rate) is determined by the growth rate (i.e. the growth of the natural rate of output). This in turn depends upon changes in technology as well as increases (or decreases) in capital, labour and natural resources.

The **mainstream aggregate demand and aggregate supply model** argues that in an unregulated free market environment the economy will, sooner or later, settle down into a medium-run equilibrium whereby the economy produces at full capacity and unemployment is reduced to the minimum possible level at the natural rate. In the short-run, unexpected negative shocks, leading to an unanticipated fall in aggregate demand or supply, can throw the economy off this medium-run equilibrium. Therefore, a short-run equilibrium might prevail whereby the economy produces below full capacity and the unemployment rate remains above its natural rate with involuntary unemployment (a situation of economic recession/crisis). Such a state of crisis results in downward pressure on the price level.

A decline in inflationary expectations, combined with higher unemployment rates, impacts wage bargaining. Under these conditions, workers will demand lower wage rises than before (so long as labour markets are unregulated free markets). Declining real wages (along with falling interest rates) will restore conditions of profitability for firms and supply will increase gradually, finally bringing the economy back to its medium-run equilibrium even in the absence of any government intervention.

The Keynesian objection to this analytical framework can be exemplified by Keynes' famous saying that "in

the long run we are all dead". The Keynesian approach to macroeconomics focuses on the demand side, unlike the mainstream paradigm, which focuses on the supply side. Below are the **main Keynesian objections** to the mainstream hypothesis that the economy will restore itself back to full employment, without intervention (Goodwin, et al. 2014):

- Most importantly, Keynesians argue that it is very likely that *recovery will not take place at all or, if it does, it will do so very slowly*. The crucial assumption of mainstream macroeconomics, upon which such a recovery rests, is price flexibility (especially downward wage flexibility). However, Keynesians point out that this is not automatic in real life. For instance, workers are resistant to a fall in real wages (explained by wage bargaining models such as efficiency wages or insider-outsider models). Even when real wages decline in the face of persistent unemployment, the process is very slow.
- Keynesians assume that in many cases the self-restoring process will take a long time and argue that *unemployment hysteresis effects can emerge during that time which might be too costly* to restore even after recovery has taken place. Such hysteresis effects include an increase in criminal activity and drug and alcohol addiction by long-term unemployed and destitute people.
- Even if the neoclassical hypothesis is correct, and the economy eventually restores itself back to full employment through price and wage flexibility, this medium-run time frame is too ambiguous. *Restoration may take so long that long-term unemployment, poverty and the inequalities that prevail during this time are unacceptable* from an ethical, human rights or human development position.
- Finally, *firm production decisions do not only rest on the costs of production* (falling wages or interest rates) but also on perceived consumer demand. Hence, even if wages were downwardly flexible, i.e. if they decreased to the level where labour demand equals labour supply (and declining interest rates reduce the cost of credit), lack of perceived aggregate demand may hinder firms from undertaking investments.

Consequently, from the Keynesian perspective, to counteract economic crisis, government intervention

is necessary in the face of negative shocks to the economy. The government needs to enact expansionary fiscal and monetary policies to boost effective demand and restore the economy back to full employment.

A standing debate here pertains to the question of **fiscal space**. Mainstream macroeconomics argues that in many instances, particularly in the case of developing economies, governments should abide by tight public budgets. The rationale behind this argument is the need to finance expansionary fiscal spending through public borrowing. This approach pushes up interest rates and therefore crowds out private investment, with detrimental effects for long-run growth. In contrast, alternative approaches – particularly institutionalist and post-Keynesian economics – argue that deficit financing might have growth-inducing effects if it is used strategically to invest in human and physical capital to improve long-run productivity.

This debate also has important implications for the distributive effects of macroeconomic policy. As mentioned above, public spending primarily serves vulnerable groups such as poor households, disadvantaged children, low-skilled workers and women – all of whom constitute a large share of the economically precarious population. (See *Module 7: Gender, Public Finance and Investing for Gender Equality* for more on the issue of fiscal space and gender and *Module 9: Economic Policymaking and the SDGs: How to Reach the Goals* for discussion on the incompatibility of the neoclassical framework with the achievement of the SDGs. For an overview of the fundamental tenets of heterodox schools of thought, see Appendix 1.1 in *Module 1: Introduction to Economics*.)

In assessing the impact of economic crises on developing economies, UNDP (2011, pp. 10-13) suggests the following policies for improving the systemic resilience of developing economies to negative economic shocks:

- Reduce dependence on volatile sources of income and growth through diversity of exports and the generation of domestic demand by increasing household incomes and consumption and boosting corporate investment.

- Address the volatility of commodity prices and stabilize incomes of commodity producers.
- Address aid volatility, the procyclical nature of aid and its effectiveness.
- Implement policies to reduce income inequalities.
- Create fiscal capacity in the short term and mobilize greater domestic revenues over the longer term.
- Invest in building institutional capacity and improving the quality of institutions and core country systems.

Mainstream (Neoclassical) vs Institutional and Structuralist approaches to Long-run Growth

Mainstream (neoclassical) macroeconomics sees growth as an essentially universal and automatic process that occurs through capital investments and technological change. Once an economy enters the phase of capital accumulation, and provides the conditions for a competitive free market economy based on profit maximization, it is inevitable that growth will occur automatically and even late starters will catch up with more developed economies in the long-run.

It is believed that the primary source of sustained growth is technological change. All that countries need to do is support capital investments and adopt technological innovations. This characterization of how growth occurs, however, neglects the effects of any historical, geographical or institutional variables on the process of growth.

Institutionalist and structuralist approaches to growth, on the other hand, allow for a more realistic characterization of the growth process whereby institutions and structural constraints are the main determinants of the growth process (Cypher and Dietz, 2009). The following approaches analyse these factors as determinants of the growth process: R&D institutions and spending; public expenditures on physical and social infrastructure; quality of human capital (as captured by health and education indicators); a set of political governance variables such as rule of law; and socioeconomic factors including

inequalities in the distribution of land, income and assets.

Policy Implications

Stabilization and structural adjustment programmes (SAPs) are examples of neoclassical supply-side macroeconomic policies originally created as a policy package for developing economies in the aftermath of the oil crisis of the 1970s. In the 1980s, faced with an emerging BoP deficit, along with high inflation (and hence appreciating real exchange rates which further aggravated the BoP problem), most of these economies turned to international lending institutions, primarily the International Monetary Fund (IMF). Foreign currency loans were extended by the IMF to these sovereign borrowers if they agreed to implement a set of policy packages designed by the IMF and the World Bank (WB). These stabilization efforts were also referred to as the **Washington Consensus**.

The global economic crisis of the 2000s has generated similar policy approaches, although this time they are intended for the developed economies of Europe (Bargawi et al., 2017). The primary aim here has been to create the best conditions possible on the supply side (i.e. for firms) to encourage private investments in physical capital. The assumption is that such actions will be sufficient to facilitate growth.

Stabilization targets pricing and inflation control in the short run to improve the investment and planning horizon for firms. This effect is achieved through depressing domestic spending by reducing real wages, cutting public spending and/or currency devaluation – a combination also known as *austerity policies*. Structural adjustment accompanies these stabilization efforts with the aim of increasing the long-run capacity of the domestic economy to produce more efficiently and earn foreign exchange through trade and financial liberalization and labour market flexibility. Trade liberalization constitutes the basis of an export-led growth strategy whereby production for global markets – rather than for domestic markets – is the overriding objective.

Low wages and devalued domestic currencies act as a crucial tool for lower production costs and more competitive export prices – but at the expense of depressing domestic purchasing power. Financial liberalization attracts foreign investment thereby increasing domestic productive capacity and intensifying competition in domestic markets with expected efficiency gains. Such market liberalization is also expected to relieve BoP constraints and enhance the ability of the domestic economy to pay back foreign debt.

In recent years, however, even organizations such as the IMF have cautioned against the uncontrolled flow of capital, especially following the 2007-2008 global financial and economic crisis. In an unprecedented move, the IMF changed its long-standing opposition to the use of capital controls and acknowledged that the state has an important role to play in the regulation of international capital flows. While capital flows are generally beneficial for receiving countries, surges in inflows carry risks for their economies and financial systems. The IMF (2012) argued that for countries that must manage the risks associated with inflow surges or disruptive outflows, macroeconomic policies play a key role in sound financial supervision and regulation along with strong institutions.

Implementation of these stabilization policies throughout the 1980s and 1990s in most developing economies has resulted in a dismantling of the social state, reduction of public spending and employment and an increase in inequalities. A review by the IMF indicated that in many cases the impact on growth was limited (Cypher and Dietz, 2009). An alternative strategy, followed by the so-called Asian tigers (**South Korea, Taiwan, Singapore and Hong Kong**), entailed a slower integration into global export markets which was controlled by the state and supported primarily through public investments and subsidies. While this strategy also promoted export-led growth through private investments, it was based on R&D and human capital investments. Hence, the costs of production were decreased through increasing productivity rather than decreasing wages and depressing domestic demand. A transparent and effective social state was the source of these productivity-enhancing investments. This approach stood in contrast to the

mainstream supply-side approach which promoted the minimization of state and public spending and the privatization of public enterprises.

3.2. Gender and Macroeconomics

3.2.1. What is Feminist Macroeconomics?

Feminist macroeconomics can be defined by three important contributions to macroeconomic analysis (Çağatay et al., 1995; Grown et al., 2000, Benería et al., 2016). **First, feminist macroeconomics tackles the issue of unpaid work at the macroeconomic level.** This analysis points out that the conditions necessary for the functioning of the paid market economy (the focus of traditional macroeconomics) depend upon reproduction of labour through unpaid care work in the domestic sphere of production. Hence, labour is treated here as a produced input and household production is regarded as part of aggregate production. Estimation of the aggregate value of production by unpaid work and household satellite accounts is one of the earliest examples of gendered macroeconomic analysis.

Second, feminist macroeconomics introduces gender as an analytical category in addition to categories such as class and race in evaluating the distributive outcomes of macroeconomic changes and policies. The focus here is on the causality from macroeconomics to gender (in)equalities. Feminist critiques of stabilization and structural adjustment policies have produced a rich body of research.

Research into the distributive outcomes of macroeconomic policies is an area of feminist macroeconomics that overlaps substantially with other non-mainstream critiques of neoclassical macroeconomics. As discussed above, mainstream macroeconomics neglects the distributive effects of macroeconomic changes and assumes that macroeconomic aggregates are neutral in their effects on particular population groups. Heterodox macroeconomics (structuralist, institutionalist, post-Keynesian and Marxian approaches) have argued that this is a flawed approach; they contend that, in fact, distributive outcomes by class and origin,

emerge directly from macroeconomic changes and policies (Bhaduri 2007, Cornia 2006). Feminist macroeconomics builds upon this critique by showing that *gender also interacts with class and origin in shaping these distributive outcomes.*

Third, feminist macroeconomics explores the reverse causality: the impact of gendered economic patterns and (in)equalities on macroeconomic outcomes. Here again there is overlap with alternative non-mainstream approaches. These alternative approaches point out that increasing inequalities in income and wealth contribute to economic crises and pose structural constraints to growth in the long run. Feminist macroeconomics explores parallel causalities between gender inequalities and growth. The impact of lower female employment levels and gender wage gaps on productivity and economic growth – the consequences of gender inequalities on income distribution and on savings and consumption patterns – are key research themes.

The following section presents an overview of the feminist macroeconomics research of the last two decades. Finally, we summarize the implications of these findings for macroeconomic policy design for gender equality.

3.2.2 Overview of Gendered Analysis in Macroeconomics

Integration of unpaid household production into national income accounts constitutes the first set of attempts at gendered analysis in macroeconomics (see *Module 4: Unpaid Work*). Yet the actual initiative to **engender macroeconomics** grew out of feminist critiques of the gender and class biases of stabilization and structural adjustment policies starting in the 1980s and provided a background for integrating gender into macroeconomic models from the 1990s onward. The works of Benería et al. (2016), Çağatay et al. (1995) and Grown et al. (2000) represent the initiative's seminal cornerstones. These collective efforts uncovered the mutual interactions and two-way causality between macroeconomic variables/policies and gendered economic patterns/inequalities. As their research demonstrates, unpaid work acts as a

central mechanism through which these cause-and-effect relationships take place. (See also *Module 2: Introduction to Gender-aware Economics and Methods of Analysis* for a literature review of the integration of gender into economics.)

Gendered Outcomes of Macroeconomic Changes

Feminist critiques of stabilization and structural adjustment programmes (SAPs) in the 1990s constitute the first attempt at exploring the impact of macroeconomic policies on gendered outcomes. The ongoing global economic crisis from 2007 has led to the implementation of austerity policies in Europe, reviving similar feminist critiques in advanced economies (Bargawi et al., 2017). Elson and Çağatay (1995) highlight the three ways these policies disproportionately hurt low-income groups, especially women: deflationary bias, commodification bias and the male breadwinner bias.

Deflationary bias refers to the exclusive focus on inflation control and growth at all costs through contractionary monetary and fiscal policies rather than on employment creation, human development, and sustainable and inclusive growth. As discussed earlier, contractionary monetary policy tools tighten the money supply and high interest rates; they focus exclusively on price stability and inflation control. Contractionary fiscal policy and reduction in public spending, cuts in budget deficits, currency devaluation and depression of real wages. These measures result in a reduction of domestic consumption that is expected to help control inflationary pressures.

The alternative non-mainstream macroeconomic approach is critical of the deflationary bias in macroeconomic policy. Criticism focuses on three fronts (Çağatay and Elson 2000). First, the deflationary bias entails distributive outcomes by class and gender. This distributive impact becomes operational through various channels. Contractionary monetary and fiscal policy results in rising unemployment and lower wages. Given segmented labour markets, higher unemployment and lower wages hurt unskilled,

informally-employed and jobless workers (disproportionately women) more than those with higher skills and working in formal employment.

In addition, inflation benefits debt holders at the expense of positive wealth owners (i.e. lenders) such that inflation targeting is essentially a policy choice benefiting wealth owners. Finally, higher interest rates (an outcome of contractionary monetary policy) hurt owners of small enterprises more than established firms and big businesses because the former have limited or no collateral and are subject to higher costs of borrowing, further restricting access to credit.

Second, ample empirical evidence shows that economies grow faster under moderate rates of inflation than at very low levels of inflation (Goodwin et al. 2014). Consequently, the deflationary bias of mainstream macroeconomic policy may impede growth rather than enhance it.

Third, there is debate over what point inflationary pressures start through labour market tightening. Based on these critiques, the alternative non-mainstream macroeconomic approach to monetary policy suggests that monetary policy needs to balance inflation targeting with employment targeting.⁴

Furthermore, the deflationary bias of mainstream macroeconomic policy creates disproportionately negative outcomes for women, particularly low-skilled women, through the following mechanisms:

- **A reduction of public spending** that leads to the deterioration of the quantity and quality of public services in areas such as health, education and social services with disproportionate effects on women regarding their roles as primary family caregivers. Many empirical studies now clearly document that women bear the cost of economic restructuring with an increasing unpaid workload – a fact that results in a decline of their personal and family living standards (Beneria et al. 2016; Bargawi et al. 2017).
- **An increase in women's unpaid work burden** with negative consequences for women's labour force

participation, paid work hours and labour earnings (UNDP, 2015).

- **Exclusive focus on inflation control rather than employment creation.** This limited focus leads to higher unemployment rates. While fewer job opportunities and consequent lower bargaining power affect both women and men workers – particularly unskilled workers – in most cases, women are affected disproportionately through the following two channels (Braunstein and Heintz, 2008; ILO *Policy Brief in Gender in Employment Policies*, 2009):

1. *Women are positioned as secondary earners given the disproportionate responsibility they take for unpaid domestic care work.* As employment opportunities are reduced and labour market conditions worsen, women are more likely to be pushed back to their secondary earner roles whereby they combine part-time or intermittent market activity with unpaid work or become trapped in permanent full-time homemaking positions, thereby institutionalizing unpaid work as a female domain (Ilkcaracan, 2017).

2. *Labour markets are structurally segmented by gender and class, with lower-skilled women concentrated at the bottom of the jobs hierarchy in terms of both wages and employment conditions.* Given the higher unemployment elasticity of wages for groups, such as lower-skilled and female workers, women's earnings are likely to suffer higher reductions when faced with increasing unemployment rates (Ilkcaracan and Selim, 2003). Lower wage incomes also lessen the ability of households to afford market substitutes for domestically-produced goods and services (Bakker, 1994).

The **commodification bias** refers to the privatization of public firms and services under SAPs. In the name of increasing efficiency and “getting prices right”, disproportionate gender effects are the result (Benería et al., 2016). For instance, a key impact concerns cuts in public employment, where women have higher shares, since these formal jobs with more decent

work hours provide better work-life balance. (*Module 5: Employment, Decent Work and Social Protection* discusses this topic further). Moreover, privatization leads to an increase in the prices of health, education and social services, contributing once again to intensification of women's unpaid work burden.

The **male-breadwinner bias** refers to an inherent assumption of SAP and austerity design that men are the first to be entitled to decent jobs or the first to be hired in an economic recovery. Women in their secondary earner roles become increasingly dependent on the male breadwinner. Benería et al. (2016) point out that the implementation of these policies is accompanied by so-called Social Emergency Funds targeting poor households, particularly poor women. Women excluded from the labour market then become dependent on social transfers.

In addition to the impact of SAPs and austerity measures, feminist macroeconomics research explores the gendered outcomes of other macroeconomic policies, such as trade and financial liberalization, and the economic globalization trend (see *Module 8: Gender, Trade and Value Chains*). Trade liberalization has been an important facilitator of the recent phenomenon of the **feminization of labour** in many countries of the South through the creation of low-skill jobs for women in export sectors.

Financial liberalization (also referred to as capital-account liberalization) can *potentially* increase women's employment through increased lending to firms and households for production activity (Floro and Dymski 2000). However, financial liberalization also facilitates instability due to short-run capital flows, higher economic volatility and cyclicity in consumption. As a result of liberalization, societies are more susceptible to economic crises. In many cases, women are even more vulnerable to economic downturns (Fukuda-Parr et al., 2015).

Çağatay and Ertürk (2004) also highlight the distributive outcomes of financial liberalization by gender and class. The researchers characterize the post-1980 period of neoliberal policies as a transition from what they refer to as the Keynesian Consensus to

the Washington Consensus. They argue that this transition entailed a process of reprioritization of the financial sphere over the commodity sphere.

Under the Keynesian Consensus, finance was a means to promote the production of commodities and to create employment. Under the Washington Consensus, there was a financialization of the economy such that financial imperatives reigned over employment objectives. Financial imperatives call for lower inflation rates and this deflationary bias entails disproportionately negative outcomes for the poor and vulnerable, of which women constitute a higher share.

Empirically, the overall effect of trade and financial liberalization failed to narrow the **gender employment gap**. Assessments of the gender employment gap from the early 1990s to 2010s – a period of intensified globalization through trade and financial liberalization – illustrate that in most regions the gap has remained persistent and even widened, except in a minority of advanced capitalist economies. To the extent that trade and financial liberalization increased women's share in paid employment, this was under increasing pressure to be internationally competitive. This pressure created an environment which led to low wages and precarious work conditions, particularly for the low-skilled workers and those in labour-intensive female export sectors (Human Development Report, 2015). Moreover, globalization – under orthodox economic policies – has diminished the capacity of the state to address social ills, including gender inequality (Grown et al., 2000).

Another important topic of research pertains to the **gendered impact of financial and economic crises**, a dominant feature of today's global economy. This research is closely linked to the studies above on the gendered impact of the SAPs and austerity policies adopted in response to economic crises. A substantial set of studies, however, explores the gendered outcomes of economic crises independent of the policy response.

The female 'added worker' impact (see Module 4 for a definition) of married and single women is an emerging trend of economic downturns in the

2000s (Antonopoulos, 2014). Surprisingly, in some cases female unpaid work time increases in response to a higher risk of male spouse's unemployment (see Bahçe and Memiş, 2014 for **Turkey**; Berik and Kongar, 2013 for the **United States**). These macroeconomic outcomes interact with microeconomic dynamics in the household through the construction of masculinities (Fukuda Parr et al., 2015). In certain contexts, crises can change gender roles and offer a window of opportunity to question gender stereotypes (ILO *Policy Note 12* in Gender in Employment Policies, 2009).

The findings of gendered analyses of the impact of crises, with respect to employment and income, are less conclusive. Whether employment loss has been higher for men or women depends upon the conditions of the crisis and the domestic economic structure. The **hypothesis framework** outlines three distinct possibilities with respect to the impact of economic fluctuations on gendered patterns of employment. The segmentation hypothesis suggests that the gender balance of job loss will depend upon gender segmentation in the labour market. If the economic downturn hits the sectors where women (men) are concentrated, job loss will dominate female (male) employment. The reserve army of labour hypothesis suggests that women constitute the ranks of unemployed (ready to be employed) workers, and that they will be the first to be laid off in an economic downturn and the first to be hired in an economic expansion. Finally, the substitution hypothesis argues that under an economic crisis, women's employment can increase to the extent that they represent lower cost labour and are hired to substitute for men (Izdeş, 2012).

In the initial phase of the recent global recession in the developed economies of the United States and Europe, some observers insisted that male employment was more affected than female employment due to severe job losses in male-dominated construction and manufacturing sectors. Evidence from developing economies like **China**, however, indicates that women were as vulnerable as men to job loss in some cases and more negatively affected in others where main job losses concentrated in export

sectors characterized by intensive female employment (Fukuda-Parr et al., 2015).

Gender and macroeconomics research also explores the distributive implications of fiscal policy in terms of taxation (Chakraborty, 2012; ILO Policy Brief 1). It is widely accepted that direct and progressive taxation tends to benefit the poor and vulnerable (disproportionately women) more than indirect taxation, which benefits the rich and the privileged. Moreover, taxation policies and subsidies are often used as incentives (disincentives) for encouraging (discouraging) economic choices by consumers, producers and workers.

Taxation policies can be effectively used for gender equality incentives like improving women's labour force participation as well as the uptake of care leave

by men and yet there are very few examples of implementation. Finally, tax cuts and privatization reduce public revenues that can be used for gender-sensitive fiscal spending on education, health, physical and social care service infrastructure – all of which could reduce and redistribute unpaid care work. The same holds true for the strict fiscal rules behind public deficit cuts that inevitably hinder public investment and spending and therefore override the state's social responsibilities.

Furthermore, the UN Secretary General's High-level Panel on Women's Economic Empowerment (2017) points to the **importance of growth policy complemented by sectoral policies** (policies informing specific industries, sectors and regions) to avoid potential negative consequences on women. Sectoral policies determine ownership and use of resources, prices

BOX 3.1

Gender Biases of Mainstream Fiscal Policy

- Austerity policies have disproportionately negative impacts on women through cuts in social spending (on education, health, social care services) which ultimately increase women's unpaid workload.
- Public investment in social care and time-saving physical infrastructure is essential for a gender-equitable redistribution of care work. The mainstream macroeconomic approach, however, emphasizes strict rules for public budgets and favours privatization and tax cuts thereby reducing public revenues and constraining the ability of the state to undertake necessary social spending.
- The consequent persistence of gender imbalance in unpaid work restricts women's equal access to paid employment.
- The traditional composition of fiscal budgets favours spending on male-dominated sectors – such as construction, physical infrastructure and transportation – at the expense of female-dominated sectors like social care, health and education. Consequently, they promote male bias in the composition of employment demand as well as the consumption of publicly-provided goods and services.
- The mainstream approach to fiscal policy favours privatization. It hurts women through multiple channels of decreasing employment opportunities, higher costs of care-related services substituted by women's increasing unpaid care work and reducing public revenues for social spending.
- Public as employer-of-last-resort programmes (also known as community works programmes) can facilitate women's economic empowerment through both employment opportunities and service delivery. However, the privatization approach and strict rules for public budgets disfavour such initiatives.
- Direct and progressive taxation tends to benefit the poor and vulnerable (disproportionately women) more than indirect taxation, which benefits the rich and the privileged.
- Taxation policies and subsidies can be (but hardly are) used as incentives to improve the labour force participation of women as well as the uptake of care leave by men.

and incentives with differential impacts on various groups of producers. The report underscores how agricultural policies often overlook their impact on smallholder farmers or agricultural day labourers by determining the use of land, prices of inputs and outputs, incentives for growing specific crops, adoption of technology and the pace of the commercialization of agriculture. In the same vein, industrial policy affects the prices of inputs and outputs and

the ability of informal firms to adopt new technology, hire workers and formalize (UNSG-HLPWP, 2017).

Several important insights into the gender biases inherent in fiscal, monetary and growth policy emerge from these various strands of feminist (as well as heterodox) macroeconomics research (Boxes 3.1, 3.2, and 3.3).

BOX 3.2

Gender Biases of Mainstream Monetary Policy

- Exclusive focus on inflation control (inflation targeting) comes at the expense of higher unemployment, lower wages, reduced employment-generating growth and higher interest rates.
- Lower employment growth, higher unemployment rates and lower wages have adverse effects on both women and men, but more so on women, given their substantially higher joblessness.
- Lower employment growth and higher unemployment rates also have adverse effects, particularly on women, given the segmented structure of labour markets where women are concentrated in the lower end of the jobs hierarchy and there is higher elasticity of female wages to unemployment.
- High interest rates hurt women small-scale enterprise owners by restricting their access to credit.⁵
- Low inflation benefits wealth-owners (disproportionately the privileged and men) at the expense of debt-holders (disproportionately the underprivileged and women).

BOX 3.3

Gender Biases of Mainstream Growth Policy

- Increasing GDP per capita by itself is insufficient to reduce inequalities by gender and class as well as poverty.
- Growth strategies with higher employment elasticity have greater potential for more (gender) equitable and poverty-reducing growth.
- What matters is not only the quantity of jobs generated by growth but also the quality of jobs; hence fiscal, monetary and growth policies need to assess the importance of the growth rate against the decent employment intensity of growth.
- Financial liberalization (expected to promote access to capital and credit and hence growth) can have disproportionately negative consequences on women through increased volatility and susceptibility to economic crises unless accompanied by policy measures to improve the resilience of economies in the face of such negative shocks.
- Trade liberalization (expected to promote competitiveness, efficiency and hence growth) can have disproportionately negative consequences on women when it leads to contraction of female-dominated sectors and a downward spiral in wages. Hence, growth policies need to include strategic interventions through industrial, agricultural and trade policies to promote gender-equitable, employment-generating, inclusive and sustainable growth.

Macroeconomic Outcomes of Gendered Economic Patterns

Feminist macroeconomics has also explored the channels through which gendered patterns of the economy and gender equality policies can influence macroeconomic outcomes. Orthodox and heterodox traditions in macroeconomics alike take the reproductive economy for granted and assume that it will accommodate any changes induced by macroeconomic variables – even at times when its relation to the productive economy is disrupted. Elson (1994) suggests that this is equivalent to assuming an unlimited supply of unpaid female labour; hence, most macroeconomic models remain gender-blind.

Changes in unpaid labour affect changes in macroeconomic variables such as labour supply, earned income, consumption, savings and investment (Van Stavaren, 2010). Women have different consumption patterns than men in that they tend to spend a higher share of their income on household consumption and children, while men spend a higher share of their income on personal consumption. These gendered patterns imply that a redistribution of income from men to women through the closing of the gender employment and wage gap can result in higher productivity and growth prospects in the long run (Benería et al., 2016).

Gender (in)equalities can both stimulate and hamper growth through different mechanisms. For example, Seguino (2000) shows that the gender wage gap was positively correlated to growth in a group of middle-income countries over the 1975-1995 period such that women's substantially lower wages provided a boost for export earnings. At the same time, narrowing the gender gaps in education and labour force participation, and increasing gender equality, have the potential to boost the growth rate (Benería et al., 2016; Fukuda-Parr et al., 2015).

Finally, another line of recent policy simulations explores the potential impact of policy-induced changes in redistribution of the care burden from women's unpaid work in the household to publicly-provided services through increased spending on

social care expansion and macroeconomic phenomena such as growth, employment, gender distribution of employment and poverty. These studies typically compare the effects of increased spending on social care versus physical infrastructure and construction, a common target of public spending. They find that **the potential of a social care expansion to reduce unemployment, increase labour force participation, alleviate poverty and boost growth is substantially stronger than that of increased spending on physical infrastructure and construction** (Ilkkaracan, Kim and Kaya, 2015; ITUC, 2016). In addition, an expansion in social care improves gender equality not only through reduction of unpaid work but also by closing the gender employment gap (as more jobs are generated for women) as well as the gender wage gap, whereas spending on physical infrastructure and construction further increases both gender gaps (Ilkkaracan, Kim and Kaya, 2017). (See *Module 7: Gender, Public Finance and Investing for Gender Equality* for more details).

3.2.3 Macroeconomic Policy Design for Gender Equality

The aim of engendering macroeconomic analysis is to improve macroeconomic policy design towards promoting gender equality. Gender-responsive macroeconomic policy entails growth strategies conducive to reducing inequalities by class and origin and alleviating poverty in a sustainable way. Balakrishnan and Elson (2008) advocate for a human rights framework to evaluate macroeconomic policy. The 2017 UN Secretary General's High-level Panel on Women's Economic Empowerment points out that macroeconomic policy design is crucial in creating an enabling environment for the effective implementation of gender-equitable economic policies because "macroeconomic policies influence the level and pattern of employment creation, the level of unpaid care, and the resources available for governments to promote gender equality" (p.3).

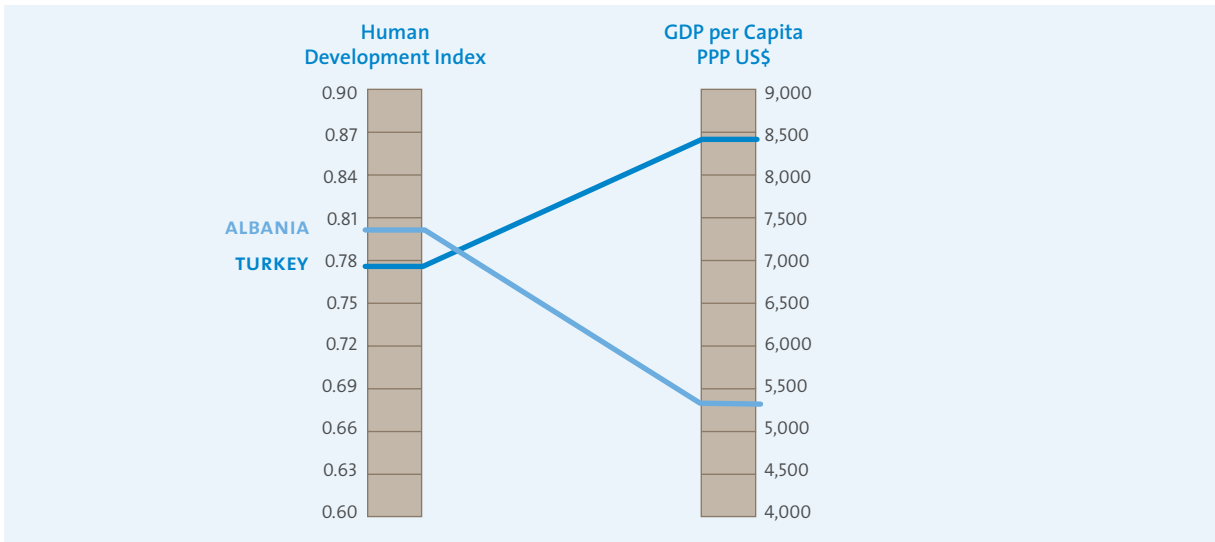
The following important guidelines and lessons emerge from feminist macroeconomics for the design of macroeconomic policy to foster inclusive, equitable and sustainable growth (UN Women 2015a and b):

- **Widen the scope of macroeconomics**
 - from its exclusive focus on the paid market economy
 - to encompass the unpaid care economy. This broader perspective will help to better assess the true constraints to sustainable growth and the distributive impact of macroeconomic changes.
- **Revise macroeconomic policy goals** from their current narrow definition, focused exclusively on growth and efficiency, **to promote well-being, inclusive and sustainable growth.**
 - Growth should be viewed as a macroeconomic policy tool to improve well-being rather than a goal on its own.
 - Growth and its capacity to generate decent jobs matter as much as the magnitude of growth.
- **Make reduction and redistribution of unpaid work a priority objective of macroeconomic policy**, particularly fiscal, labour, and social policies.
 - To this end, make investments in social care infrastructure as much a priority as investments in physical infrastructure.
 - Redefine spending on social care services – particularly child care – as a form of social investment rather than simply spending.
- Abandon the orthodox austerity approach to fiscal policy design, and **focus on the creation of fiscal space for social investment spending**, raising new revenues and reallocating current spending for gender equality, especially for building universal care infrastructure.
- **Use gender budgeting tools** for a more gender-equitable fiscal policy not only in terms of spending but also taxation.
- **Use progressive direct taxation**, especially wealth taxation, as an equitable means to generate necessary tax revenue to finance social care, care leave and other gender-equality schemes.
- **Design tax and subsidy incentives** to promote women’s labour force participation and men’s care leave.
- **Revise the exclusive focus of monetary policy**, from price stability and inflation control, **to also include full employment.**
- **Adopt a comprehensive approach to macroeconomic policy design** making the linkages to other policy areas such as trade, industry and finance as well as social policies to make gender equality and growth more mutually reinforcing.

APPENDIX

Is GDP per Capita an Indicator of Well-being?

FIGURE 3.1
HDI Ranking vs GDP per Capita Ranking



HDI and GDP data refers to 2005 as reported in the 2007/2008 Report.

FIGURE 3.2
Progress in Well-being by GDP vs GPI

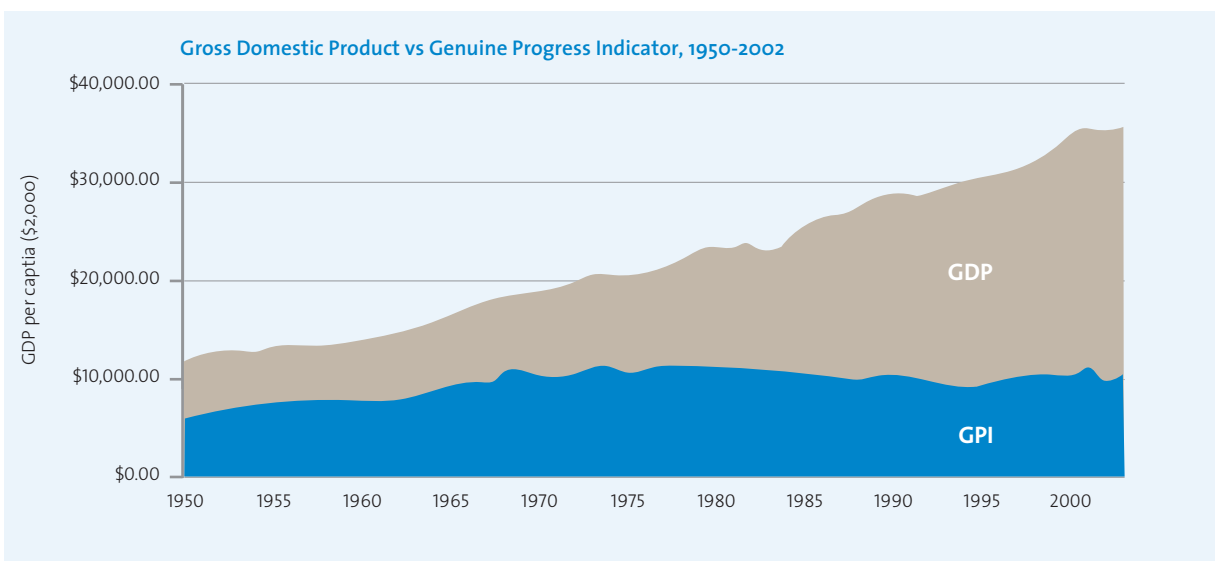


FIGURE 3.3
Happiness vs GDP

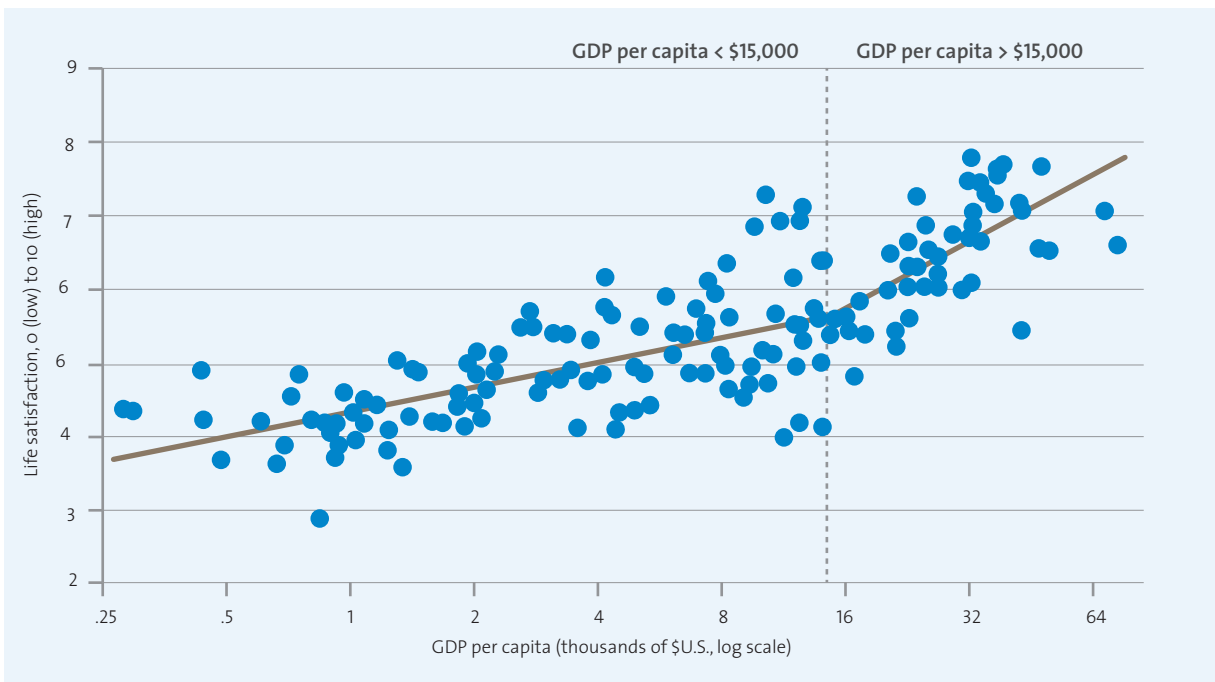
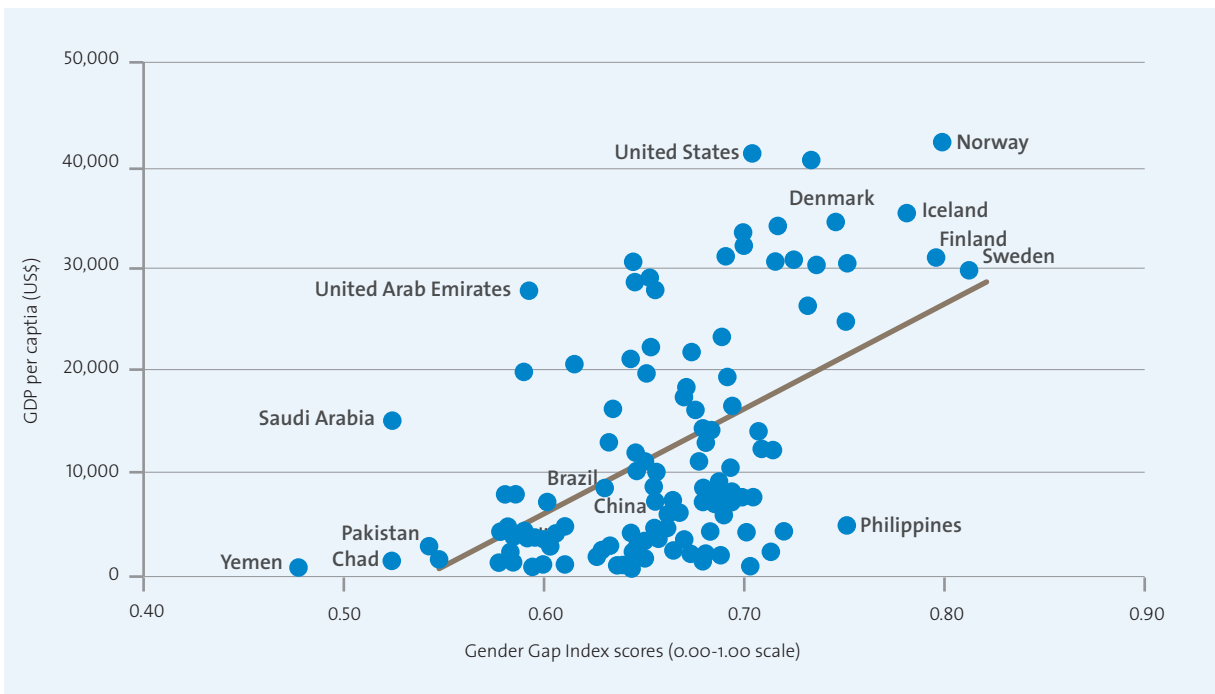


FIGURE 3.4
Gender Equality vs GDP per Capita



Sources: Gender Gap Index 2004 and IMF's *World Economic Outlook Database* (April 2006), available at www.inf.org/weo; Luxembourg has been removed.

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ENDNOTES

- 1 Sen's human capabilities approach to development has been criticized by Marxist scholars for keeping individualism and liberal choice as the basic tenets of its approach and hence ignoring the systematic and structural constraints to equality and human development inherent to capitalism.
- 2 The GPI originated in earlier attempts in the 1970s to formulate Measured Economic Welfare (MEW) by American economists W. Nordhaus and J. Tobin. Ecological economist H. Daly and theologian J. Cobb picked up their work nearly two decades later as they investigated how to develop a macro measure of welfare by creating the Index of Sustainable Economic Welfare (ISEW). See <http://dnr.maryland.gov/mdgpi/Pages/what-is-the-GPI.aspx>.
- 3 The post-Keynesian macroeconomic model by Bhaduri picks up on this dichotomy and suggests that economies follow either profit-led growth or wage-led growth depending on their structural characteristics as well as time- and location-specific conjectural conditions (Bhaduri, 2007). Onaran and Galanis (2012), in a study of G-20 countries, find that most follow a wage-led growth trajectory except Canada, Australia, Argentina, Mexico, China, India, and South Africa. The study also shows that aggregate (global) growth is wage-led.
- 4 The Federal Reserve (Central Bank of the United States), under the presidency of Janet Yellen, has adopted employment targeting over inflation targeting.
- 5 An unexplored issue with respect to the impact of interest rate policy on women entails macrocredit strategies. Microcredit programmes for women are often used to support their economic empowerment. There is less emphasis, however, on macrocredit strategies that promote differential (lower) interest rates for women. Since women have limited or no collateral, they receive less access to credit; however, they also exhibit lower default rates. If markets were efficient, interest rates would provide a gender premium to women. This can be interpreted as a case of market failure, which the banking system (led by the central bank) can address. For example, such a strategy can be applied through differential interest rates for community development banks that improve women's access to credit.

UNPAID WORK



MODULE 4

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LEARNING OBJECTIVES

Module 4: Unpaid Work introduces the extensive body of research and policy debates on unpaid work and the care economy. These issues have been introduced and integrated into the field of economics by feminist economists and social scientists. The first part of the module presents the definition, measurement and valuation of caring labour with a focus on time use data. The second part turns to policy discussions at intergovernmental and national levels.

By the end of Module 4, participants are expected to understand the following:

- feminist research on unpaid work and the care economy;
- time use data and its crucial role in making visible unpaid work and care economy issues;
- the systemic linkages between the imbalanced distribution of the unpaid care burden and inequalities in economic outcomes by gender and class;
- unpaid work as an issue of inclusive growth and human development in addition to gender inequality; and
- related policy debates on unpaid work with a particular focus on the 3R strategy – recognition, reduction and redistribution of unpaid work.

4.1 Unpaid Work: Introduction and a Brief History

Unpaid work – performed in the domestic sphere for the maintenance of the household and care of its members – is a crucial focus of feminist economic analysis, distinguishing it from mainstream as well as other non-mainstream approaches to economics. As we saw in *Module 2: Introduction to Gender-aware Economics and Methods of Analysis* and *Module 3: Gender and Macroeconomics*, mainstream neoclassical economics – as well as most non-mainstream schools of economic thought including Keynesian economics – limits the definition of the economy and the scope of economic analysis to market production and paid work. Non-market production and unpaid work – predominantly female spheres – are ignored entirely in the male-dominated paradigm of economic analysis.

One exception is Marxian economics where reproduction is acknowledged as an economic sphere of activity parallel to that of production.¹ This recognition provides a point of entry for feminist economics to focus on **reproductive labour as an economic issue**.

Economists from the 1960s, through to the early 1980s, approached the issue of unpaid labour in the context of the Marxian concept of *labour exploitation*. An early feminist Marxist literature articulated three different approaches regarding the sexual division of labour:

- Women's unpaid work in the home is a form of exploitation of labour by capital through wage subsidization.
- Women's unpaid work in the home is a form of exploitation of women's labour by men.
- Women's unpaid work in the home is also a form of working class resistance against exploitation by capital because women's full-time homemaking role resists the proletarianization of women.

The discussion on unpaid work evolved through the rise of gender and development (GAD) research and policy debates from the 1990s onward. Unpaid work became a GAD issue following the observation that the unremunerated work burden facing most women in developing economies is far more intense due to poor infrastructure and involves arduous tasks such as fetching and carrying water and fuel

wood. Moreover, researchers noted that the limited creation of formal employment opportunities in developing economies pushes more women into full-time homemaking roles in the South than in the North. Leaving aside the Marxian question regarding the type of exploitation unpaid work entails, the GAD debate acknowledged that unpaid work constitutes a fundamental source of women's economic disempowerment around the world.

The importance of unpaid work as an economic and social policy issue is further acknowledged through the various United Nations conferences on women, culminating in the **Accounting Project**.² This initiative involved actions to recognize the scope of unpaid domestic work and value its contribution to national income and well-being. Importantly, it has also led to broader agendas such as the revision of labour force statistics to include informal and other forms of unpaid work.

In the meantime, the persistence of gender inequalities in labour markets of the developed economies of the North led to a revival of interest in the issue of unpaid work.³ The terminology expanded from

reproductive labour or domestic unpaid work, to the more conceptual and encompassing terminology of **care work**, **caring labour** and **the care economy** in the past two decades. Care-related policy discussions in advanced economies typically take place in the context of so-called work-life balance.

Decades of feminist research and advocacy on unpaid work and the care economy highlights that the issue is crucial to economic analysis. Indeed, we need to care about caring labour as an economic issue central to development policy (Box 4.1). This module explores research and debates under two topics: the *definition and measurement of unpaid work* with a focus on time use data, household production accounts and time poverty; and *unpaid work in policy design and implementation*.

4.2 Defining Unpaid Care Work

Care refers to the provisioning of goods and services necessary for the physical, social and emotional needs of dependent groups such as children, elderly and ill people as well as those with disabilities. Care further encompasses healthy working-age adults and

BOX 4.1

Why We Need to Care About Caring Labour as an Issue of Economic Development Policy

- Care is an indispensable component of human well-being, contributing essential physical, emotional and social inputs to the healthy reproduction of people daily and the reproduction of future generations of workers. Hence, a well-functioning care economy is crucial to a productive economy.
- Unpaid work is a fact of economic life, particularly women's economic life, making up almost half (43%) of all work time globally. Given the gender-based division of labour, this is where women spend most of their work time (76% of total unpaid work time is performed by women vs 43% of total paid work time).
- The imbalanced gender distribution of the unpaid work burden acts as a systematic source of inequalities in economic outcomes by gender (as well as by class and origin). Absorption of women's productive capacity in the unpaid care economy is a root cause of their lesser involvement in the paid market economy; this culminates in the gender employment gap, gender pay gap, and the horizontal and vertical gender segregation of jobs.
- Unpaid work is an issue of inclusive growth and human development not only through its relation to gender equality but also through its bearing on a series of other important economic issues including poverty alleviation, human capital enhancement, productivity, jobs generation and unemployment reduction, the care crisis and sustainable growth.

includes self-care (adult healthy people taking care of themselves). Care allows these individuals to function at a socially acceptable level of capability, comfort and safety. Caregiving entails a wide array of production activities which provide care in a direct and indirect manner. Daily domestic tasks including cooking, cleaning, laundering and, in rural areas, activities such as fetching firewood and water or food processing, constitute **indirect care work**. Such indirect care work enables the necessary preconditions of reproduction. Based on these preconditions, it becomes possible to undertake **direct care work**, such as bathing and feeding a baby or a bed-bound ill person, helping with a child's homework or supporting a friend going through an emotionally difficult time.

A significant part of care work in all societies takes place through relations of family, kinship and friendship, and is done on an unpaid basis. A large portion of this unpaid work remains outside the boundaries of economic measurement and valuation because it takes place in the domestic sphere and does not involve an exchange of money. Some aspects of unpaid work, however, are included in the System of National Accounts (SNA) such as growing food for one's own consumption, collecting water or fuelwood. These are unpaid productive activities that take place outside the household and are covered under the macroeconomic SNA.

Some care work is provided through paid labour in the market, primarily in the health, education, social service and domestic work sectors. An increasing portion of care work is commodified and replaced by market substitutes, particularly by high- and middle-income classes in both high- and low-income economies. An important portion of commodified care work is in the informal sector and is paid but is neither registered nor covered by social security. Table 4.1 provides a detailed classification of unpaid work activity by different categories of care receivers and by type of unpaid versus paid work.

The content and conditions of care work vary substantially across countries as well as across different groups within the same country.

- In *developing economies of the South*, a great deal of time is spent on indirect care work (fetching water, collecting wood, growing vegetables), activities which set the preconditions for direct care. In the advanced market economies of the North, more time is spent on direct care and on managing the relationship between the home and an increasingly broad set of care institutions related to organizing, coordinating and getting children to after-school activities.
- A larger share of care work is commodified in the North than in the South.
- Commodification of care also varies within a country by socioeconomic status and household income, with higher-income households having more access to market substitutes for care work.
- Depending on local conditions and the types of policies adopted, the content of care work can also vary between countries with similar income levels. For example, in sub-Saharan African countries with a high prevalence of people living with HIV or with AIDS, caring for terminally ill patients requires a significant share of care work. In regions exposed to environmental degradation or countries with armed conflict, the content of care work is transformed while its intensity increases.

Definitions of caring labour go beyond domestic work to include volunteer work in the care of communities and the environment. Joan Tronto (2013), in **Caring Democracy: Markets, Equality, and Justice**, defines care as

*a species of activity that includes everything we do to maintain, continue and repair our 'world' so that we can live in it as well as possible. That world includes our bodies, ourselves, and our environment, all of which we seek to interweave in a complex, life-sustaining web.*⁴

Tronto's definition expands the boundaries of the care economy to encompass the larger ecological context wherein care by and for all living species sustains life. Indeed, there are strong parallels between caring by and for people and caring by and for the environment. These parallels are explored in depth through the concept of the **purple economy**, which places sustainable care provisioning at its centre. In this way, the purple

TABLE 4.1
Caring Labour and its Contents

Categories and Examples of Care Work (Folbre, 2006)						
		Children	Elderly	Sick, disabled	Adults (other than self)	Self
Unpaid work (outside SNA)	Direct care	Changing diapers	Spoon feeding or bathing		Counselling	Visiting doctor, exercising
	Indirect care	Preparing food, doing laundry, cleaning				
Unpaid subsistence production (inside SNA)	Direct care	Breastfeeding				
	Indirect care	Growing food for own consumption, collecting wood or carrying water				
Informal market work	Direct care	Family day care; Babysitting	Family day care; Elder-sitting	Informal but paid assistance in the home		
	Indirect care	Domestic servant; Paid or unpaid family worker in small service enterprise				
Paid employment	Direct care	Child care worker, teacher pediatrician	Elder care worker, gerontologist	Nurse, nursing aide, doctor	Counselor, nutritionist, yoga instructor	
	Indirect care	Administrator, clerical, food services or janitorial	Nursing home administrator, clerical, food services or janitorial	Hospital administrator, clerical, food services or janitorial	Most paid jobs not listed in other cells	

Source: Folbre, 2006, p. 188

economy, like the green economy, focuses on environmental sustainability – a point we shall explore in the final part of this module.

Defined as such, the care economy interacts with the rest of the economy to fulfill the following functions:

- to enable people to reproduce themselves daily as healthy individuals, contributing members of a community, and productive workers in the economy;

- to support the production of the next generation of a healthy and productive workforce; and
- to strengthen social ties and cohesion.

Through these functions, the care economy makes a vital contribution to both economic and social sustainability.

4.3 Measuring and Valuing Unpaid Work

4.3.1 Time Use Data

To ensure that unpaid care work is counted as economic activity and subsequently incorporated into economic analysis alongside paid market work, we need a common denominator. That common denominator is time; in other words, the number of daily/weekly hours spent in unpaid work versus paid work. Data on paid work (including working hours) are collected periodically through a national household labour force survey (HLFS). In this respect, a **time use survey (TUS)** is the counterpart to an HLFS for uncovering and measuring the scope, distribution and nature of unpaid work.

Time use surveys constitute field research at the level of the household and its individual members. The objective is to assess how individuals allocate their time over a specific period – typically 24 hours in a day or seven days in a week – towards different activities including paid and unpaid work, as well as self-care, self-development (education) and leisure.

Time use surveys typically employ one of the following three methods:

- **Self-administered time diary method** - Individuals are given a time diary and asked to record their activities and the time spent in each activity over a week.
- **Recall interview method** - A surveyor interviews individuals on the types of activities they were engaged in during the previous week and the time that they spent in each activity.
- **Short-task list method** - A surveyor provides correspondents with a task list categorizing the various types of activities people engage in and asks them to check which ones they have engaged in and how much time they spent on each one.

While the self-administered diary method is the most reliable one, it is costly and has low applicability in a context of high illiteracy. The recall interview method

and the short-task list method are applicable in low literacy contexts and have lower costs, yet they produce less reliable data. The use of different methods also limits the possibility of cross-country comparisons. Esquivel (2008) notes that many developing countries have approached time use surveys in a pragmatic manner, designing them to meet local needs and budgets despite the methodological trade-offs. It is worth noting that all methods suffer from the risk of underreporting due to the so-called *simultaneous activity bias*. This refers to the fact that women often multitask, such as cooking while at the same time taking care of children. Most TUS designs fail to measure simultaneous activity.

Still, a TUS is crucial for a gendered analysis of economic and social policy because it enables quantitative assessment of women's unpaid labour and its value in the production of goods and services in the domestic sphere. This work brings visibility to the contribution of unpaid work to consumption, well-being and quality of life and opens the way for a more realistic and encompassing analysis of policy impact.

While the origins of the TUS date back to the early 20th century, more systematic administration by national statistics agencies is relatively recent. As of 2016, approximately 100 countries around the world had conducted a TUS at least once (Hirway 2010, p. 255). Most countries have undertaken only one or two time use surveys. Time use surveys have not been institutionalized as periodic surveys in the manner of household labour force surveys. Moreover, the use of different methods of data collection is problematic for cross-country comparisons. Institutionalization of the conduct of a TUS in a periodic manner remains an advocacy issue for women's rights organizations and activists.

The data provided by time use surveys from around the world point to several useful global economic facts (Box 4.2):

- Almost half of all productive work time consists of unpaid work time.

BOX 4.2

Findings of Time Use Data from around the World

UNDP's *Human Development Report* (HDR) 2015 and UN Women's *Progress of the World's Women* (PWW) 2015 present cross-country and global time use statistics based on available data. The data presented in the HDR 2015 (pp. 107, 125-126), based on an analysis of internationally comparable time use data from 65 countries representing 69% of the world's adult population, indicated that:

- 41% cent of total global work time is unpaid.
 - Of this amount, women perform 31% and men perform 10%.
 - Of the remaining 59% of paid work time, 38% is done by men and 21% by women.
 - Women's work accounts for 52% of the total of both paid and unpaid work time.
 - The amount of unpaid work time by women ranges from a maximum of 371 minutes per day (**Turkey**) to a minimum of 174 minutes per day (**Thailand**); while for men the range is from 194 minutes (**Sweden**) to 18 minutes (**Cambodia**).
-
- The gendered distribution of work time between paid and unpaid work is very imbalanced with the overwhelming majority of unpaid work time performed by women, while men dominate paid work time.
 - When combining paid and unpaid work, women work more than men.
 - While the amount of time allocated to unpaid work by men and women varies widely from one country to another, *in all cases women's unpaid work time is substantially higher than men's*.

The availability of TUS data establishes a solid basis from which to advocate for a reform of the care economy. For example, **Australia** is an early starter in the conduct of periodic time use surveys, starting in 1987. Data were used to inform policy reform for subsidized childcare, tax relief and parenting allowances (Esplen, 2009). **Canada**, following advocacy and lobbying based on time use statistics, approved a tax credit policy in 1998 for individuals residing with – and providing in-home care for – a low-income parent, grandparent or infirm, dependent relative (UN-DAW, 2004).

The **UN Guide to Producing Statistics on Time Use: Measuring Paid and Unpaid Work**, published by the UN Statistics Division, provides an excellent guide for

assisting countries interested in undertaking a TUS. The guide supports the use of consistent methods to conduct TUS, both to improve data quality and enable cross-country comparisons (UN-DESA, 2004).

4.3.2 Estimation of the Market Value of Unpaid Work and Satellite Household GDP Accounts

The availability of time use data on unpaid work allows estimation of its market value comparable to the market value of paid work. There are different methods for how such a valuation exercise can be undertaken (Benería et al., 2016, p. 205). The **output method** is an estimation of the market value of unpaid work based on the outputs the work produces, including the number of meals cooked, children taken care of, etc. minus input costs. This method has the advantage of being comparable to the accounting method employed in the SNA, which uses the market prices of goods and services rather than time use data in its calculation. However, many of the products of unpaid labour are services that do not have directly comparable market substitutes, such as the emotional care entailed in child, elderly or infirm care work or in managing a household.

The **input method** uses the amount of unpaid work time required by various tasks and estimates its market value using various wage rates. For example, the *opportunity cost approach* uses the wage rate that the individual would be receiving if she or he were to spend the same time in the labour market, i.e. the potential labour market wage given her or his education, work experience, age, and so forth. This approach, however, assigns a different market value to the same domestic task (e.g. cooking) when performed by two people with different labour market qualifications. Critics of the opportunity cost method also note that it reproduces the gender biases in labour markets by assigning a lower opportunity cost wage to women than men.

The *replacement cost approach* uses the wage rate that would be received by a professional worker if the unpaid work were undertaken by someone employed under the prevailing labour market conditions. The *specialist substitute method* uses varying wage rates for different types of activities, such as the market wage of a chef for cooking, or the wage of a teacher/nurse aide for child or ill care. This approach is critiqued for making a false assumption that the productivity of a specialist is the same as that of a household member doing the task on an unpaid basis.

The most commonly-used wage rate is *replacement cost of a so-called global substitute* which could either entail the minimum wage or the median wage of a domestic worker (or median wage observed in the overall labour market). A cross-country comparison for 2008 shows estimates range from USD 6,000 per capita for **Korea** to USD 10,000 for **Australia** using the replacement cost approach (in purchasing power parity USD); and as share of GDP, from 11% of GDP in **Norway** to 53% of GDP in **Turkey** (Benería et al., 2016, p. 207).

Estimates of the market value of unpaid work vary depending on the method used. For example, the opportunity cost approach generally yields a higher estimate than the minimum wage approach. The common practice is to use a variety of methods to estimate lower and upper bounds. The estimated value is reported either as a per capita value of household production, or a total economy-wide value of household

production and as a share of gross domestic product (GDP). Official GDP accounts entail the total market value of all final goods and services produced for the market, i.e. by paid labour. A comparison of the estimated market value of household production by unpaid labour to official GDP provides insight into the relative contribution of household production to total income (consumption) and well-being.

An important outcome of these efforts has been the construction of household production satellite GDP accounts or what Ironmonger (1996) calls *gross household product*. These supplementary accounts allow an extension of official GDP to cover unpaid work. The first attempt to incorporate unpaid work was undertaken by the National Statistics Institute of Finland in the late 1980s.

The value of unpaid household work was estimated using time use data and a satellite account created. The estimated market value of household production in **Finland** amounted to 40% of extended GDP (= official GDP + SNA and non-SNA household production). Several countries now have satellite household production accounts where the estimated market value of household production ranges from 20% of extended GDP (**Columbia**) to 44% of extended GDP (**Australia**) (Benería et al., 2016, p. 208).

The collection of time use data, as well as the valuation of unpaid work, have been influential in increasing the visibility of unpaid work. *Recognition*, however, is only one of the three components of the international 3R (recognize, reduce and redistribute) policy strategy adopted by the United Nations on the question of unpaid work (see Section 4.4.1 for policy debates on unpaid care work).

4.3.3 Time Poverty

Another area where the consideration of unpaid work, and its valuation through time use data, has led to a revision of an economic measure is poverty. Beyond access to cash income, availability of time for self-care and care of others is also an important asset contributing to well-being. Hence, while increasing hours of paid work may improve well-being through increasing

cash income and expanding the consumption of commodities, it may also reduce well-being. An increase in paid work hours cuts into the time left for individuals to engage in the unpaid work necessary to take care of themselves and others. Indeed, this lack of time is an indicator of **time poverty**.

The Levy Economics Institute in New York has developed an innovative new poverty measure. The Levy Institute Measure of Time and Income Poverty (LIMTIP) sets a minimum acceptable level of both income and caring time for well-being. Applications of the LIMTIP measure in **Argentina, Chile, Mexico, Ghana and Tanzania, South Korea and Turkey**, find that if all eligible non-employed adults living in poor households (predominantly female homemakers) were to be given jobs in line with their labour market qualifications, then many of their households would escape income poverty through increasing labour earnings; however, they would still move into time poverty through decreasing availability of time for care work. In other words, their income deficit would be transformed into a care deficit that is equally – if not more – harmful to the well-being of household members. This outcome is conditional on the absence of affordable social care as well as on labour market conditions of long working hours and poor pay for low-skilled workers. Under such conditions, the newly employed poor woman's labour earnings do not cover the costs of market substitutes for domestic care services. (See *Module 6: Gender, Income Inequality and Poverty* for more detailed discussion of time poverty and these applied research studies).

4.4 Unpaid Care Work in Policy Design and Implementation

4.4.1 Intergovernmental Recognition of Unpaid Work

Since the 1960s, ongoing efforts by women's rights groups, activists and feminist researchers working on women's labour have challenged the mainstream patriarchal definitions of *labour, work* and *production*, and the narrow boundaries of what the economy and economic analysis entail. From the 1990s, these efforts

have translated into a growing acknowledgement in policy debates that unpaid care work is an important fact of economic life and a crucial contributor to well-being and human development. It is increasingly understood that women's disproportionate share of the care burden is a root cause of gender inequalities in economic outcomes.

Consequently, there have been several landmark policy decisions and actions by intergovernmental initiatives at a global level that recognize unpaid work and its linkages to gender equality and economic development. Adopted by the UN General Assembly in 1979, the Convention on the Elimination of All Kinds of Discrimination against Women (CEDAW) is the first intergovernmental process to recognize unpaid work. *Article 11* of the Convention acknowledges that maternity and childcare act as a basis for gender discrimination and that states have the duty to prevent such discrimination through legislation on care leave and provisioning of childcare services. *Paragraph 2 of Article 11* states:

To prevent discrimination against women on the grounds of marriage or maternity and to ensure their effective right to work, States Parties shall take appropriate measures:

- (a) To prohibit, subject to the imposition of sanctions, dismissal on the grounds of pregnancy or of maternity leave and discrimination in dismissals based on marital status;
- (b) To introduce maternity leave with pay or with comparable social benefits without loss of former employment, seniority or social allowances;
- (c) To encourage the provision of the necessary supporting social services to enable parents to combine family obligations with work responsibilities and participation in public life, through promoting the establishment and development of a network of childcare facilities.⁶

CEDAW's recognition of unpaid work is limited to the case of childcare and its interaction with discrimination in formal employment.⁷ Consequent intergovernmental processes, however, take this recognition further and acknowledge unpaid work

explicitly and in an expanded framework. Several of the seminal actions in this respect follow.

1. Review of the system of national accounts (SNA) for integration of unpaid work and household production

by the Statistical Office of the UN Secretariat and INSTRAW (1986 onwards).

2. Adoption of a call in the Beijing Platform for Action (UN Fourth World Conference on Women) in 1995 for the following:

(development of) methods, in the appropriate forums, for assessing the value, in quantitative terms, of unremunerated work that is outside national accounts, such as caring for dependents and preparing food, for possible reflection in satellite or other official accounts that may be produced separately from, but are consistent with, core national accounts, with a view to recognizing the economic contribution of women and making visible the unequal distribution of remunerated and unremunerated work between women and men. (p. 87)

(the design and implementation of) statistical means to recognize and make visible the full extent of the work of women and all their contributions to the national economy including their contributions in the unremunerated and domestic sectors, and to examine the relationship of women's unremunerated work to incidence of vulnerability to poverty. (p. 119)

3. The OECD Babies and Bosses initiative that collects, reviews and analyses cross-national information and data on the reconciliation of work and family life, with a focus on the unpaid care burden and linkages to economic and social outcomes and policies. Examples include household structures, fertility trends, employment rates by children's presence in households, as well as policy indicators on parental leave, day care and early education services, and family-friendly workplaces and supports (OECD 2002-2008).

4. The Stiglitz-Sen-Fitoussi Commission in 2009 (also known as the Sarkozy Commission) in its report, **The**

Measurement of Economic Performance and Social Progress, called for broadening income measures to include non-market activities when measuring economic well-being based on the following assessment:

There have been major changes in how households and society function. For example, many of the services people received from other family members in the past are now purchased on the market. This shift translates into a rise in income as measured in the national accounts and may give a false impression of a change in living standards, while it merely reflects a shift from non-market to market provision of services. Many services that households produce for themselves are not recognized in official income and production measures, yet they constitute an important aspect of economic activity. While their exclusion from official measures reflects uncertainty about data more than it does conceptual dissent, more and more systematic work in this area should be undertaken. This should start with information on how people spend their time that is comparable both over the years and across countries. Comprehensive and periodic accounts of household activity as satellites to the core national accounts should complement the picture (p. 14).

5. Adoption of a landmark resolution in 2013 by the 19th International Conference of Labour Statisticians (ICLS) for measuring and defining work as

any activity performed by persons of any sex and age to produce goods or to provide services for use by others or for own use and hence enabling inclusion of unpaid work in household production (as well as unpaid trainee work, unpaid work by prisoners and other civilians or volunteer work).

6. Agreed Conclusions of the Commission on the Status of Women (CSW) 58 in 2014 on the 3R strategy on unpaid work as follows (see Appendix 4.1 for full text on unpaid work):

Under *Challenges*, Para. 14:

The Commission recognizes that *care work, both paid and unpaid, and care services are of*

key importance in achieving the Millennium Development Goals for women and girls, and further recognizes that caregiving is a critical societal function which involves shared responsibility.

Under *Actions*, Para. (gg):

Recognize that caregiving is a critical societal function and therefore emphasize the *need to value, reduce and redistribute unpaid care work* by prioritizing social protection policies, including accessible and affordable social services, including care services for children, persons with disabilities, older persons and persons living with HIV and AIDS, and all others in need of care; the development of infrastructure, including access to environmentally-sound time- and energy-saving technologies; employment policies, including family-friendly policies with maternity and paternity leave and benefits; and the promotion of the equal sharing of responsibilities and chores between men and women in caregiving and domestic work to reduce the domestic work burden of women and girls and to change the attitudes that reinforce the division of labour based on gender.

7. The Sustainable Development Goals, adopted in 2015, includes the SDG 5 on gender equality and empowerment of all women and girls. The SDG 5.4 target states:

Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

8. Report of the UN Secretary General’s High-level Panel on Women’s Economic Empowerment (2016) acknowledges the recognition, reduction and redistribution of unpaid care work as one of seven drivers of women’s economic empowerment.

4.4.2 National-level Recognition of Unpaid Work: Examples of Best Practices

Recognition of unpaid work at the country level can take on different forms. The conduct of time use surveys and the valuation of unpaid work such as household production satellite accounts, or time poverty studies, are some ways to recognize unpaid work. As discussed in Section 4.3 on measuring and valuing unpaid work, time use data reveals the amount of time put into household production (and other forms of unpaid care work) and enables policy design to build on a recognition of the gender inequalities in paid versus unpaid work time.

Household production satellite accounts help to quantify and acknowledge the immense contribution of the household production of goods and services to overall consumption and well-being. Time poverty measures, on the other hand, acknowledge that well-being, or lack thereof, depends not only on a shortage of purchased commodities but also on shortages of time for unpaid work to produce care services, some of which have no market substitutes. Time poverty studies, therefore, recognize the links between unpaid work, household well-being, poverty and care deficits.

Another way to recognize unpaid work is through national-level legislation and policy documents. Most countries have different laws and policies that provide limited – or at least implicit – recognition of various types of unpaid work. Legislation on maternity leave, workplace requirements for providing childcare services to their employees or social security support to caregivers are some examples found in many countries. These fragmented pieces of legislation and policy, however, fail to recognize the care economy in either an explicit or comprehensive manner.

Fortunately, there are several good country practices demonstrating a coordinated and comprehensive approach that acknowledges the care economy. The **National Integrated Care System in Uruguay** and the **Law to Promote Reconciliation of Work and Family Life** and the **Law of Dependency in Spain** exemplify best practices (Box 4.3).

BOX 4.3

Best Practices in Legislative Recognition of the Care Economy at the National Level: Uruguay and Spain

The **National Integrated Care System** (NICS), adopted by the Government of **Uruguay** in 2015, covers an implementation plan for 2016-2020. The plan foresees a regulatory legislative framework for a national-scale care system, including high quality childcare centres for children under three, day care centres, homes and in-house professional care services for elderly dependents. The plan also pledges to develop a professional training strategy in care work and to produce relevant information for public policy use. NICS is managed by a National Care Board, which consists of several Ministries (Labour, Education, Economy and Finance, Development) and public agencies (the Office for Planning and Budgeting, the Institute for Children and Adolescents, the National Women's Institute) (UNSG-HLPWEE, 2016).

The **Law to Promote Reconciliation of Work and Family Life** and the **Law of Dependency in Spain** are examples of national-level legislation explicitly recognizing the care economy. The *Law to Promote Reconciliation of Work and Family Life*, adopted in 1999, aims to facilitate the care of children and the elderly. It regulates extended care leaves for both men and women and coordinates this action with a reduction in legally required full-time work hours. The Law of Dependency, adopted in 2006, acknowledges that hitherto the care burden fell on women's shoulders, yet new types of family structures and women's increased engagement in the labour market in Spain requires a reform of the traditional system. The law defines care as a citizen's right and as an obligation on the part of the state for its provision not only for children but also for the disabled and the elderly (Benería and Martínez-Iglesias, 2014).

4.4.3 Beyond Recognition: Policies for Reduction and Redistribution of Unpaid Work

The **3R strategy** concerns the *recognition, reduction and redistribution* of unpaid work. Adopted in the agreed conclusions to the 58th CSW, the strategy calls for actions to go beyond merely increasing the visibility of unpaid work as a policy issue to also include policies to alleviate the care burden and divide it between women and men, and families and public/market services in a more balanced manner. The following policy areas address the reduction and redistribution of unpaid work (UN Women, 2015; see also Appendix 4.1):

- Investments in social care infrastructure and service provisioning.
- Investments in rural infrastructure and time-saving technologies.
- Work-life balance policies and care insurance schemes.

Investments in social care infrastructure and service provisioning

Social care infrastructure entails a national-scale infrastructure of care service institutions ranging from childcare centres, preschools, after-school study centres and programmes for children, community and active living centres, residential homes, health institutions and home-based professional services for elderly, ill and disabled individuals. Access to high-quality social care service provisioning enables both the reduction of unpaid work time as well as redistribution of the care burden between the private sphere of the household and the public sphere of state- and market-provided services.

Paid care services are not expected to provide a full substitute for all care work. Given the person-to-person relational nature of care work, a substantial component of care work will be provided on an unpaid basis motivated by the love and responsibility one feels in close relationships. Nevertheless, professional paid care services complement unpaid care and help

alleviate the caregiving burden as well as improve the quality of life and developmental opportunities of care receivers.

Access to social care is particularly important in the case of children as early childhood development and preschool education contribute to enhanced school performance and, later in life, to better labour market opportunities (Van Leer, 2015; Heckman et al., 2010). Hence, access to affordable quality care services by all is also a matter of reducing socioeconomic inequalities among children and other care-dependent groups including older people and those with disabilities.

The building of a social care infrastructure with universal access to quality services requires public investment in social care. In the same manner that governments invest in health and education, they can likewise invest in a social care infrastructure. The main bottleneck here pertains to costs; most developing countries face budget constraints as they allocate public spending for competing needs. At the same time, the mainstream macroeconomic approach to fiscal policy argues for minimization of public expenditures and emphasizes austerity. Consequently, advocacy for investing in social care infrastructure calls for a reconsideration of public budget priorities and fiscal policy.

Recently, several research studies have explored the case for increased fiscal spending on social care expansion based on multiple policy objectives that go beyond gender equality to also include jobs generation, unemployment reduction, poverty alleviation, socioeconomic equality, human capital enhancement, productivity and growth. Positive findings on the short- and long-term economic impact of social care service expansion suggest a strong multifaceted economic rationale to the fiscal prioritization of social care expenditures over more common lines of spending such as physical infrastructure and construction. Policy simulations in **seven advanced OECD economies** (ITUC 2016), **South Africa** (Antonopoulos et al. 2010), **Turkey** (Ilkkaracan, et al. 2015) and the **United States** (Antonopoulos et al. 2014) point to several shared findings;

- Public investments in social care service infrastructure carry a substantially greater potential for employment generation than physical infrastructure given the higher employment intensity of the sector. Spending on social care service expansion generates more than double the number of jobs (directly in the sector itself as well as in other related sectors through backward linkages) created by the same magnitude of spending on physical infrastructure.
- The composition of labour demand in the case of social care spending is substantially more pro-women than in the case of physical infrastructure, facilitating a narrowing down of the gender employment and wage gap while simultaneously decreasing the overall unemployment rate for men and women alike.
- Spending on social care has a larger capacity to decrease the poverty rate than spending on physical infrastructure through simultaneous positive effects on labour demand and supply sides. Social care service expansion not only generates more jobs but also eases the time constraints on women's labour allowing their entry into the labour market.

(See *Module 7: Gender, Public Finance and Investing for Gender Equality* for a more detailed discussion of gender equality and other inclusive growth effects of public investments in social care).

Investments in rural infrastructure and time-saving technologies

Care work in rural areas with an underdeveloped physical infrastructure, primarily in **Africa** and **South Asia**, involves a heavier indirect care burden than in urban areas. The burden includes arduous, time- and labour-intensive tasks such as fetching and carrying water and firewood, as well as food processing. For example, in rural **Mali**, women spend up to an average of nine hours per week collecting firewood and carrying water versus one hour per week for men (Charmes, 2015). Similarly, in **sub-Saharan Africa** in general, an important contributor to the gender gap in unpaid work is the difference in time spent for water and fuel collection between women and men (Memiş and Antonopoulos, 2010).

Time use data from **India** show that women living in poor households spend as much as 24 per cent of their work time collecting free goods (water, fuel wood) versus 12 per cent by women in non-poor households (Hirway, 2010). A study in **Madagascar** shows the link between the unpaid work burden in rural areas and girls' school attendance: 83 per cent of the girls who did not go to school spent time on water collection versus 58 per cent of the girls who attended school (Chakraborty, 2010). In many rural settings, providing food means growing food; hence, subsistence farming is a form of care. In rural areas, there is no clear distinction either between private and domestic spheres of unpaid work or public and market spheres of paid work (UN Women Training Centre, 2016).

Public investments to improve physical infrastructure for electricity, sanitation or piped water, and to increase access to time-saving household technology such as cooking stoves, are key to reducing such onerous care-related tasks. Investments in infrastructure designed to reduce the amount of time women spend on unpaid work – such as improved cooking stoves, rural electrification, installation of piped water supply in houses, and latrines closer to home – can yield significant time savings (Chakraborty, 2010).

A report by the UN Millennium Task Force on Water and Sanitation estimates that if certain policy targets are met, the annual value of time savings would amount to USD 64 billion (UNMTFWS, 2005). Conducting income-generating programmes for rural women, without accompanying improvements in rural infrastructure, is only likely to increase women's paid work time without reducing their unpaid work (UNSG, 2005).

Work-life balance policies and care insurance schemes

Work-life balance policies feature two components:

1. Policies that pertain to care service provisioning for employed people with care responsibilities (such as parents of small children).

2. Labour market policies to regulate workplace schedules and hours to allow their reconciliation with domestic care responsibilities. Examples include:

- Legislation on care leave (maternity leave, paternity and parental leave and other care leave for ill family members).
- Regulation of full-time labour market work hours within the decent work standards of 35- to 40-hour weekly schedules.
- Harmonization of workplace schedules and hours with schedules of schools, preschools and childcare centres.
- Flexible workplace practices to enable reconciliation of workplace and home responsibilities such as temporary access to part-time work, shortened work weeks and home-based work.

Labour market regulatory measures complement services and enable a redistribution of domestic unpaid work time from women to men. Such measures also reallocate some of the care costs from families to insurance systems funded by employers and states. For example, parental leave in most countries where it exists is funded through an insurance scheme paid by employers and sometimes employee contributions; it may also be subsidized through public funds. To the extent that paid parental leave is covered through such an insurance scheme, it decreases the probability that pregnancy, maternity or parenthood becomes a source of discrimination in the labour market. In addition, to the extent that there are special incentives for men to use parental leave (e.g. father quotas and the choice of combining part-time parental leave with part-time work), such legislation becomes an effective mechanism for redistributing care work from women to men.

In many countries, paid care leave legislation is also supported by social security credits. For example, pensions of parents are not reduced due to periodic absence from paid employment to care for young children. In many countries, homemakers are entitled to social security coverage and pension payments, funded partially by private individual contributions but primarily through public funds. In **Ecuador**, homemakers have been entitled to social security payments

since 1964. In **Argentina**, pension fund rules in the early 2000s were changed to state that those who had not contributed to social security because they were not formally employed (including housewives) could register and contribute to the pension fund.

In some cases, social security care credits are further extended into programmes involving cash transfers to women for undertaking care work. This is quite controversial from the perspective of gender equality. While a policy of social transfers for care work does recognize unpaid work, it contributes neither to its reduction nor redistribution from the domestic to the public sphere, or from women to men (Box 4.4).

While formally-employed wage and salary workers are usually covered under mandatory care insurance schemes like maternity leave, there are no such insurance programmes for self-employed, unpaid family workers or informally-employed wage and salary workers. Most countries have mandatory universal insurance schemes for health, retirement or unemployment insurance; however, very few have public or mandatory care insurance schemes.

Still, care insurance schemes targeting groups can be an effective mechanism for financing and redistributing the care burden. Publicly supported and/or subsidized care insurance schemes can help improve parental leave coverage for self-employed women and men and unpaid family workers as well as informally-employed wage workers. Care insurance schemes can also apply to care needs other than childcare. An example is the elderly care insurance scheme (ECI) adopted in **South Korea** in 2008. ECI entitles all citizens over age 65 to public care services ranging from support with domestic work to residency in nursing homes (Esplen, 2009a). (See *Module 5: Employment, Decent Work and Social Protection* for a more detailed discussion of work-life balance policies.)

On a final note, the regulation of work conditions for paid care workers is another relevant policy area pertaining to the care economy. Since this training module focuses on unpaid work, there is no discussion on this policy area. The exclusion of such in this Training does not mean, however, that this is not an

important area for policy intervention. Briefly, policies in this area involve recognition and regulation of the work conditions in professional domestic and care services. Regulation of work conditions for paid care labour calls for enactment and reform of national legislation on paid domestic work to protect care workers, including domestic workers, and ratification of international conventions such as ILO's Convention No. 189 concerning decent work for domestic workers.

4.4.4 Future Perspectives: The Crisis of Care and the Purple Economy as a Response

Some feminist scholars have pointed out that the question of care labour is also an issue of sustainable growth. They argue that in addition to the challenges to sustainable growth posed by the global economic crisis, rising unemployment and the deepening ecological crisis, we also need to be concerned about an emerging *crisis of care*. According to Himmelweit (2007), the crisis of care refers to a transformation of society into one that is less able and willing to provide caring labour under intensified market competition.

Scholars point to some of the concrete outcomes of increasingly less caring societies: fertility rates are falling under the replacement rate; an inability to meet the increasing care needs of elderly people (a growing share of the population) and of ill people due to health shocks such as HIV and AIDS. The shift towards less caring societies appears in the erosion of caring norms, the weakening of social ties and growing individual alienation.

Ilkharacan (2013 and 2017) declares that just as the green economy was suggested as a future vision of a new economic order in response to the environmental crisis, we need an alternative future vision for a new economic order complementing the green economy and addressing the challenges posed by the crisis of care. The **purple economy**⁹ refers to an economic order organized around the sustainability of caring labour through a redistributive internalization of the costs of care just as the green economy is organized around the sustainability of provisioning

by nature through internalization of environmental costs into production and consumption patterns. The green economy acknowledges that we depend on earth's natural resources and must therefore create an economic system that respects the integrity of ecosystems. **The purple economy acknowledges that we depend on caring labour as an indispensable component of human well-being.** Consequently, we must create

an economic system that accounts for the value of care work and enables its provisioning in a sustainable manner without reverting to mechanisms that reproduce inequalities by gender, class, and origin. The purple economy stands on four pillars geared towards the recognition, reduction and redistribution of the care burden (Box 4.5).

BOX 4.4

Are wages-for-housework a strategy for women's empowerment? The Example of Oportunidades in Mexico

The most well-known and extensively evaluated conditional cash transfer programme is the *Oportunidades* programme (formerly *Progresa*) in **Mexico**. *Oportunidades* aims to reduce poverty by providing mothers with cash transfers. These payments are conditional, however; mothers must agree to fulfil certain duties, including taking children for regular health checks, meeting targets for ensuring their school attendance, attending health workshops, and giving up time to work in the community on activities such as clearing rubbish.

Oportunidades has been widely praised for improving school attendance, putting the importance of girls' education on the policy agenda, and improving women's self-esteem (see Eldis 2006 for evaluations of the programme). However, it has also been criticised for adding to women's responsibilities and reinforcing the traditional gendered division of labour. Rather than seeking to incorporate men into the programme, any actions to improve the well-being of children are simply assumed to be part of the mothering role. There is also little in the design of the programme to enhance women's economic security, or to provide childcare for women who might want or need it because they work or study. The success of the programme, therefore, depends on women fulfilling their traditional social roles and responsibilities.

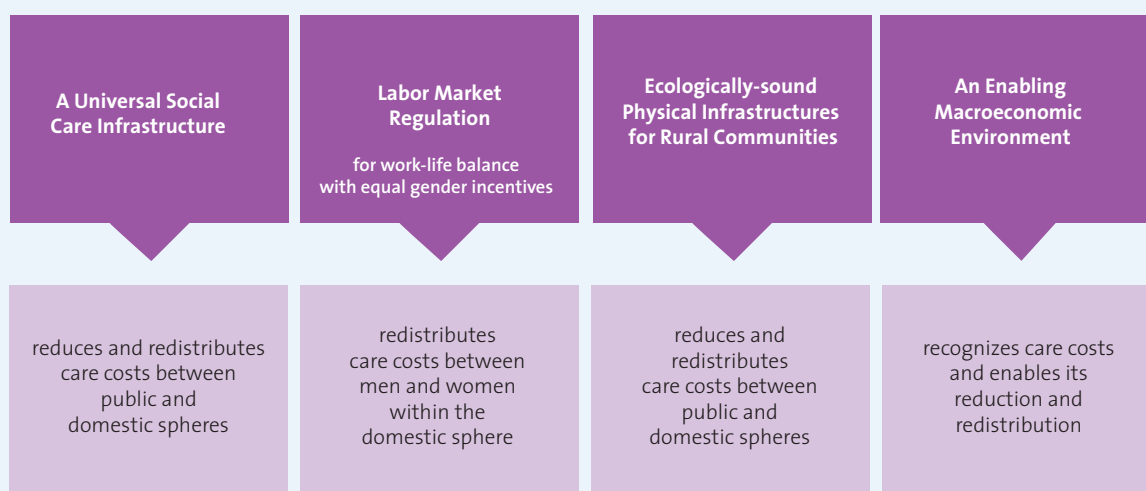
(Esplen 2009a, p. 47; adapting from Molyneux 2007a: p. 23–30)

BOX 4.5

Purple Economy Complementing the Green Economy for Sustainable Growth

COMMENTARIES	GREEN ECONOMY	PURPLE ECONOMY
In response to ... also the economic crisis through	the environmental crisis – to sustain provisioning by nature Green Jobs	the crisis of care – to sustain provisioning by caring labor Purple Jobs
Acknowledges that beyond the consumption of commodities, human wellbeing depends on access to ...	healthy ecosystems	quality care
Accounts for ... both invisible in mainstream economic analysis	the value of nature	the value of caring labor
Calls for state intervention and market regulation for internalization of ... into production and consumption patterns.	environmental costs	the costs of caring labor
Aim to eliminate ... through the redistribution of costs.	inter-generational inequalities	inequalities by gender, class, origin
Call for a reordering of priorities from consumption	to nature	to nurture
from GDP growth	to sustainable and equitable growth (or even de-growth)	

Four Pillars of the Purple Economy



Source: Ilkkaracan 2013 and 2016

REFLECTIVE ACTIVITY

Group work: Participants will work in groups of 2 to 4 (depending on the total number of participants) on a country of their choice and use web resources to answer the following questions (30 minutes):

1. Is there time use data available for your country?

If yes, find out the following:

- For which years and is the data collected regularly?
- What are the statistics on paid, unpaid and total work time by gender? (Also by different groups of women and men disaggregated by education, marital and parental status, rural/urban residency, employed vs out of the labour market)
- Is there any change in time use patterns over the years?

If there is no time use data for your country, answer the following:

- What types of arguments and rationale can you use to discuss with the government to start undertaking time use surveys?

2. Is there any estimation of household satellite GDP for your country?

If yes, identify the following:

- Using which methodology?
- To what share of GDP does household production correspond?

If no, answer the following:

- Do you think it would be useful to undertake an estimation of Household Satellite GDP? Why or why not?

Group presentation and discussion: Having completed the above study, participants come back to share and discuss their finding with the larger group (30 minutes).

APPENDIX

Agreed Conclusions of CSW 58 (2014) on Unpaid Care Work

Under Challenges and achievements in the implementation of the Millennium Development Goals for women and girls:

Para. 14. The Commission recognizes that **care work, both paid and unpaid**, and care services are of key importance in achieving the Millennium Development Goals for women and girls, and further recognizes that caregiving is a critical societal function which involves shared responsibility.

Para. 19. The Commission notes and expresses deep concern about Millennium Development Goal 1 (eradicating extreme poverty and hunger), that poverty impedes women's empowerment and progress towards gender equality, and that the feminization of poverty persists, and recognizes that significant gender gaps in employment rates and wages persist. The Commission is concerned that owing to, inter alia, socioeconomic inequalities and persistent discrimination in labour markets, women are more likely than men to be in precarious, vulnerable, gender-stereotyped and low paying forms of employment; bear a **disproportionate share of unpaid care work**; be engaged in the informal economy; and have less access to full and productive employment and decent work, social protection and pensions, which increases their risk of poverty, relative to men, particularly if they are living in households without other adult earners. (...)

Para. 21. The Commission notes that with regard to Millennium Development Goal 3 (promoting gender equality and empowering women), progress has been slow, with persistent gender disparities in some regions in secondary and tertiary education enrollment; the lack of economic empowerment, autonomy and independence for women, including a lack of integration into the formal economy, unequal access to full and productive employment and decent

work, underrepresentation in non-agricultural wage employment, overrepresentation in low paid jobs and gender-stereotyped jobs like domestic and care work, and the lack of equal pay for equal work or work of equal value; the **unequal burden of unpaid care work and insufficient measures to reconcile paid work and care responsibilities**; the persistence of discriminatory attitudes, norms, stereotypes and legal frameworks; insufficient social protection and insurance coverage for women; and, despite progress, the low proportion and unequal participation and representation of women at all levels of decision-making, including in national parliaments and other governance structures.

Para. 28. The Commission is concerned that several critical issues related to gender equality and the empowerment of women were not adequately addressed by the Millennium Development Goals such as, inter alia: violence against women and girls; child, early and forced marriage; **women's and girls' disproportionate share of unpaid work, particularly unpaid care work**; women's access to decent work, the gender wage gap, employment in the informal sector, low-paid and gender-stereotyped work such as domestic and care work; women's equal access to, control and ownership of assets and productive resources, including land, energy and fuel, and women's inheritance rights; women's sexual and reproductive health, and reproductive rights in accordance with the Programme of Action of the International Conference on Population and Development, the Beijing Platform for Action and the outcome documents of their review conferences; universal health coverage; non-communicable diseases; accountability for violations of human rights of women and girls; and women's full and equal participation in decision-making at all levels. The Commission recognizes that unless all dimensions of gender inequality are addressed, gender equality, the empowerment of women and the realization of human rights of women and girls cannot be achieved.

Under *Actions*:

A. Realizing women's and girls' full enjoyment of all human rights

Para. (k) Address the multiple and intersecting factors contributing to the disproportionate impact of poverty on women and girls over their life cycle, as well as intra-household gender inequalities in the allocation of resources, opportunities and power, by realizing women's and girls' civil, political, economic, social and cultural rights, including the right to development, and ensure women's and girls' inheritance and property rights, equal access to quality education, equal access to justice, social protection and an adequate standard of living, including food security and nutrition, safe drinking water and sanitation, energy and fuel resources and housing, as well as women's and adolescent girls' access to health, including sexual and reproductive health-care services, and women's equal access to full and productive employment and decent work, women's full participation and integration in the formal economy, equal pay for equal work or work of equal value, and **equal sharing of unpaid work**;

Para. (gg) Recognize that caregiving is a critical societal function and therefore emphasize the **need to value, reduce and redistribute unpaid care work** by prioritizing social protection policies, including accessible and affordable social services, including care services for children, persons with disabilities, older persons and persons living with HIV and AIDS, and all others in need of care; the development of infrastructure, including access to environmentally sound time- and energy-saving technologies; employment policies, including family-friendly policies with maternity and paternity leave and benefits; and the promotion of the equal sharing of responsibilities and chores between men and women in caregiving and domestic work to reduce the domestic work burden of women and girls and to change the attitudes that reinforce the division of labour based on gender.

D. Strengthening the evidence base for gender equality and the empowerment of women

Para. (gg) Continue to develop and enhance standards and methodologies, for use at national and international levels, to improve data, inter alia, on women's

poverty, income distribution within households, **unpaid care work**, women's access to, control and ownership of assets and productive resources, and women's participation at all levels of decision-making, including to monitor progress on the Millennium Development Goals for women and girls.

UN Women's Progress of the World's Women 2015-2016

Under *10 Priorities for publications*:

4. Recognize, Reduce and Redistribute unpaid care and domestic work:

Unpaid care and domestic work contribute to economic development and human well-being through nurturing people who are fit, productive and capable of learning and creativity. But the burden of doing this work is unequally distributed. In the absence of adequate support for care services, women's disproportionate responsibility for unpaid care and domestic work can reinforce their socioeconomic disadvantage by constraining their access to education, health care and paid work, as well as their participation in political and cultural life. In order to achieve substantive equality for women, unpaid care and domestic work needs to be recognized, reduced and redistributed by:

- scaling up investments in basic infrastructure, including water and sanitation facilities that are accessible, affordable and meet quality standards;
- strengthening basic social services such as education and health that complement unpaid caregiving and are an important source of employment for women;
- providing support to unpaid caregivers, ensuring that they have a voice in policy-making and recognizing them as part of, but not a substitute for, strong public care systems;
- providing accessible, affordable and quality child and elderly care that is responsive to the needs of working parents and other unpaid caregivers; and
- working towards a comprehensive paid leave system, including maternity, paternity and parental leave, available to all workers, including those in informal employment, with special incentives for fathers to take up their share.

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ENDNOTES

- 1 Engels is the first economist (as early as the 19th century) to point to the dual character of the economy (paid productive and unpaid reproductive) and suggests that both are essential to the reproduction of the economic system as a whole.
- 2 See Benería, Berik and Floro (2016) for an excellent review of the Accounting Project.
- 3 See Folbre (1994; 2006) and Himmelweit (2007) for seminal works.
- 4 See also Joan Tronto article *The Deeply Political Act of Caring* at <http://www.utne.com/politics/the-deeply-political-act-of-caring-zEOz16Ogzcbru>
- 5 See Hirway 2010, pp. 301-324, for a comprehensive table on surveys in developing countries.
- 6 See <http://www.un.org/womenwatch/daw/cedaw/text/econvention.htm>)
- 7 ILO Workers with *Family Responsibilities Convention 1981*, the *Part-Time Work Convention 1994*, the *Home Work Convention 1996* and the *Maternity Protection Convention 2000* are other intergovernmental policy documents recognizing unpaid work (see Esplen 2009b, p. 10).
- 8 See <https://caringlabor.wordpress.com/2010/09/27/constitution-of-the-bolivarian-republic-of-venezuela-1999-article-88/>
- 9 The colour purple has been adopted by feminist movements in several countries.



EMPLOYMENT,
DECENT WORK AND
SOCIAL PROTECTION

MODULE 5

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LEARNING OBJECTIVES

Module 5: Employment, Decent Work and Social Protection consists of sections on employment and decent work and on social protection. The first part introduces standard market indicators from a critical gender and human development perspective, followed by a discussion of indicators of gender inequalities in markets and their underlying structural causes. The second section opens with a general discussion of social protection systems and moves onto a discussion of gender gaps in social security and related policy debates.

By the end of Module 5, participants are expected to understand the following:

- standard labour market indicators (labour force participation, employment, unemployment);
- limitations of these standard labour market indicators from a gender and human development perspective and alternative labour market measures, namely *joblessness* and *decent work*;
- indicators of gender inequalities in the labour market (gender employment gap and gender wage gap, gender jobs segregation, gender gaps in decent work);
- structural causes that underlie gender inequalities in labour markets and policy debates on the elimination of these gender gaps;
- different tools of social protection systems;
- trends in gender gaps in social protection; and
- sources of gender inequalities in social protection and related policy issues.

5.1 Employment, Unemployment, Decent Work and Labour Markets

The most widely studied aspect of gender and economics pertains to gendered patterns in labour markets, i.e. in paid market work. For the most part, the situation is due to the exclusive focus of conventional economics on the market sphere and the widespread availability of data on labour market indicators. It is easy, therefore, to identify the gender gaps in labour market indicators as concrete measures of gender inequalities in economic outcomes.

In this module, we begin with an introduction to the basic labour market indicators of labour force employment and unemployment rates as well as more recent alternative indicators of the joblessness rate and decent work. We then examine measures of

gender inequalities and review their observed trends. The second half of the module presents an analytical summary of the literature on the structural causes of gender inequalities in the labour market and concludes with a discussion on policy debates.

5.1.1 Labour Market Indicators: Definitions and Measures

Labour market data (on paid work) is gathered through periodic household labour force surveys (HLFSs) at the household and individual level. These surveys are conducted with a sample representative of the adult working age (15 years of age and older) population. Periodic conduct of such surveys (monthly to bi-monthly) by national statistics agencies takes place in nearly all countries around the world.

The labour force (LF) is defined as the sum of employed plus unemployed individuals (Figure 5.1):

$$\text{LF} = \text{Employed} + \text{Unemployed}$$

Employed are those people assessed by the HLFS as individuals who have engaged in work for in-kind or cash payment for at least an hour in the reference week.¹

An *unemployed individual* is one who:

- does not have a job for payment in kind or in cash;
- is actively seeking a job in the reference week; and
- is ready to start work in 15 days if offered a job.

The final category consists of people who are not in the labour force, i.e. all adults who are neither employed nor unemployed.

The *labour force participation (LFP) rate* is the ratio of the LF to the total civilian adult population. The civilian population, also called the non-institutional population, excludes non-civilian or institutional populations, i.e. those who are residing in prison, military barracks or health institutions.

$$\text{LFP rate} = (\text{LF}/\text{Adult Civilian Population}) \times 100$$

The employment rate is the ratio of the employed to the total adult civilian (non-institutional) population; the unemployment rate is the ratio of the unemployed to the LF (sum of employed and unemployed).

$$\text{Employment rate} = (\text{Employed}/\text{Adult Civilian Population}) \times 100$$

$$\text{Unemployment rate} = (\text{Unemployed}/\text{LF}) \times 100$$

The employed are categorized as:

- wage and salary workers
- employers
- self-employed
- unpaid family workers²

Those who are not in the LF are categorized as:

- students
- retired
- homemakers

- people with an illness or disability
- non-labour income earners
- other.

Based on these indicators, the main objective of economic policy, with respect to the labour market, is to reduce the unemployment rate. A secondary, less emphasized objective of labour market policy is to increase the employment rate. There are **two major critiques** of this view of labour market policy:

- the official unemployment rate (defined above) is not a sufficient indicator of the true rate of joblessness in an economy
- the quality of employment is as much a problem as the quantity of employment.

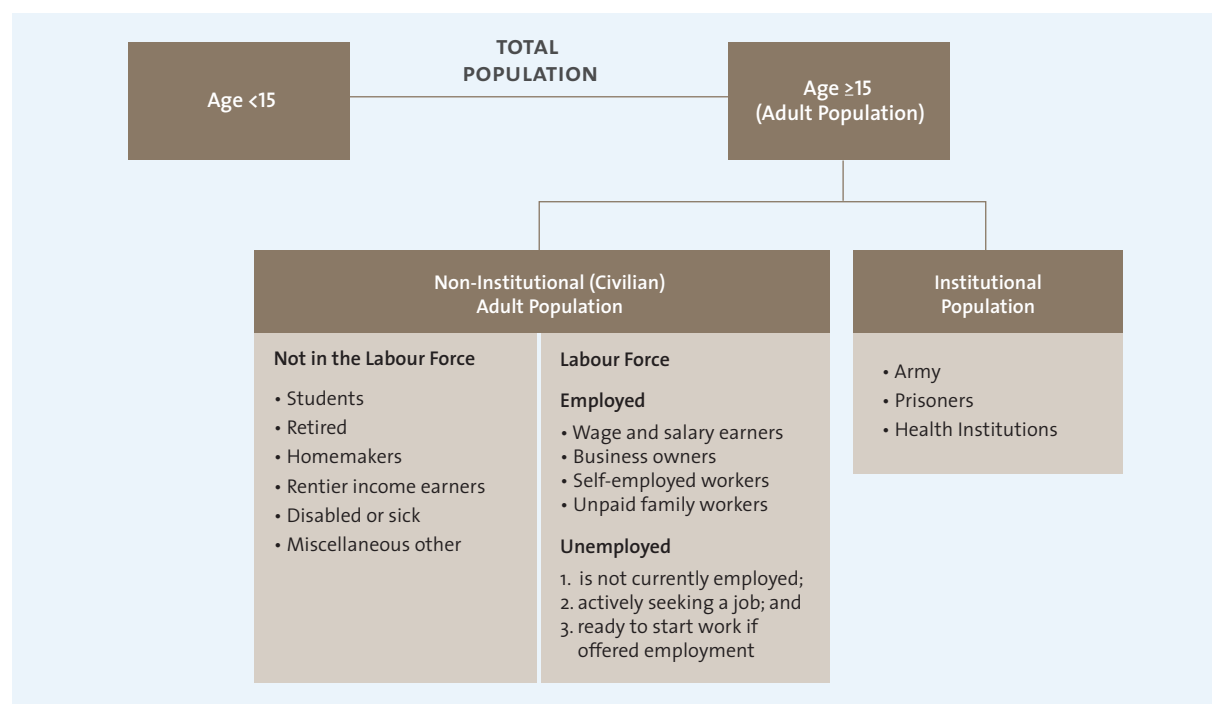
The official unemployment rate, as defined above, is criticized as an insufficient indicator of the true scope of unemployment because it does not include people who are classified as discouraged workers or underemployed. *Discouraged workers* are people not actively seeking employment because they believe there are no job openings for them but would like to work at a job if offered one (i.e. ready to start a job on short notice). *Underemployed* are individuals who are in employment but are seeking additional employment (a second or a new job) because their earnings are insufficient.³ The inclusion of discouraged workers and underemployed individuals yields a higher unemployment rate than the official figure.

In addition, the unemployment rate does not indicate the magnitude of the population excluded from the labour force, i.e. people neither employed nor unemployed. Most adults excluded from the labour market are women homemakers. Hence, a more comprehensive indicator is the joblessness rate, defined as the share of the working age population that is either unemployed or not participating in the LF.

$$\text{Joblessness rate} = (\text{Unemployed} + \text{Not LF Participant}) / \text{Total Adult Civilian Population} \times 100$$

For example, the 2015 overall unemployment rate in **Turkey** is 10.3 per cent, and gender-disaggregated unemployment rates are 9.2 per cent for men and 12.6 per cent for women. Yet the joblessness rate is 54 per

FIGURE 5.1
Labour Market Variables



cent for the overall population, 35 per cent for men and 72 per cent for women. The gender gap in joblessness (37 percentage points) is much higher than the gender gap in unemployment (3.4 percentage points). This is because most of the adult female working age population in Turkey does not participate in the labour force and the primary reason cited by women for non-participation is engagement in full-time homemaking, i.e. they are responsible for unpaid care work in the domestic sphere. **From a gender perspective, therefore, the joblessness rate is a more accurate indicator of exclusion from the labour market than the official unemployment rate.** Decreasing the joblessness rate depends upon decreasing the unemployment rate while simultaneously increasing the employment rate.

This brings us to the second critique regarding the employment rate which shows changes in the *quantity* of employment. It does not, however, indicate the *quality* of employment and whether the jobs available in the labour market offer decent conditions of employment. The decent work agenda, which has been led by the International Labour Organization (ILO),

features important elements conducive to furthering the gender equality agenda.

5.1.2 Decent Work

The concept of decent work, as put forth by the International Labour Organization (ILO)⁴, is defined as follows:

Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.

ILO's decent work agenda has four strategic pillars: international labour standards and fundamental principles and rights at work; employment creation;

social protection; and social dialogue and tripartism. Based on these principles, **The Framework on the Measurement of Decent Work** covers 10 closely linked substantive elements (ILO, 2013):

1. employment opportunities
2. adequate earnings and productive work
3. decent working time
4. combining work, family and personal life
5. work that should be abolished
6. stability and security of work
7. equal opportunity and treatment in employment
8. safe work environment
9. social security
10. social dialogue, employers' and workers' representation

Both statistical and legal framework indicators on decent work are organized and classified under these 10 structural dimensions of the measurement framework.

Decent work has also been accepted as a central concept of the new 2030 Agenda for Sustainable Development adopted during the UN General Assembly in September 2015. The Sustainable Development Goal (SDG) 8 calls for the promotion of “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. The four pillars of the decent work agenda – employment creation, social protection, rights at work, and social dialogue – are widely embedded in the targets of many of the other 16 SDGs.

While ILO has led the efforts to define and measure decent work, there are other approaches offering different benchmark definitions and measures. One major approach to defining and measuring decent work is by the European Union (EU). This approach emphasizes job quality versus ILO's focus on employment quality. *Job quality* entails a narrower definition based on job content and work environment and uses micro-level data. ILO's *employment quality* approach, however, is more holistic as it aims to capture macro (employment opportunities, employment structure

and labour laws), meso (working environment at the firm level) and micro (individual workers' conditions) levels (İzdeş and Yücel, 2016).

Adopting a more analytical approach, a cluster of European-based studies focuses on constructing job quality indices. These are based on a set of 18 job quality indicators, adopted at the 2001 Laeken Summit.⁵ These studies depend upon the availability of cross-country comparable data from the **European Working Conditions Survey**. ILO, by contrast, created user-friendly country profiles through compilation of available information and refrained from constructing an index. Despite apparent consensus on some of the dimensions of decent work, and the indicators used to measure them, the multiplicity of different approaches reflects the analytical complexity in the measurement of decent work (İzdeş and Yücel, 2016).

The decent work agenda has the potential to further the gender equality agenda for two reasons. First, even when gender gaps in employment or unemployment narrow, substantial gender disparities may be at work in terms of employment quality. For example, women usually face more limited employment opportunities due to gender-based segregation and discrimination in hiring. Their opportunities are concentrated in poorly paid, informal employment. Women are more likely to face discrimination in the workplace and have limited representation in social dialogue platforms (see next section for more discussion of the gender gaps in decent work).

Second, a paucity of decent jobs is one of the underlying reasons for gender gaps in employment. For instance, when jobs have long working hours and offer few opportunities for work-life balance, or when jobless growth results in limited employment, all employed workers suffer – men and women alike. Poor employment conditions also deter women's entry into the labour market. The underlying structural causes of gender inequalities in the labour market are discussed further in Section 5.1.4.

5.1.3 Measures of Gender Inequalities in the Labour Market

The most commonly-used indicators of gender inequalities in the labour market include:

- gender labour force participation and employment⁶
- gender unemployment and joblessness gap
- gender wage earnings gap
- industrial and occupational (horizontal) gender segregation
- vertical gender segregation and the glass ceiling
- gender gaps in decent work (in quality of employment).

These measures serve as quantitative indicators of gender inequalities in economic outcomes. This subsection defines each indicator and presents a brief discussion of global trends.

Gender Labour Force Participation (LFP) and Employment (E) gap

Definition: The difference between male and female LFP and E rates.

$$\text{Gender LFP gap} = \text{Male LFP rate} - \text{Female LFP rate}$$

$$\text{Gender E gap} = \text{Male E rate} - \text{Female E rate}$$

*This indicator is the primary reference point for measurement of gender inequality in the labour market in most developing economies. A narrowing down of the gender LFP gap reflects more women entering the labour market. However, since LFP includes the employed as well as unemployed, a contraction of the gender LFP gap can be facilitated by a rising female U to the extent that more women enter the labour market in search of employment opportunities but are unable to find jobs. The **gender E gap**, therefore, is a more accurate indicator of women's entry into the labour market. The **gender LFP gap**, on the other hand, is a good indicator of not only employment opportunities for women but also their readiness to enter the labour market and look for jobs.*

The advanced economies of the North witnessed a substantial shrinking of the gender LFP or E gap in the post-World War II period of robust economic growth. In some developing economies of the South, particularly East and Southeast Asia, a similar turnaround was observed following the transition to export-led growth strategies in the post-oil crisis transformation of the 1980s and 1990s. Over the past two decades (1995-2015), however, the global gender labour force participation gap has remained stagnant at around 25-30 percentage points (ILO 2016).

A gendered trend in labour force participation patterns is the so-called **added worker effect**. This refers to the increase in the labour supply of mostly married women hoping to compensate for the loss of family income when their husbands, or other male family members, become unemployed. At a macro level, this effect becomes particularly pronounced under conditions of economic crisis. In the context of a macro-level negative economic shock, both men and women in the labour market suffer job losses. However, women who are excluded from the labour market are also subjected to the added worker effect since they tend to enter the labour market to compensate for declining household incomes. This results in the observation that, in some contexts of the economic crisis, there is an increase in the female LFP rate.

Numerous recent studies of the gendered impact of economic crises in the South as well as in the North, show the female added worker effect as an outcome (See Cerrutti 2000 for **Argentina**; Ilkharacan and Değirmenci, 2014 for **Turkey**; Kitarsihvili, 2014 for **Central Asia**; Parrado and Zenteno, 2001 for **Mexico**; Posadas and Sinha, 2010 for **Indonesia**).

The added worker effect is not necessarily confined to economic crises but can also emerge as a response to long-term processes of impoverishment (Kabeer, 2012). In Africa and Latin America, declining farming incomes under neoliberal restructuring, and the consequent rise in rural poverty, facilitated rural women's (and men's) entry into own-account work and non-farm employment as part of a diversification strategy (see Whitehead, 2009 for **Africa**; Deere, 2009 for **Latin America**).

In a context of poor access to start-up capital, low literacy and lack of supporting facilities, women's non-agricultural employment ends up in low-productivity and low income-earning activities. This phenomenon has also been called *distress sale of labour*, referring to women's entry into the labour market under poor working conditions. Under these circumstances, entry is out of necessity rather than choice. Kabeer (2012) questions the extent to which women's labour market engagement under such distress conditions has the potential to be empowering. Hence, a narrowing down of the gender E gap also needs to be assessed with respect to the conditions under which the rate of women's employment is increasing.

Gender Unemployment (U) Gap

Definition: The difference between male and female U rates (which is predominantly negative due to higher female unemployment and joblessness rates).

$$\text{Gender U gap} = \text{Male U rate} - \text{Female U rate}$$

The gender U gap is used as an indicator of the differences in employment opportunities faced by women versus men. According to 2015 figures, the global gender gap in unemployment stood at 0.7 percentage points (6.5 per cent for women and 5.5 per cent for men).

The ILO suggests that while the joblessness rate (discussed in the previous section) is a better indicator of the true lack of employment opportunities for particular groups – such as women or other minorities – it is still not used commonly as a labour market indicator. We note here that neither ILO, nor any other sources, report on the **gender joblessness gap**. Consequently, it is important to consider a comparison of female and male unemployment rates (whereby the former is higher) alongside a comparison of female and male LFP rates (whereby the latter is higher). This combination suggests significantly higher gender gaps in joblessness than both the gender LFP gap or gender U gap indicates.

Gender Wage Gap

Definition: The difference between median male and female wages as a share of male median wages.

$$\text{Gender Wage Gap (GWG)} = ((W_m - W_f) / W_m) \times 100$$

The GWG shows how much more men earn than women by percentage. The gender wage differential can also be expressed as the ratio of the average (median) female wage to male average (median) wage (W_f / W_m). This figure shows how much women wage workers earn on average as a ratio of male workers' average earnings. Note that this is also equal to one minus GWG:

$$1 - \text{GWG} = W_f / W_m$$

GWG can be expressed in unadjusted (raw) form, which is calculated based on all wage and salary workers. It is also expressed in forms adjusted for education groups, industries or occupations. Here, the GWG is measured based on median wages of female versus male workers disaggregated by the level of education or by occupation and industry. A fully adjusted GWG accounts for all observable determinants of wages including age, marital and parental status, workplace and job characteristics in addition to education, occupation and industry.⁷ This fully-adjusted narrow GWG reflects wage differentials due purely to gender, i.e. the difference between female and male wages for two workers with the same demographic, workplace and job characteristics. Typically, the fully-adjusted GWG is smaller than the unadjusted GWG because male-female differentials in occupational and industrial distribution, as well as male versus female workplace and job characteristics, are major determinants of the gender wage gap.

The GWG warrants a few notes of caution. First, the gender wage gap is not identical to the gender earnings gap. *Labour earnings* (income from employment) can take two forms: wages for wage and salary workers or cash income from self-employment or own-account workers. Most statistics regarding gender gaps in earnings pertain to wage and salary earners since lack of comparable data precludes

a proper analysis of gender income gaps from self-employment. Consequently, the extent to which a gender wage gap is reflective of the overall gender earnings gap depends on what share of the employed are in wage and salary employment.

The share of wage and salaried workers in total employment varies considerably across the globe, ranging from as little as 30 per cent in **Africa** to nearly 90 per cent in **developed economies**. As a result, in those economies where women's employment is concentrated in self-employment, GWG is a limited indicator of labour market-wide gender differentials in earnings. Globally, the gender wage gap is estimated to be 23 per cent; in other words, women earn 77 per cent of what men earn (ILO, 2016).

A second note of caution here concerns the unit of time for which wages are reported. The weekly, monthly or annual gender wage gap is substantially higher than the hourly GWG since women tend to work shorter hours (predominantly due to unpaid domestic work responsibilities). Some countries, for example, only report a gender wage gap for full-time wage and salaried workers, excluding part-timers. In such a case, the true extent of the GWG is not reflected since an important component of the gap reflects differences between men's and women's paid work hours.

Horizontal (Industrial and Occupational) Gender Segregation

Definition: The difference in the distribution of male and female employees among the different industries and occupations.

A quantitative measure used for expressing the extent of the different distributions is the **Industrial or Occupational Gender Segregation Index** (IGSI or OGSi) where *i* stands for occupation, industry or jobs classification; and

M_i, F_i means share of males/females in category *i* (in %).

$$\text{IGSI or OGSi} = 1/2 \sum_i | M_i - F_i |$$

As such, IGSI (OGSi) shows the share (%) of employed women and men who would need to trade places

with one another across industries (occupations) in order for their distribution to become identical (Blau et al., 2002).

It is important to note here that jobs are defined at the intersection of industries and occupations. For instance, *a quality controller in textiles* is a job in *the textiles industry* and in the occupational category of *technicians and assistants*. The extent of gender segregation of jobs becomes more obvious when comparing the distribution of men and women across a more detailed job disaggregation.

For example, a recent study on the extent of gender segregation in the **Istanbul** labour market indicates that, while the IGSI (OGSi) - calculated based on 17 (9) aggregate industry (occupation) categories - is 17.16 (22.56), the Jobs Gender Segregation Index (JGSI) - calculated based on close to 3000 jobs identified in the Istanbul labour market - is 49.6. This means that almost half (49.6 per cent) of women and men employees would need to trade places across the approximately 3000 job categories for their distribution to become identical (Ilkkaracan, 2016).

Globally, the services sector has overtaken agriculture as the sector that employs the highest number of women. By 2015, more than half (61.5 per cent) of employed women were working in services (vs 50.1 per cent of men), and one fourth were engaged in agriculture. Male employment is generally more evenly distributed over services, industry, construction and agriculture sectors.

As for occupational distribution, women are highly represented in *clerical, service and sales occupations* (where they even outnumber men) and *elementary occupations*. Both are typically associated with part-time employment and low paying jobs. ILO (2016) assesses that over time certain occupations in which men are already overrepresented have experienced further increases in their proportion of male participants and, similarly, other occupations with a concentration of women have become even more feminized.

Vertical Gender Segregation and the Glass Ceiling

Definition: Female share of employment (representation) in managerial and decision-making positions.

The term *glass ceiling* refers to the set of subtle barriers that inhibit women (as well as minorities) from reaching the upper management tiers in private sector firms, governments and academia. It is an indicator of vertical gender segregation.

Typically, women have very low representation in management, leadership and decision-making positions. This is the case even for industries and jobs in female domains such as health and education. Despite high shares of women employed in these sectors, women remain underrepresented in managerial positions.

An obvious place to look for signs of vertical gender segregation is in the share of women's versus men's employment in the occupational category of *legislators, senior officials and managers*. This occupational category includes not only positions of leadership and decision-making, but also well-paid and high-status jobs. Vertical gender segregation is also reflected in politics, a professional occupation leading to decision-making positions.

A global review by ILO (2015) shows that while there is a general increase in women's share in decision-making roles over a decade ago, women are still underrepresented in all areas of decision-making and leadership. Women make up 30 per cent or more of all managers in 70 countries. As of 2013, 26 per cent of the world's chief executive officers were women. In some countries, however (such as **Canada, Germany and Spain**), the share of women in management positions declined between 2000 and 2011.

Gender Gaps in Decent Work

Definition: Differences between employed women and men in terms of job characteristics that pertain to decent jobs as defined in the previous section.

Decent job characteristics with gender differences include employment opportunities, adequate earnings and productivity, decent working time, work-life balance, job stability and security, equal opportunity and treatment in employment, a safe work environment, social protection including maternity protection, social dialogue, and employers' and workers' representation.

A common labour market indicator of gender gaps in decent work pertains to formal and informal employment. *Informal jobs* are typically characterized by low productivity and pay, temporary contracts, and no social security coverage (including maternity leave), which usually also means no access to mechanisms of social dialogue such as unionization and collective bargaining. ILO (2016) notes that entry into the informal economy is for the most part not out of choice but driven by a lack of opportunity in the formal economy and an absence of other means of livelihood.

Gender differences in decent work are also linked to gender variances in work status, i.e. distribution of males and females employed as wage and salary workers, employers, own-account workers or contributing family workers. As a general trend, in countries of the South women work predominantly under the status of contributing family workers, particularly in family farming. *Unpaid family worker* denotes this work status since there is no remuneration. Both in the South and the North, women are underrepresented in the category of employers.

Research shows that industries with a high share of female employment also end up being the ones that rank lowest in terms of the decent jobs index (Box 5.1).

2016 Global trends

While there is substantial variation in these indicators across regions and countries, as well as through time, there are also some persistent global trends. An ILO (2016) gender review of global and regional labour market trends in the last two decades indicates that:

- Gender gaps in LFP rates have registered only a slight narrowing and persist globally – as high as over 50 percentage points in several regions.

BOX 5.1

Measuring Gender Gaps in Decent Work in Turkey's Manufacturing Industry

İzdeş and Yücel (2016) assess the decent employment conditions in the various sectors of Turkey's manufacturing industry based on six dimensions: earnings and benefits; working hours and work-life balance; safety at work and working conditions; prospects/security of employment; social protection; and equality and fairness. For each sector, they also assess the extent to which concentration of female employment intersects with various dimensions of decent work.

Study findings indicate that women are underrepresented in almost all twenty-four manufacturing sectors examined, except for textiles and wearing apparel with around 95% female to male ratios. The following three sectors with high female ratios are pharmaceuticals, food products and other manufacturing (a composite sector mainly composed of labour-intensive production such as jewellery, music equipment, sports equipment, toys and medical and dental equipment). In these sectors, women constitute one-third to half of total employment. The analysis reveals that the most female-populated sectors are not only the lowest paying industries within the overall manufacturing industry, but they also feature significant gender pay gaps against women. Furthermore, female-dominated sectors are also the ones with higher incidence of part-time and temporary employment along with short tenures for women (despite long tenures for men). In four of the five sectors with highest female share, most women work without social security, i.e. they are informally employed. Women are also underrepresented in unions due to their concentration in informal and temporary jobs as well as time constraints resulting from the domestic unpaid work burden.

- On a positive note, there has been a significant decrease in women working as contributing family workers since more women have transformed into wage and salary workers.
- At the same time, gender unemployment gaps remain high and women are more likely to be underemployed.
- Women remain in lower quality, lower pay, informal, temporary jobs that deny them access to social protection.
- Gender pay gaps are persistent and substantial in many regions, due to occupational segregation and discrimination, and by differences in paid and unpaid hours worked.
- In developed economies, women are particularly concentrated in lower pay sectors, such as health and social work, education and other services.
- In many developing economies, women are overrepresented in time- and labour-intensive agricultural activities, which are often remunerated poorly, if at all.

5.1.4 Structural Causes of Gender Inequalities in the Labour Market

The structural causes of gender inequalities in labour markets, represented by the indicators discussed in the previous section, can be addressed under the following three topics (Benería et al., 2016; ILO, 2009):

- the gender division of labour and women's disproportionate unpaid domestic care work;
- macroeconomic growth patterns that determine the scope and nature of growth in employment demand; and
- labour market and gender equality institutions and policies.

The costs of providing domestic care for the household and family are borne disproportionately by women and girls who take on the lion's share of unpaid care work. As discussed in *Module 4: Unpaid Work*, this imbalanced gender distribution of unpaid care work constitutes a root cause of gender gaps in the labour market.

The **labour force participation decision** entails a weighing of the benefits of working at a job versus the costs of doing so. Benefits primarily concern earnings (present as well as future expected) and social security. Benefits also entail non-monetary advantages associated with being active in the labour market, such as expanded autonomy as well as social and personal satisfaction. Costs, on the other hand, involve the loss of leisure time, the burden of the paid workload and workplace responsibilities, as well as the costs of market substitutes for domestically-produced goods and services and limited time for caring.

Under certain circumstances, a division of labour becomes necessary in most households, particularly with small children or other care dependent members such as those who are ill, elderly or living with disabilities. In this case, one adult assumes the cash income earner role, while the other one assumes the domestic caregiver role. Circumstances driving the division of labour include the following:

- lack of affordable and accessible market substitutes for care services (such as public childcare centres);
- prevalence of informal employment which provides no access to maternity, paternity and other care leave; and
- long labour market-related working and commuting hours.

The **gendered nature** of this division of labour is facilitated by:

- the biological facts of reproduction;
- the gender wage gap (i.e. lower pay levels for women than men); and
- institutionalized gender roles, given the first two factors.

In such an environment, when it comes to the decision about whether and how much to participate in the labour market, women (and men) must respond to the available option facing them out of necessity rather than choice.

The *gender division of labour*, conditioned through the interaction of weak labour market conditions and the

context of poor or absent work-life balance, is a root cause of the gender gaps in labour force participation, pay, jobs segregation and quality of jobs. Outcomes of the gender division of labour include higher incidence of women's part-time work and fewer hours of labour market work, weaker labour force attachment, intermittent patterns of labour force participation, and clustering in a few categories of jobs that better enable work-life balance (such as public employment).

It is important to note that the gender distribution of the unpaid work burden interacts with class, whereby the LFP decision for women with lower skills depends more heavily on costs than on benefits.⁸ For most women – especially those at the bottom of the wage distribution and facing poorly-paid, informal employment without maternity protection – caring for a young child can weaken their labour market attachment. The situation often results in a wage penalty referred to as the **motherhood penalty**. This penalty manifests further in the additional gap in wages observed between mothers and female non-mothers. By contrast, working fathers usually earn more than their childless peers, known as the **fatherhood wage premium** (Grinshaw and Rubery, 2015).

In addition, the overrepresentation of women in sectors such as health, education, paid domestic work and social work partly reflects the domination of public employment which offers better access to work-life balance conditions such as shorter work hours and maternity protection. As well, it points to social assumptions that view these occupations as an extension of women's traditional, maternal and domestic roles.

Macroeconomic growth patterns determine the scope and nature of expansion in employment demand. Under conditions of strong macroeconomic growth with high employment intensity and jobs generated that offer decent work conditions, the pull factor of the labour market intensifies, particularly for women who are traditionally in the secondary earner position. To the extent that the growth trajectory followed by an economy generates sufficient jobs in high-productivity sectors, the cost-benefit calculations of labour market engagement start weighing in on the benefit side.

More job opportunities enable lower unemployment rates and increase labour's bargaining power over wages and working conditions. Higher productivity further enhances prospects for higher pay and better work conditions. Beyond improved employment opportunities, higher pay makes market substitutes for care work more affordable. Greater bargaining power over working conditions helps improve working hours and access to social security, including maternity protection; this, in turn, creates a more positive environment of work-life balance and strengthens women's labour market attachment.

In the absence of employment-intensive growth, the lack of sufficient employment opportunities provides a further economic rationale for the gendered division of labour. Under high unemployment, bargaining over adequate pay, formal employment, and decent work conditions becomes less probable and the benefits of labour market engagement too weak to outweigh the costs.

Labour market institutions and policies involve the regulation of employment and work conditions including social security and formal employment, minimum wages, decent work hours, paternity, maternity, parental and other care leave, and access to publicly-provisioned care services. Gender equality institutions and policies concern legislation on equality of opportunity in hiring, pay and promotion, as well as on equal civilian rights in the family. They encompass practices such as full access to reproductive rights and bodily autonomy, and effective laws and institutions against violence and sexual harassment. The presence – or lack – of this web of legislation and practices interacts with the sexual division of labour, macroeconomic growth patterns and labour market conditions in determining gendered economic outcomes.

The absence of strong macroeconomic growth conducive to decent jobs generation and a lack of equality promoting labour market and gender practices and policies, further institutionalizes the gender division of labour and associated gender roles. Breaking this vicious cycle will depend upon appropriate policies to transform gender roles through strong market

incentives for women to enter the labour market in decent conditions and for men to undertake their share of care responsibilities.

5.1.5 Labour Market Policies for Gender Equality

Today there is widespread consensus that economic growth alone will not ensure an equitable distribution of the gains between men and women. Hence, we need active and effective policies to address the above structural causes of gender inequalities in the labour market.

Work-life balance policies constitute a priority area of policy intervention for gender equality.

These policies aim to reduce and redistribute the burden of unpaid care work as mentioned in *Module 4*. Work-life balance policies stand on two pillars: social care services and the regulation of work hours and care leave. They entail the following:

- Universal access to high quality and affordable care services for children, elderly, ill and those living with disabilities.
- Maternity, paternity, parental and care leave with equal opportunities and incentives for men and women through universal and collectively-financed care leave insurance schemes.
- Labour market regulation to ensure decent workplace hours so that full-time employed people have sufficient time for personal and family care.
- Harmonization of workplace hours with operational hours of care services.
- Access to temporary flexible work practices in line with the changing intensity of care responsibilities over the life cycle, such as temporary part-time work, compressed working week, and work-from-home options for workers with care dependent family members.

These policy objectives, particularly the first three, are challenging to implement. Universal access to high quality and affordable social care services requires allocation of substantial public funding (see *Module 4: Unpaid Work*).

In terms of care leave, the most prevalent form is maternity leave. Almost all countries around the world have adopted some form of maternity protection legislation (ILO, 2014). Nevertheless, many do not meet the following maternity leave protection requirements as defined by ILO Convention No. 183:

- at least 14 weeks of paid leave;
- cash benefits of at least two-thirds of previous earnings while on leave; and
- benefits paid by social insurance or public funds.

Moreover, in many countries there is a substantial gap between how many workers are covered by maternity protection in law and how many benefit in practice due to poor enforcement. Many categories of workers are also not covered by paid maternity leave such as self-employed, contributing family workers and other informally-employed individuals.

There are no internationally set standards concerning paternity leave. In many countries, there is no paternity leave law. Where it does exist, leave is shorter than two weeks. Parental leave, a right that is open to use by either the mother or the father, is also not as widespread as maternity leave. Where there is parental leave, evidence shows that it is mostly used by mothers unless there is a built-in policy component to provide strong incentives for use by fathers. Consequently, an important policy challenge is legislative reform on paternity leave, providing equal rights for fathers to care leave and employing appropriate incentives to facilitate the effective use of their care leave.

Trials in some European countries, such as **Iceland**, the **Netherlands** and **Sweden**, help to identify the types of incentives that increase men's take-up rates of care leave (Ilkkaracan, 2012). Men are more likely to use care leave when it is paid almost with full coverage and when the leave is flexible enough to be used part-time in tandem with part-time paid work and without necessarily requiring a full departure from the labour market. As far as parental leave is concerned, employing father quotas also improves men's take-up rates.

Beyond work-life balance, **promotion of labour market regulation and gender equality policies** constitute an important area of intervention. These policies can be summarized as follows (UN Women 2016):

- Equal pay for work of equal value legislation and practices aimed at improving the valuation of women's work through:
 - comparable worth policies;
 - legislation to allow comparison across sectors and organizations;
 - employer responsibility to undertake compulsory gender pay audits and action plans to eradicate unfair pay practices;
 - raising minimum wage floors to extend coverage to previously excluded groups and enforcing implementation through labour inspection regimes;
 - support to coordinated and inclusive collective regulation of wages; and
 - equality in hiring and promotions legislation and policies including gender quotas and affirmative action policies.
- Legislation on securing the right to organized collective action and effective social dialogue mechanisms.
- Legislation and policies aimed at preventing all forms of gender violence and sexual harassment.
- Legislation and policies on equal constitutional and civil rights including marriage, parenting, inheritance, and property ownership.
- Legislation and policies ensuring gender equality in education and health including access to reproductive services and technology enabling women's full autonomy over their bodies.

Active labour market policies (ALMPs) constitute the most widely used form of labour market policy around the world for decreasing the unemployment rate and improving employment rates. ALMP typically involves skills training and worker-employer matching. These policies, however, remain for the most part gender-blind. Engendering ALMP requires the following actions (Balakrishnan et al., 2016):

- Extend coverage of ALMP beyond exclusive focus on the unemployed to also include the non-participant working age population;
- Promote gender equality in employment services by:
 - providing counselling and mentoring to women job seekers to encourage them to break out of labour market segmentation and enter new fields of work and
 - and through tackling employers' discriminatory hiring practices.
- Ensure women's equal access to training and skills enhancement including:
 - incentives for entry into, and training in, non-traditional fields;
 - pre-employment and on-the-job training and re-training in vocational and technical skills; and
 - training in new skills to enable adaptation to changing technological demands.
- Adopt public works schemes as an ALMP tool, but reform their traditional focus on capital-intensive physical infrastructure development to also include labour-intensive social infrastructure schemes whereby low-skilled women are trained to provide care services (Box 5.2). As well, include green infrastructure and organic agriculture for rural women.
- Promote self-employment and SME development for women through training programmes and by

enhancing their access to credit, land, property, technology, markets, information and networks.

Work-life balance policies, labour market regulation and gender equality policies, and ALMP, all constitute direct legislative interventions as well as public service provisioning. For these direct policy interventions to be sustainable and effective, an enabling macroeconomic framework is necessary. Macroeconomic policies, where the priority target is full employment and decent jobs generation, further the goal of inclusive growth and are crucial to achieving gender equality in labour markets.

Fiscal policy can serve as an important tool for advancing the objectives of work-life balance and employment creation simultaneously. These goals can be met through public investments in, and fiscal spending on, the building of a universal social care service infrastructure. An anti-austerity approach to fiscal policy designs creates fiscal space for social care spending and supplementary public works programmes for employment. Monetary policy design complements fiscal policy by targeting a balanced optimization between full employment and price stability.

BOX 5.2

A Public Works Programme on Social Care Jobs in Macedonia⁹

UNDP Macedonia works with municipalities to identify services needed by vulnerable groups. With funding from the *Ministry of Labour*, UNDP then supports municipalities to recruit and hire unemployed local people to provide those services. The programme has been running since 2012.

The result is a win-win situation: long-term unemployed people get some work experience and a part-time job while vulnerable groups receive services they would not get otherwise. Typically, local service needs entail standard unpaid work: care for the elderly, care for preschool children and care for children and people with disabilities. Women account for 75% of the long-term unemployed who benefit. For many women, this experience is their first entry into the labour force. By early 2017, the programme had employed 320 people in 42 (out of 81) municipalities to serve some 10,000 clients.

Source: Personal communication with Louisa Vinton, UNDP Resident Representative, Macedonia

5.2 Social Protection

5.2.1 An Overview of Gender Inequalities in Social Protection

Social protection entails the provision of access to a minimum income and to health care for dependent groups such as children and the elderly, as well as working-age people and in cases of sickness, unemployment, maternity and disability. Health care, unemployment, disability and maternity insurance, retirement pension schemes, conditional cash transfers, minimum income guarantees and public works constitute the various tools of social protection systems.

Most social protection measures – like retirement pensions, unemployment insurance or maternity protection – are contributory schemes tied to the condition of employment. For the most part, this is wage and salary employment, although there are some mandatory or voluntary schemes for the self-employed. Gender inequalities in unpaid work and paid employment translate into gender gaps in access to social protection. Women's exclusion from the labour market inevitably means that women are also automatically excluded from most contributory social security schemes.

To the extent that women do engage in the labour market, they are more likely than men to be in

BOX 5.3

Global and Regional Trends in Gender Inequalities in Social Security

A global and regional review shows that legal coverage by contributory compulsory social protection schemes is substantially lower for women than for men. In most regions, however, the overall gap has narrowed since the 1990s with significant decreases in **Latin America** and the **Caribbean, Asia and Europe** (ILO 2016, Fig. 20, p. 31). By contrast, sizeable and widening gaps are observed in the **Arab States** and **Northern Africa**, mainly due to large gender gaps in LFP, unemployment and the limited development of non-contributory pensions. As for the share of employed women and men covered under a pension scheme, global statistics indicate that the gender gap stands at 1.7% for wage and salary workers and 2.9% for self-employed workers.

The share of women above retirement age receiving a pension is on average 10.6% lower than that of men (ILO 2016, Fig. 22, p. 32). Nearly 65% of people above retirement age without any regular pension are women (i.e. 200 million women in old age live without any regular income from social protection compared to 115 million men.) Out of 107 countries, 64% show a significant gender coverage gap. In 17 countries (16%), the proportion of women receiving a pension once reaching retirement is slightly higher compared to men.

Northern Africa, the Arab States and Eastern Asia stand out as regions where gender gaps in pension coverage are very high. Low female LFP rates, together with the limited development of non-contributory pensions, contribute significantly to the gender gap in these regions.

A large share of women who are legally covered do not benefit in practice due to problems with implementation, awareness of rights, insufficient contributory capacity, discriminatory practices, informality and social exclusion. Only 28.2% of employed women worldwide are effectively protected by either contributory or non-contributory cash benefits in the event of maternity; 50% of those women covered are living in high-income economies. In Africa and Asia, only a minority of women in employment (fewer than 15%) are effectively contributing to, or are protected through, maternity leave cash benefits. Close to full coverage of more than 90% of employed women is reached in only 21 countries, largely in Europe. Women with permanent employment contracts are more likely to benefit from effective maternity protection.

Source: ILO Women at Work Trends 2016.

informal – and thus unprotected – employment. Women are also more likely to show intermittent patterns of participation with fewer years of employment, leading to their exclusion from contributory social security schemes. Finally, when women do have enduring engagement in formal employment, their lower levels of pay and seniority translate into gender gaps in pension benefits.

Gender gaps in social security coverage are commonly assessed through the following measures:

- **Gender gap in social security coverage in employment** (wage and salary earners and self-employed): difference in the share of employed women versus men covered under a social security scheme
- **Gender gap in social security coverage for all women and men:** difference in the share of women versus men covered under a social security scheme independent of employment status or age
- **Gender gap in pension beneficiaries:** difference in the share of women and men above retirement age receiving a pension
- **Gender gap in pension levels:** difference in male versus female average (or median) pension payments
- **Maternity protection:** share of employed women covered for maternity leave and for cash benefits.

Under contributory and compulsory social protection schemes, coverage is substantially lower for women than for men due to lower participation rates of women in the labour market and their less favourable employment conditions. Women's lower coverage can be partly offset by the development of non-contributory pension schemes as well as programmes to extend coverage through voluntary affiliation. However, in terms of their levels of protection, levels of effective pension coverage, reliability and financial sustainability, these mechanisms are not equivalent (ILO, 2016).

Women also receive lower benefits than men due to lower female wages, shorter periods of contribution, carrier breaks and higher incidence of part-time work. A higher proportion of women receive benefits from survivors' pensions and from non-contributory old-age pensions. These are usually associated with lower levels of benefits. Even in countries where women

enjoy broad access to pensions, their benefit levels are often a fraction of men's. In the EU, for example, women's pension pay is 40 per cent lower than that of men's (UN Women, 2015c).

5.2.2 Social Protection Policies from a Gender Perspective

As the above review of global and regional trends illustrates, the root cause of gender gaps in the extent and level of social security coverage lies in gender imbalances in unpaid care work and the resulting inequalities in employment. The situation is due to the dominance of employment-based contributory schemes combined with the lower coverage of non-contributory schemes: hence, their limited effectiveness in lifting people out of poverty. In the long run, the elimination of gender inequalities in the labour market is an important strategy for collapsing gender gaps in social security. In the short run, however, and given the context of gross gender inequalities in the labour market, there is significant need to assess the gender gaps in social security through a universal social protection floor (SPF).

The United Nations has defined **four basic social services** that governments must provide to all citizens as a SPF (UN Women, 2015a):

1. quality and accessible health care, including maternal care;
2. basic income security for children, including access to nutrition and education;
3. basic income security for working-age people to earn sufficient income, particularly in cases of sickness, unemployment, maternity and disability; and
4. basic minimum income security for the elderly.

While the 2030 Agenda promises to increase the quality and coverage of services and the social protection system to provide a floor for all, it is not yet clear how this will be financed (Razavi, 2016). (See discussion under *Module 9: Economic Policymaking and the SDGs: How to Reach the Goals*).

UN Women (2015) suggests that national SPFs can be a powerful tool for closing gender gaps in social security if their design accounts for the sources of gender discrimination. Such a gendered assessment of social security systems would need to address women's disproportionate responsibility for unpaid care and domestic work and the unequal power relations that prevail in the household. A SPF that aims at gender equality and women's empowerment would eliminate reliance on an assumed relationship with a

male breadwinner as the main mechanism of access to social security. The provision of access to necessary social care services is as important as providing access to social transfers. Any cash transfer programmes, such as child allowances, would need to be guided by the principle of women's empowerment and the transformation of gender roles towards equality. Consequently, linking social transfers to improved employment opportunities would establish a crucial strategy (Box 5.4).

BOX 5.4

Gender Equality Principles for Design of Social Protection Floors, UN Women (2015b)

- **Women's rights to income security and to access basic social services cannot hinge on a presumed relationship to a male breadwinner** which risks either exposing women to abuse, humiliation or violence or excluding them to access these rights. In order to prevent unwanted economic dependence, social policies must treat women as individual rights-bearers.
- The most effective way to realize economic and social rights for all without discrimination is through a **comprehensive approach to social policy that combines universal access to social services with social protection through contributory and non-contributory transfer systems.**
- **Delivery of universal quality social services** – primarily social care, education and health services, as well as housing and water and sanitation – **need to be considered an indispensable component of a gender-egalitarian social protection floor.**
- **In defining national SPFs, countries should conduct thorough assessments of the needs of caregivers and care receivers** to ensure that the expansion of transfers and services contributes to the recognition, reduction and redistribution of unpaid care and domestic work.
- Given the prevailing economic climate of crisis and austerity, and the substantial costs of investing in universal social protection and social services, **narrow targeting to the poorest households may be deemed more affordable in the short term. However, the long-term gains need to be weighed against the short-term costs;** adequate social protection prevents the depletion of skills during times of widespread unemployment and ensures continued investment in child nutrition, health and schooling.
- The **introduction of such a universal system of coverage would need to entail increased efforts to expand fiscal space** and in many low-income countries these benefits need to proceed gradually. Additionally, building universal systems that benefit everyone can expand financing options by increasing the willingness of middle- and higher-income groups to pay taxes for well-functioning education, health or pension systems that they would also access.

- **Universal child allowances** are an important part of social protection floors. In order to contribute to the achievement of substantive equality, child-related cash transfer programmes need to focus on women's empowerment as an explicit goal by enhancing their access to decent work opportunities, providing adequate benefit levels and more and better services – including health care, education and training, credit and childcare. Work towards universal rather than means-tested programmes to avoid stigma and exclusion errors and reduce administrative costs. Eliminate conditionalities, where their contribution to social development outcomes, such as child health and survival, is questionable. Sensitize beneficiary households, programme managers and service providers about harmful social norms and equal sharing of responsibilities. Involve women beneficiaries and gender equality advocates in the design, implementation and monitoring of cash transfer schemes.
- **Public works programmes** can provide an effective social security tool for the empowerment of women of working age by: providing a legally binding and enforced entitlement to a minimum level of accessible employment and adequate income support to all those who may require it; providing access to benefits as an individual entitlement rather than a household-based one, and using quotas or reserve spots for women to ensure equal participation; offering non-manual work that can be reasonably performed by women and ensuring equal wages for such work; providing mandatory on-site childcare and other basic services while making sure that these are monitored and enforced.
- **Pension reforms can effectively support gender equality for older women** under the following conditions: mobilize older women and engage them, as well as women's rights activists, in debates on pension reform; extend the reach of social pensions, particularly in low-income countries where most older people currently lack any form of social protection; pending the introduction of universal systems, choose pension testing over means testing based on household income to ensure that all older women without a pension of their own benefit from social pensions; equalize access to contributory pension schemes where these enjoy broad coverage and reduce gender gaps in benefit levels by adapting eligibility criteria and benefit formulas to women's life courses and employment patterns; make care credits available to all caregivers, regardless of their sex, to compensate for contributions 'lost' during periods out of the labour force to look after dependents (whether children or elderly, sick or disabled family members).
- **The transformation of health systems towards the achievement of substantive equality for women** requires the following: remove out-of-pocket payments; ensure universal coverage to provide a basic level of care free of charge to all, independent of labour market and family status; at a minimum, sexual and reproductive health services should be available and affordable for all women and girls; invest in health service delivery, including in basic infrastructure; upgrade village-level service delivery to better reach women in rural areas; train health staff in women's rights and in the delivery of women-centred services; institutionalize mechanisms to enhance the accountability of service providers to women and girls, including effective monitoring and incentive systems, to make health services more gender-responsive.

REFLECTIVE ACTIVITY

Group work: Participants will work in groups of 2, 3, or 4 (depending on the total number of participants) on a country of their choice and use web resources to answer the following questions about their country (30 minutes):

1. Find out the following official labour market statistics for your country:

- Labour force participation rate, employment rate, unemployment rate, discouraged worker rate, underemployment rate – total, male, female and calculate the gender gaps
- Reasons for being out of the labour force, by gender
- Employment profile by gender (formal vs informal share of employment, status at work, type of contract, etc.)
- Gender pay gap, unadjusted and adjusted
- Industrial and occupational gender pay gap
- Any indicators of vertical segregation

2. Which of the following types of policies are in place in your country to address gender inequalities in the labour market?

- Active labour market policies – training and skills enhancement and training in non-traditional fields
- Legislative measures such as affirmative action and equal pay for equal work policies
- Collective action and bargaining
- Work-life balance – where does it fit?
- Women’s entrepreneurship and micro-credit programmes
- Enabling macroeconomic framework and decent jobs generation
- Any other?

Group presentation and discussion:

Having completed the above study, participants come back to share and discuss their findings with the larger group (30 minutes).

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ENDNOTES

- 1 The survey questions with respect to labour force participation refer to a particular week (usually the first/last week of the month when the survey is conducted) to standardize reporting of the indicators in the same time period.
- 2 Unpaid workers are people working in a family enterprise without pay, such as family members working on a family farm or in a local grocery store.
- 3 The statistical notion of *time-related underemployment* refers to individuals who are willing and available to work additional hours, and whose working hours are below a given threshold related to working time (determined in accordance with national circumstances) (ILO 2016).
- 4 See <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>)
- 5 This follows the EU's adoption of a *more and better jobs in Europe* target in the framework of the Lisbon European Employment Strategy in 2000.
- 6 The overview of global and regional trends in gender patterns in labour markets in this section is based on ILO Women at Work Trends 2016 Report.
- 7 The fully-adjusted GWG is typically estimated through a wage regression analysis.
- 8 Note that women of lower socioeconomic status also have a more limited access to birth control and have more children on average. In other words, while their potential labour market wages are lower, their unpaid work burden is also heavier.
- 9 See also [http://www.eurasia.undp.org/content/dam/rbec/docs/Macedonia_OKR%20BROSHURA%2028%20strani%20\(za%2](http://www.eurasia.undp.org/content/dam/rbec/docs/Macedonia_OKR%20BROSHURA%2028%20strani%20(za%2)

The image features a solid blue upper half and a solid green lower half. Overlaid on this background are several semi-transparent, overlapping circles in shades of blue and green. The text is positioned in the upper left quadrant, within the blue area.

GENDER, INCOME,
INEQUALITY AND
POVERTY

MODULE 6

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LEARNING OBJECTIVES

Module 6: Gender, Income Inequality and Poverty presents the concepts and measures of income inequality and poverty. The multidimensional aspects of inequality and poverty are emphasized within a broader framework introduced by feminist economists. The module starts by explaining the importance of the topic within gender and macroeconomics literature. A summary of definitions and widely-used measures follows. Feminist research has enriched the context and discussions of income inequality and poverty by developing new and extended measures. The module also provides a brief discussion of these contributions.

By the end of Module 6, participants are expected to understand the following:

- conventional assumptions, concepts and measures of inequality and poverty;
- global trends in inequality;
- critiques of conventional measures and alternative measures;
- how an inclusive growth framework addresses poverty; and
- a two-dimensional time and income poverty measure to use in poverty measurement.

6.1 Income Inequality and Poverty

Economists define *income distribution* as the dispersion of income. *Income* refers to the following: earnings received from employment, including wages and salaries; transfer income, such as pensions and social benefits; and income from other sources like interest income or rent. These different types of income are received from the state or earned in the factor market. *Income inequality* refers to the uneven distribution of income in a society. If the income measure used is household disposable income, income inequality is then defined as dispersion among households where a household is considered a single unit.

Income inequality and poverty is at the heart of feminist economics. This is true not only because distribution of income is important for social equality and justice, but because distribution also reveals the interactions between market and non-market spheres of the economy. This observation is a fundamental contribution of feminist research within the field. In this context, how people generate income is as important as how much income they earn. Feminist economists discuss

how the distribution of income, whether among or within households, links to many issues in economics both at micro and macro levels – such as economic growth, development and macro policies.

As discussed more broadly in Modules 1 and 2, feminist economics redefines the economy and economic life. Within this context, feminist research reconstructs inequality and poverty issues into a much broader framework by questioning mainstream definitions of welfare. This new approach uncovers the implicit assumptions behind conventional definitions and measures of inequality and poverty. For instance, conventional measures assume the following:

- 1) money income is suitable and adequate as a single measure of welfare and
- 2) the household is a single, cooperative and sharing unit

Feminist economists critique this narrow income-based approach to inequality and poverty. Their work has introduced several extended measures of well-being to better reflect the complexity and multidimensionality of the issue.

Feminist economists argue that any theory or policy, in the context of inequality and poverty, requires a broader concept of welfare – **human well-being** – rather than a one-dimensional measure based on money income alone. Money income is required for consumption to meet needs; however, even in a capitalist economic system, needs are met by sharing or making within the household or in the community (Albelda and Tilly, 1999, p. 460). Nevertheless, the contribution of unpaid labour to welfare is totally ignored in the income-based approach, a fact that is problematized by feminist economics. A more complete approach to social welfare, i.e. human well-being, requires an understanding beyond market relations. It entails no less than a comprehensive vision of the economy, one which includes the state, the community, households and nature.

As Berik, Rodgers and Seguino (2009) state, at minimum human well-being requires:

- **adequate provisioning** (through interconnected paid labour and unpaid care activities and entitlements from the state or community);
- **capabilities** (the ability to do or be, based on provisioning); and
- **agency** (the ability to participate in decision-making to shape the world in which we live).

Feminist economists describe development as achievements in human well-being through the expansion of capabilities. Income inequality and poverty constrain these achievements. Inequality in capabilities is closely associated with unequal power in a social and political context. Unequal access to services such as health, education and other that improve human well-being are closely linked to inequality in capabilities.. **Feminist economics contends that there is a two-way link between unequal opportunities and unequal outcomes (i.e. income inequality and poverty).**

Feminist research has enriched the field of economics by introducing gender inequalities that intersect with all the different dimensions of inequality (see Section 6.3). Gender-based inequalities are analysed within a macroeconomic framework rather than taken as

limited to the labour market. Growth is defined as achievement in expanding peoples' means and capabilities. This approach views growth and distribution as interlinked.

Additionally, feminist research demonstrates that taking households as the unit of analysis in income inequality measures, and assuming resources are equally shared within a household, is inadequate for understanding both household and gender-based inequalities in the whole. Ample research documents the unequal distribution of resources within the household, such as calorie intake inequality among household members. *Sen's millions of missing women'* underscores how discrimination against women can be a life and death issue (Sen, 1990). Evidence points to the inadequacy of unitary approaches to household and intrahousehold allocation. Next, we look at inequality measures and global trends.

6.2 Income-based Inequality Measures and Global Trends

The most commonly-used conventional measures of inequality, based on household disposable income, include:

- ratios by income groups
- Gini index
- Palma ratio

A simple way to measure inequality is to calculate the ratio of the top 20th or 80th percentile income level divided by the bottom 20th percentile income level. This is usually referred as the P80/P20 or 20/20 ratio. The higher the ratio the greater the inequality. Such a measure does not allow us to track changes in inequality in the population ranked above the top 20th percentile level of income and below the bottom 20th percentile.

The most widely-used income inequality measure is the **Gini** index (also referred to as ratio or coefficient), a statistic that summarizes income distribution and reflects it as a single number. The Gini ratio is calculated

based on the Lorenz curve, which plots the proportion of the individuals arranged by their income level from the lowest to the highest (Figure 6A.1). A theoretical 45-degree Lorenz curve would imply perfect equality when all individuals have equal income. Empirical estimates of Lorenz curves, using income data, give us curves that are convex with respect to origin and imply income inequality. The Gini index is proportional to the area between the Lorenz curve and the 45-degree line; hence, a higher Gini index implies higher inequality.²

Global Trends in Income Inequality Based on the Gini Index

Global inequality, measured by alternative Gini indexes, ranges from 0.55 to 0.70 depending on the measure used. Figure 6A.2 presents the trend in the Gini index of global inequality from 1950 to 2010, according to Milanovic's (2013) three concepts.³ Trends in income inequality provide different pictures depending on the measure used, as well as the sample of countries covered. Using calculations covering/excluding **China** and **India**, Milanovic shows a decline in global inequality coinciding with the rise in per capita income and decline in poverty in both countries (Figure 6A.3). While a simple Gini index depicts a declining trend in global inequality, alternative measures show the opposite when the data used covers the top income earners in household surveys (IMF, 2015).

Analysing Global Trends

A substantial component of the high global Gini index reflects high income inequality among countries (three-fourths of global income inequality) rather than within countries (Milanovic, 2013). A second finding suggests that the largest growth in income from 1988 to 2008 was in global median income (50th percentile) earners and for the top one per cent (Figure 6A.4). This change reflects the growth of the middle class in emerging economies (mainly China) and the large gains obtained by the top income earners in advanced countries, referred to as the *booming global elite*. This chart is widely known as **Milanovic's Elephant Chart of Globalization** (Figure 6A.5).

Figure 6A.6 presents the share of gains (growth gains in total) by each percentile. Clearly, the largest gains are obtained by the top one per cent and half of the total gains are received by the top five per cent across the globe. Recent trends in global income distribution highlight a widening income gap with more than half of the gains received by the richest five per cent. The poorest ten per cent are left behind without any gain from growing income. Figure 6A.7 shows how the top one per cent of income earners, and other households, are used as important indicators for the rising trend in inequality in developing countries.

Through analysis of inequality trends from the 1990s to the 2000s, UNDP (2013) found an average increase of 11 per cent in income inequality in a sample of 116 developing countries. It is important to note that these average trends cannot reflect varied experiences at regional and country levels. We do not observe a uniform change in inequality for all regions and all countries both in terms of size and/or direction. (See UNDP (2013) for more details on regional trends.)

Limitations of Measuring Inequality with the Gini Index

The literature highlights several challenges in using the Gini index or coefficient to understand inequality:

- When comparing changes in income distribution over time, the Gini index is more sensitive to changes in the denser low-to-middle parts of the distribution, than it is to changes towards the end of the distribution.
- The Gini index does not capture where in the distribution the inequality occurs; two very different distributions of income can have the same Gini index.
- The weak correlations obtained between the Gini index and alternative measures of human well-being also leave the index in doubt. Some researchers contend that the P80/P20 ratio is a more useful measure as it correlates well with measures of human development and social stability, including child well-being and health indices.

- The Gini index does not allow for decomposition based on population sub-groups or income types. For instance, income inequality decomposed by population groups based on gender have two components: 1. *between-group inequality* which corresponds to inequality between women and men and 2. *within-group inequality* which reflects inequality among women and inequality among men. Alternative decomposable measures are introduced that enable decomposition among such population subgroups or different income types.

Alternative Income-based Measures

The **Palma** ratio, created by Chilean economist Gabriel Palma, responds to the Gini index's oversensitivity to changes in the middle and its insensitivity to changes at the top and bottom. The Palma is the ratio of the income share of the top 10 per cent to the lowest 40 per cent. The idea behind the Palma index is the common observation that the middle classes (between top 10 and bottom 40 per cent) earn roughly 50 per cent of the total income across countries over time; however, the distribution of the remaining 50 per cent varies and this is the defining characteristic of income inequality differences among countries.

The Palma ratio, along with the Palma target, garnered much attention in the UN's Post-2015 Development Framework. Doyle and Stiglitz (2014) propose a Palma ratio of one by the year 2030. Alternatively, Engberg-Pedersen⁴ (2013) suggests country specific targets such as halving the gap between their starting point and a Palma of one by 2030 (Cobham et al., 2015).⁵

Whether the income level is defined at the individual or household level can produce significantly divergent patterns of inequality. Adjustments in household income – using equivalence scales or more homogeneously-defined income sources, such as wage income only – are challenging factors in tracking inequality over time and across space.

Different Theoretical Approaches to Income Distribution

The global trends and measures reviewed above are based on the size distribution of income. Accordingly, what matters is the level of income rather than the type or source of the income earned. There are three definitions of household income used in measurement:

- **Primary definition of income:** household income consists of payments (i.e. wage income, profit, interest or rent income) to households owning different factors of production (i.e. labour, capital, land) in each household before taxes and subsidies, as determined by market institutions.
- **Secondary definition of income:** household income after deduction of taxes and inclusion of transfer payments, as determined by fiscal policies.
- **Tertiary definition of income:** household income when imputed benefits from public expenditure are added to household income after taxes and subsidies. This interpretation of household income is relevant for all countries as different government services are often provided for free or below market prices.

Most policy discussions on inequality, as mentioned by UNDP (2013), focus on secondary household income distribution (take-home pay, rents, interest earnings and profits after taxes).

The functional distribution of income is the distribution of income by factor incomes such as labour income or income earned due to owning capital goods. i.e. distribution of income between wages and profit. Income categories by economic class—or by different sources such as wages, profits, rent and interest income—enable us to better understand the driving forces behind trends. Functional distribution of income also informs policy. For instance, research suggests that given a more unequal distribution of capital and capital earnings, an increase in the labour share of income may decrease income inequality within a nation or across nations. **Mexico** and the

United States are cases in point. The rise in labour share of income in Mexico reduces the country's Gini index by between two and five points (UNDP, 2013). It is therefore important to also consider the functional distribution of income. However, as presented in more detail in *Module 5: Employment, Decent Work and Social Protection*, the labour share of income has been losing ground against capital over the last decades.

Analysis based on the functional distribution of income is important not only to better understand the underlying driving forces and different sources of income inequality but also to help establish the links between distribution at the household level and aggregate income, i.e. linking micro-level distributional issues with macro-level aggregates used in national accounting and statistics. There is a renewed interest in the functional distribution of income approach to inequality measurement to inform policy using more elaborate analyses of income inequality rather than looking only at size distribution of income.

Whether looking at the size distribution or functional distribution of income, it is crucial to consider household inequalities as an important source of unfairness. Some countries appear to have very equitable distributions of household income but have wide gender wage gaps (Seguino, 2005). Feminist economists study the causes of unequal income distribution both by identifying the nature of the gendered structure of labour markets as well as by understanding the links from the feedback effects between the unpaid and paid spheres of the economy.

Regarding the paid economy and the distribution of income, the feminist political economy approach to wage theory starts with the introduction of hierarchy at the conceptual level. Wages are conceptualized as the outcome of a social practice and not just as a price for performance (Power, Mutari and Figart, 2003). Gender is a central principle of any social structure and gender relations are reproduced and transmitted through a series of social practices. Wages as a social practice are used to implement social ordering through categories such as race, ethnicity, class and

gender. This conceptualization of wages differs from other approaches mainly because these categories are taken as integral to the wage-setting process, rather than as special cases of market failures.

6.3 A Broader Framework for Inequality

The income-based approach to inequality assumes that welfare can be defined with respect to a certain set of human needs and that income adequately measures welfare. However, recent research questions a limited idea of human requirements and argues for an expansion of the list of needs. More importantly, there is now consensus that income is an inadequate measure of welfare and well-being.

There are two distinct approaches to inequality in the literature: inequality of outcomes and inequality of opportunities (economic, social and political). As highlighted by UNDP (2013), however, the dichotomy between outcome and opportunities is overstated and in fact both are two sides of a coin. Human well-being is the ultimate target of economics and requires us to move beyond narrowly defined welfare: "Recent approaches see well-being as arising from a combination of what a person has, what a person can do with what they have, and how they think about what they have and can do" (p. 16).

Measurements based solely on earned income mask other important dimensions of existing socioeconomic inequalities. There have been several attempts to provide alternative development indicators to income such as the **Human Development Index**. New multidimensional measures have been developed using not only income but more comprehensive socioeconomic indicators. Some of these multidimensional indices reported in Human Development Reports (Box 6.2) not only provide a much better picture of developments in socioeconomic inequalities but also give a more comprehensive understanding of the links between economic well-being and gender inequalities.⁶

BOX 6.1

Dimensions of Inequality

Well-being has three core dimensions: the material that emphasizes practical welfare and standards of living; the relational that emphasizes personal and social relations; and the subjective that emphasizes values and perceptions. The three dimensions are interlinked and their demarcations are highly fluid.

Development theory has largely been concerned with inequality in the material dimension – that is, with inequalities in standards of living such as inequalities in income/wealth, education, health and nutrition. Much of this discussion has boiled down to a debate between two perspectives: the first is primarily concerned with the inequality of outcomes in various material dimensions of human well-being, such as the level of income or level of educational attainment; and the second with the inequality of opportunities (that matter for equitable outcomes), such as unequal access to employment or education.

Unequal outcomes, particularly income inequality, play a key role in determining variations in human well-being. This is made evident by the strong association between income inequality and inequalities in health, education and nutrition. Moreover, when the privileged exercise sufficient political control and influence, and when this kind of influence affects job availability or access to resources, then income inequality compromises the economic, political and social lives of those less privileged and limits the opportunities that they have to secure well-being.

If higher incomes provide people with opportunities to secure their well-being and to get ahead in life, then a person's initial income matters. Initial income inequality can positively or negatively affect the likelihood and speed with which a person can get ahead in life. Put differently: **to have meaningful equality of opportunity, income inequality needs to be moderated so that people begin their lives from roughly equal starting points.** A key difference between the two perspectives hinges on the direction of causality between outcomes and opportunities. Will higher incomes lead to improved opportunities or will greater opportunity lead to improved human well-being?

Source: UNDP, 2013, pp. 16-33.

Even multidimensional measures, however, can become questionable when assessing the well-being of poor people. Like income, these measures can also be partial and are not suitable indicators for use at different levels of aggregation like the household level. Nevertheless, all these measures can be maximized when employed to complement each other. Measures such as the Multidimensional Gender Equality Index, Gender Relative Status, the Women's Disadvantage Index illustrate alternatives that reflect gender gaps in different well-being dimensions (See Benería and Permanyer, 2010, for a more detailed discussion).

Regardless of one's socioeconomic class, there are systematic gender differences in material well-being,

although the degree of inequality varies across countries and over time. Over the last fifty years, the goal of reducing gender inequality has been part of the policy agenda of most international institutions. Gender inequality has also been included in many countries' strategic plans and policy documents. UNDP (2013) highlights where we stand today regarding gender parity in well-being via indicators that are also covered in *Module 5: Employment, Decent Work and Social Protection*.

Despite significant progress, wide gender gaps persist across the world due to gender-based inequalities in employment and in the world of work in and outside the market. Gender-based job segregation continues

BOX 6.2

Multidimensional Development Indices

- **Human Development Index (HDI)** tracks development in three dimensions: a long and healthy life, access to knowledge and a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. The health dimension is assessed by life expectancy at birth. The education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school-entering age. The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income to reflect the diminishing importance of income with increasing GNI.

The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. The HDI simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc.

- **The Inequality-adjusted Human Development Index (IHDI)** adjusts the Human Development Index (HDI) for inequality in the distribution of each dimension across the population. The IHDI accounts for inequalities in HDI dimensions by ‘discounting’ each dimension’s average value according to its level of inequality. The IHDI equals the HDI when there is no inequality but falls below the HDI as inequality rises. In this sense, the IHDI measures the level of human development when inequality is considered.
- **The Gender Development Index (GDI)** measures gender inequalities in achievement in three basic dimensions of human development: health, measured by female and male life expectancy at birth; education, measured by female and male expected years of schooling for children and female and male mean years of schooling for adults ages 25 and older; and command over economic resources, measured by female and male estimated earned income.
- **The Gender Inequality Index (GII)** reflects gender-based disadvantage in three dimensions – reproductive health, empowerment and the labour market – for as many countries as data of reasonable quality allow. It shows the loss in potential human development due to inequality between female and male achievements in these dimensions. It ranges between 0, where women and men fare equally, and 1, where one gender fares as poorly as possible in all measured dimensions.

Source: HDR (2015), Technical Notes.

Note: UNDP provides an online tool “Calculating the Indices using Excel”. This online tool helps to understand how the composite human development indices – the Human Development Index (HDI), the Inequality-Adjusted HDI (IHDI) the Gender Inequality Index (GII) and the Gender Development Index (GDI) – can be calculated using Excel, based on current methodologies described in the technical reports.

with worsening trends observed in many countries. Gender gaps in political representation remain wide (UNDP, 2013). To reiterate, well-being is a *multidimensional concept*. Gender inequalities can be understood better by going beyond the concept of income inequality and consider other outcome indicators of inequality such as educational attainment and health indicators. Certainly, gender inequality requires a wider perspective that encompasses agency and empowerment as well as subjective well-being indicators.

Driving Forces Behind Global Trends in Inequality

Next, we explore the list of major driving factors behind the trends observed by UNDP. Drivers such as increased globalization financialization, and a more integrated world economy, with faster trade liberalization are external to nations’ domestic conditions and policy options. There are also strong drivers determined mainly by domestic policy. With increased globalization, exogenous or external drivers gain in importance yet at

the same time more is expected from national policy drivers to counteract negative impacts.

Of particular concern is the nature and direction of the relationship between patterns of economic growth and income inequality. Conventional logic suggests that increasing globalization leads to faster growth, facilitating a reduction in inequality and poverty. However, identifying the nature of the relationship between inequality and growth is challenging. Furthermore, exploring the impact of gender and ethnic inequality on economic growth shows divergent links between growth and income inequality depending on the type of inequality and the economic structure (Seguino, 2005).

The reduction of inequality within and among countries is one of the main goals of the **Post-2015 Development Agenda** in the form of the Sustainable Development Goal (SDG) 10. Achieving gender equality and promoting social inclusion are given special emphasis under the SDG 10 (see Box 6.3 and *Module 9: Economic Policymaking and the SDGs: How to Reach*

the Goals). The role of redistributive fiscal policies – such as tax and social spending policies as well as the social and political inclusion of all in achieving more equal distribution of income – has been acknowledged widely in policy debates. Now, with the SDGs, these targets are recognized globally. Previous policy targets and measures are under constant review while new ones are produced based on evidence from analyses of different inequality measures.

Addressing inequality is urgent. First, it requires a holistic policy framework with political space to facilitate civic engagement and inclusive participation, especially of vulnerable groups and socially-excluded populations. Second, a human rights perspective is needed to ensure that governments and policymakers are accountable to all citizens for the impacts of their decisions (i.e. taxation, public expenditure) on the distribution of well-being (UNDP, 2013, p. 228)

From the outset, countries need to transition to inclusive growth, implement policies to close gender gaps in health, nutrition and education, and address

BOX 6.3

Reduce Inequality Within and Among Countries

- Achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average by the year 2030.
- Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status, ensuring equal opportunity and reducing inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and actions in this regard.
- Adopt policies, specifically fiscal, wage and social protection policies, that would progressively achieve greater equality.
- Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.
- Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions to deliver more effective, credible, accountable and legitimate institutions.
- Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.

Source: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

social exclusion by promoting agency, combating discrimination and transforming inequality-reproducing cultural norms.

Inclusive growth is widely understood as economic growth that results in broadly shared well-being. UNDP (2013, p. 229) states that inclusive growth can be promoted through three principal routes:

- by changing the patterns of economic growth such that the incomes of low-income households grow more than the average;
- through redistributive measures that contribute to growth while reducing inequality; and
- by expanding opportunities for low-income households and disadvantaged groups to access employment and income generation options.⁷

An inclusive growth strategy can only be implemented in a consistent macroeconomic framework. Macroeconomic policies need to go beyond narrowly-defined targets of macroeconomic stability, price stability with inflation targeting and deficit targeting. Several policy instruments discussed in the UNDP report can address one or multiple objectives in reducing inequality.

BOX 6.4

What Does Inclusive Economic Growth mean in Practice?

Inclusive growth remains a high priority on the agenda. While most stakeholders see it as an important and compelling part of the dialogue on development, the term remains ambiguous. Within the Sustainable Development Goals Fund (SDG Fund), the aim is to understand the various theories pertaining to inclusive growth and how best to put them into practice. There is more than one way to achieve this objective, which means there is plenty of room for creativity. There are many perspectives as to what inclusive growth means in practice, with big differences in approach among key institutions. The Open Working Group has included the concept as part of the Post-2015 Development Agenda. Goal 8 of the 17 proposed Sustainable Development Goals is “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

UNDP’s Chief Economist, Thangavel Palanivel, recognized multiple definitions but pointed out that there are some common features: “Growth is inclusive when it takes place in the sectors in which the poor work (e.g. agriculture); occurs in places where the poor live (e.g. undeveloped areas with few resources); uses the factors of production that the poor possess (e.g. unskilled labour); and reduces the prices of consumption items that the poor consume (e.g. food, fuel and clothing)”. In other words, **inclusive economic growth is not only about expanding national economies but also about ensuring that the most vulnerable people of societies are reached. Equality of opportunity and participation in growth by all, with a special focus on the working poor and the unemployed, are the very basis of inclusive growth.**

The Organisation for Economic Co-operation and Development (OECD) suggests that growth, at any level, often fails to tackle three overarching elements: poverty, unemployment and inequality. Therefore, there is a need to address the quality and inclusiveness of economic growth. The SDG Fund of the UNDP was created in March 2014 to bring together a range of UN entities, national governments, academia, civil society and business to join efforts to support sustainable development activities around the world.

The SDG Fund and UNDP, along with other partners such as the International Labour Organization, support initiatives that tackle inclusive growth by addressing the following aspects:

1. Create opportunities for good and decent jobs and secure livelihoods.
2. Support inclusive and sustainable business practices.
3. Promote better government policies and fair and accountable public institutions.

Source: UNDP Our Perspectives, <http://www.undp.org/content/undp/en/home/blog/2015/7/31/What-does-inclusive-economic-growth-actually-mean-in-practice-.html>

6.4 Poverty: From Income Poverty to Multidimensional Poverty

Concepts and Measures

The elimination of poverty has been a central concern for economic development policy discourse among international development agencies and national governments over the last quarter century. As many countries started to witness the adverse distributional impacts of the transformation of the global economy, interest in poverty reduction grew within the development community.⁸ Poverty has declined in many countries over the last three decades; however, it has increased in advanced countries since the 1990s.

The **income poverty line** is defined as a level of income below a certain threshold. Standard measures of poverty produce indicators to compare available resources and needs. The minimum needs and resources required to avoid poverty vary among different measures. When quantifying basic needs, money income/consumption is used to measure poverty. This is called the monetary approach to poverty.

In the **monetary approach to poverty**, the status of poverty is identified as insufficient monetary resources measured in terms of income or consumption spending, i.e. being in a state of shortfall or having an inadequate level of income/consumption below some threshold level. Thus, poverty refers to a lack of basic needs. Basic needs can be defined as narrowly as nutritional (daily caloric) needs but can also be broadened to include the minimum cost of clothing and shelter, in addition to food.

There are two different approaches to measuring poverty lines or thresholds in a society:

- 1) **Absolute threshold** is calculated as the cost of a basket of goods and services required for the minimum standard of living in a society. At the global level, absolute levels such as a dollar-a-day exemplify an absolute threshold.
- 2) **Relative threshold** is the income level that is most typical in a society and is presumed to reflect the

consumption standards prevailing in a society. This threshold is set at 60 per cent of median household disposable income in EU countries (household income adjusted by the household size using an equivalence scale). The population earning income lower than 60 per cent of the median-adjusted household income is termed the *population at risk of poverty*. In OECD countries, several relative thresholds are set at 40 per cent, 50 per cent and 60 per cent of median household disposable income.

After setting the poverty threshold, one may measure both the rate of poverty and the severity of poverty two ways:

- a. The *head count measure*: the share of the population living on, for instance, two dollars per day or less minus the ratio of the population living under poverty over total population.
- b. The *poverty gap or level of severity*: the gap between the median income of the poor and the poverty line.

One **extreme poverty measure** widely used in international comparisons is the dollar-a-day or two-dollars-a-day measure, introduced by the joint programme of the World Bank and the United Nations Statistical Division.⁹ As well, individual countries use different absolute national lines, based on the **cost-of-basic-needs method** and take into account food, clothing and shelter or use food-intake methods. In these estimates, household income/consumption is used as a welfare indicator and thresholds for needs are identified at the household level. A major criticism of the validity of poverty lines using the monetary approach is that they exclude social resources as a welfare indicator and the approach is limited to private household income.¹⁰

Income-based absolute poverty measures calculated at the household level, however, remain dominant in policymaking despite various shortcomings and criticisms. Critics assert that poverty is neither absolute nor static. The so-called poor are not a homogenous group and people's own views of their condition are absent in most policymaking.

Inadequate income does not necessarily mean one is jobless. People may live in poverty despite having jobs in the market. This situation is termed **in-work poverty**. Having a job may not be enough to live out of poverty due to policies and conditions in the labour market, i.e. low wages, high and persistent unemployment, unfavourable conditions of work, and the prevalence of temporary jobs.

Gender and Poverty

Research on poverty highlights the importance of gender inequalities in intrahousehold resource access and allocation. It explores how the burden of poverty varies among female and male members of the same household. Standard measures of poverty are gender-blind and neglect intrahousehold inequalities. It is not possible to track how individuals experience poverty differently within the household. Individuals may face poverty even if the household in which she or he lives is identified as non-poor by standard measures.

Recent developments in research and policy build mainly upon work carried out by social scientists thinking in novel ways. Research on gender and poverty has contributed greatly to economics. Since the 1970s, studies in the following areas have contributed many perspectives on gender and poverty: gender inequalities in the labour market and the household; the gendered impacts of economic policies; gender differences in terms of the poverty burden; and how gender inequalities reproduce poverty.

This innovative body of research led to the now well-known concept of the **feminization of poverty**, which is “the empirical expression of the facts that women, compared to men, generally suffer from a higher incidence of income poverty and that women’s poverty is more severe than men’s and, over time, the incidence of poverty among women is increasing compared to men” (Çağatay, 1998, p. 2).

To partially overcome this shortcoming and quantify women’s poverty, one strand of research focuses on female-headed households vis-à-vis male-headed to disaggregate poverty measurement by sex. The focus on female-headed households reveals women’s

higher risks of suffering from poverty, social exclusion and other hardships. Feminist economists criticize this focus for its failure to thoroughly reflect the poverty of women in male-headed households. Such an approach requires tools to identify the links between intrahousehold gender inequalities and poverty. No clear association between female headship and poverty could be identified from the empirical findings.

Furthermore, feminist scholars clearly state that the concept of the feminization of poverty needs to go beyond an understanding of poverty as merely the lack of monetary income. While important, the emphasis on income limits the issue to formal market work and the public sphere of paid employment, neglecting a considerable amount of work generated outside formal markets (Figure 6A.8).

The feminization of poverty – which goes beyond the female headship approach – points to the multidimensional aspects of gender inequalities, including lack of access to commonly-owned social resources, lack of autonomy and lack of power to control decisions affecting one’s life (Çağatay, 1998, 2001). Figure 6A.9 shows the number of countries in which working age women are more likely to be living in poor households and thus much more likely to be affected by the long-term negative effects of adverse macroeconomic shocks. The figure also underscores that on average women are more likely to live in a poor household in poorer nations, hence the burden of poverty falls more on women than men.

These insights have been very influential in shifting poverty research from a focus merely on the lack of private income/consumption towards extended notions that include a paucity of opportunities to access social resources and services, autonomy and human dignity. Consequently, poverty is redefined as **human poverty** to mean more than a lack of what is necessary for material well-being. Human poverty can be defined the denial of opportunities and choices most basic to human development – to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others (Human Development Report, 1997, p. 5).

Poverty of choices and opportunities is more informative than income poverty for policymakers as human poverty can point to the sources and causes of poverty and thus lead more directly to strategies of empowerment. Unlike income poverty, human poverty is multidimensional, with income as just one mean among others. The three pillars of the composite Human Poverty Index (HPI) used in measurement are the indicators for *healthy life, access to education, and a decent standard of living.*¹¹

Poverty is also related to macroeconomic vulnerability or the way macroeconomic shocks affect households and expose economies to these shocks. As Seth and Ragab (2012) observe, adverse macroeconomic shocks not only increase the number of households trapped in poverty, but they also have an asymmetric effect on the incomes of poor households. Indeed, incomes in such households fall relatively more during recessions than they rise during expansions. Such volatility leads poor households to cut health and education spending during times of adversity and is likely to have long-lasting effects on productivity in poor households.

Seth and Ragab claim that this asymmetric response to shocks implies that economies with a higher proportion of poor households will have lower average productivity and economic growth. Consequently, higher poverty rates can exacerbate the impact of a shock on economic growth and increase macroeconomic vulnerability, potentially thrusting these economies into a vicious cycle of low growth and high poverty. One implication of this argument is the potential asymmetry between genders in which adverse macroeconomic shocks affect individuals and households.

Alternative measures

Alternative definitions and measures of poverty include the following:

- *monetary*: poverty is defined as the lack of a minimum level of income
- *capability*: poverty is the lack of ability to do or be, lacking freedom to choose

- *social exclusion*: poverty is defined as deprivation based on certain well-being indicators such as psychological well-being, mental health or lack of dignity, inability to participate fully in activities
- *participatory*: considers poverty as a subjective issue and aims to incorporate the views of people living in poverty¹²

Each approach tackles how to identify who is poor, what the space for the definition of poverty should be, and how best to draw a line between the non-poor and poor populations. Should the line be based on an absolute measure that is constant across/within societies or on a relative basis that varies from society to society? Other questions include whether to draw a line and who would decide the basis for the appropriate line (i.e. basic needs, nutritional requirements, and food and non-food minimum thresholds) and whether the population in poverty would be involved in this decision. The evolution from narrow definitions to more comprehensive ones further contributes a great deal to the understanding of the complex relations between gender inequalities and poverty; however, unresolved issues remain from a gender viewpoint.

From a gender equality perspective, it is important to track inputs, such as household livelihoods, and inequalities in inputs, including time. Time use information has the potential to depict the intrahousehold allocation of resources within households outside the formal markets; however, it has yet to be exploited. Next, we discuss briefly how time use information could be utilized in further developing poverty measurement and policy analysis.

6.5 Incorporating Time Use into Poverty Measurement

This section focuses on how we can employ time use data to understand and measure poverty¹² and examines the implications for gender equality. Time use information is a transformative indicator for gender equality in the Post-2015 Development Agenda. Indeed, the UN Special Rapporteur on extreme poverty and human rights calls on states to include the issue of unpaid care work in commitments to tackle

poverty and gender inequality in the evolving global development framework. In particular, she calls for a stand-alone goal on gender equality with commitments to reducing women's time burdens, improving access to childcare and other quality public services as well as time-saving domestic technologies, investing in infrastructure in disadvantaged areas, and conducting regular time use surveys (Sepúlveda Carmona, 2004).

Statements by international organizations, including the OECD (2014), echo similar arguments that quantifying the gendered division of activities and time illustrates how gender roles and social norms drive gender inequalities. Measuring social norms and gender roles is not straightforward due to the challenge in quantifying an intrinsically qualitative dimension of inequality. However, time use is a helpful proxy to capture gender roles within the family and the community and how they impact time poverty and well-being.¹³

Time use surveys go beyond the information obtained from conventional surveys employed in poverty analysis. They make it possible to obtain more comprehensive statistics for well-being, inequality and poverty. Time use renders the invisible visible: it helps explain existing gender gaps in and out of the market as well as the intergenerational transmission of inequalities and poverty. Previous research based on time use data have found that the increased segregation of unpaid and paid work by sex pushes women into social and income poverty (Elson, 2005, 2009) as well as into time poverty (Bittman and Folbre, 2004; Antonopoulos and Memiş, 2010).

Asymmetric and unequal distribution of the unpaid care work burden in general especially penalizes women's access to employment, earnings and financial resources. Added to gender-blind employment policies, inequalities in the division of unpaid care labour adversely affect women's employment and participation in paid work. Regardless of location or employment status, poverty seems to deepen gender-based inequalities in time allocation along with the fundamental division of labour between women and men in terms of unpaid care work and paid work

(Memiş et al., 2012). Poverty forces households – or, more specifically, women in poor households – to substitute in-house production for market commodities. Along with limited access to gainful employment, women have less time available for paid work – a situation that reinforces lower income levels.

Anti-poverty policies should consider the fact that time devoted to unpaid activities is higher in households below the poverty line. Policy interventions that solely target income deficits without the knowledge of their time availability are highly likely to aggravate existing disparities. The usual measures of poverty produce indicators to compare available resources and needs. The minimum needs required in order not to fall into poverty, and the specific resources considered in this comparison, vary among different measures.

These measures, by neglecting inequalities in terms of time, belie the fact that unpaid household production contributes to the fulfilment of material needs and wants that are essential to attaining a minimum standard of living. Such measures assume that all households and individuals have enough time to adequately attend to the needs of household members – including, for example, caring for children. However, some households may not have sufficient time and thus experience time poverty.

If a household experiencing a time deficit cannot afford to buy market substitutes (e.g. hiring a care provider), the official poverty threshold would understate the requirements of that household for attaining a minimum standard of living (Antonopoulos and Memiş, 2010). The concept of time poverty proposes that it is important to track inequalities in time use to better understand poverty and inform responsive policy design. (Appendix 6.2 highlights the steps followed in measuring time and income poverty.)

The multidimensional measure of poverty enables a deeper understanding of the linkages between the functioning of labour markets, unpaid household production activities, and existing arrangements of social provisioning, including social care provisioning. The current policies adopted in many developing countries to promote women's employment may help reduce

official poverty rates. However, it cannot insulate women from time poverty unless supported by additional policies, such as introducing public provisioning of social care services and policies to eliminate occupational and sectoral job segregation. In fact, without such policies, many women fall into time poverty while not escaping consumption poverty. In addition, raising the opportunity costs of the household production

work of women, through an equitable wage policy and increasing decent employment opportunities, may trigger a transformation in the division of household labour. If all household members are motivated to more equally share household production, the resulting reduction in time poverty could well lead to an overall improvement in quality of life for everyone.

APPENDIX A

Income Inequality Concepts and Global Trends

A widely-used income inequality measure is the Gini coefficient, which is calculated based on the Lorenz curve. The Lorenz curve is obtained by plotting the proportion of individuals vis-à-vis the proportion of income they get out of total income. It relates the cumulative share of population with cumulative share of income out of total income. 0% of the population owns 0% of income. 100% of the population owns the total income. Hence, the Lorenz curve has coordinates 100%, 100% at the endpoint. The 45-degree line in the

graph (blue line) below shows the perfect equality case when all individuals have equal income. Perfect equality shows 10% of population owns 10% of total income while, for example, 80% of the population owns 80% of the total income. The Gini coefficient is calculated by dividing area A in Figure 6A.1 by the total area under the diagonal line of perfect equality (A+B). When the Gini coefficient = 0, all people have the same level of income. When it approaches 1, one person receives all of the income.

FIGURE 6A.1
Lorenz Curve

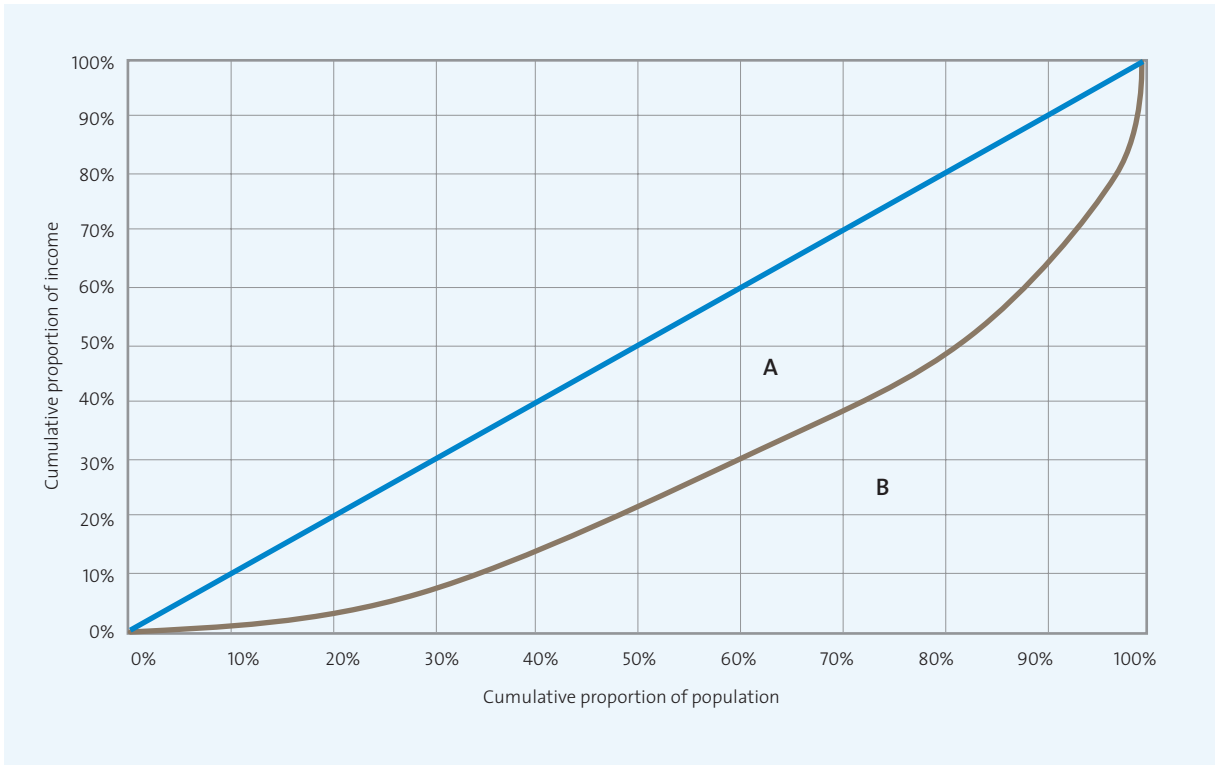
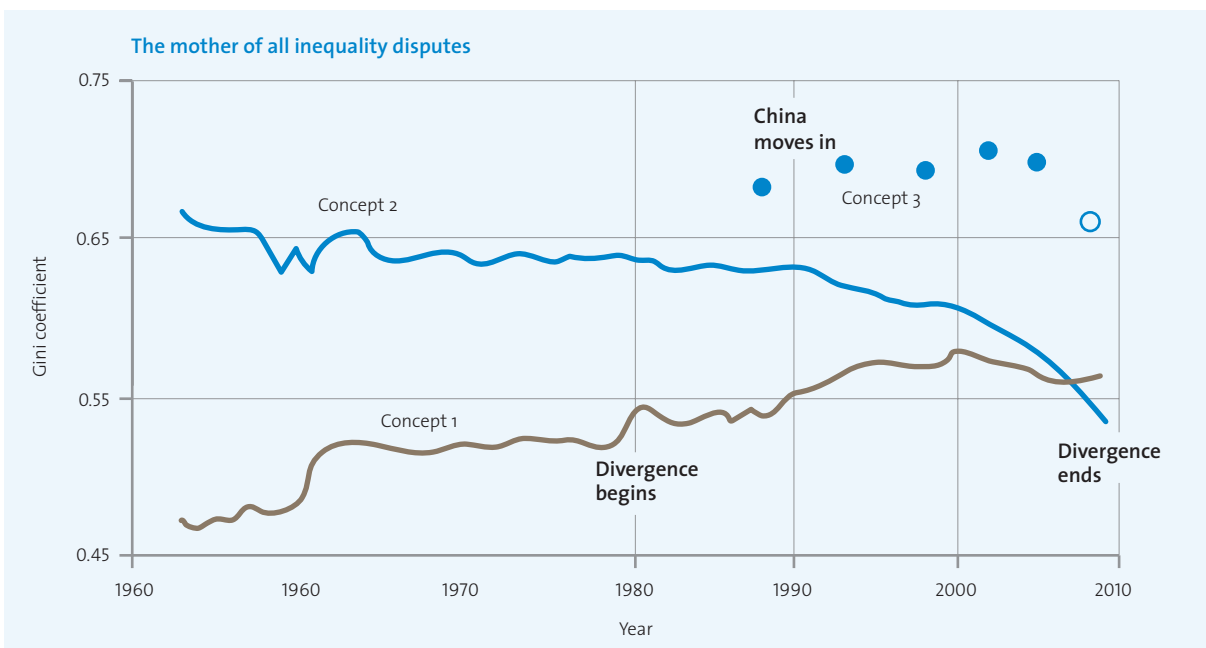


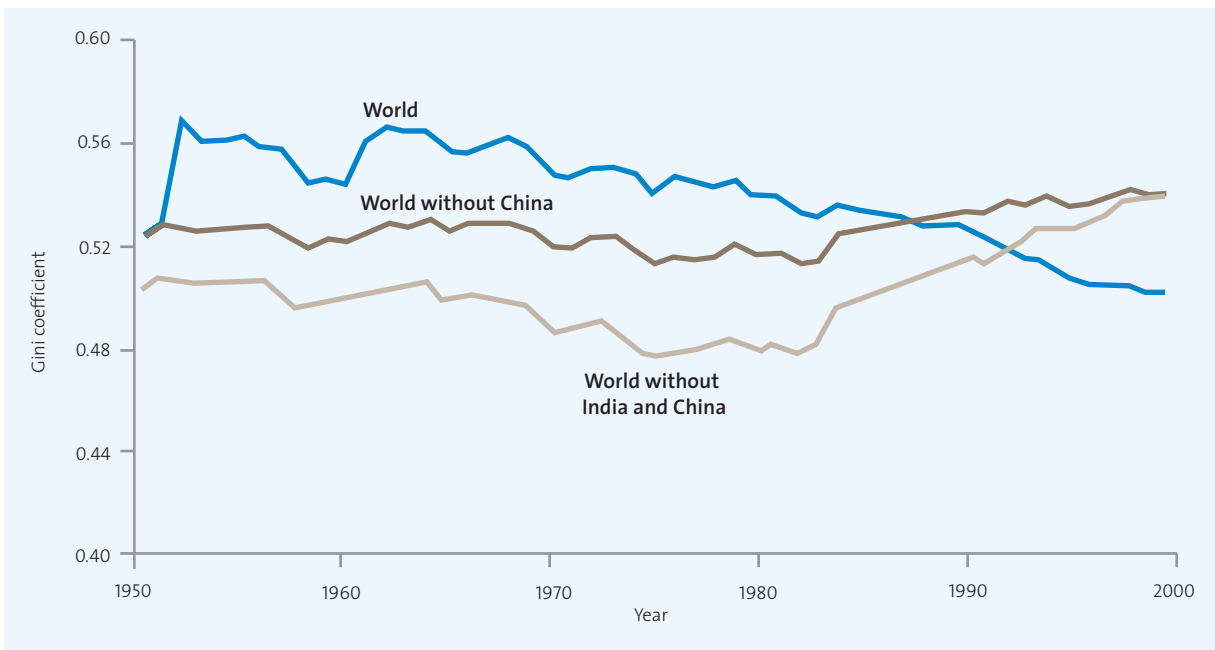
FIGURE 6A.2
Inequality, 1950-2009



Source: Milanovic, 2013.

Concept 1 (intercountry inequality) focuses on inequality among countries based on their level of average GDP (income) per capita, without considering differences between countries in population size. **Concept 2 (international inequality)** focuses on the differences in GDP per capita or average incomes across countries but it also accounts for population weight. **Concept 3 (global inequality)** differs from Concepts 1 and 2 in that it looks at the actual incomes of individuals, not national income averages. That is, unlike the first two concepts, this one is based on individuals who, regardless of their country, enter into the calculation with their actual incomes.

FIGURE 6A.3
Long-term Global Inequality – With/Without China and India



Source: Milanovic, 2012.

FIGURE 6A.4
Global Income Growth from 1988-2008 by Household Income Ventiles

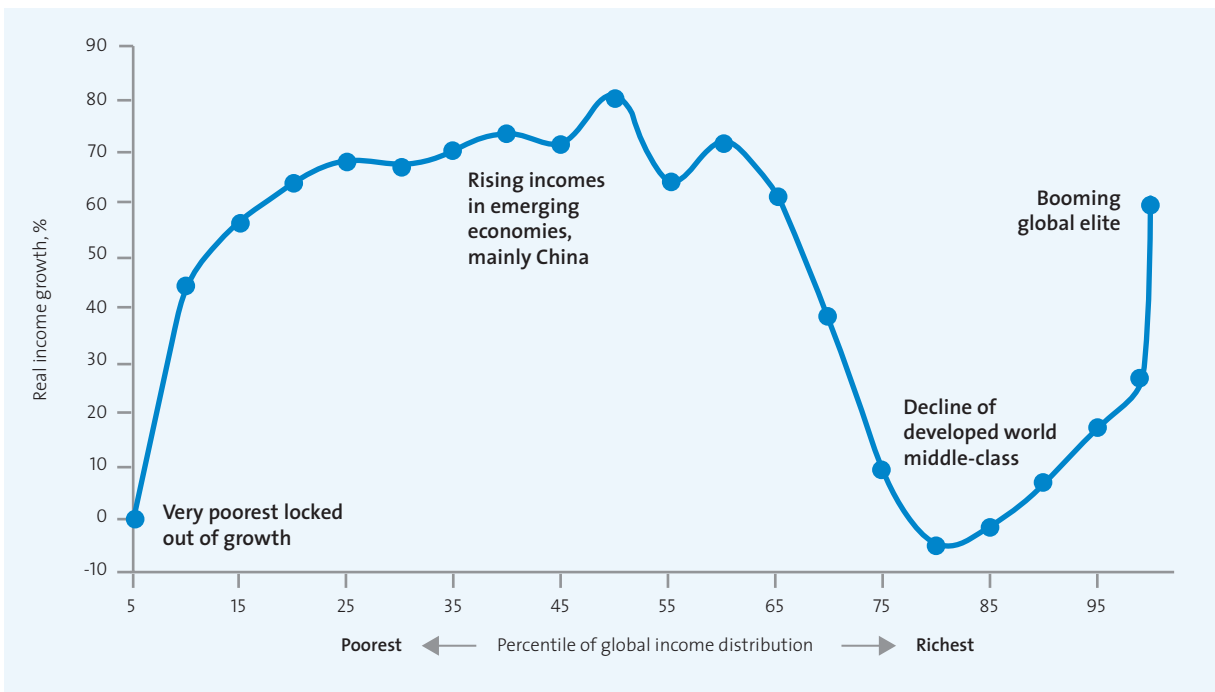
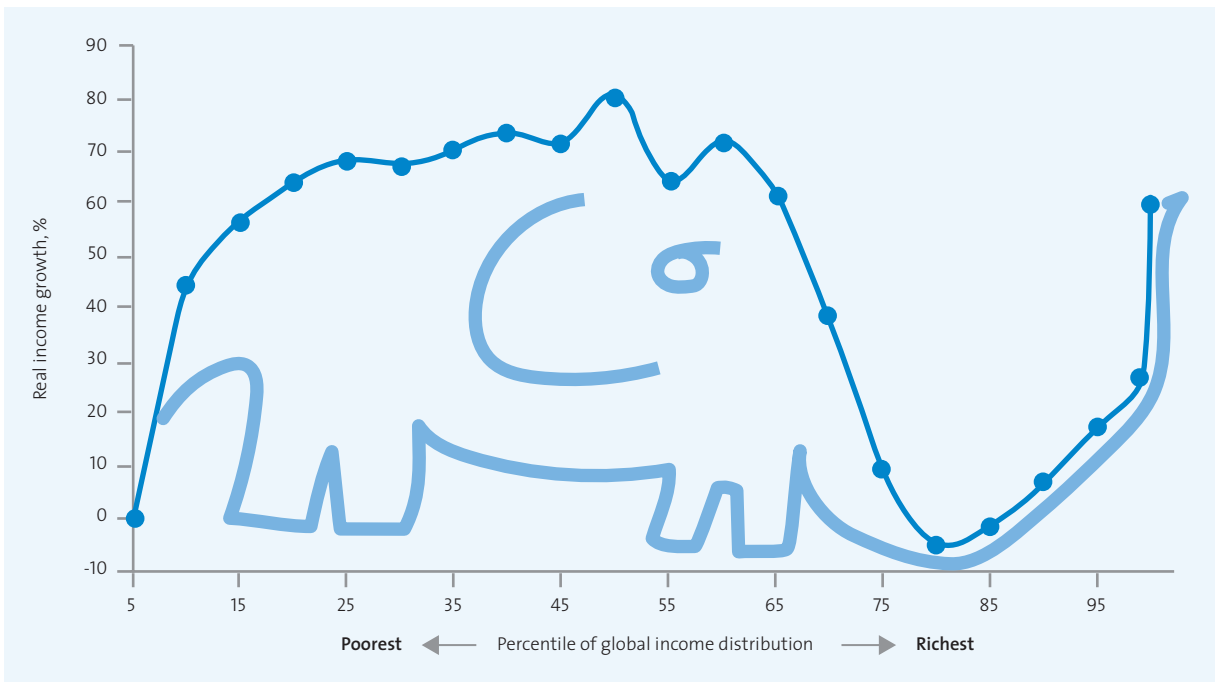
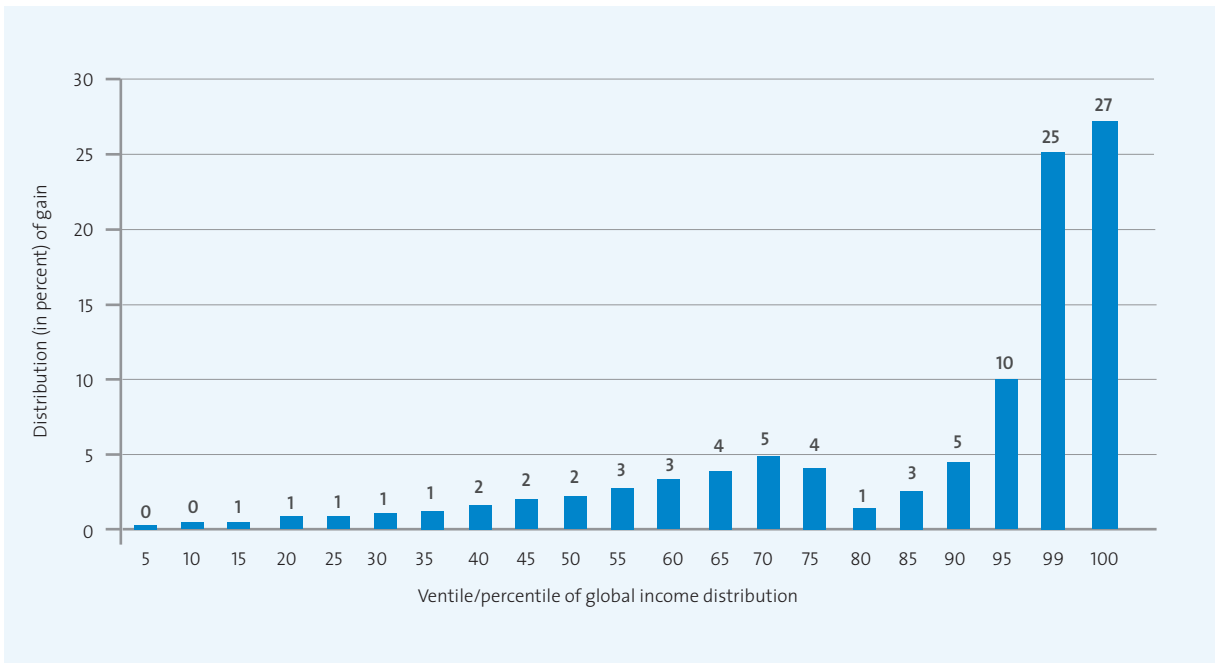


FIGURE 6A.5
The Elephant Chart



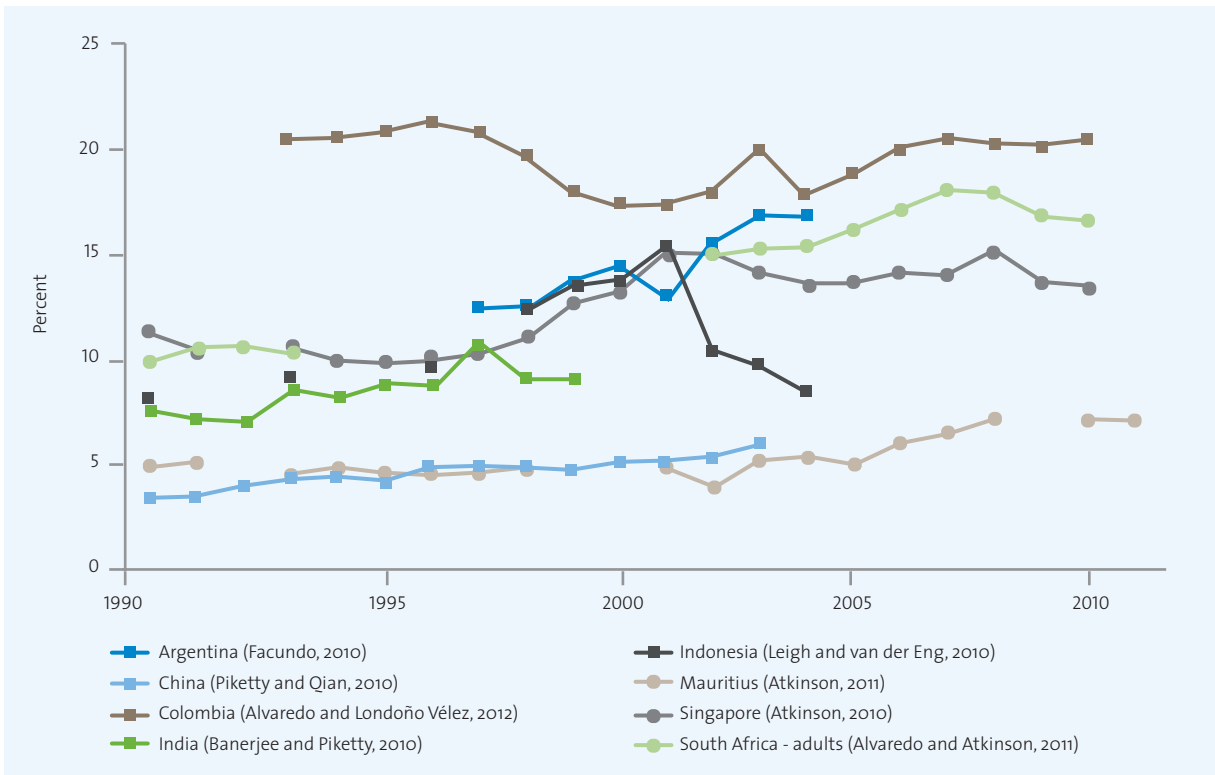
Source: Milanovic, 2012.

FIGURE 6A.6
Distribution of Gains from Growth of Income from 1988-2008 by Household Income Ventiles



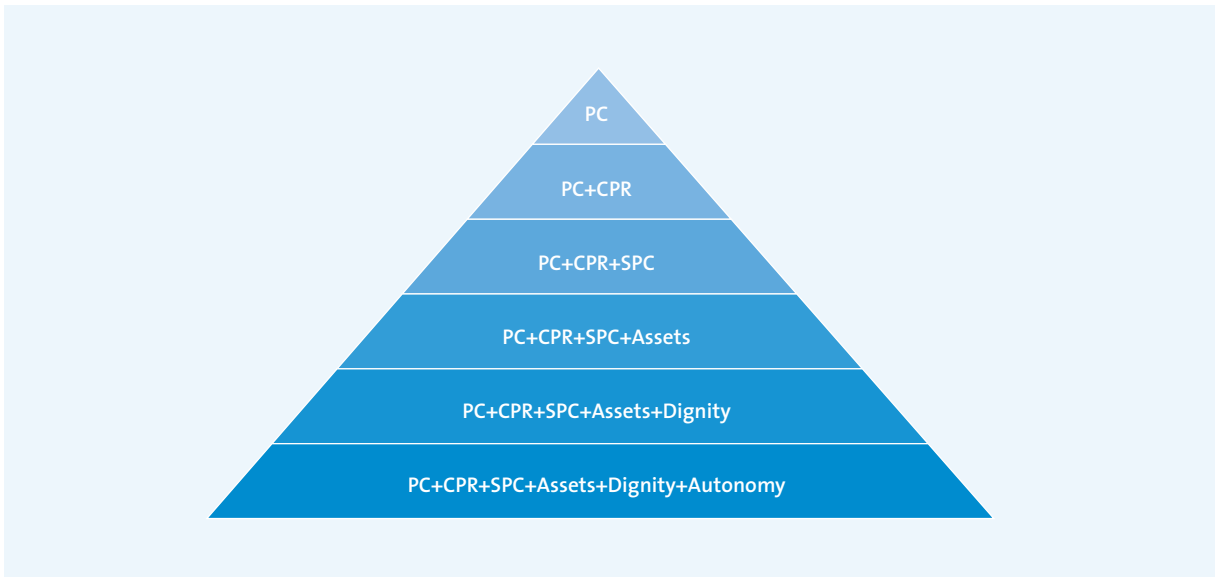
Source: Milanovic, 2012.

FIGURE 6A.7
Top 1% Income Share



Source: The World Top Incomes Database, *topincomes.g-mondparisschoolofeconomics.eu*.

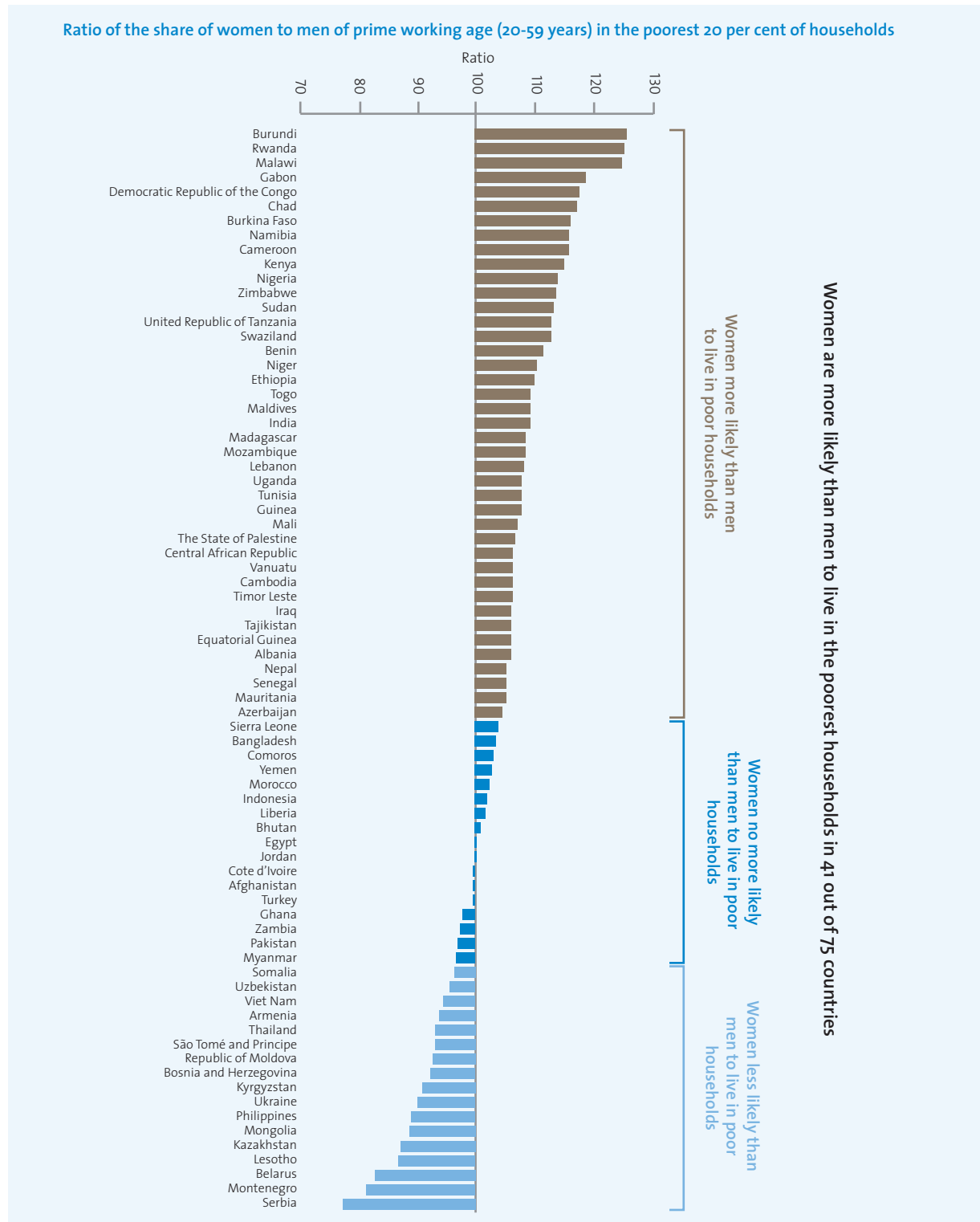
FIGURE 6A.8
Pyramid of Poverty Concepts



Note: PC stands for per capita consumption, CPR for common property resources, SPC for state provided commodities
 Source: Çağatay, 1998.

FIGURE 6A.9

Are Women Still Poorer?



Source: UN Women calculations using latest available data from Demographic and Health Surveys (DHS) and the Multiple Indicator Cluster Survey (MICS).

APPENDIX B

Time and Income Poverty Measurement

The starting point is the basic accounting identity of time allocation. Assuming the unit of time to be a week, we can express the identity as:

$$168 \equiv L_i + U_i + C_i + V_i$$

In the equation above, the physically fixed number of total hours equals the sum of L_i , the time spent on employment by individual i , U_i , the time spent on household production, C_i , the time spent on personal care, and V_i , the time available for everything else (leisure, volunteering etc.). The equation for time deficit/surplus is derived from the identity by introducing the threshold values for personal care and household production:

$$X_{ij} = 168 - M - \alpha_{ij}R_j - L_{ij}$$

The time deficit/surplus faced by the individual i in household j is represented by X_{ij} . The minimum required time for personal care and nonsubstitutable household activities is represented by M . Personal care includes activities such as sleeping, eating and drinking, personal hygiene, rest, etc. The idea behind including nonsubstitutable household activities is that there is some minimum amount of time that household members need to spend in the household and/or with other members of the household if the household is to reproduce itself as a unit.

The minimum amount of substitutable household production time that is required for the household to subsist with poverty-level consumption is denoted by R . As we discussed before, poverty lines generally rest on the implicit assumption that households around

or below the poverty line have available the required number of hours to spend on household production. Numerous studies based on time use surveys document well-entrenched disparities in the division of household production tasks among the members of the household, especially between the sexes. Women tend to spend far more time in household production relative to men. The parameter α_{ij} is meant to capture these disparities. It represents an individual's share in the total time that their household needs to spend in household production to survive with the poverty level of income.

An individual suffers from a time deficit if the *required* weekly hours of personal care and household production plus the *actual* weekly hours the individual spends on employment is greater than the number of hours in a week. In general, time deficits occur because hours of employment exceed the time available after setting aside the required hours of personal care and household production.

We refer to this type of time poverty as the “employment time-bind.” Studies mentioned in the previous section recognize only this route to time deficits. However, in our framework, time deficits can occur even before the hours of employment are considered due to excessive burdens of household production (“housework time-bind”). Such burdens can be the result of highly inequitable division of household work or inordinately high demands of household production or a combination of both. Indeed, some individuals might suffer from both types of time poverty (“double time-bind”). The three cases are summarized in Table 1.

TABLE 1
Types of Time Poverty

X_{ij}	A_{ij}	L_{ij}	Type
Less than zero	Greater than zero	Greater than zero	Employment time-bind
Less than zero	Less than zero	Equal to zero	Housework time-bind
Less than zero	Less than zero	Greater than zero	Double time-bind

Note: $A_{ij} = 168 - M - \alpha_{ij} R_{ij}$. See equation (2). X_{ij} , A_{ij} and L_{ij} refer to the time deficit/surplus, available time, and employment hours for individual i in household j .

To derive the time deficit at the household level, we add up the time deficits of the individuals in the household, thus ruling out automatic redress of the time deficit of an individual in the household by the time surplus of another individual of the same household:

$$X_j = \sum_{(i=1)}^n \min(0, X_{ij})$$

Now, if the household has a time deficit, i.e., $X_j < 0$, then it is reasonable to consider that as a shortfall in time with respect to R_j ; that is, we assume that the household does not have enough time to perform the requisite amount of substitutable household production.

Neglecting such deficits can render the use of standard poverty thresholds fundamentally inequitable. Consider two households that are identical in all respects that also happen to have an identical amount of consumption expenditures. Suppose that one household does not have enough time available to devote to the necessary amount of household production while the other household has the necessary time available. To treat the two households as equally consumption-poor or consumption-nonpoor would be unfair to the household with the time deficit.

We resolve this inequity by revising the consumption thresholds. We assume that the time deficit can be compensated by purchasing market substitutes and to assess the replacement cost. The latter can then be

added to the consumption poverty threshold to generate a new threshold that is adjusted by time deficit:

$$y_j^o = \bar{y}_j \min(0, X_j) p$$

where y_j^o denotes the adjusted threshold, \bar{y}_j the standard threshold, and p the unit replacement cost of household production. Obviously, the standard and modified thresholds would coincide if the household has no time deficit.

The thresholds for time allocation and modified consumption together constitute a two-dimensional measure of time and consumption poverty. We refer to the measure as the Levy Institute Measure of Time and Consumption Poverty (LIMTCP). We consider the household to be consumption-poor if its consumption, is less than its adjusted threshold, and we term the household as time-poor if any of its members has a time deficit:

$$y_j < y_j^o \Leftrightarrow \text{consumption-poor household};$$

$$X_j < 0 \Leftrightarrow \text{time-poor household}$$

For the individual in the household, we deem them to be income-poor if the consumption of the household that they belong to is less than the adjusted threshold, and we designate them as time-poor if they have a time deficit:

$$y_j < y_j^o \Leftrightarrow \text{consumption-poor person};$$

$$X_j < 0 \Leftrightarrow \text{time-poor person}$$

The LIMTCP allows us to identify the 'hidden' consumption-poor – households with consumption above the standard threshold but below the modified threshold – who would be neglected by official poverty measures and therefore by poverty alleviation initiatives based on the standard thresholds. By combining time and consumption poverty, the LIMTCP generates a four-way classification of households and individuals: (a)

consumption-poor and time-poor; (b) consumption-poor and time-nonpoor; (c) consumption-nonpoor and time-poor; and (d) consumption-nonpoor and time-nonpoor. This classification offers a richer framework for thinking about the impacts of employment and consumption growth on poverty.

APPENDIX C

Multidimensional Poverty Index

Multidimensional Poverty Index

The Multidimensional Poverty Index (MPI) identifies multiple deprivations at the household level in education, health and standard of living. It uses micro data from household surveys, and – unlike the Inequality-adjusted Human Development Index – all the indicators needed to construct the measure must come from the same survey. More details about the general methodology can be found in Alkire and Santos (2010). Further information about changes in the methodology and the treatment of missing responses and non-applicable households is given in Klasen and Dotter (2013) and Kovacevic and Calderon (2014).

Each person is assigned a deprivation score according to his or her household's deprivations in each of the 10 component indicators. The maximum deprivation score is 100% with each dimension equally weighted; thus, the maximum deprivation score in each dimension is 33.3%. The education and health dimensions have two indicators each, so each indicator is worth 6.7%. The standard of living dimension has six indicators, so each indicator is worth 5.6%. The indicator thresholds for households to be considered deprived are as follows:

Education

- School attainment: no household member has completed at least six years of schooling.
- School attendance: a school-age child (up to grade 8) is not attending school.

Health

- Nutrition: a household member (for whom there is nutrition information) is malnourished, as measured

by the body mass index for adults (women ages 15–49 in most of the surveys) and by the height-for-age z score calculated using World Health Organization standards for children under age 5.

- Child mortality: a child has died in the household within the five years prior to the survey.

Standard of living

- Electricity: not having access to electricity.
- Drinking water: not having access to clean drinking water or if the source of clean drinking water is located more than 30 minutes away by walking.
- Sanitation: not having access to improved sanitation or, if improved, it is shared.
- Cooking fuel: using 'dirty' cooking fuel (dung, wood or charcoal).
- Having a home with a dirt, sand or dung floor.
- Assets: not having at least one asset related to access to information (radio, TV, telephone) and not having at least one asset related to mobility (bike, motorbike, car, truck, animal cart, motorboat) or at least one asset related to livelihood (refrigerator, arable land, livestock).

To identify the multidimensionally poor, the deprivation scores for each indicator are added up to obtain the household deprivation score. A cut-off of 33.3%, equivalent to 1/3 of the weighted indicators, is used to distinguish between the poor and non-poor. If the deprivation score is 33.3% or greater, that household (and everyone in it) is multidimensionally poor. Households with a deprivation score greater than, or equal to, 20% but less than 33.3% are considered near multidimensional poverty. Households with a deprivation score of 50% or higher are severely multidimensionally poor.

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ENDNOTES

- 1 Amartya Sen's *missing women* phenomenon is driven by the relatively lower ratio of female to male populations in the South and particularly in Asia. Excessive female mortality cannot just reflect variations among regions in terms of income and economic development. Gender discrimination, social norms and intrahousehold inequalities may in large part explain more than 100 million missing women, as estimated by Sen in 1990.
- 2 See Appendix A for a more detailed graph of the Gini index.
- 3 According to Concept 1, average incomes across countries have actually become more divergent. Yet, if the population size is taken into account (Concept 2) and (Concept 3) we see that incomes across the world are converging. The reason for this difference in trends is that a number of very populous countries, mainly China and India, experienced relatively faster growth in per capita GDP than did most other countries. For more information, see Figure 6A.2.
- 4 Engberg-Pedersen, L. (2013) *Development Goals Post 2015: Reduce Inequality*. Danish Institute for International Studies Policy Brief. Copenhagen: DIIS.
- 5 Technical details about the comparison of the Gini index and the Palma ratio, along with detailed information on other alternative measures that are decomposable and used frequently in the literature including the Theil index, coefficient of variation can be found in UN (2015) *Development Issues: Inequality Measurement*, Number 2. http://www.un.org/en/development/desa/policy/wess/wess_dev_issues/dsp_policy_02.pdf
- 6 The main source of information on the definitions and the scope of alternative measures are the HDR technical reports of UNDP.
- 7 UNDP (2013) *Humanity Divided*, pp. 229 http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Inclusive%20development/Humanity%20Divided/HumanityDivided_Full-Report.pdf
- 8 The first global policy goal set by the Post-2015 Development Agenda pertains to 'ending poverty'; SDG 1 targets an end to extreme poverty by 2030 for all people everywhere. Extreme poverty is currently measured as people living on less than USD 1.25 a day.
- 9 See UN (2010) for a more detailed explanation of the updates and rounds undertaken by the programme in different years, the latest of which was done in 2005 when the number of people living below the international poverty line (revised as USD 1.25) in 2005 was 1.4 billion, or close to 500 million (or more than 50 per cent) more than previously estimated. The researchers noted that when China is excluded not much has changed for the rest of the developing world (Chen and Ravallion, 2008).
- 10 See Laderchi, Saith and Stewart (2003) for an extensive discussion of the critiques and attempts to conceptualize and measure poverty.
- 11 There are two different indices: HP11 for developing countries and HP12 for the selected OECD countries. HPI2 includes a fourth indicator added for social exclusion.
- 12 These are discussed in more detail in Laderchi, Saith and Stewart (2003).
- 13 This section is retrieved from earlier articles and research reports for the *UNDP-Turkey Report*, prepared by the Levy Institute Time and Income Poverty Program members (Antonopoulos and Memiş, 2010; Masterson, Memiş, and Zacharias, n.d.; Zacharias, Masterson, and Antonopoulos, n.d.; Zacharias et al., 2014)n.d.; Zacharias, Masterson, & Antonopoulos, n.d.; Zacharias et al., 2014.
- 14 See Ferrant, Pesando and Nowacka (2014), *Unpaid Care Work: the missing link in the analysis of gender gaps in labour outcomes*, Centro de Desarrollo de la OCDE, 5.



GENDER, PUBLIC
FINANCE AND
INVESTING FOR
GENDER EQUALITY

MODULE 7

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LEARNING OBJECTIVES

Module 7: Gender, Public Finance and Investing for Gender Equality spotlights the role of public finance and fiscal policy in reducing, creating and reinforcing inequalities – particularly gender inequalities. Despite claims of gender-neutral design and implementation, public policies not only determine the allocation of public resources, they also have definite gendered outcomes. These distinct outcomes are due to the different, and often unequal, economic and social positions of women and men. The first part of the module focuses on the fiscal policy framework, and budgetary tools with their gendered impacts. The second part introduces gender budgeting as a feminist and transformative tool to address gender bias in the design of public policy.

By the end of Module 7, participants are expected to:

- critically evaluate fiscal policies from a gender perspective;
- be familiar with gender assessment tools and instruments used in fiscal policy design and implementation;
- reflect awareness of their potential to affect policy design in favour of gender equality goals; and
- understand the mechanisms through which gender-responsive budgeting (GRB) supports a more equitable society.

7.1 Public Finance and Fiscal Policy: A Gender-neutral or Gender-blind Realm?

7.1.1 Fiscal Space and the Role of Fiscal Policy: the Macroeconomic Framework

Fiscal policy concerns the use of fiscal tools (taxes and expenditures) by public authorities to generate changes on the demand or supply side of economies. It involves the use and allocation of the resources available to society. Fiscal policy determines whose concerns will be rewarded (addressed) and whose will be neglected. All stages – from the design of public policies to implementation – incorporate power struggles among different groups, as well as societal expectations for a better life. In that respect, public budgets are the tools to design and enact fiscal policy. Budgets reflect society and are shaped by the struggle for access to resources and the demands of citizens.

Fiscal policy is implemented through two major channels: *revenues* and *expenditures*. In the general budget, revenues are composed of tax revenues (direct and indirect) and other revenues (miscellaneous forms of revenues ranging from enterprise and ownership income to grants and aid, interest income, shares and fines, capital income and other receivables).

Budget expenditures are more varied. Basically, there are two broad categories of expenditures: one is the *primary expenditure* over which the public authorities have direct control. Examples include compensation of employees, social security contributions, goods and services purchases, capital expenditures and current transfers. The other broad category is *interest expenditure* over which the public authority exercises no control; these are payments for the previously accumulated debt of the public sector. In this context, when fiscal policies are designed from a macro perspective to induce a certain change in society, it is

the non-interest components of the budget that are usually in question.

Fiscal policy that addresses the demand side can be expansionary. Expansionary fiscal policy is defined as an increase in aggregate demand through the induction of demand components, i.e. consumption and investment through either reducing taxes or increasing public expenditures. Contractionary fiscal policy, on the other hand, induces a reduction in aggregate demand by cutting government expenditures or increasing taxes.

Specifically, **fiscal policy can promote inclusive growth through reducing inequality and poverty.** Inequalities (income, gender and others) can be addressed through the redistribution mechanisms of tax and expenditure policies. Tax revenues of developing economies are typically far below the levels found in developed economies: 15-20 per cent of GDP as opposed to 26 per cent in the latter. This difference points to the inability of developing economies to mobilize sufficient domestic resources. In addition, developing countries rely mostly on indirect taxes, which are regressive from the viewpoint of income distribution (UNDP, 2013).

Direct taxation, on the other hand, can be a tool for progressive taxation as it redistributes income from higher to lower income households (examined in detail below). Taxes and expenditure switching policies, therefore, determine the allocation of public resources according to higher-priority sectors. In that respect, if the costs and benefits of those policies, as well as the tax incidence (i.e. how the burden or the benefit of tax is distributed among the taxpayers), can be carefully worked out, challenging issues in human development such as poverty and employment can be more effectively addressed.

Fiscal policies are also expected to insulate the economy from financial and economic shocks and crises. In **Towards Human Resilience: Sustaining MDG Progress in an Age of Uncertainty** (2011), UNDP analyses the period 1995-2009 and draws attention to the procyclical nature of fiscal balances in developing countries. The report points out that many developing countries

have become increasingly reliant on foreign sources of investment and trade revenue for economic growth. When there is a crisis, foreign investment and international financial flows tend to fall – often sharply. Moreover, exports drop as demand dries up and trade revenues decline. Since international finance and trade markets are prone to sharp boom and bust cycles, this generates a great deal of uncertainty and instability in economic growth.

This volatility is also reflected in the fiscal balances of a country which improve during good times and deteriorate during difficult periods. Fiscal policy typically follows this trend. Boom periods are associated with higher spending and/or tax cuts as these can be accommodated given higher revenues. As revenues fall during busts, however, so does public expenditure. In addition, the likelihood of raising taxes during a crisis is politically risky. In other words, fiscal policy is typically procyclical in most developing countries.

Fiscal policy has a key role, however, in helping countries counter such volatility and to protect human development gains from being unravelled by shocks. Can a country undertake countercyclical spending so that it can continue to finance programmes that create jobs, ensure the delivery of core services, build infrastructure, and provide safety nets? Can a country adopt countercyclical fiscal policy (i.e. take on additional spending) during times of crisis? This assessment depends in large part on whether a country has fiscal capacity and fiscal space.

In recent times, **fiscal space** has become an important concept in macroeconomic policy. The IMF defines fiscal space as the “room in a government’s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy.” The basic rationale is that such space allows governments to increase spending on national priority areas in a sustainable manner. Rich countries, with a much higher tax-GDP ratio, normally have greater fiscal space than most developing countries whose tax base is generally low due to significant informality of the economy and a weaker tax administration capacity. Moreover, fiscal space becomes strained during economic

downturns because of declines in revenue collection and increased expenditure on supporting vulnerable segments of the population such as the unemployed.

Typically, the following four channels enhance fiscal space in a country:

- **official development assistance (ODA)** through increased aid and debt relief;
- **domestic revenue mobilization** through improved tax administration or tax policy reforms;
- **deficit financing** through domestic and external borrowing; and
- **reprioritizing** and increasing the efficiency of public expenditures.

Recent research suggests additional ways to enhance fiscal space including through eliminating illicit financial flows, expanding social security coverage and contributory revenues, and tapping into foreign exchange reserves.

Other economists highlight that the IMF's concept of fiscal space rests on two key assumptions: first, what defines an adequate debt sustainability or deficit target, and second, the notion that these short-term targets should be prioritized regardless of the longer-term development paybacks of any increase in government spending. As Roy et al. (2007) note "Analytical frameworks currently used to assess the sustainability and solvency of a fiscal expansion are of limited relevance to assess the *developmental* (as opposed to *fiduciary*) implications of increasing fiscal space for a specific set of development objectives" (p. 2).

Economists further note that an alternative definition of fiscal space is the financing available to government due to concrete policy actions taken to mobilize resources for a specified set of development objectives. Establishing a fiscal framework that is development-centred, rather than grounded strictly in fiduciary logic, however, raises several analytical issues. The most important issue is what can be termed the **fiscal space conjecture**: the explanation as to why

tension persists between the need to secure fiduciary as well as development outcomes.

Roy et al. (2007) assert that the central premise of fiscal space conjecture is that the sustainability of policies to create fiscal space is a function of the purpose of the fiscal space. This premise, in turn, depends on the central economic policy challenges and the interventions that need to be financed to meet these challenges. The level of emphasis placed on the stabilization, allocation, distribution and growth functions of fiscal policy will differ depending on the timeframe of the analytical framework and the political economy context within which the interventions are operationalized. In other words, the sustainability of fiscal expansion depends on the types of expenditures. If the development payback is sufficiently high, then deficit-financed public investments can be compatible with fiscal sustainability.

Furthermore, in this context the indicators used to assess fiscal solvency and sustainability will be very different if the assessment is carried out in a long-term, as opposed to short-term, analytical context. For instance, fiscal stability would require a quantification of the extent to which (and the time frame in which) consumption expenditures could be increasingly financed through domestic revenues while investment needs could be increasingly met through a combination of mainly domestic – and possibly some international – borrowing.

The inability of a country to increase fiscal space, or to implement countercyclical fiscal policies, has crucial gendered consequences. As has been discussed in detail throughout the previous modules in this manual, without sound intervention and support from the government, productive and decent jobs will not be created; instead, the existing gender segregation in employment will continue and can even be reinforced. The magnitude and quality of public services can decline, most likely affecting women as the primary bearers of public services (such as health, education and transportation). Without generating sufficient decent jobs, social protection systems will weaken and the shrinking pool of formal employment will favour men over women.

With inadequate funds for social protection, the well-being of children and the elderly will be impacted adversely. This in turn adds to the care burden of women in households (ILO, 2014). Poverty will grow and women who already experience disproportionate rates of impoverishment will be especially hurt during old age. Indeed, in many instances, it will be women whose burden will increase and whose well-being will be threatened through declining public expenditures and an increasing unpaid care burden. The following section presents further discussions on the gendered effects of fiscal policies.

7.1.2 Gender Analysis of Fiscal Policies

As discussed, conventional macroeconomic thinking rests on the false assumption that monetary and fiscal policy is gender neutral. This stance is problematic on two grounds. First, its **assumption of gender neutrality masks significant differences** in outcomes in the experiences of men and women due to the implementation of macro policies. For example, an increase in indirect taxes, such as the value added tax (VAT) in the food and clothing sectors, ends up reducing women's disposable income more than men's because of the way each tends to spend income: women spend on household needs and basic consumption, whereas men purchase bigger items (cars, houses, investments) and private or luxury products (Grown, 2010; UNDP, 2010).

A further example is how a local administration's decision regarding the construction of a new parking lot may affect men and women differently. Beneficiaries of the parking lot can be expected to be predominantly men, instead of women, because both sexes have different access to mobility and transportation services in urban places. While men tend to use private vehicles, women tend to travel by public transport (Cebollada-Frontera and Miralles-Guasch, 2006, p. 22). This public service, therefore, will not significantly help increase women's mobility in cities.

Second, gender-blind macro policies that address the usual growth and development targets neglect a greater realm of individual well-being and human rights beyond material growth indicators (Elson,

2016; Elson and Çağatay, 2000). A development perspective focused only on GDP, and similar income indicators, with the ultimate target of increasing productivity of the factors of production, conceals the multidimensionality of individual well-being and choices (Nussbaum, 2003; Robeyns, 2005).

Well-being can be conceptualized and comprehended through other dimensions—including health, education, social and political participation, environmental conditions, the security of living places and subjective evaluations – in addition to material means. Public policy design framed from a well-being perspective and aware of the existing inequalities in society can alleviate the gaps. In turn, such policy design will have positive short- and long-run impacts on policy efficiency, the achievement of sustainable growth and a just and equitable society.

7.1.2.1 Revenues: Taxation and Tax Policy

Barnett and Grown (2004) draw on four facts to understand the relationship between gender and taxation:

- women's differential presence in employment and labour markets in terms of jobs, positions, earnings, benefits, type of contracts and access to social security, etc.;
- women's disproportionate responsibilities in the unpaid care economy;
- women's lack of access to assets, capital and ownership of the means of production; and
- differences in household consumption, saving and investment decisions.

These cross-cutting dimensions provide the mechanisms through which women and men disproportionately benefit from, or bear the burden of, taxation.

Tax policies can embody an **explicit gender bias** in which “the tax legislation contains specific provisions that treat women and men differently” (UNDP, 2010).

In some cases, tax regulations openly state whom will be subject to the regulation. An example is **Morocco**, where child allowances are made directly to men through tax exemptions, while women do not have the right except under certain conditions (Grown, 2010).

Another form of bias inherent in taxation is the **implicit gender bias**, which is disguised in social norms, structures and the implementation of regulations and policies. For example, in tax codes of several developing countries, exemptions or deductions are provided on the assets men are more likely to own (UNDP, 2010). Similarly, the fact that women are disproportionately in informal employment leaves them uncovered by tax regulations: they neither bear the burden of taxes nor receive their benefit.

The bias inherent in tax policy brings us to the question of whether one of the major aims of public policy, namely equal and fair treatment of citizens, is fulfilled. Since concepts of *equity* or *fairness* involve value judgements, public finance uses two concepts for understanding equity in tax policies (Grown, 2010). **Vertical equity** concerns whether tax policies treat people in different conditions without violating fairness. This is based on a principle that those who have higher incomes should contribute more to taxes and are therefore taxed at higher rates. Inequity here is easier to detect and remedy. **Horizontal equity** concerns whether tax policies treat those in similar conditions equally. In other words, people who have the same amount of wealth or income should be subject to the same rates.

Problems stem from conceptual and measurement difficulties as well as the way taxation is conducted (Grown, 2010). How will 'similar or same conditions' be determined? What is the unit of taxation and the unit of comparison: individual or household? What will be the basis of 'tax incidence analysis': consumption expenditures or individual (household) income? The field of feminist economics deals with these questions by engendering public finance and research practice in taxation and, ultimately, by proposing alternative approaches.

Feminist economics research focuses on gender-based incidence analysis of direct and indirect taxes. Gender-based incidence analysis aims to reveal how the impact of a specific public policy is shared between women and men. This widely-used approach highlights the gendered nature of tax policies. Grown and Valodia (2010), in their research on eight countries (**Argentina, Ghana, India, Mexico, Morocco, South Africa, Uganda** and the **United Kingdom**), conduct incidence analysis based on the following three levels: family headship (female-headed vs male-headed households); sex composition of the household (number of male and female adults in the family) and employment status of the adults (to incorporate the bargaining position of males and females). Research results reveal a variety of gendered consequences of tax policies, some of which are discussed below.

In *direct taxation* (taxes levied directly to the payer, such as personal income tax), the gender bias usually stems from the unit of taxation and filing of individual income. *Joint filing systems* are based on total household incomes which increase the secondary earner's marginal tax rate. It is usually women whose earnings are less than the primary earner. When incomes in the household are combined and taxed by the same rate, women's lower income, subject to the same rate as the men, are taxed more in practice. The situation not only creates inequality between the sexes, but it also acts as a discouraging factor for women to participate in the labour market (UNDP, 2010). Women, faced with lower incomes after taxation, may find it less attractive to work in the labour markets in this case.

Individual filing systems, by contrast, solve this problem since each income-earning adult is taxed separately based on income. In addition, joint filing systems, with their unequal treatment of incomes and higher taxation of women's income, conform to the male breadwinner household model whereby the primary earner is the man and the secondary earner is assumed to be the woman. In this model, women are not expected to work in the first place; they are to look after the household needs and fulfil care responsibilities. It is for these reasons that feminist economists support individual filing systems as more gender equitable (Grown, 2010).

This system, however, may have other gendered drawbacks depending on the regulations of the country. One case is **Argentina** where jointly-owned assets are taxed through men, which in this example increases the tax burden of males (UNDP, 2010). Another example is **India's** affirmative higher income tax thresholds for women that allow them to pay lesser rates compared to men until they reach a predetermined income. This approach eventually failed, however, as women were unable to benefit since only 1 per cent of women in employment earned incomes above the threshold.

Indirect taxation entails taxes levied on consumption goods or imports which are paid by consumers and collected by intermediary firms who then pay the government. Indirect taxation is more regressive and discriminatory in terms of vertical equity. In **progressive tax systems**, the rate of taxation increases with income (Box 7.1). However, poorer segments spend a higher proportion of income on consumption. Indirect taxation taxes low-income households more than high-income households. Women are further

impacted in these families owing to even lower income levels than male members and because women spend a disproportional share of their income on basic consumption goods (Grown, 2010).

Empirical studies, specifically based on commodity breakdown, highlight the complexity of the gendered consequences of indirect taxes. For example, Grown and Komatsu (2010) find that indirect tax incidence falls mostly on “the richest male-breadwinner or dual-earner households in **Argentina, Morocco and Uganda**” provided basic commodities have VAT exemptions or zero ratings for low-income families. Female breadwinner, female-majority and female-headed households tend to be in low-income families which use those exemptions and benefits. In that sense, indirect taxation can be adjusted to be more equitable and progressive. Moreover, when analysis is conducted on a commodity basis or on an income basis, instead of consumption, further complexities in gender outcomes may arise (Grown and Komatsu, 2010). Therefore, it is important to bear in mind such concerns when designing tax policies.

BOX 7.1

Tax Reform in Uruguay: From a Regressive to a Redistributive Tax System

In 2007, the Government of Uruguay implemented a set of tax reforms including a progressive labour income tax, a flat capital income tax, and reduced indirect taxes with the aim of improving fiscal balance while redistributing income. Personal income went from formerly being taxed at two brackets, with rates of 2% and 6%, to a system of 6 tax brackets with rates ranging from 0% to 25%. The reforms taxed capital income at a flat rate of 12%. Corporate income taxes were simplified, introducing one tax to replace several ad hoc taxes. Indirect taxation was lowered as part of the reform, with VAT rates decreased by 1 point and 4 points, and the tax base was increased to include certain goods and services before tax. Consequently, tax revenue grew at a yearly average rate of 7.3%, while the ratio to GDP increased from 18.2% to 18.9% between 2006 and 2010. The contribution of indirect taxation to total revenue fell significantly from 74% to 54%, while the contribution of direct taxation rose from 17% to 35%. Empirical evidence on the impact of the reform on distribution confirms that these actions reduced the tax burden of the poorest taxpayers while increasing that of the richest, reducing inequality by two Gini points.

Source: Adapted from UNDP, 2013 with reference to Martorano, 2012, p. 246.

7.1.2.2 Expenditures

An important feminist critique of fiscal policy focuses on the gender impacts of cuts in public spending. Mainstream economists expect austerity and balanced budgets to prevent an increase in the interest rate and consequent crowding out of private investment. Second, they believe that these measures depress wages under high unemployment such that production costs fall, profitability conditions are restored, and supply increases again to recover from the recession. Third, budget cuts and austerity budgets are expected to have a positive signalling effect for the private sector, i.e. the public sector will not commit irresponsible expenditures and destabilize the market economy. Mainstream economics contends that this situation will in turn increase confidence in the market for private investors and households to increase their level of investment and consumption. Indeed, mainstream economists insist that these expected responses to economic recession will return the economy to its previous growth path.

Keynesian economics, however, generally object to this position. Adopting a Keynesian stance, Elson (2016, p. 29) argues that through multiplier effects, the impact of cuts in budget expenditures is a slowdown or contraction in the economy. Decline in aggregate demand due to cuts in public expenditure reduces the tax base of the government. The result is onerous pressure on government finances, leading to deeper budget deficits along with slackened domestic demand.

Indeed, after the 2008 economic crisis, countries that implemented austerity measures through budget cuts or followed a more cautious policy stance lagged significantly behind those that implemented expansionary policies in the recovery process. In fact, evidence shows that countries that opted for contractionary policies suffered more deeply and experienced prolonged slowdown in their economies (Karamessini, 2014; UNCTAD, 2016; Yücel, 2015).

It is important to note that the choice of expenditures to cut has serious implications for gender. Typically, social expenditures such as education, health care and transfer payments are cut immediately in times of austerity. These items are consumed more by women – the ones who most bear the costs of budget cuts.

The Women's Budget Group (2013) estimated the costs of the United Kingdom's fiscal austerity measures in the year of 2010 and took stock of severe consequences on women, children and the elderly. These measures involved increasing direct and indirect taxes as well as cuts in public services and social security, generating a savings of £26 billion between 2010 and 2015. Eighteen per cent of these savings resulted from increased taxes and the rest from reductions in public services and social security expenditures (Elson, 2016, p. 28).

Research suggests that losses in income, in cash and in kind, from public services due to austerity measures are highest for single mothers (15.6 per cent) among families with children; highest for single women (10.9 per cent) among families without children and highest for single women pensioners (12.5 per cent) among pensioners (Elson, 2016, p. 29). Such gendered consequences of public spending and austerity constitute an important ground from which feminist economists challenge the way macroeconomic policy is designed and implemented.

Another important gender issue in public finance and fiscal policy pertains to the distinction between investment spending and current spending. The conventional definition of *investment* is an increase in capital assets. *Public investment* is defined as spending today by the public sector to achieve higher returns, growth and productivity in the future. Public investment involves *infrastructure spending* through investments in machineries, big projects such as bridges, the construction of water and sewage systems and the like that provide a flow of benefits in the form of future public services. *Public services* are those where there is collective good for all people in the society consuming them; therefore, they should be partially or fully funded by the public sector (Himmelweit, 2016, p. 85-86). The production of such goods in many cases do not comply with market rules and dynamics when the motivation of suppliers is profit generation. Public services, if produced by the private sector for the sake of profit, may not be as extensive as necessary; the prices of the services could be too high or the quality of the production of the service itself (such as electricity, water distribution, etc.) may remain low.

This definition of public and infrastructure investments, however, prioritizes such spending over current and transfer expenditures, i.e. those day-to-day spending items with unending benefits. From the vantage point of public finance, therefore, investment receives more credit over current and transfer expenditures. Thus, in some fiscal models, borrowing (financing) by the public sector reflects these preferences. For example, the **golden rule of public finance**, implemented in the United Kingdom and many other countries, allows the public sector to borrow only if it is for investment and not for other purposes (Elson, 2016, pp. 30-31; Himmelweit, 2016, p. 84). The System of National Accounts is also shaped by these definitions – a fact with serious drawbacks.

Public spending in the building of schools is an example of investment through increasing physical capital assets (Elson, 2016, p. 33). Public expenditure on school building and payments to construction workers are considered investments, whereas public expenditure on education and payments to instructors are not. Therefore, when financially constrained, governments are highly likely to cut education funding. In fact, expenditure on education is an investment, not in capital assets, but in the capabilities of future generations and their well-being.

Similarly, existing approaches to fiscal policy lead to the allocation of fewer resources for elderly people (especially those who are disabled) because there is no possibility that in the future they will become productive workers – the overriding justification for investment within the market economy framework (Elson, 2016, p. 33).

Clearly, we need new definitions of public investment, public budgets and public policymaking with the ultimate objective of increasing the well-being of all residents and creating equitable societies. In this context, investment in **social infrastructure** (as a subset of infrastructure) emerges as a crucial area of focus. Social infrastructure involves assets such as medical facilities, schools, community and sports facilities and bus stations that are used to provide services that increase quality of living in society. Usually the common interpretation of the term does not entail the provision of social services, such as teaching or caring for children

and the elderly. Feminist economics expands the definition of social infrastructure to include care activities and redefines its goal as the meeting of social objectives while also providing vital services to the economy.

7.1.3 Public Investments in Social Care

The economic rationale for investing in social care is multifold (Himmelweit, 2016, p. 87-88; Ilkkaracan, Kim and Kaya, 2015). In the short run, increasing public provision of care services through new public facilities stimulates employment in the sector. The social care sector can attract and absorb a higher number of employees since it is very labour intensive. The consequent increase in salaried employment lifts domestic demand through multipliers. This means an income becomes someone else's income when it is spent, thus leading to a chain of economic activity. The higher the spending propensity of individuals, the higher the growth impact of initial income increases.

In addition, the social care sector has the potential to help reduce poverty both by lifting the labour supply constraints on women in low-income households and by providing new job opportunities. In the medium term, women who care for their children and elderly kin will have the freedom to participate in the labour market. The removal of constraints is likely to increase the employment of women. In the long run, high quality childcare will benefit children through skills development. In this way, productivity increases along with opportunities for greater numbers of people to live in dignity.

Recent empirical studies not only illustrate the positive economic returns of social care expenditures, they also provide a strong justification for the balancing of investments in both social care and physical infrastructures. The research demonstrates that social care expansion has superior employment-generation and poverty-reduction (in addition to gender equality) impacts through forward and backward linkages, as well as multiplier effects (Antonopoulos and Kim, 2008; Antonopoulos et al., 2010; Antonopoulos et al., 2014; Ilkkaracan, Kim and Kaya, 2015; ITUC, 2016). (See *Module 4: Unpaid Work* for more discussion on investments in social care infrastructure and service provisioning.)

BOX 7.2

Demand-side Effects of Social Care Investments in South Africa and the United States

Earlier studies on South Africa and the United States by the Levy Economics Institute examine the demand-side effects of the expansion of social care services. Antonopoulos and Kim (2008) find that an investment of ZAR 13.3 billion (in 2007 prices, equivalent to 3.5% of public expenditures and 1.1% of GDP) in home-based health care and early childhood care services would generate 772,000 new jobs in South Africa, with 60% going to women. Furthermore, the national growth rate would increase by 1.8%, and growth would be pro-poor in that the income of ultra-poor households would increase by 9.2%, the income of poor households by 5.6%, and the income of non-poor households by 1.3%.

Similarly, Antonopoulos et al. (2010) find that a hypothetical USD 50 billion investment in the United States in home-based health care for the elderly and the chronically ill, and early childhood development services, is likely to generate approximately 1.2 million jobs (over 90% going to women), versus 555,000 jobs created by an equivalent investment in physical infrastructure (88% going to men). In addition, almost half of the jobs created through an expansion of social care would go to households in the bottom 40% of the income distribution, while two-thirds of the jobs created through spending on physical infrastructure would go to households in the middle and upper quintiles.

Source: Ilkkaracan, Kim and Kaya, 2015, p. 11.

7.2 Gender Budgeting and Public Policy Design

7.2.1 Rationale for GRB: Transformative Tool for Feminist Policy

Importantly, feminist research brings not only a gender equality perspective into public policy design, it also contributes the concept of gender-responsive budgeting (GRB). **Gender-responsive budgeting**, also referred to as gender budgeting, is the process of constructing and implementing public budgets that consider the different needs of women and men and prevailing gender (and other forms of) inequalities. The impact of actions taken by the public authority in alleviating or reinforcing inequalities are assessed and fed back into the budget design process.

Gender budgets are not technical exercises, although specialization in the field of public budgets is necessary. GRB establishes equity and fairness for all citizens – one of public policy’s most crucial functions. GRB also brings about improved policy targeting, effective delivery of policies, higher individual well-being and

societal welfare (O’Hagan, 2016). GRB requires an enhanced system of accounting and budget reporting. Expenditures can be directed towards their most effective use and impacts can be traced later. This transparency should increase the accountability of public administrations. As Stotsky (2016) contends, “when properly done, one can say that gender budgeting is good budgeting” (p. 12).

Although GRB is the foremost tool of gender mainstreaming, its aim and scope expands beyond the technical boundaries of gender mainstreaming. GRB includes the integration of a gender perspective and analysis into policies and institutional and legal structures. From the 1990s, public management and governance concepts were adopted at different levels of public administration. Public management refers to public sector administration practices similar to those in private firms. Governance refers to the structures and processes of policy design and implementation involving state, corporate sector and civil society organizations (CSOs). Both approaches were pioneered and encouraged by key international bodies such as the IMF, the World Bank and the OECD. These efforts paved the way for the adoption of

today's strategic planning and performance-based budgeting at different levels in public institutions (Günlük-Şenesen et al., 2014, pp. 40-44).

GRB approaches, unlike traditional line-item budgeting, use strategic planning and performance-based budgeting. These methods are increasingly adopted especially at subnational and municipal levels. In line-item budgeting, allocations are distributed by organizational units and expenditure categories without reference to outcomes, while performance-based budgeting links the planned allocations to performance targets and indicators (UNICEF, 2016). This framework is helpful when demanding that public budget allocations include gender equality and traceable targets to be achieved by the end of the year. These targets and indicators can be monitored and are instrumental in the effective delivery of public actions to support gender equality.

GRB was developed not as a technical budgetary instrument but as a feminist tool for transformative societal change. Its use is meant to help alter norms and challenge deeply-rooted patriarchal structures and institutions. In that sense, GRB is a more comprehensive approach than a mere technical instrument. It aims to achieve not only day-to-day gains but also future advances such as the involvement of the public sector in the struggle for gender equality as well as the establishment of a new macroeconomic framework.

The history of GRB goes back to 1984 when Australia launched the first women's budget and attached it to the original budget (Stotsky, 2016; O'Hagan, 2016). Later at the 1995 Fourth World Conference on Women in Beijing, GRB stepped into the spotlight. Today, many international treaties and agreements provide global consensus on which GRBs can be developed further, including the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the Millennium Development Goals, and the 2015 Sustainable Development Goals (Stotsky, 2016). Indeed, over the past three decades, a variety of GRB practices has emerged around the world at national and subnational levels, in legal and institutional frameworks, and with varying degrees of progress and achievement. GRB practices are also

informed by different theoretical approaches which we discuss in detail below.

Public Budget Process in Practice: Budget, Budget Circulars, Actors, Tools in Gender Assessment

The budget cycle has four phases: preparation; approval; execution; and auditing and assessment (UNICEF, 2016). The gender budget process requires the involvement of various participants including CSOs and gender experts at each stage depending on whether the process is on a national or local scale. Briefly, at the national level the government is the major actor with its executive and legislative units. At the centre of the process is the Ministry of Economy and Finance which leads the formulation, enactment and execution of the budget along with other spending ministries and public institutions, including those responsible for gender equality. Similarly, at the local level it is the Department of Finance, main local administration departments and the gender equality mechanisms that are responsible for budget processes.

CSOs, women's organizations, gender experts and academic institutions all influence the budget by being active – especially in the preparation stage – through advocating gender budgeting and demanding that public resources be directed at eliminating gender inequalities. In most cases, involvement of international institutions, such as UNDP, UN Women, World Bank, Swedish International Development Cooperation Agency (SIDA), Friedrich-Ebert-Stiftung, is a common practice.

These organizations provide trainings and capacity-building tools for those engaged in the gender budget process both inside and outside the public sector. These activities enhance the capabilities of those in the GRB process both to assess existing gender inequalities and to monitor and provide feedback to budgets with a gender perspective.

Moreover, the involvement of international bodies can help provide recognition and support to GRB at different administrative levels in the public sector, especially if GRB efforts are carried out in conjunction

with the public sector. To date, however, the contributions of CSOs and international institutions have been short-lived as most of these GRB initiatives have been one-time projects.

At the national level, the greatest commitment to gender budgets by public authorities is through gender budget statements and budget circulars at the budget preparation stage. A **gender budget statement** is a document attached to the original budget disclosing the willingness and commitment of the public administration to advance gender equality. It describes the objectives of the government with respect to gender equality and discloses the funds to be allocated for this purpose.

The **budget circular** is the road map of budget making. It involves directions from the Ministry of Finance to line ministries (and other spending agencies) about the main framework of the annual budget including basic assumptions of the budget year, forecasts about macroeconomic aggregates (such as GDP growth, inflation, exchange and interest rates) and indicative spending ceilings for each major spending unit (Stotsky, 2016). The first key step in the initialization of GRB is when sub-units of the public administration are provided with gender equality guidelines when planning their own expenditures.

A critical stage in GRB is to develop and utilize analytical tools for gender impact analysis of public policies. In the GRB literature to date, revenue and expenditure sides of the budget are assessed using a comprehensive list of tools proposed by Elson (2006) and Sharp (2003). Most of the studies on gender examination and budget implementation cluster around the analysis of expenditures and revenues. There is no one-size-fits-all toolkit on how to undertake a gender audit of budgets; rather, existing approaches and tools reflect diversity depending on context, purpose, data availability, and intended outcomes. Elson (2006) outlines some of the widely-used tools below:

- **Gender-aware policy appraisal:** This approach is a holistic examination of public policies and attempts to assess implicit or explicit gender

consequences and whether public policies reflect the different needs of women and men.

- **Gender-disaggregated beneficiary assessments:** This is an approach through which potential and existing beneficiaries of public goods and services are asked to state to what extent they are content with the policies;
- **Gender-disaggregated public expenditure incidence analysis:** This is a technique where users of the public expenditure are differentiated in terms of gender and the unit costs of public service are used to determine the amount spent on each sex;
- **Gender-disaggregated tax incidence analysis:** This is an examination of direct and indirect taxes, estimating who assumes the payments or receives the benefits of tax policies;
- **Gender-disaggregated analysis of the impact of the budget on time use:** This approach focuses on the impact of public policies on the time use of each sex and assesses whether public policies serve to enhance gender equality in the distribution of paid and unpaid care in households; and
- **Gender-aware medium-term economic policy framework:** This approach envisions longer-term gender equality goals and targets integrated into economic policymaking.

In addition to these approaches, a limited number of recent studies adopt the capabilities approach in gender budgeting assessments (Addabbo et al., 2015; Günlük-Şenesen et al., 2015). This approach is also referred to in the literature as the **Well-Being Gender Budgeting (WBGB)** approach. WBGB focuses on the access of citizens to public services and the actions of public authorities in influencing the capabilities of citizens and expanding their freedoms and functionings. The budgetary allocations of the public administration – mapped with the relevant capabilities of the citizens – are scrutinized to see whether citizens can transform opportunities into effective functionings. The approach was undertaken in various local administration budgets in **Italy** and **Turkey** and in university budgets in **Italy** and **Spain** (Addabbo et al., 2015; Günlük-Şenesen, 2016; Günlük-Şenesen et al., 2015).

7.2.2 Gender-responsive Budgeting in Practice

Since the early days of gender-responsive budgeting in the 1980s, a marked diversity in practices has emerged. The most notable regional progress, in terms of legal achievements, has taken place in the **European Union** where since 2003 EU legislation and policy directives have provided the background for both national and subnational GRB to flourish among member and non-member states (Addabbo et al., 2015; Quinn, 2016).

Countries like **India**, **Timor Leste** and **Morocco** are others with notable progress in GRB. These nations introduced statements about gender budgeting into their

budget documents at the national level. Other nations focused on thematic programmes at the federal level such as health in **Mexico**. The **Philippines** required provisions for expenditure on women in national and subnational budgets. At the subnational level, the efforts of the city of **Skopje**, the former **Yugoslav Republic of Macedonia**, and **Bosnia and Herzegovina** municipalities concentrated on trainings, capacity-building and gender analysis of budget programmes (Stotsky, 2016, Chakraborty, 2016; UN Women 2016).

The following table, based on recent IMF research, shows the multiplicity of policy tools, actors engaged and legal frameworks in the 23 countries with an effective GRB initiative (Stotsky, 2016).

TABLE 7.1
Different GRB Practices in the World (number of countries)

	TOTAL
Origins	
Supported by international organizations or bilateral aid agencies	13
Tied to MDGs or national development plan or gender equality strategy	18
Selected components of fiscal Policy	
Focus on spending	23
Spending focus on key human development (education and health)	22
Spending focus on physical infrastructure (transport, water, electricity, and energy)	18
Spending focus on justice and security (violence against women, judicial assistance)	22
Spending focus on jobs, entrepreneurship, wages etc.	21
Focus on revenue	5
Personal income tax focus	3
Other tax focus, including general or selective sales and trade	2
Indicators to place gender budgeting in the fiscal process	
Broad statement of goals of Minister of Finance	15
Gender budgeting statement in budget documentation	19
Gender budgeting circular or related to instruct the bureaucracy	18
Gender budgeting in planning and programming	21
Gender budgeting outcome report or audit	12
Explicit reporting on gender equality spending	17
Legal Basis	
Gender budgeting has constitutional standing	4
Gender budgeting is incorporated in organic budget or other finance laws	13
Role of Government	
Ministry of Finance is lead entity	17
Other ministries play consequential role	23
Subnational government is involved	16
Role of Civil Society	
Significant encouragement or participation of civil society	18

Source: Stotsky, 2016, p. 39.

As Table 7.1 illustrates, most GRB initiatives focused on the expenditures side of the budget, cluster around education, health, security and employment functions. These are the areas where efforts to reduce gender inequalities are expected to produce faster results. Revenues receive much less attention together with income distribution concerns. Notable progress has been achieved in incorporating gender and social

equity concerns into fiscal processes although much less success has been attained on the legal front. GRB is not supported with constitutional coverage and a very limited number of countries have budget laws which adopt a gender perspective (Table 7.1). Due to the lack of legal coverage, and insufficient involvement of ministries of finance or the economy, GRB efforts risk discontinuation once governments change.

BOX 7.3

Examples of Best Practices from Local Administrations

I. Mexico City

The GRB process began in 2007 with the *Decree for the Budget of Expenditure* of Mexico City for the fiscal year of 2008. In that year, the **Budget with Equity** was launched by asking each department to develop its spending programme in accordance with gender equality goals. Since then, departments incorporate at least one programme and allocation devoted to gender-equitable targets, albeit with small amounts relative to the total budget. Notable improvement was achieved in transportation (Pérez Fragoso and Enríquez, 2016).

Table 2. Resources for gender equality in Mexico City (2009, in Pesos)

TARGETS	
Designing public policies from a gender perspective	56,296,832
Promoting a culture for gender equality	255,444,249
Women have access to the job market under conditions of equality	391,773,765
Women have timely, specialized health services	289,648,655
Women have access to the benefits of economic development	42,981,568
Women have access to services of assistance and social integration to exercise their rights	93,260,506
Fostering educational development for women	248,641,650
Gender-related violence is reduced, prevented and its consequences addressed effectively	185,182,053
TOTAL	1,563,229,278

Source: Günlük-Şenesen (2013)

II. Regional Government of Andalusia

The Andalusian government established a regulatory framework for gender-responsive budgeting as early as 2003, through a law on fiscal and administrative measures for the introduction of GRB. Later in 2007, a law on the promotion of gender equality resulted in enactment of decrees outlining the guidelines and responsibilities of the regional government and public institutions (Gualda-Romero et al., 2015).

Gender-responsive budgeting was carried out through a methodology called the G+ programme starting in 2007. Under the programme, government departments are ranked by the relevance of their functions and programmes to gender equality objectives (Gualda-Romero et al., 2015; Günlük-Şenesen et al., 2014). Rankings consisted of G+ (high), G (high-medium), g1 (medium), g0 (low). Budget resources for gender-equality objectives were allocated to programmes according to those rankings. ‘Early child education, employment promotion, health care provision’, for example, were identified as G+ programmes and received higher allocations from the budget.

In 2013, the government undertook a gender audit of the budget process for the period 2007-2012 for five high ranking (G+) programmes. Audits were carried out in terms of the following objectives: to assess the extent of gender mainstreaming in budget planning; to analyse the extent to which the gender mainstreaming of budget planning; to assess the gender strategies implemented by the responsible units; and to identify best practices. Results indicated that 50% to 60% of intended targets were achieved in these programmes. While promising, these figures also reflect the challenges and slow progress in undertaking gender-responsive budgeting (Gualda-Romero et al., 2015).

7.2.3 Challenges in GRB and Policy Recommendations

Despite thirty years of experience with gender-responsive budgeting, achievements in the EU and elsewhere are far below original expectations. GRB faces serious challenges and resistance in public administration due to lack of sufficient expertise on the subject as well as the patriarchal norms and structures embodied in public policymaking.

Much of the accumulated experience in GRB took place in initiatives or pilot projects such as those in **Fiji**, the **Marshall Islands** and **Samoa** and were singular in nature (Chakraborty, 2016; Christie and Thakur 2016; Quinn, 2016). In this context, the willingness and support of political actors, specifically those responsible for the budgetary process, constitute the most important pillar of gender-responsive budgeting. Experience shows that actors can be convinced, through feminist advocacy, of the importance of “gender analysis and gender equality as a central political goal” (Addabbo et al., 2015).¹

In the case of the **Andalusian State** GRB initiative, the mantle was carried by feminist actors in parliament. In **Scotland**, the work of the powerful feminist organization, Scottish Women’s Budget Group, led to

major achievements in gender-responsive budgeting (O’Hagan, 2016; O’Hagan and Morag, 2016). Despite these achievements, the involvement of community organizations, academics and international agencies is bound to be less effective without the full support of major budgetary mechanisms and actors.

Another challenge ahead for GRB, and gender-oriented fiscal policy, is to improve the way gender analysis is conducted. Gender-disaggregated public expenditure and revenue incidence analysis, gender-aware beneficiary assessments and utilization of time use analysis in budget frameworks are some of the future agenda items required to improve research, impact and follow-up analysis of policies. For this purpose, gender-disaggregated statistics should be produced.

Notwithstanding the importance of national-level fiscal policy as a binding and umbrella framework, the critical role of subnational governments should not be underestimated. Given their policy orientation, local administrations have the potential to be more effective in facilitating transformative change.

Finally, contractionary or cautious fiscal policies remain one of the biggest challenges. Typically, gender-responsive expenditures and the achievements of GRB are at stake when budget cuts are on the table.

REFLECTIVE ACTIVITY

(These exercises are adapted from UN Women’s Training on Gender Responsive Budgeting at the Municipal Level)

Participant Exercise 1: Analysis of Users/Beneficiaries of Public Services

- Table 1 below presents the training courses Municipality A offered last year and the number of beneficiaries. Please discuss what information you glean from the data regarding the participation of women and men in the different types of trainings. Discuss problems, if any, and possible solutions to enhance gender equality.

TABLE 1

Training Type	Training sessions	Participants	Women	Share of women	Men	Share of men
For unemployed	48	504	320	63%	184	37%
1. Basic computer skills	19	240	198	82%	42	18%
2. Specialized computer training	29	264	122	46%	142	54%
For beginner entrepreneurs	11	255	107	42%	148	58%

Source: Provincial Secretariat (2009)

Participant Exercise 2: Gender-disaggregated Public Expenditure Incidence

- Based on Table 1 data (i.e. number of female and male participants in different trainings) and the unit cost of different trainings in Table 2, calculate the expenditures on men and on women. Calculate average expenditure per woman and man (Hint: Divide total expenditure for women (men) by the total number of women (men)). Calculate different shares of expenditures in terms of gender.
- Discuss the implications of your findings from a gender equality perspective. What kind of policies can be suggested to improve gender equality in employment?

TABLE 2

Training Type	Cost per participant	Women	Men	Total Expenditures on Women (TL)	Total Expenditures on Men (TL)	Share of Women / Total Budget (%)	Share of Men / Total Budget (%)
Basic computer skills	12,575	198	42				
Special computer training	48,06	122	142				
Beginner entrepreneurs: managing and improving business	21,21	107	148				
TOTAL	-						
Average expenditure (TL)	-	??? per women	???? per men	-	-	-	-

Participant Exercise 3: Analysis of Outcomes of Public Services

- Please discuss the chances of employment for women/men following completion of different trainings.
- What could be the policy proposals in terms of efficient use of resources while at the same time improving gender equality in employment? (Please also refer to the information derived in the preceding analyses).

TABLE 3

Training Type	Women	Men	Employment after training (women)	Employment after training (women, %)	Employment after training (men)	Employment after training (men, %)	Part-time work (women)	Part-time work (men)
Basic computer skills	198	42	67		13		5	0
Special computer training	122	142	67		63		2	6

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- 1 Heller, M.S. (2005) Understanding Fiscal Space IMF Policy Discussion Paper No 4. IMF: Washington D.C.
- 2 ILO, UN Women, UNICEF (2017) Fiscal Space for Social Protection, ILO: Geneva.
- 3 To make the taxation system more progressive, wealth taxes and taxes on global financial flows can be proposed as areas to be developed and enforced to remedy class and gender inequalities, as well as the social/environmental consequences of capitalist accumulation.
- 4 The well-being of a person is the outcome of valuable activities and states called *functionings*. Some examples of functionings are being safe, healthy, educated, nourished, able to play a musical instrument or the conduct social relations. *Capabilities* can be defined as the set of functionings that an individual can achieve. In other words, capabilities are a set of choices an individual is free to make to improve her or his well-being.
- 5 UN Women acknowledges the centrality of financing gender equality goals from public sources and adopts 'planning and budgeting' as one of the strategic areas in their twelve Flagship Programming Initiatives (FPIs) (2015). Accordingly, for public budgets to be transformative in terms of gender equality, three outcomes are to be fulfilled: the creation of political consensus, the prioritization of gender equality spending in national laws and plans, and an increase in accountability, monitoring and transparency. The FPIs also propose a set of possible indicators corresponding to those outcomes. The strategies framed in FPIs can serve as a guideline for practitioners in gender budgeting.



GENDER, TRADE AND
VALUE CHAINS

MODULE 8

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LEARNING OBJECTIVES

Module 8: Gender, Trade and Value Chains focuses on the impact of developments in trade and trade liberalization on gender inequalities and the effect of gender inequalities on trade outcomes. In light of the existing literature, the module discusses links between trade and gender inequalities through employment, paid and unpaid work, wages and poverty outcomes.

By the end of Module 8, participants will understand the following:

- theoretical considerations of international trade and growth;
- the two-way relationship between gender inequalities and trade outcomes;
- and the link between trade and gender inequalities within the context of global value chains (GVCs).

8.1 Gender, Trade, Growth and Employment

The foundation of today's economic world rests upon the macroeconomic framework of trade liberalization and export-oriented growth strategies. The neoclassical framework shaping current economic policies presents globalization as the free movement of products, people and capital. The assumption is that unfettered movement leads to the most efficient allocation and use of resources on a global scale. In this framework, countries are expected to specialize in, and export, the products in which they have a competitive advantage and import those in which they do not. Proponents of this approach insist that through comparative advantage, trade benefits all. Trade expansion leads to faster growth and, eventually, the reduction of inequality within and between countries (Box 8.1).

The free trade argument dates back to classical economists through Adam Smith's 1776 theory of absolute advantage and David Ricardo's 1817 theory of comparative advantage. The doctrine of free trade emerged against the mercantilist philosophy of the time which dictated economic and international trade policies from the 16th through to the 18th centuries. Mercantilists asserted that the main source of wealth – and ultimately the welfare of nations – came from

precious metals, i.e. the accumulation of gold and silver. International trade functioned to garner gold via trade surpluses.

The most important aim of governments was to increase the inflow of gold through exports while preventing the outflow to other countries. Consequently, protectionist policies against imports were implemented. Import tariffs and bans were imposed to hinder gold's outflow and agriculture was encouraged to decrease imports. The mercantilist view considered international trade a zero-sum game: a gain from trade was only possible at the expense of another country, i.e. there were no mutual gains from trade. The *mercantilist doctrine* dominated policy until the 18th century; however, this approach lost ground to *laissez faire* policies, including free trade, by the 19th century.

In 1776, England was the most industrially-developed and powerful country in the world. As entrepreneurs became stronger, the need for government protection vanished and free international trade grew in importance. The time was ripe for Adam Smith's **The Wealth of Nations** in which he argues for the abolishment of barriers to trade. Smith's principle of absolute advantage assumes two countries produce two products that are identical. The theory asserts that a country should produce the one in which it has the absolute

advantage. In other words, it should choose the good it can produce with fewer inputs when compared to the other producer.

David Ricardo advanced the theory of comparative advantage in his 1817 book, **The Principles of Political**

Economy and Taxation, by arguing that trade is beneficial even when countries do not have an absolute advantage so long as they have a comparative advantage.

BOX 8.1

Classical Theories of International Trade

Absolute advantage, Adam Smith: *The Wealth of Nations*, 1776

A country ...

- has absolute advantage in production of a commodity when it is more productive (more output per input) in producing it.
- should specialize in production of commodities for which it has absolute advantage and import others.
- has absolute advantage in all commodities, in which case there is no need and gain from trade.

Comparative advantage, David Ricardo: *Principles of Political Economy*, 1817

A country ...

- should specialize in the production of commodities in which it is *comparatively* more productive.
- can have absolute advantage in all commodities but, by definition, cannot have comparative advantage in all commodities, hence there are always gains from trade.

Arguably, the concept of *absolute advantage* is more straightforward than *comparative advantage*. A numerical example presents the differences more explicitly (Box 8.2).

The first block of rows shows the number of labour hours needed in Country A and Country B to produce one unit of each good and the amount they can produce with all labour hours available in each country. Country A uses fewer hours of labour than Country B to produce either computers or sweaters. Country A needs fewer hours to produce both computers and sweaters. Country A produces five computers while Country B produces four computers over the same time. Country A makes five units of sweaters while Country B makes two. In other words, Country A has an absolute advantage in producing both computers and sweaters.

The concept of comparative advantage, on the other hand, refers to a country's lower opportunity cost of producing one commodity over another. One country can have an absolute advantage in all goods but each country can still have comparative advantage over others. For example, the opportunity cost of one computer is 10 sweaters in Country A whereas it is less costly in terms of sweaters (five sweaters) in Country B. Country B holds comparative advantage in producing computers, even without having any absolute advantage, while Country A has a comparative advantage only in making sweaters.

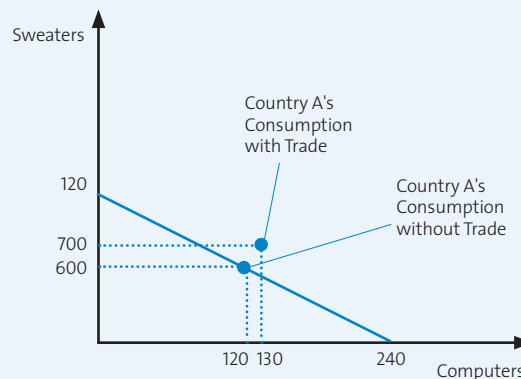
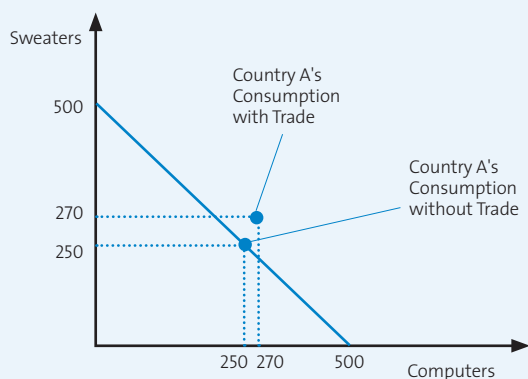
In each country without trade, when available labour hours are split by half in producing computers and sweaters, in Country A, 250 computers and 2500 sweaters are produced. In Country B, the figures are 120 computers and 600 sweaters. Without trade, the

maximum level of consumption in Country A can be 250 computers and 2500 sweaters and in Country B, 120 computers and 600 sweaters. But if there is specialization in production, and they engage in trade, then Country B specializes and produces only computers and

engage in trade. In both countries, the consumption level that could be reached increases (270 computers and 2700 sweaters in Country A and 130 computers and 700 sweaters in Country B); hence, both countries gain based on the theory of comparative advantage.

BOX 8.2
An Example of Mutual Gains from Trade

	Hours Needed To Produce 1 Unit of:		Amount of Computers or Sweaters Produced in 5000 hours in Country A / in 3000 hours in Country B	
	Computers	Sweaters	Computers	Sweaters
Country A	10	1	500	5000
Country B	12,5	2,5	240	1200
	Country A		Country B	
Without Trade:	Computers	Sweaters	Computers	Sweaters
Consumption and Production	250	2500	120	600
With Trade :				
Production	160	3400	240	0
Trade	Gets 110	Gives 700	Gives 110	Gets 700
Consumption	270	2700	130	700
	Country A		Country B	
Gains From Trade:	20	200	10	100



In the mid-1900s, Swedish economist Paul Samuelson elaborated upon the original theory of comparative advantage. The *Heckscher-Ohlin-Samuelson* (HOS) model, built on the theory of comparative advantage, starts with a set of assumptions including: i) two countries producing two goods, ii) homogenous technology, iii) no market imperfections and iv) full employment assumptions. In simple terms, trade induces demand for the abundant factor (that with which a country is well-endowed) and specializes in sectors that use the abundant factor (i.e. labour/capital in the South/North). For instance, if relatively unskilled labour is the abundant factor in one country, which is usually the case in peripheral or developing countries, the predicted outcome is increased demand for their unskilled labour. At the same time, the opposite is expected in developed countries which would have comparative advantage in sectors with skilled labour.

As trade increases, returns (i.e. wages) to the abundant factor (i.e. labour) are predicted to rise (Stolper-Samuelson theorem) and hence growth is achieved in both countries along with converging and equalizing factor prices in trading partners (Factor-price equalization theorem). Hence, based on these assumptions, if the developing country has a comparative advantage in unskilled labour activities, and if women are relatively concentrated in unskilled activities, then trade will expand the relative employment of women and raise their wages compared to skilled labour (Shaikh, 2007).

Ultimately, criticisms against mainstream arguments arose based on the uneven outcomes of trade liberalization policies. Elson, Grown and Çağatay (2007) discuss the key assumptions of mainstream and heterodox trade theories and examine ways to engender these theories. Heterodox trade theories argue that international trade is ruled by competitive (absolute advantage) rather than comparative advantage. Secondly, available empirical evidence does not support the comparative cost theory of trade. Based on this observation, one strand of research (within the neoclassical tradition) reacted to Ricardo's theory by emphasizing that it is not competition that regulates trade: rather, it is oligopoly and monopoly power. This

viewpoint precipitated a shift in focus towards imperfect competition.

The theory of comparative advantage implies that free trade benefits all countries, but only due to the unrealistic assumptions of balanced trade and full employment; even then, trade creates losers as well as winners and may increase inequality within countries. However, because balanced trade and full employment are unrealistic assumptions, trade usually follows absolute rather than comparative advantages; as a result, countries that achieve more rapid export growth and/or trade surpluses often benefit at the expense of others (Blecker, 2015, p. 1).

Discussion around issues of gender inequalities and trade share a common perspective with heterodox approaches. Feminist economists have started exploring the gendered employment outcomes of increased global integration within the context of the implementation of trade liberalization policies in developing countries under structural adjustment programmes (SAPs). They have explored the role of gender inequalities in international competitiveness and patterns of competition, as well as how international trade conditions of competition reshape the gender inequalities permeating all aspects of the economy. Feminist economists do not simply aim to understand the relationship between gender inequalities and economic outcomes; they also examine all sources of inequalities driven by power relations (based on class, ethnicity, gender and other categories) and the impact of these inequalities on growth and accumulation.

The literature documents how women and men are affected differently in trade structures due to the gendered nature of the ownership of production factors, factor mobility, and factor market distortions. Moreover, these factors are not isolated from gendered relations within the household and the gender-based division of labour between paid and unpaid work. Gender analysis at all levels of trade policymaking remains absent. Therefore, feminist economics, therefore, takes a different stand from most mainstream theories and uses a methodological approach to account for these shortcomings. To be more precise, feminist economists:

- question the gender-neutral analysis of trade outcomes and propose new ways to engender trade theories and analysis;
- reveal multiple channels through which trade outcomes are interlinked with gender inequalities;
- redefine the economics sphere and explore the role of trade changes and growth outcomes on this expanded sphere;
- argue against the full employment assumption and at the outset question mainstream trade theories based on this assumption; and
- emphasize the fact that gender relations, as a part of social relations, influence distribution, value and accumulation processes.

The findings of numerous studies by feminist economists underscore the complex relationship between trade, growth and gender inequalities. Their work suggests that the relationship depends on the form of trade, the level of economic development and the structure of global and domestic labour markets. **A fundamental conclusion of these studies is that recent decades have witnessed the feminization of both the labour force and the conditions of work (informalization, casualization and general disempowerment of workers vis-à-vis capital) for all workers in the world economy** (Nigam, 2015).

Çağatay and Ertürk (2004) present a comprehensive overview of the evidence regarding the relationship be-

tween gender inequalities and economic liberalization. In the 1980s and 1990s, feminization in employment—and in manufacturing trade particularly—had in many countries been strongly associated with the expansion of labour-intensive manufacturing. As developing countries specialize in such low-cost production, outward-orientation encourages employment growth in labour-intensive sectors. Furthermore, as women's labour is cheaper and considered more flexible, demand for it rises with export-oriented industrialization. Flexible employment patterns and informalization in certain sectors of the economy have often been associated with export orientation, increased trade relations and global competition. Evidence is more mixed in industrialized countries. As countries move from a semi-industrialized structure to higher levels of industrialization, women's share in employment declines.

Over the last two decades major changes have been observed in global trade and production networks. There has been an unprecedented rise in the role played by developing countries in manufacturing. **China** has become one of the largest trading partners among both industrialized and industrializing countries; the impact has been to change the division of labour in international trade and competition. Since the mid-1990s, the rise of emerging economies as important nodes of manufacturing networks has brought about substantial shifts in the geography of production and in the structure of international trade. Such shifts are notable in determining feminization trends not only in developed but also in developing countries, particularly in middle-income countries (Saraçoğlu et al., 2014).

BOX 8.3

Changes in Global Trade Patterns of Feminization/Defeminization of Employment

Earlier studies predominantly associated globalization, and increased trade openness in developing countries, with feminization of employment. Developing economies were viewed as mostly specializing in low-cost, labour-intensive manufacturing in the global division of labour; thus, outward orientation stimulated employment mainly in labour-intensive sectors (Standing 1999; Joekes, 1999; Seguino, 2000).

Evidence shows that feminization of employment appears to be particularly strong in semi-industrialized economies, where export orientation takes place not only through exports of traditional labour-intensive sectors such as textiles, apparel, leather products, and food processing but also through non-traditional exports

such as electronics and automobiles, the production of which relies heavily on assembly, a labour-intensive activity (Çağatay and Özler, 1995; Tzannatos, 1999; Fontana, 2003). However, so long as female workers remain confined to female jobs, with little or no chance to be employed in traditionally male-dominated sectors, any employment opportunity for women may prove to be temporary and be reversed as production and trade structures move up the skill ladder in the later stages of export-orientation. As a matter of fact, gender-based segregation in the labour market, together with the pre-market gendered division of labour and norms, eventually results in a gender wage gap and unequal job opportunities for women.

As economies graduate from a semi-industrialized structure to a more capital- and technologically- intensive stage of industrialization, female intensity may decrease due to labour shedding in export-oriented industries as some jobs disappear and as new ones are identified as ‘technical’ jobs or ‘men’s’ jobs (Berik, 2000; Bussmann, 2009; Braunstein, 2012; Kucera and Tejani, 2014; Tejani and Milberg, 2016).

Correspondingly, a good number of studies emphasize that the relationship between trade expansion and feminization is not definitive and uniform. Literature on the implications of changes in trade patterns on gendered employment outcomes highlights the significance of sectoral shifts in production, hence structural transformation. Depending on the dynamic stages of structural transformation and the global division of labour, export orientation may also be associated with defeminization, especially in manufacturing in developing countries – a phenomenon which until recently has mostly been discussed within the scope of industrialized economies (Wood, 1991; Kucera and Milberg, 2000, 2003; Kongar, 2006).

Source: Saraçoğlu, Memiş, Voyvoda and Kızılırmak (2014). Note: Cited research can be accessed from source article.

In most industrialized economies over the 1990s, the effects of trade liberalization were accompanied by defeminization through labour shedding in female-intensive sectors, namely apparel and textiles (Kucera and Millberg, 2000). With the entry of **China** into the World Trade Organization (WTO) and the phasing out of the Multi Fibre Arrangement (MFA), it is likely that these effects (so far seen in industrialized countries) may be observed in middle-income countries and even in low-income countries such as **Bangladesh**, which have relied heavily on feminized textile and apparel sectors in their export drive. As countries upgrade and move their industries from low-skill intensive manufacturing and into higher-technology production, women tend to lose ground in employment. This loss draws attention to the need for policies to change sectoral and occupational segregation.

Research indicates that since the mid-1990s, both in developed and developing countries, the leading sectors that drive changing patterns in female intensity are still the low-technology manufacturing sectors, as

was the case in the 1980s. In particular, the defeminization trend in low-technology industries, peculiar to the developed world as shown in earlier literature, has more recently spilled over into the developing world, especially middle-income countries throughout the 2000s (Saraçoğlu et al., 2014).

Another example of the complex relationship between trade, growth and gender equality can be found in agriculture-based economies where trade liberalization is likely to lead to import competition displacing smaller and weaker farmers who are more likely to be women. Women’s disadvantages and limited access to credit, technology and new markets, prevent gains via such opportunities (Nigam, 2015). The impact of these trade changes is more severe for women-headed households and poor women (Fontana et al., 1998).

In addition, unpaid family employment in agricultural sectors is widespread and women are more likely to work as unpaid family workers. Thus, the livelihoods of poor women tend to be adversely affected

by the impact of market liberalization on the environment and public or common property resources (Joekes, 1999). In economies where self-employment or unpaid family work is more prevalent, gender-based differences in resource control have more adverse consequences for women than they do in semi-industrialized economies where there are more opportunities for wage labour (Nigam, 2015). Whether the increase in employment comes with a much higher overall work burden, together with unpaid care work, remains under-investigated in the literature.

These results underscore the fact that labour markets are highly segmented and segregated, a condition that can be deepened or changed via the outcomes of trade policies. On this front, labour market domains regulated by labour laws, social norms, and trade unions, as well as the behaviours and attitudes of employers and other employees, play an important role. **All institutions are bearers of gender bias in ways that are specific to the context of an economy and society.** (See *Module 1: Introduction to Economics* and *Module 2: Introduction to Gender-aware Economics and Methods of Analysis* for a methodological overview of feminist economics).

BOX 8.4

Criticism of Comparative Advantage and Elimination of Gender Inequalities

The **Prebisch–Singer thesis**, a critique of mainstream international trade theories and trade liberalization policies, argues against comparative advantage-based trade patterns. Comparative advantage-based trade theories prescribe that developing countries—abundant in labour and natural resources—specialize in labour and natural resource-intensive primary goods. In this way they will reap the benefit of their comparative advantage and gain from trade. The Prebisch–Singer thesis argues against such theories by asserting that, in the long run, primary goods exporters would benefit less and less from trade since their terms of trade against the developed countries' high-value added manufacturing exports will deteriorate over time. The thesis promotes a development path through usage of import substitution policies. Many of these arguments have become more relevant for debates on the linkages between globalization, observed patterns of trade with growth, development and gender inequalities.

One implication of mainstream trade theories and policies is the expectation of the elimination of gender-based inequalities through growth and competition. Contrary to the claims of neoclassical economists, gender-based wage gaps persist and there is no clear evidence that increased international trade helps erode these gaps. In cases where the gender wage gap has diminished, this has come about due to downward harmonization of men's wages thereby making it an undesirable mechanism.

Furthermore, studies have found that through the globalization process in semi-industrialized economies the higher the gender-based wage gaps in the manufacturing sector, the lower the terms of trade for semi-industrialized countries. This fact alone might also be responsible for the steady deterioration in the terms of trade of these countries against industrialized countries. Joekes (1999) argues that gender relations and inequalities have been a central driving force in the evolution of the international economy by intensifying wage-based competitive advantage. Gender discrimination has contributed to the structural limits placed on the ability of low-income countries to benefit from international trade as originally argued by Raul Prebisch and Hans Singer in the 1950s.

The implication of these arguments and findings is that the elimination of gender inequality in labour markets should be a central focus of policy, not only for equity purposes but also for maximization of development gains from trade by forcing semi-industrialized countries to take a more sustainable development path through investing in higher value added production capacities.

Source: http://in.boell.org/sites/default/files/downloads/Shipra_Nigam.pdf

8.2 Gender, Trade and Inequality

This section shifts the general macro-level discussion on gender, trade and growth towards links between inequality and trade. We discuss the two-way interaction between the impact of trade on the gender wage gap, as well as the effects of the gap on trade. This section focuses on employment issues, informality, gender segregation, and wage gaps – all of which are closely linked with *Module 4: Unpaid Work*.

Conventional expectations regarding trade expansion and trade liberalization policies focus on narrowing income inequality and gender wage gaps. These expectations are reflected in mainstream trade theory together with Becker's (1957) theory of discrimination based on the argument that competition helps reduce discrimination. Accordingly, expansion in trade would close the gender gap in employment and earnings.

Becker views relatively higher male wages as a by-product of protection and discrimination in favour of male workers and conceptualizes it as a cost to the firm.

A gender wage gap (the residual wage difference that remains despite controlling for differences in education, occupation, and sector) may occur due to this employer discrimination. Trade expansion and intensifying competition pressures firms to lower prices and thus curb discrimination against women given that gender discrimination is costly. Discrimination cost here is higher wage payment than the marginal revenue product of male labour that could be tolerated within a protected system with low competition. Female intensity of employment is predicted to rise with competition. Certainly, this view of the wage gap as a 'positive' discrimination for male workers differs fundamentally from the approach of heterodox theories.

BOX 8.5

Trade Policy Outcomes Interact with Gender Relations

1. The level and distribution of employment and wage levels change in response to variations in the structure of production due to trade.
2. Trade liberalization affects prices of tradable goods and services and thus livelihoods of households.
3. Tariff cuts on government revenues that would be available for spending on social programmes and infrastructure have serious impacts on household level resources and time allocation.

As with linkages between trade, growth and employment, the relationship between gender, trade, inequality and poverty is likewise complex. Çağatay (2001) focuses on the relationship of trade with gender and poverty within the context of the human development paradigm. Specifically, she examines the impact of trade liberalization on gender inequalities (primarily via employment, wages and the care economy) and the impact of gender inequalities on trade performance. Çağatay discusses these interactions in light of the mainstream literature on trade, growth and poverty reduction which defines poverty in terms of income or consumption shortfalls and does not provide an appropriate framework for a gender-aware analysis.

The paper also considers the policy implications of a gender-aware approach to international trade analysis and the current world trade regime. The study highlights the following conclusions:

- Men and women are affected differently by trade policies and performance, owing to their differentiated locations (i.e. status in labour market and outside the market) and command over resources within the economy.
- Gender-based inequalities impact trade policy outcomes differently, depending on the type of the economy and the sector.

- Trade liberalization policies may not yield the expected results in all economies.
- Gender analysis is essential to the formulation of trade policies that enhance rather than hinder gender equality and human development.

Within this context, Berik (2009) provides an overview of the different channels where international trade interacts with gender inequalities as well as the findings of the gender-aware literature on trade policies and outcomes (Figure 8.6). This literature presents

complex findings regarding the changing gendered patterns of work in the context of globalization. In particular, the research illustrates that international trade and investment policies have distinct impacts on women and men, with differentiated effects on women (and men) in various social classes and types of economies (Box 8.6). These findings need to be synthesized and integrated into general debates over trade and trade policy both for achieving gender equity and for the formulation of trade policies oriented towards growth and human development in general.

BOX 8.6
Gender-differentiated Impacts of Trade

Trade impacts	Gender-differentiated impacts	
<ol style="list-style-type: none"> 1. Change in structure of labour demand 2. Shift from non-tradables to tradables 3. Shift from subsistence to cash-crop production 4. Reduction in tariffs: <ul style="list-style-type: none"> • increase in import competition • decline in tax revenues 	<p><i>Manufacturing/urban labour markets:</i></p> <ul style="list-style-type: none"> • Increase in women's labour force participation rates • Increase in women's employment opportunities. • Increase in (mostly male) unemployment in import competing sectors • Employment segregation in export sectors: women concentrated in labour intensive, low value added sectors, low-skill occupations • Slow closing of gender wage gaps; persistent/increase in wage discrimination <p><i>Agriculture:</i></p> <ul style="list-style-type: none"> • Rural women (and small farmers, in general) are poorly positioned to take advantage of new cash-crop opportunities; some move out of farming/rural areas. • Food imports undermine domestic markets for small (women) farmers. • Expansion of women's employment opportunities in non-traditional agricultural export (NTAE) crops in large farms but employment segregation and poor working conditions. 	<p>Intra household effects:</p> <p><i>Time allocation:</i></p> <ul style="list-style-type: none"> • Work for pay/profit increases overall work burden of women (and daughters). • Increase in women's unpaid work burden in low-income countries due to fiscal squeeze and cuts in social services and infrastructure generated by reduction of tariffs. <p><i>Resource allocation:</i></p> <ul style="list-style-type: none"> • Work for pay/profit has potential to increase women's bargaining power and initiate a process of changing intra-household distribution of resources in favour of women and girls.
<ol style="list-style-type: none"> 1. Growth impacts of trade via magnitude of foreign exchange earnings and policies for industrial upgrading 2. Potential to move the economy out of low wage, low productivity activities 3. Potential to increase tax revenues and spending on public services, infrastructure (The case of East Asian economies) 	<ul style="list-style-type: none"> • Potential to create high-paying jobs • Gender composition of these jobs is contingent on complementary policies (e.g. anti-discrimination, training). • Potential to promote absolute gains in well-being and gender equality in education/training, and thus future growth. (The case of East Asian economies, except for defeminization and slow closing of gender wage gaps in tradable sectors) 	<p>Intra household effects</p> <p><i>Time allocation:</i></p> <p>Potential to alleviate women's unpaid work time constraints</p> <p><i>Resource allocation:</i></p> <p>Potential to reduce gender inequalities in the household</p>

Source: Berik, 2009.

Studies looking at wage gap and trade interactions are mixed. Oostendorp (2004) finds that the rise in competition that comes with trade expansion reduces wage discrimination against women as unskilled labour in both developing and developed countries but not for skilled labour. Black and Brainerd (2004) also provide similar evidence in the case of the **United States**. Most of the empirical studies on the gender wage gap and trade changes, however, do not support these results.

In contrast, Kongar (2006) reports that increased competition has led to disproportionate job losses for female low-wage production workers. The research indicates that an increase in the average wage of employed women and a decrease in the gender wage gap are the result of the disproportionate shedding of unskilled low-wage women workers rather than a decline in discrimination. Berik (2000) shows that in the case of **Taiwan**, when wage gaps close they do so because of the downward harmonization of men's wages rather than the elimination of discrimination against women.

Osterreich (2002) demonstrates that the gender wage gap is negatively related to the terms of trade for manufactured goods in semi-industrialized countries, i.e. more discrimination leads to lower export prices and a worsening of the terms of trade. In a study utilizing gender-based wage data from 29 developed and developing countries, Busse and Spielman (2006) find a positive relationship between the gender wage gap and the share of labour-intensive products in total exports. Busse and Spielman state that such a situation may lock a country into producing specific products – making it impossible to move towards higher value added production and ultimately hindering economic growth.

In the earlier stages of export-oriented industrialization, a wide gender-based wage gap may encourage growth by lowering production costs and increasing exports. As economies incline towards products with higher value added and therefore become less dependent on exports for growth (as was the case for the Asian tigers between 1975 and 1995), a gender gap in wages starts to hurt economic growth.

Moreover, as countries develop, and export industries require higher levels of employee qualifications to complement increased levels of technology in production, workers become more organized and the wage gap less bearable. Another example is provided by Mitra-Kahn and Mitra-Kahn (2009). The researchers demonstrate that the gender wage gap has a decreasing influence on economic growth in **seven Asian economies**. When they extended their sampling scope to include **20 semi-industrial countries**, the research revealed a more complex causality between wage inequality and growth.

All these findings provide evidence for the necessity of alternative theoretical explanations that do not directly predict gender equitable outcomes due to increased trade. Beyond seeing the gender wage gap as a measure of inequality, empirical studies continue to provide conflicting results on the relationship between trade and gender inequality depending on the measure of inequality and the group of countries and time periods used in these studies. In low-income agricultural economies (LIAE) – mainly in **Sub-Saharan Africa** – where women are mostly self-employed in subsistence agricultural production and unpaid work, inequality appears from the perspective of capabilities and access to resources whereas in semi-industrialized economies (SIE) wage inequality is more pronounced.

Seguino (2010) disentangles these empirical findings and expands the discussion of the effects of gender equality on growth by differentiating types of equality: gender wage equality and capabilities equality. She evaluates the effects of both in two types of economies (SIEs and LIAEs) and considers the possible outcomes in both the short and long run. On the one hand, the results suggest that improvements in women's access to resources (education and other productive resources) have positive effects on growth both in SIEs and LIAEs in the long run.

On the other hand, the effects of gender wage equality on growth vary depending on the structure of the economy and segregation in the labour market. In semi-industrialized economies, where women workers are concentrated in export industries, an increase in female wages may have negative effects on exports,

trade balance and investment in the short run. In other words, lower female wages may relax balance of payment constraints. In the long run, however, gender wage equality still has positive supply effects on growth.

Unlike in SIEs, men dominate in the export sectors of low-income agricultural economies. An exception is the non-traditional agricultural export sector where specialty crops of fruits and vegetables have expanded lately and women workers comprise up to 90 per cent of employment. An increase in female wages, or improvement in women's access to resources, means redistribution of productive resources to women farmers. This redistribution increases agricultural productivity – given different marginal productivities in female- and male-dominated agricultural sectors – and expands output. The overall effects of gender wage equality and gender equality in capabilities on growth are positive and in the same direction in LIAEs (Seguino, 2010, pp. 387-388).

During export-led industrialization periods in **East and Southeast Asian countries** – despite policies to increase the access of women to education and health services – the participation of women in the labour force did not disrupt traditional gender norms in the society. Indeed, gender hierarchies were preserved. The feminization of employment appears to be particularly strong in semi-industrialized economies where export orientation takes place through low-skilled, labour-intensive sectors such as textiles, apparel, leather products, food processing and electronics as many jobs are created through subcontracting chains producing for multinationals. Informal sector, export-oriented production often induces deterioration in working conditions, long hours of work, job insecurity and the possibility of downward harmonization of labour standards, particularly related to women's employment.

Braunstein and Brenner (2007) show that gender-based wage discrepancy is not much different in

rapidly growing **China**. Trade liberalization, beginning in the 1990s, has made the country a priority target for foreign investors, causing the gender-based wage gap to widen. China attracted capital investments for labour-intensive production directed at international markets, especially from recently industrialized East and Southeast Asia, including **Hong Kong, Singapore, South Korea, and Taiwan**. In these locations, the share of women employees is quite high, especially in export-oriented enterprises. Following the late 1990s, the share of investments in capital- and technology-intensive industries targeting China's domestic market began to rise and the preference of employers in such industries tilted towards men. The resulting asymmetry in the gender distribution of employees has caused the wage gap to widen.

Berik, Dong and Summerfield (2007) argue that during the transition from a socialist to a capitalist economy, **China** has displayed an impressive economic growth and capital accumulation performance; however, women have lost public sector jobs in a disproportionate fashion, and income inequalities between urban and rural areas, between regions and genders, have deepened. In China, a country with a socialist tradition and egalitarian ideology, the transition towards a market-oriented economy has nevertheless reproduced gender inequalities.

The studies above suggest that the relationship between globalization and the feminization of employment is a varying one. In most of the developing world – despite the increase in employment opportunities for women in export-oriented industries and achievements in women's educational attainment over recent decades – increasing employment does not itself allow women to reap the rewards of decent employment conditions in these jobs. Additional and complementary policies for changing the gender division of labour within and outside the market are needed for any initial benefits gained from international trade to persist (Berik, 2009).

BOX 8.7

List of Policy Proposals to Address Post-trade Reform Problems

Post-trade reform problem	Policy
<p>Employment segregation in export sectors/lower skill occupations and rise in informal jobs that have:</p> <ul style="list-style-type: none"> • Low wages <ul style="list-style-type: none"> - High poverty risk - Weak feedback to intrahousehold gender inequalities • Slow wage growth <ul style="list-style-type: none"> - Persistence of income poverty - Low productivity production structures - Negative feedback effects on supply of educated labour • Persistent gender wage gaps <ul style="list-style-type: none"> - Persistence of intrahousehold gender inequalities • Other working condition problems <ul style="list-style-type: none"> - Negative well-being effects <p>Decline in viability of small farming (women farmers) and inability of small/medium enterprises to compete leads to:</p> <ul style="list-style-type: none"> • Decline in small farms, small enterprises • Decline in food security • Unravelling of the countryside • Accelerated outmigration 	<p>In the context of policy space for macroeconomic policies and pro-poor international development stance:</p> <ul style="list-style-type: none"> • Education and training for women • Childcare for low-income women/parents and infrastructure investments to ease women’s unpaid work • Promotion of decent work via: <ul style="list-style-type: none"> - Social clauses in bilateral trade agreements - ILO’s tripartite process (with emphasis on union rights, regulation and enforcement) - Better work programmes - Pedagogical approach to reduce non-labour costs and spread best practices - Investments to reduce non-labour costs of export factories • Reduce gender gaps in assets, credit, technologies and business services <ul style="list-style-type: none"> - Support small farmers and small/medium entrepreneurs - Develop niche export products - Support cooperative development • Gender-sensitive trade policies <ul style="list-style-type: none"> - Assess gender impacts of trade agreements (and make adjustments) - Integrate gender equity goal in trade agreements - Revisit pace and extent of trade liberalization

Source: Berik (2009).

While the search for alternative explanations for the empirical findings continues, Berik (2009) provides a list of potential policy options offered in the literature to provide an environment in which trade outcomes would indeed work to eliminate inequalities and poverty (Box 8.7). The relationship between trade and gender inequalities, growth and poverty varies a great deal depending on economic structure, time frame, gender distribution of the labour force, and a series of institutional factors specific to the country in question. As a consequence, developing a universal hypothesis or policy design may not be possible.

8.3 Gender, Trade and Value Chains

With the rise in trade in an increasingly integrated world economy, production processes have become fragmented whereby firms seeking higher profitability outsource production activities outside home countries. According to UNCTAD (2013), 80 per cent of global trade takes place in value chains aligned to transnational corporations. Global value chains (GVCs) can be beneficial for economic growth along with access to new markets and new technology. Given the gendered structure of markets, however, both

opportunities for participation in the chain—as well as the distribution of benefits—vary based on gender, class and other societal hierarchies. In this section, we look at **GVCs and their relationship with gender inequalities**.

Cost reduction, entry into new markets, attracting investment, access to strategic assets and know-how are all cited as major incentives for firms to be part of global value chains. GVCs encompass production activities, sales and marketing, innovation, and distribution activities. Through GVCs, competition between companies has changed from horizontal to vertical. Horizontal competition refers to firms' competition in the same sector for the same customer base, while vertical competition is between firms within the same value chain (Gündoğdu and Saraçoğlu, 2016).

Firms can now choose different combinations of in-house production and offshoring and outsourcing vary widely. The value chain describes “all activities that are requisite for bringing a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use” (Kaplinsky and Morris 2000, p. 22). These tasks are performed in the domestic market or at the international level.

A **global value chain analysis** helps identify the vertical and horizontal components in a system. It provides a better understanding of the operation of a value chain through mapping the chain actors. By tracking the value added produced along different parts of the chain, this analysis presents the structure and division of labour at the global level. Value chain analysis is also used to promote and support competitiveness and set the development agenda by monitoring which country has the most value added in the production process. In this way, it helps researchers understand the indicators to measure international trade competitiveness.

Standard measures usually identify emerging countries as competitive in low-tech manufacturing industries whereas global value chain analysis can

show that they have attained significant shares in world exports in both high and medium-high technology industries. The benefits of trade through GVCs depend on the forward and backward linkages of the production systems. Backward linkages into the GVC indicate the extent of imported intermediate goods used in the production of the output that is exported; whereas the forward linkages of a sector suggest the dependence of the remaining economic sectors on its supplies. Forward linkages reflect a country's exported intermediate goods used in other nations' exports, i.e. other countries depend on the its exports to continue their production processes (Gündoğdu and Saraçoğlu, 2016).

Kowalski et al. (2015) argue that regardless of whether countries participate in GVCs via backward or forward linkages, they benefit from being a part of the production chain. At the same time, other researchers argue that the benefit of GVCs depends on the value-added gains net of forward and backward linkages. Countries like **Japan**, the **United States** and the **United Kingdom** have participated in GVCs more through forward linkages than backward linkages. Backward linkages (i.e. foreign value in other countries' exports) are more dominant compared to forward linkages in the cases of **China**, **South Korea**, **India**, **Malaysia**, the **Philippines**, **Thailand** and **Vietnam**. Developed countries create higher domestic value added in other countries' exports compared to foreign value added in their own exports, while the case for developing countries is vice versa (Gündoğdu and Saraçoğlu, 2016).

To achieve growth benefits from GVCs, countries target moving up within the chain towards higher value-added activities. Economic upgrading, however, does not automatically ensure equal sharing among all participants in the chain. Furthermore, it does not necessarily provide equal participation and fair distribution of benefits. The **social upgrading** concept is introduced to reflect improved working conditions and rights in global value chains. Goger et al. (2014) provide a list of policy proposals to help an economy improve its relative position in global value chains by combining social upgrading activities with economic ones (Box 8.8).

BOX 8.8**List of Policy Proposals for Social and Economic Upgrading in GVCs**

The following recommendations are compiled from the findings of the Capturing the Gains project in Africa and target combined economic and social upgrading in GVCs. The report contends that any policy action taken needs to find ways that all can benefit, especially those at the bottom of the chain.

Skills Enhancement

- Align educational programmes and training curricula with skills deficiencies in each target sector.
- Enhance overall access to education and training, especially sector-specific training (e.g. technical and vocational schools, and technical university diplomas).
- Increase training opportunities for women, especially in non-traditional (male-dominated) occupations and include mentorship.
- Training producers on links between productivity, quality, and social compliance to improve effectiveness and competitiveness.

Infrastructure Improvement

- Improve transportation infrastructure, including safe transport for female workers in remote areas after hours.
- Build logistics capacity and export-processing administration to make exports for horticulture and apparel goods more competitive and the process more efficient.
- Enhance access to affordable housing and health facilities.
- Improve cool chain infrastructure for horticulture products, containerized freight options for apparel, and public transport options for tourists.
- Provide sector-specific supportive services that target GVCs at all, or specific segments, of the chain (e.g. from farm to processing facilities, or from farms all the way through to airports).

Promoting Measureable Standards and Enabling Rights for Labour

- Promote the ratification, implementation and enforcement of ILO conventions and improving government enforcement capacity, with adequate resources.
- Improve worker access to freedom of association; support union organization and collective bargaining across all three sectors (apparel, horticulture and tourism). For example, in tourism, unions need expand beyond hotels only.
- Promote the formation of producer associations and farmer collectives, with a focus on organizational learning, enhancing access to markets, and improving awareness of standards.
- Buyers incentivize improvements in social compliance, incorporate living wages into pricing practices, and provide better contractual terms to high performing suppliers, such as longer-term contracts. Develop strategies to enhance social protections for irregular workers and to quell informalization trends in certain sectors.

- Governance should be coordinated at public, private and social levels, per sector. For instance, government inspectors, CSR managers and CSO groups should reinforce a coordinated agenda.

Industrial and Trade Strategy

- Promote economic upgrading in target GVCs, such as through fostering development of upstream and downstream linkages.
- Improved buyer relations with suppliers, with prices negotiated to factor in payment of living wages to workers and living incomes to smallholder producers.
- Link trade and competitiveness strategies to workforce development initiatives in each sector.
- Improve access to business information and technology systems, market information, and training in their use.
- Enhance access to finance for small producers and farmers.
- Negotiate more favourable trade agreement rules, such as opposing rules of origin for apparel (which has trapped countries in low-value segments of the value chain).
- Promote and enforce social clauses in bilateral and multilateral trade agreements
- Promote stronger alliances between private, public, and civil society actors, including farmers and workers.

Source: Background paper prepared by Annelies Goger, Andy Hull, Stephanie Barrientos, Gary Gereffi, Shane Godfrey to provide insights to policymakers about how African countries can make the most of globalization for inclusive development. The report, *Capturing the Gains in Africa: Making the most of global value chain participation* is available at: <http://www.capturingthegains.org/pdf/Capturing-the-gains-in-Africa-2014.pdf>

Socially-embedded gender relations shape the engagement of individuals in global value chains. In turn, GVC dynamics can help change gender relations. As noted by Barrientos (2014), GVCs intersect with pre-existing social and cultural norms and can replicate gender inequities in terms of women's unequal pay and poor remuneration for their skills. Using the conceptual framework of economic and social upgrading/downgrading to link the economic and social dimensions of GVCs, the framework sheds light on the multifaceted impacts of GVCs on gender inequalities.

Women and men have different opportunities and access to resources. As well, their access to value chains is constrained to the extent that women can capture value from their contributions. Case studies on horticulture, tourism, and call centre industries in **Honduras, Kenya** and **Egypt** conclude the following:

- Women are involved in almost all stages of a value chain but they are usually concentrated in certain segments, such as packing, or are more likely to work as unpaid family workers in the production stage;
- Women are overrepresented in low skill types of employment, i.e. own-account workers, street vendors, unpaid family businesses, housekeeping or doing laundry in a tourism chain;
- The challenges and constraints women and men face are also gender-specific. Gender norms and biases regarding women's perceived inflexibility in terms of working long hours or night shifts impact their access to promotion, training, and other social and economic benefits of employment; and
- Differences in constraints and responsibilities are not limited to the paid economy but are also maintained in the unpaid sphere. The disproportionate

distribution of the care burden (care of children, sick, elderly, unpaid house and community work and household care) between women and men usually constrains women's involvement in value chains (Starits and Reis, 2013).

Gender-aware analysis of global value chains is imperative and highlights the impact of GVC integration and upgrading on female and male workers, producers, and entrepreneurs, and broader socioeconomic concerns (Barrientos, 2014). Box 8.9 presents a value chain engendering tool based on the example of a honey value chain.

BOX 8.9

Value Chain Engendering Tool

Asia IFAD provides an online tool using a honey value chain. The tool explains how to identify involvement of women and men in a value chain. It features a guide to help identify constraints that women face in deriving benefits from a value chain. Recommendations for gender-sensitive upgrading of a honey value chain are shared and can be applied to any value chain.

First, how to map a value chain is explained from the input stage to the marketing and export stages of honey production and trade:

1. input
2. production
3. trade
4. processing/packaging
5. marketing
6. export

Second, the map includes all stakeholders involved in the value chain. This step helps identify contributions of women and men in each stage. Third, questions are asked concerning whether there are any small-scale women producers or traders involved in any stage of mapping the value chain. Additional questions are suggested. Are there any women headed-households in the business? Are there any women self-help groups involved? Is packaging or any other task outsourced to women?

Rendering visible the contributions of women workers requires asking further detailed questions. Do wives help their husbands in preparing raw materials, cleaning instruments, transportation and so forth? Are daughters involved at home in helping their mothers in work related to the value chain? Are wives of traders helping with trading or marketing? Are women involved indirectly? Does any process provide input to another value chain involving women? These questions help reveal women's involvement in each stage.

This exploration reveals that although women's involvement is visible or invisible in each stage of the chain, they do not receive as many economic gains as men. This exercise is followed by problem identification as to why women are not able to benefit to the same extent as men. Lack of access to capital, social stigma, physical and technical constraints, as well as a lack of voice and access to marketing networks are among the issues raised in the literature. As the honey value chain demonstrates, the gender-sensitive mapping of the value chain upgrades the process in terms of product, function and the environment.

For more details on each step, visit: [MODULE 8: GENDER, TRADE AND VALUE CHAINS | 200](https://asia.ifad.org/web/india/blogs/-/blogs/100307?&Source: Making the strongest links, ILO publication by Linda Mayoux and Grania Mackie, 2007.</i></p></div><div data-bbox=)

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ECONOMIC POLICY-
MAKING AND THE
SDGs: HOW TO REACH
THE GOALS

MODULE 9

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LEARNING OBJECTIVES

Module 9: Economic Policymaking and the SDGs: How to Reach the Goals presents the vision and main characteristics of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, adopted by world leaders in September 2015. The module highlights how the SDGs differ from the vision of the Millennium Development Goals (MDGs). The discussion follows with a special focus on SDG 5 on Gender Equality. The comprehensive and transformative nature of the 2030 Agenda requires determined agents of change, sufficient resources and a fundamental shift in macro policymaking. Hence, the module concludes by questioning the compatibility of the macroeconomic framework to promote inclusive growth and addresses the question of financing to reach the goals.

By the end of Module 9, participants are expected to be able to undertake the following:

- Present and discuss the transformation of perspective in the design of the SDGs compared to the MDGs;
- Understand the importance of addressing gender equality as a stand-alone objective and how to mainstream gender equality across the 2030 Agenda; and
- Address the importance of a compatible macroeconomic policy framework, adequate financing and monitoring to enable the achievement of the SDGs.

9.1 The Sustainable Development Goals

The Sustainable Development Goals (SDGs) set the policy agenda of international development agencies, member states and non-governmental organizations (NGOs) for the next 15 years. The 2030 Agenda is welcomed in development circles as a more

comprehensive and inclusive agenda for change than the Millennium Development Goals (MDGs). While the MDGs were specific to developing countries, the SDGs cover all countries. The 2030 Agenda consists of 17 SDGs (Box 9.1) and 169 targets, addressing structural concerns in the economic, social and environmental dimensions of development.

BOX 9.1

Sustainable Development Goals

Goal 1 End poverty in all its forms everywhere

Goal 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3 Ensure healthy lives and promote well-being for all at all ages

Goal 4 Ensure inclusive and equitable quality education and promote lifelong learning

Goal 5 Achieve gender equality and empower all women and girls

Goal 6 Ensure access to water and sanitation for all

Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8 Promote inclusive and sustainable economic growth, employment and decent work for all

- Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Goal 10 Reduce inequality within and among countries
- Goal 11 Make cities inclusive, safe, resilient and sustainable
- Goal 12 Ensure sustainable consumption and production patterns
- Goal 13 Take urgent action to combat climate change and its impacts
- Goal 14 Conserve and sustainably use the oceans, seas and marine resources
- Goal 15 Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
- Goal 16 Promote just, peaceful and inclusive societies
- Goal 17 Revitalize the global partnership for sustainable development

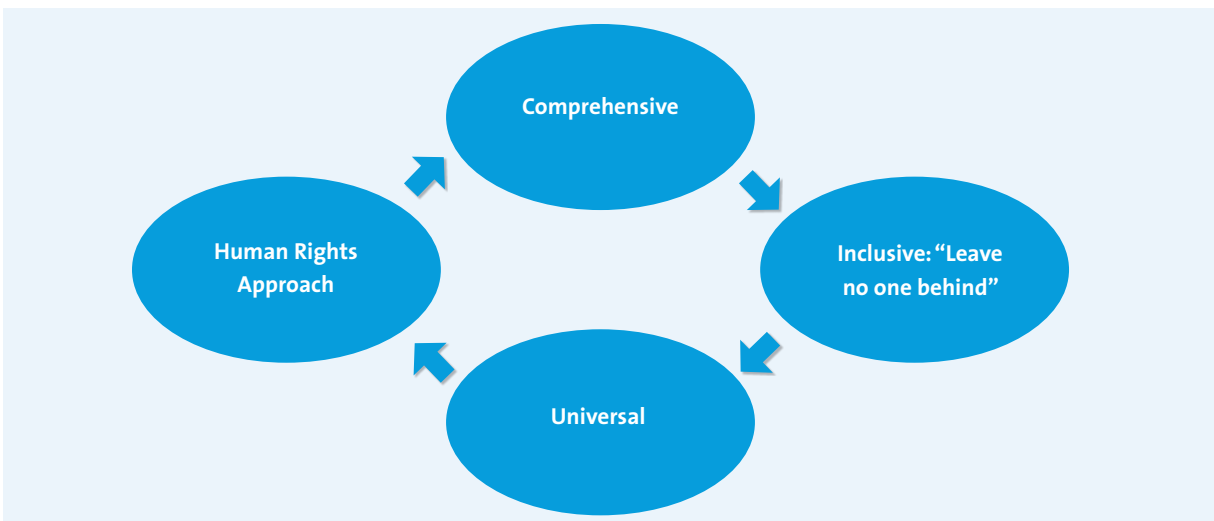
Source: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

9.2 The Vision of the 2030 Agenda: MDGs to SDGs

Four pillars characterize the vision of the 2030 Agenda. The Agenda is anchored in the *human rights approach* and is *inclusive* in design and implementation. It is

universal and strives to leave no one behind and presents a *comprehensive vision* that aims to **transform our world** (Figure 9.1).

FIGURE 9.1
Four Pillars of the Vision of the 2030 Agenda:



Comprehensive Vision of Change

The 2030 Agenda aims for comprehensive transformation by addressing structural concerns in the economic, social and environmental dimensions of

economic development. The SDGs – also referred to as the Global Goals – are designed to complement each other to achieve a *holistic and integrated approach*. The Global Goals recognize that economic and social issues cannot be regarded as isolated matters; hence,

they cover issues of poverty, inequality and growth together with issues of social exclusion, discrimination, and lack of employment opportunities. This comprehensive approach questions the established hierarchy between economic and social issues, or the prioritization of economic policies over social policies. Evidence demonstrates that asymmetries between economic policies and social and/or environmental policies have failed many people who remain in poverty.

The MDGs have been criticized for failing to prioritize exclusion and discrimination issues linked to poverty and for being too fragmented and narrow in scope. Razavi (2016) argues that data limitations were an important factor in the narrow scope of MDG targets. Her research addresses the differences between the MDGs and the SDGs in their respective approaches to the indicators used to measure the achievement of targets. Navi Pillay, former High Commissioner for Human Rights, describes this difference with a nice play on words: “In the process of the MDGs, we treasured what we measured – and perhaps that was the wrong way around. It seems to me we should measure what we treasure” (p. 30). The SDGs aim to transform the world and build on the MDGs by including a broader set of interlinked concerns at national and global levels.

Human Rights Framework

The 2030 Agenda is grounded in the Universal Declaration of Human Rights, international human rights treaties and the Millennium Declaration. The Agenda underlines the indivisibility of goals and targets thereby invoking the indivisibility of human rights. Going further than the conventional take on equality, the Agenda states explicitly that equality should be targeted not only in terms of equal opportunities but also in terms of equality in outcomes. This understanding of equality is in line with the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

Esquivel (2016, p. 12-13) addresses the importance of conceptualizing the goals and targets as the realization of rights like rights to education, food, health, and social protection. Such conceptualization brings

together the development pillar and human rights pillar in the United Nations’ institutional structure to increase policy effectiveness.

Inclusive in Design and Targets

The design process of goals and targets matters since it determines the Agenda’s inclusiveness. Unlike the case of the MDGs – often criticized for their perceived top-down design by a handful of UN staff members – the design of the SDGs emerged from an inclusive discussion process. The United Nations led consultations in nearly 100 countries with civil society actors for nearly three years. The Women’s Major Group, comprised of women’s rights groups, held debates and consolidated their discussions into a unified position during this process. The inclusive approach enriched and helped the 2030 Agenda to address structural issues from diverse perspectives.

Universal

Unlike the MDGs, the 2030 Agenda addresses not only problems in developing countries but also proposes a global agenda for an integrated world through flows of finance and poverty. Many problems – such as poverty, inequality, joblessness, deterioration of working conditions, environmental crisis and others – are not only problems of the developing world; they are also major concerns for developed countries. Indeed, the SDGs aim to address development problems that remain unsolved, or that are newly emerging, in the developed world as well. Moreover, as seen in the 2008 global financial crisis or in the ongoing effects of political unrest in the Middle East, local problems soon become global concerns. The 2030 Agenda, therefore, firmly acknowledges the integrated nature of development problems in a globalized world and proposes a universal plan covering all countries.

9.3 SDG 5: Gender Equality as a Stand-alone Goal

Goal 5 of the 2030 Agenda recognizes that women's oppression is grounded in the power relations inherent in structural forces and the institutions of public and private spheres that contribute to gender inequality in opportunities and outcomes. Razavi (2016) describes the stance of the 2030 Agenda as "light years ahead of the MDGs' 'theory of change' that saw sex/gender parity in education as the all-purpose key that would unlock gender inequality" (p. 29).

In addition to addressing gender inequality as a stand-alone goal, the 2030 Agenda mainstreams gender across the process. This change is due both to the acceptance of gender inequality as a global challenge in itself, as well as the awareness of the role gender equality plays in the achievement of other goals such as human development, environmental sustainability, good governance and sustained peace. There is a two-way relationship between gender equality and other goals. Indeed, gender equality plays an important role in the achievement of other goals just as the realization of other goals can contribute to gender equality. Therefore, to advance gender equality beyond Goal 5, all other goals must be analysed from a gender equality perspective.

BOX 9.2

SDG 5 Targets: Achieve gender equality and empower all women and girls

- End all forms of discrimination against all women and girls everywhere
- Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation
- Eliminate all harmful practices, such as child, early and forced marriage and female genital mutilation
- Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate
- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life
- Ensure universal access to sexual and reproductive health and reproductive rights as agreed in accordance with the Programme of Action of the International Conference on Population and Development and the Beijing Platform for Action and the outcome documents of their review conferences
- Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws
- Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women
- Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

9.3.1 Gender Inequality and the SDGs

Globally as of 2015, three-quarters of men and half of women participate in the labour force. Despite relatively lower employment share, women constitute two-thirds of unpaid family workers receiving no direct pay. Worldwide, women earn 24 per cent less than men and are less likely to have a pension. Hence, in addition to the current pay gap, there exists a lifelong income gap between men and women. Moreover, lower income levels for women are not due to fewer working hours. In fact, women work longer hours – when paid and unpaid work are combined – and undertake an average of 2.5 times more hours of unpaid work than men. Gender inequality is exacerbated with recurrent and deepening economic crises that increase wealth inequality, lead to high levels of long-term unemployment and the expansion of precarious forms of employment. (See Appendix 1: Gender Chart on the MDGs for an account of gender inequalities.)

Existing gender inequalities in other aspects of life determine the options available for women and men in the economic sphere and the conditions of their participation in the economy. Additionally, gender inequalities in the economic sphere affect gender inequality in other aspects of life. For example, a woman without economic independence may not have the conditions to enable her to choose to leave home; hence, she is more vulnerable to abuse and violence in the household. If a woman does not have command over her body and fertility, she is more likely to be economically dependent.

If employment opportunities are scarce for women and there is no safety net, those with lower bargaining power are forced to work under exploitative conditions. In an example of the circularity of causalities, when educated and skilled women face discrimination and must work for lower pay, family resources are more likely to be directed to boys, leaving girls less likely to receive an education. At the same time, given gender disparities in education, women tend to be clustered in less remunerative jobs.

The 2030 Agenda aims to address the complex nature of causal relationships and mutual interactions between spheres in reproducing gender inequalities. In this respect, an important strength of the 2030 Agenda is the complementarity of its targets. For example, Goal 5 Target 4 (5.4) on “recognize and value unpaid care and domestic work” is connected to “equitable access to safe and affordable drinking water”, the first aimed target of Goal 6. This connection reflects the recognition that there exist gender differences in outcomes regarding the presence, or lack, of essential infrastructure. Similarly, the complementarity between “decent work for all women and men, and equal pay for work of equal value” (8.5) and “implement nationally appropriate social protection systems and measures for all” (1.3) underscores the consistency of the targets.

Under Goal 5, five out of nine targets address economic gender inequality:

- End all forms of discrimination against all women and girls everywhere;
- Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate;
- Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life;
- Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws; and
- Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.

Other SDGs likewise closely linked to gender equality are the following:

- Goal 1: End poverty in all its forms everywhere
- Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3: Ensure healthy lives and promote well-being for all at all ages
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 10: Reduce inequality within and among countries
- Goal 12: Ensure sustainable consumption and production patterns

These SDGs, as well as other ecological targets, require a new understanding of economics that aims for the survival and flourishing of the human species as connected and dependent on other species.

UN Women's **Progress of the World's Women 2015-2016** provides the key elements of the recent policy agenda. UN Women offers many other resources on how women are affected by each of the 17 SDGs, as well as how women and girls can – and will – be key to achieving each of these goals. Appendix 2 on flagship programmes towards the SDGs reflects the organization's interconnected vision of the 2030 Agenda. UN Women showcases data, stories, videos and publications to illustrate the impact of each SDG on women and girls, and features some of the organization's efforts towards each goal, including through training programmes, intergovernmental work and advocacy for policy change.

9.4 Is the Macroeconomic Framework Compatible with the SDGs?

The Sustainable Development Goals require substantive transformation of macroeconomic policies. Esquivel (2016) describes the framework of the Agenda as limited to creating a softer version of market liberalism with strong institutions, rather than a significantly

transformative process – unless it challenges how inequalities in income, wealth and power are reproduced. Although the emphasis on inclusiveness was lauded in development circles, power imbalances among stakeholders were criticized. The result was a scepticism about the transformative potential of the 2030 Agenda.

During the development of the framework, the privileged access of corporations to UN processes resulted in last minute interventions to protect the status quo and, ultimately, led to business dominance in preserving the ongoing macroeconomic policy framework. Esquivel (2016) cites several examples of such interventions. One is the addition of “while remaining consistent with relevant international commitments” (p. 12) into the section on countries' policy spaces. She argues that this addition limits the most important agent of change: governments, and its ability to apply more equitable macro policies towards the SDGs.

Another example is the addition of the line “maintaining sustainable debt levels is the responsibility of borrowing countries”. This example calls to mind how lenders were not held responsible in Greece's ongoing and severe socioeconomic crisis. Clearly, unless the dominant economic framework that sets the ground for transformation changes, it is unlikely to achieve the enabling environment necessary for the SDGs.

Razavi (2016) observes that the easiest way to reach consensus on divisive issues in the design process, especially on substantive policy alternatives, has been to postpone them to the implementation phase of the targets and leave the implementation phase with vague statements. Hence, **the most important criticism of the 2030 Agenda concerns the ambiguity regarding how the SDGs will be achieved in the absence of accountability mechanisms.**

This section aims to address the fundamental question of compatibility of the macroeconomic framework in achieving the SDGs. We start with an overview and critique of the dominant macroeconomic framework that reflects the Washington Consensus. We then focus on Goal 8 on economic growth and decent work that essentially describes the macroeconomic framework of the Agenda around the concept of inclusive

growth. The discussion that follows revolves around the kind of transformation in macro policies that is needed to achieve inclusive growth. Special emphasis is given to the objective of provisioning of a social protection *floor* due to its critical importance to advancing gender equality. Finally, the section concludes by addressing major concerns such as whether the SDGs are supported by viable processes, targets and resources.

9.4.1 Principles of the Dominant Macroeconomic Framework Requiring Change

The Washington Consensus (WC) that regulated macroeconomic policies over the last four decades prioritized efficiency of the markets for development over the well-being of societies. The philosophy behind the WC led to a market fundamentalism based on the idea of “getting prices right” and letting the markets work free from government interference.

Three main principles introduced by the WC were *liberalization, privatization and macroeconomic stability*. These key concepts reflect a commitment to leave all development goals to the market (see *Module 3: Gender and Macroeconomics* for a detailed discussion). Despite many evidence-based critiques of this approach, not much has changed since its introduction. As Braunstein (2012, p.1) notes:

In fact, so little has changed over the years that the Washington Consensus’ macroeconomic policy conventions are rarely critically singled out by the academic and policy establishment as a failure in need of a new macroeconomic paradigm.

The three main principles that form the rubric of today’s macroeconomic policies and their critiques follow:

(i) Liberalization of markets has two dimensions: first, trade liberalization is put in place by export promotion instead of active industrial policies; second, financial liberalization ties developing economies’ growth strategies to attracting foreign direct investment (FDI) and short-term capital flows.

Critique: Liberalization policies and integration into the world economy lead to macroeconomic vulnerability to external shocks resulting in a) export dependency and export concentration, b) dependency on primary commodities, c) the volatility of private capital flows – particularly foreign direct investment – and portfolio investments, constituting the first three of the main structural risks countries face in a globalized world (UNDP, 2011).

(ii) Privatization and smaller government are key elements of market fundamentalism. In this framework, government spending must be reduced as it is inflationary and crowds out more efficient private investment in the economy. Government spending moves procyclically to avoid budget deficits; hence, it decreases during the downturns and increases during the upturns of the economic cycle.

Critique: Research indicates, however, that applying contractionary policies during downturns not only leads to further shrinkage in the economy but also disproportionately affects those with lower incomes and for whom government spending plays a critical role. Empirical evidence does not necessarily support the argument that public investment crowds out private investment; by contrast, in developing countries public investment may be crucial and can encourage private investment. Finally, government spending can be inflationary; if the economy is at full employment, however, this is rarely the case. Hence, rather than increasing price levels, government spending can stimulate production and lead to an increase in output level and therefore generate employment.

(iii) Macroeconomic stability in this framework means neither employment stability nor financial stability but is essentially about price stability. In a macroeconomic framework committed to financial liberalization and price stability, a “market-friendly monetary regime” is one that rests on low inflation rates, high interest rates and floating exchange rates.

Critique: Inflation targeting, applied together with high interest rates that attract capital inflows, leads to exchange rate appreciation. Exchange rate appreciation means an increase in the relative prices of exports and a decrease in prices of imported goods, resulting

in a growing trade gap. For a country dependent on export-oriented industrialization, decreasing exports means slow economic growth and inadequate employment creation.

Certainly, the current macroeconomic framework, based on market fundamentalism, has not led to the resolution of development problems. On the contrary,

Development everywhere is facing a series of new challenges, ranging from climate change to the energy crisis, from food insecurity to citizens' insecurity, from financial and economic crises to growing global inequalities. Shocks and crises appear to have become the norm, rather than the exception. And, as a result, countries have become ever more vulnerable in the face of such challenges (UNDP, 2011, p.1).

Systemic economic and financial crises have become increasingly frequent and substantive. The 2008 global financial crisis exemplifies how upheaval can take away development gains and reverse the progress made towards achieving development targets. A country's resilience – its ability to cope with or recover from a shock – is critical in terms of sustainability of the development agenda. UNDP underlines the importance of resilience in safeguarding progress made and in achieving the MDGs. In a world of uncertainty, the ability of countries to preserve the development agenda depends on their fiscal capacity and ability to finance programmes that create jobs, ensure the delivery of core services and provide safety nets.

We return to the question of how to achieve the SDGs. Washington Consensus-driven macroeconomic policies, applied as one size fits all, require careful examination. Countries must take back the policy space they require to apply development policies and equitable and inclusive growth strategies and intervene when economic crises emerge to prevent or limit deleterious impacts on well-being. How the macroeconomic framework must change for equitable and sustainable growth, and to achieve the SDGs, is discussed in length in the following sections on Goal 8 and inclusive growth. (See also Module 3: *Gender and Macroeconomics* and Module 7: *Gender, Public Finance and Investing for Gender Equality*.)

9.4.2 Goal 8: Economic Growth and Decent Work

Goal 8 on economic growth and decent work sets the macroeconomic framework for the 2030 Agenda as it redefines the fundamental objective of macroeconomic policy as the promotion of inclusive and sustainable economic growth (Target 8.4). To achieve long-term and sustainable economic growth, and not only high and sustained economic growth (Target 8.1 in Box 9.3), it is critical to consider the ways in which we share prosperity.

Inequality hurts not only long-term growth; it is also detrimental to long-term development and fails to meet societal needs. Rising inequality and high unemployment rates around the globe are twin problems. With this in mind, focusing on labour-intensive production to generate jobs is the central aspect of the inclusive growth strategy (Target 8.2).

Targets 8.5 and 8.9 also underline the importance of employment creation and productive employment as the way to include larger portions of the population in economic processes and to ensure widely-shared economic growth. The type of employment creation required and the goal of closing existing gaps in employment opportunities and conditions are addressed under targets 8.5, 8.6, 8.7, and 8.8 – all of which focus on advancing decent employment conditions for all.

Arguably, the inclusive growth agenda of Goal 8 is the key to attaining all SDGs. Inclusive growth suggests a new understanding of economic policymaking that values the well-being of the whole society and adopts an inclusive perspective, and incorporates the needs and concerns of all members of society. Next, we delve into the concept further and explore the kind of macroeconomic framework required for its promotion.

BOX 9.3

GOAL 8. Promote inclusive and sustainable economic growth, employment and decent work for all

TARGETS

TARGET 8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% GDP growth per annum in the least developed countries

TARGET 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

TARGET 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

TARGET 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead

TARGET 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

TARGET 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

TARGET 8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms

TARGET 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants and those in precarious employment

TARGET 8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes

LOCAL CULTURE AND PRODUCTS

TARGET 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

INSURANCE AND FINANCIAL SERVICES FOR ALL

TARGET 8.a Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries

TARGET 8.b By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization

Source: <https://unstats.un.org/sdgs/indicators/indicators-list/>

INDICATORS

8.1.1 Annual growth rate of real GDP per capita

8.2.1 Annual growth rate of real GDP per employed person

8.3.1 Proportion of informal employment in non-agriculture employment, by sex

8.4.1 Material footprint, material footprint per capita, and material footprint per GDP

8.4.2 Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP

8.5.1 Average hourly earnings of female and male employees, by occupation, age and by persons with disabilities.

8.5.2 Unemployment rate, by sex, age and persons with disabilities.

8.6.1 Proportion of youth (aged 15-24 years) not in education, employment or training

8.7.1 Proportion and number of children aged 5-17 years engaged in child labour, by sex and age

8.8.1 Frequency rates of fatal and non-fatal occupational injuries, by sex and migrant status

8.10.1 Number of commercial bank branches and automated teller machines (ATMs) per 100,000 adults

8.10.2 Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile money service provider

8.a.1 Aid for Trade commitments and disbursements

8.b.1 Total government spending in social protection

9.4.3 Inclusive Growth

Inclusive growth is an increasingly appealing concept for international development and economic policy institutions and academia. Inclusive growth, however, continues to be “an inspiration rather than a prescription” as it is not yet possible to define an internationally-recognized policy framework, set of indicators and measurable milestones (World Economic Forum, 2015, p. vii).

In the aftermath of the global economic crisis, rising concerns about poor growth prospects, high unemployment, and inequalities in income and opportunities led to an examination of the relationship between inequality and growth. While high economic growth remains central in policies, it is no longer assumed that prosperity trickles down. The Inclusive Development Index (IDI) of the World Economic Forum provides evidence of how growth does not translate into broad social progress; indeed, in 42 per cent of countries, IDI scores have declined even as GDP per capita has increased (Samans et al., 2017, p. x)

Today, there is international consensus that systemic inequality of opportunity hurts long-term economic growth via multiple mechanisms. The discourse in economic policymaking underlines a shift from focusing on economic growth itself to simultaneous consideration of growth and equality. This move reflects the notion that there is no inherent trade-off between social inclusiveness and economic growth. As Samans (2015) observes:

The so-called Washington Consensus offers a roadmap for countries seeking to generate strong growth in national income in part through integration into the global economy. But its near-exclusive focus on drivers of GDP growth and relative inattention to structural and institutional features of policy that influence the extent to which growth translates into broad-based progress in living standards has rendered it incomplete and unbalanced. The international community’s post-crisis search for a new growth and development model is, in effect, an attempt to rectify this imbalance (p. 2).

The World Bank defines inclusive growth as “broad-based across sectors, and inclusive of a large part of the country’s labour force”. In the World Bank’s approach, “inclusive growth refers *both* to the pace and pattern of growth” and is a long-term perspective that focuses “on productive employment rather than on direct income redistribution as a means of increasing incomes for excluded groups” (Ianchovichina and Lundstrom, 2009, p. 2). The IMF provides an analysis of country cases to define determinants of inclusive growth and provides courses on the topic.¹ The OECD uses the “multidimensional living standards” measure to assess the well-being of societies and to evaluate whether and how growth translates into improvements in people’s lives. The World Economic Forum’s approach prioritizes economic growth and stresses institutional reforms that would not dampen incentives to work, save and invest (Samans et al., 2015).

United Nations institutions have been very influential in the provision of alternative measures to evaluate the impacts of economic policies on the well-being of people. Indexes such as the Human Development Index (HDI), the Global Multidimensional Poverty Index (MPI), the Gender Development Index (GDI) and the Gender Inequality Index (GII) address the non-income aspects of economic growth and could be used for designing inclusive policies and measuring their impact. Indeed, United Nations institutions have been important actors in setting the discussion on inclusive growth.

Despite differences in the definition and assessment of inclusive growth in various frameworks, the common denominator of all approaches is to extend “the disproportionate benefits of growth to a wider share of the population” (UNDP 2013, p. 23). Inclusive growth, and changes in inequality, can affect poverty; however, the impact and to what extent it is pro-poor depends on the direction of redistribution. Redistribution can be towards middle-income groups or towards the poorest. Pro-poor growth entails increasing the incomes of poor households relative to the rest of the population.

Despite the richness of literature on inclusive growth, studies mostly focus on market-related activities leaving non-market activities and social reproduction

under-investigated. Discussions on the non-income dimensions of well-being do often address non-market activities; however, as we have seen, any policy discussion must encompass its connection with non-market activities. The structure of unemployment, underemployment, labour force participation, decent employment dimensions and poverty demands gender-aware analysis. How care needs are met plays a key role in understanding the inclusivity of the growth process. Hirway (2015) underlines that promoting inclusive growth requires recognition, redistribution and reduction of the unpaid care burden.

But how can we achieve inclusive growth? Besides strengthening the institutional structure to foster inclusive growth, as is suggested by more market-oriented perspectives, UNDP (2013, p. 229) suggests that inclusive growth can be promoted through three principal routes:

- changing the patterns of economic growth such that the incomes of low-income households grow more than the average;
- redistributive measures that contribute to growth while reducing inequality; and
- expanding opportunities for low-income households and disadvantaged groups to access employment and options for income generation.

However, a substantively meaningful change towards inclusive growth via these routes requires a shift in the macroeconomic policy framework. As discussed in the previous section, the dominant macroeconomic framework prioritizes stability over the consideration of inequality and fails to recognize that its increase becomes an obstacle to long-term sustainable growth.

9.4.3.1 Macroeconomic Policies to Promote Inclusive Growth

Goal 8 on inclusive growth, full and productive work and decent work for all is central as well as key to other objectives, including gender equality. The 2030 Agenda does not clarify how this goal will be achieved, however, nor does it state what type of macroeconomic policies will be put in place to generate decent

jobs. In many developing countries, the current policy framework focuses on keeping the inflation rate low with nearly no consideration about its impact on unemployment.

Moreover, the 2030 Agenda still emphasizes increasing exports to promote inclusive growth and overcome the global unemployment problem. This is problematic as accumulated empirical evidence since the 1980s roundly refutes such policy advice. Export-oriented growth strategies, based on labour-intensive manufactured goods, results in downward pressure on wages and inequality-driven growth rather than inclusive growth.

As discussed in Module 8, on trade, gender equality has led to the feminization of export sector employment. Women's weak bargaining power has been the source of the competitiveness of export sectors in many developing countries, especially in East Asia. Export-led solutions lead us to a framework that sees wages as a cost only. To achieve decent work for all, we need a framework that promotes strategic industries and regards wages as the source of potential demand (Razavi, 2016, p. 34).

There is a growing literature on how inequality hurts long-term economic growth and how reducing inequality can promote resilient growth that remains relatively stable across economic cycles. The IMF (2015) shows that expanding the income of the poorest 20 per cent is associated with higher GDP growth. If the incomes of the poor and middle classes are increased by 1 per cent, this adds 0.38 per cent to GDP growth over 5 years. On the other hand, if the incomes of the top 20 per cent increase, GDP growth declines since a 1 per cent increase in the income of the top 20 per cent leads to a 0.08 per cent drop in GDP growth.

While international development circles accept the necessity of a shift in the pattern of growth to change the primary distribution of income and achieve inclusive growth, the need for change in dominant macroeconomic policies remains largely unacknowledged. The Keynesian framework suggests that increasing the income of those sections of society with a higher marginal propensity to consume stimulates

aggregate demand and triggers a virtuous cycle of economic growth. Households at the lower end of income distribution are more likely to consume any additional income (wage income or direct transfers) they receive to meet needs. As a result, they have a greater marginal propensity to consume compared to high-income households that are more likely to have met their needs and have a higher savings potential. Consequently, increasing wage income via generation of productive and decent employment boosts aggregate demand and the supply side responds with increasing investment and further expanding employment. As noted by Samans et al. (2017):

... broadly shared prosperity can be a tonic for economic growth, creating a virtuous cycle of buoyant domestic consumption and demand, and thus even stronger growth. Alternatively, the dispersion and hollowing out of living standards in an economy can create a pernicious cycle of sluggish consumer demand, anaemic business and investor confidence, weak investment, expanding unemployment or underemployment, stagnant wages, and thus even slower growth (p. 8).

The macroeconomic framework and policies to achieve inclusive growth are discussed under the following four fundamental policy areas.

1.) Employment generation and labour market policies to enhance working conditions

The building of a growth and development strategy to attain full employment is at the core of a macroeconomic framework to achieve inclusive growth. Inclusion of a wide range of the population in production and the sharing of income and benefits is possible by creating sufficient jobs because low-income households depend mostly on labour income. This requires a policy shift and the policy space to reverse the dynamics that created jobless growth and precarious employment. Employment-oriented policy entails the devotion of resources to achieving an employment target via public and private employment generation.

Gender-aware employment creation policies can be strong tools for the economic empowerment of women by closing the gender gap in employment. For example, generating jobs in the care sector not only provide new employment opportunities for women, but would facilitate women's labour force participation and employment by increasing the availability of child care services. (See Modules 3 and 4 for further discussion.)

In addition to employment generation – and to ensure sufficient income, employment security, and gender equality in employment – it is necessary to apply labour market policies that strengthen labour market institutions and enhance working conditions. The adoption of a minimum wage policy to set a floor that also serves as a benchmark for individual wage negotiations even in informal employment, or strengthening collective bargaining, are policies that could be adopted to reduce wage inequality and discrimination against women and minorities.

2.) Monetary policy and exchange rate policies

Since the 1980s, most of the developing world has focused on stabilization (keeping inflation rates and budget deficits low); however, to promote inclusive growth the goal should be employment creation and macroeconomic stability. As discussed in the previous section on Principles of the Dominant Macroeconomic Framework Requiring Change, targeting low inflation rates (generally below 5%) leads to the adoption of high interest rates as the policy tool to curb price inflation. This response depresses investment, employment creation and economic growth. Instead, governments need to be able to adopt a more flexible monetary policy that allows them to adjust targets and tolerate some inflation to keep interest rates low and encourage investment. Moreover, this policy space would allow governments to react to economic contraction with countercyclical monetary policy and relax inflation targets – to avoid or limit – contractionary vicious cycles (UNDP, 2013, p. 237).

Exchange rate policy, closely related to monetary policy and trade liberalization, is also critical for inclusive

growth. The effect of financial liberalization and international capital inflows has been the appreciation of the real exchange rate, which hurts the balance of trade by increasing imports and hindering local production and employment. Moreover, both fixed-peg and free-float exchange rate regimes, adopted by many developing countries in the last 30 years, have created a crisis-prone structure. The exchange rate regime of a country should be country and time specific, providing the flexibility to support a balanced current account and to strengthen local production and employment creation (UNDP, 2013, pp. 237-238).

Monetary policy and exchange rate policy has gendered outcomes both through (i) differences between men and women in their ability to access credit when the interest rates are high and (ii) gender segregation of employment with women more likely to be concentrated in export-oriented labour-intensive sectors primarily hurt by exchange rate appreciation. (See *Module 3: Gender and Macroeconomics* for a detailed discussion.)

3.) Fiscal policy

Fiscal policy is critical both in terms of distribution and redistribution of income. Progressive and gender-aware taxation and spending policies not only improve incomes and consumption in low-income households but they can also improve gender equality. *Module 7: Gender, Public Finance and Investing for Gender Equality* provides an in-depth discussion on progressive and egalitarian fiscal policy alternatives to promote inclusive growth.

4.) Controlling financial globalization and international trade

Financial and trade liberalization has led to growing inequalities and the enforcement of certain policies under the double threat of capital flight and losing international competitiveness. The spectre of capital flight has led to persistently high interest rates that hurt local production and employment. Coupled with the push for trade competitiveness through cost effectiveness, both have resulted in further suppression of wages, corporate taxes and labour standards.

Controlling the volatility of financial flows by either limiting the quantity, or by restricting the areas of the financial sector open to unpredictable capital, is essential to stabilize economic growth and protect large segments of the population from its distributional consequences.

Similarly, to promote a more egalitarian growth strategy, international trade policy should step away from its race to the bottom to achieve price competitiveness and instead enforce international labour standards. It is important to note, however, that to enable this policy switch without hurting individual countries, it is “necessary to address the issue of policies to manage financial and trade globalization not only within countries, but also – in a prospective of global governance – within international coordination mechanisms” (UNDP, 2013, p. 236).

Finally, it is crucial to once again underline that any macroeconomic policy is inescapably gendered and affects men and women differently. The key components of feminist macroeconomics presented in *Module 3: Gender and Macroeconomics* provide a useful framework. As Ilkcaracan (2016) notes, the *purple economy* refers to an economic order organized around the sustainability of caring labour through a redistributive internalization of the costs of care into the workings of the system. In this way, it is like the green economy which is organized around the sustainability of provisioning by nature through the internalization of environmental costs into production and consumption patterns.

A wider and more integrated view of economic life, the purple economy recognizes and includes the reproductive, market and non-market, paid and unpaid spheres of the economy. *The purple economy returns economics to its central aim of human well-being by recognizing the role of unremunerated reproductive labour*. Redistribution of the unpaid work burden is as important as macroeconomic stabilization policies. Gender-aware analysis of macroeconomic development, economic growth, trade and policies would facilitate a more equitable and inclusive growth strategy – the ultimate goal of the SDGs.

9.4.4 Addressing Inequalities and Provisioning of Social Protection: Can the 2030 Agenda go beyond good Intentions?

A social protection floor for all not only includes disadvantaged groups; it also has a transformative power to advance gender equality. Highlighting the gendered features of social protection schemes, Antonopoulos (2013) divides social protection interventions into four approaches:

- **Conditional cash transfers:** given directly to mothers or to primary caregivers of children and adolescents to encourage school enrolment for school-age children;
- **Unconditional cash transfer and social pensions:** income support transfers for household members with disabilities, young orphaned children or old-age pensioners;
- **Free access to, or subsidized prices for, consumption or production inputs:** in-kind transfers or price support of food, education and health services, removal of user fees or direct transfer of food, fuel; and
- **Employment guarantee programmes/schemes (EGPs/EGSs) and public work programmes.** As Antonopolous and Kim (2011) note, these programmes intentionally do not position women in varying roles as consumers, mothers or producers.

The first three approaches address income poverty and the positioning of women within their caretaker roles, whereas the last one provides an enabling environment for participants to engage in the economy as producers. Gender-based evaluations of social assistance programmes (first three above) provide some common patterns derived from different country cases. For instance, poverty persists as one of the main challenges in these countries and the gap between women's and men's poverty has increased in some cases despite transfers.

In addition, the irregularity of payments threatens already low and inadequate assistance. These points need to be addressed to improve current social

protection systems by either expanding the transfer amount or coverage of the existing programmes or by incorporating gender concerns into their design. Arguably, the provision of employment opportunities in EGPs and EGSs shows greater potential for inclusive growth and also shifts the perception of women's roles from passive recipients to active producers.

Importantly, the 2030 Agenda promotes a leave no one behind approach to development. As Roche (2016) underlines, **“Leave no one behind”** is an inclusive overarching tool to measure gender mainstreaming of the Agenda. Inequalities are addressed both as inequalities in opportunities and inequalities in outcomes.

Unfortunately, this approach is not supported by viable processes, targets and resources. Razavi (2016, p. 34) states that while income inequality is addressed in the SDGs, the related targets are only about increasing the income of the bottom 40 per cent and does not say anything about the top incomes. Furthermore, the issue of underlying wealth inequality is missing in the targets. The 2030 Agenda does not tell us much about how these targets are going to be met since it does not include redistributive policies in the means of implementation of the goals.

The 2030 Agenda promises to increase the quality and coverage of services and the social protection system to provide a floor for all (Box 9.4). Public social transfers are important in poverty reduction and the provision of a social floor is particularly needed for women who are more often excluded from social protection systems. As discussed in detail in Module 3, gender-aware design of social policies contributes significantly to reducing both income and gender inequality. While the good intentions of the SDGs are clear, finance and accountability mechanisms to achieve them are not. In reference to UNCTAD (2015) analysis, Razavi (2016) points to the silence of the 2030 Agenda on how “the biggest investment push in the history” (p. 35) – which includes social protection floors, investment in quality education, health systems, infrastructure and water and sanitation – are going to be financed.

BOX 9.4

Social Protection in the SDGs

Target 1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable.

Target 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Target 5.4 Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate.

Target 8.5 By 2030 achieve full and productive employment and decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.

Target 10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

9.5 Financing the Agenda

How to finance this significant transformation in a fair and equitable way is a fundamental question. As discussed in *Module 7: Gender, Public Finance and Investing for Gender Equality*, a fair and equitable tax system has strong gender implications – in addition to its redistributive and development consequences. The gender biases in tax policy (joint versus individual) and indirect biases may affect women disproportionately. When large corporations or owners of finance evade their share of taxes, the burden is transferred to economically weaker groups via increased consumption taxes (such as the value added tax), labour taxes, and taxes on small farmers and enterprises. Razavi (2016, p. 36) proposes progressive income taxes, wealth taxes, and inheritance taxes as sources of additional income. Further, she advocates for taxes on global financial flows to discourage speculative activity and make the financial sector pay a fair share of recovery from the crises it creates.

Rosche (2016, p. 122) also addresses the finance issue with special emphasis on the *gender financing gap* in the resources needed to attain gender equality.

Rosche suggests considering the cost of achieving gender equality as part of structural transformation with a short- and a longer-term perspective. The researcher addresses the need for dedicated and systematic funding streams as part of national budgets and national development planning. Hence, gender budgeting needs to be an intrinsic part of the process to assess the flow and impact of spending decisions on gender equality in line with SDG 5.

In addition, criticism of the vagueness of the means of implementation, accountability, and enforcement mechanisms suggests that women's rights groups remain isolated in the mission to use the SDGs and their targets to advance gender equality. Women's rights organizations must be able to build their capacity for programming and advocacy and participate in national development planning, the political processes of budget cycles and the annual review meetings of the SDGs. Rosche (2016) contends that to enable women's organizations to fulfil this role, support for women's rights organizations must be central in financing gender equality.

BOX 9.5

Gender Chart on the MDGs

Goal 1: Eradicate Extreme Poverty and Hunger

Women are more likely to live in the poorest households in 41 out of 75 countries. Further analysis reveals that in countries where women are overrepresented in the poorest quintile of households, those households are more likely to be female-headed or households without any male adults.

Goal 2: Achieve Universal Primary Education

The progress on the literacy rate among youth since 1990 has resulted in a narrowing gap between women and men. The literacy rate within the age group 15-24 has increased from 83 per cent in 1990 to 93 per cent in 2010 globally and is projected to be 90 per cent for female youth and 93 per cent for male youth by 2015.

Goal 3: Promote Gender Equality and Empower Women

Gender Inequality in Political Decision-making

Since the adoption of the MDGs, women's representation in national parliaments has increased globally from 14% in 1990 to 22% in 2015. Despite this progress, the highest share of representation remains at less than one third of seats (Latin America and the Caribbean, 27%). Gender differences in other indicators of gender inequality in decision-making, monitored for the MDGs, indicate that there were 11 women heads of state and 13 women heads of government by 2015. Only 18 % of ministers were women.

Economic gender inequality

Globally, 3/4 of men and 1/2 of women participate in the labour force. Despite relatively lower employment share, women constitute 2/3 of unpaid family workers that receive no direct pay. Globally, women earn 24% less than men and are less likely to have a pension. Hence, in addition to current pay gaps, there exists a lifelong income gap between men and women.

Moreover, less income is due not to fewer working hours; women work longer hours when paid and unpaid work are combined as women on average do 2.5 times more hours of unpaid work than men. Gender inequality grows with recurrent and deepening economic crisis, increasing wealth inequality, high levels of long-term unemployment and the expansion of precarious forms of employment.

Goal 4: Reduce Child Mortality

Globally, the child mortality rate has declined by more than half (90 to 43 deaths per 1000 live births) between 1990 and 2015. However, this decreasing trend is not sufficient to meet the target and the projections. The trend shows that it will require another ten years to reach the global target. The child mortality rate is mostly determined by maternal health and mother's age at birth. Early marriage and early child bearing cause significant risks for both the mother and the baby.

Goal 5: Improve Maternal Health

Maternal mortality ratio dropped by 44% since 1990; however, this remains well below the target of a 75% reduction by 2015. Expansion of access to sexual and reproductive health services has utmost importance because lack of birth control and unsafe abortions continue to be a leading cause of maternal deaths.

Goal 6: Combat HIV/ AIDS, Malaria and Other Diseases

Incidences of new HIV infections have declined by 40% since 2000. Globally, young women constitute 56% of newly-infected individuals and young women are twice as vulnerable to HIV in sub-Saharan Africa compared to young men.

Goal 7: Ensure Environmental Sustainability

Lack of access to water, sanitation and hygiene has gendered implications. The available data on 21 countries show that only 46% of households have access to clean water.

Goal 8: Develop A Global Partnership for Development

Aid focusing on gender equality has risen by 4% annually; despite this increase, aid that focuses exclusively on gender equality remains

inadequate as it constitutes just 5% of total screened aid in 2012-2013. A concerning trend is stagnant funding on women's sexual and reproductive health and rights and this remains the biggest threat to women's health and rights.

Source: United Nations, 2016, Millennium Development Goals-Gender Chart 2015.

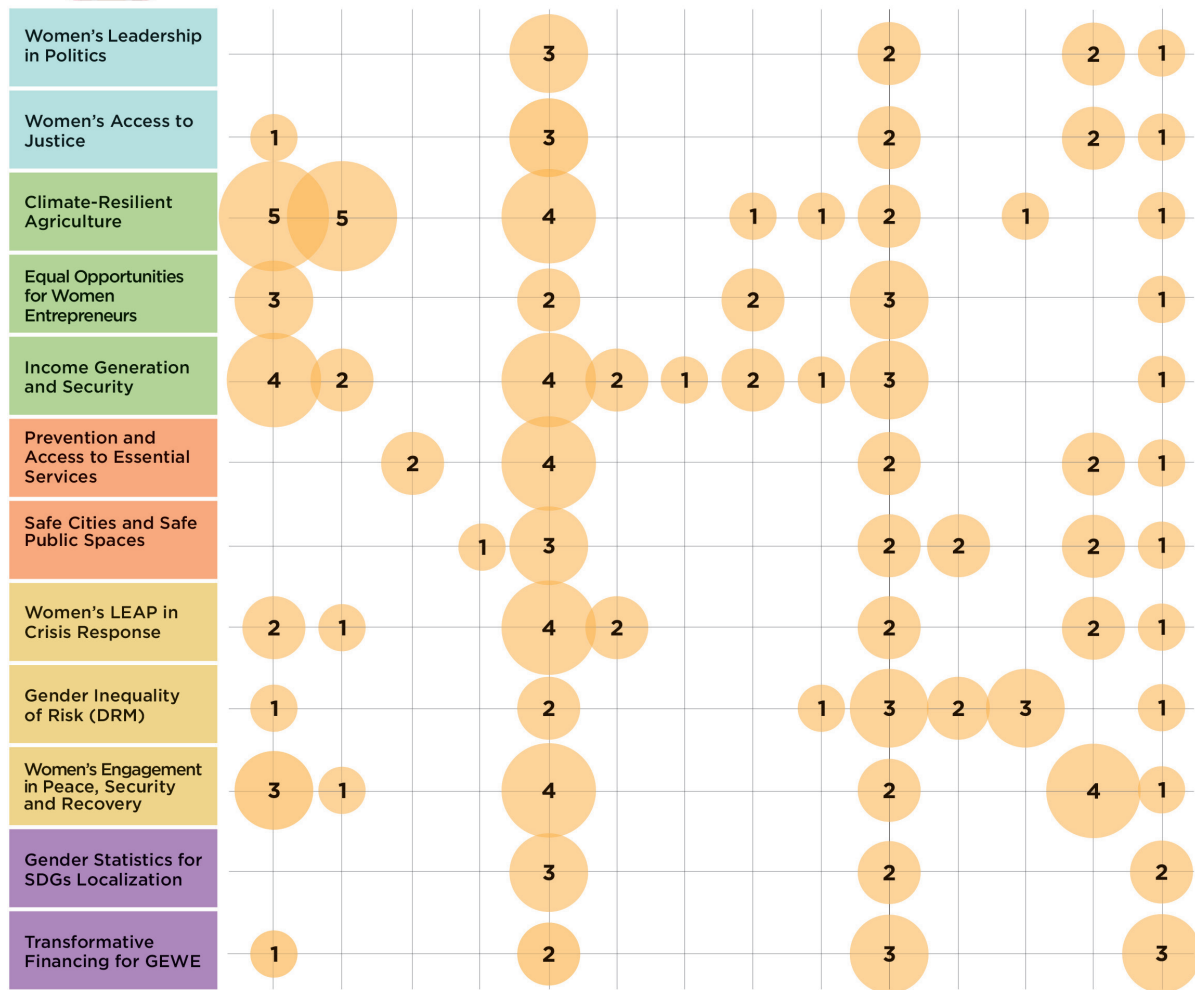
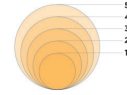
FIGURE 9.2

UN Women Flagship Programmes and the SDGs

Each of UN Women’s twelve Flagship Programming Initiatives (FPIs) supports multiple SDG targets. Given the indivisible nature of the SDGs, the FPIs are expected to have an indirect impact on most SDGs.

Legend

Total # of SDG targets by Flagship Programme



■ Women's Political Empowerment
 ■ Women's Economic Empowerment
 ■ Ending Violence against Women
 ■ Peace, Security and Humanitarian Action
 ■ Planning and Budgeting

Source: <http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2016/fpi-brief-sdgs-en.pdf?vs=2>

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ENDNOTES

- 1 For further information, please check <http://imf.cmsiq.com/current/Catalog/Courses/HQ/IG/1611/HQIG16-11>

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