

DISCUSSION PAPER

# MACROECONOMIC POLICY AND WOMEN'S ECONOMIC EMPOWERMENT



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#### Disclaimer:

This discussion paper is written to contribute to public debate and to invite feedback on development policy issues. The views and recommendations expressed are those of the contributors, noted in the Acknowledgements, and do not necessarily reflect the position of their respective organizations.

# PREFACE

The overarching vision of the 2030 Agenda on Sustainable Development is inclusive and sustainable growth with its promise to *leave no one behind*. Empowering women in the economy and the closing of gender gaps at work are not only central to this vision but they also form a cornerstone of the Sustainable Development Goals (SDGs).

Even as there has been progress in closing gender inequalities in health and education, these changes have not resulted in equal outcomes for women and men in the labour market. Gender inequalities remain pervasive in the world of work. Everywhere, women continue to be denied equal pay for work of equal value. They are less likely than men to receive a pension, which translates into large income inequalities throughout their lives. Women perform a disproportionate share of unpaid household and care work and are constrained from taking decent jobs on an equal footing with men. Typically, women work in lower status, lower paid positions than men.

The ability to advance women's economic empowerment (WEE) will be shaped by the overall economic environment, and macroeconomic policies play a key role in this respect. This discussion paper

shows why macroeconomic policies need to be engendered. But to understand how macroeconomic policies impact women it is important to distinguish between different types of women workers: formal and informal; wage workers and self-employed; rural and urban. And to focus on women informal workers who represent the bulk of the female workforce worldwide.

Given the segmentation of informal labour markets by sex, sector, employment status, and place of work, conventional approaches to macroeconomic analysis, premised on a simple labour market (comprised of formal wage employment) will not suffice. Conventional approaches to gender analysis that do not consider differences between women by class, employment status and race and ethnicity, also will not suffice. New methods of empirical and policy analysis are needed that account for the intersectionality of gender, class, status in employment and race and ethnicity.

**The drive to achieve substantive gender equality means making rights real for women. Closing gender gaps in the world of work will be a powerful way to respect, protect, and fulfil women's human rights.**

# INTRODUCTION

At its core, the economic empowerment of women – to succeed and advance economically and to make and act on economic decisions – depends on the quantity and quality of paid employment, the provision or absence of public services, the amount of unpaid care work borne by women, as well as coverage or lack thereof under core social and labour protections. Macroeconomic policies are crucial enablers of gender equality as they shape the overall economic environment for advancing WEE. The channels include employment creation, the level of unpaid care required of women, and the size of fiscal space, which determines the resources available for governments to promote gender equality.<sup>1</sup>

As important as it is to advance progress on WEE, it is equally important to protect against reversals and rollbacks, especially in the context of economic and financial crises, which tend to hit women particularly hard, especially those in the informal economy. By promoting economic stability, macroeconomic and macroprudential policies have a key role to play safeguarding the progress already made.

How macroeconomic policies are designed and implemented will be significant determinants for accelerating WEE. This is especially crucial given the persistence and in some cases the widening of gender gaps in labour market outcomes. For instance, occupational segregation remains pervasive and resistant to change, even as countries develop economically, and is prevalent in both formal and informal employment. The consequences of such segregation are far-reaching, including for the quality of work that women can access, the valuation of their skills, and for maintaining pervasive gender gaps in pay and earnings.

Closing gender gaps in the economic domain will not only support progress towards achievement of

<sup>1</sup> UN Women (2015). *Progress of the World's Women: Transforming Economies, Realizing Rights*, New York.

many of the SDGs but it is also an essential condition for transitioning towards inclusive and sustainable growth. It is for these reasons that the first report of the High-Level Panel clearly states that governments “must adopt macroeconomic policies to boost short-term and long-term inclusive economic growth.”<sup>2</sup> In practice, this requires policies that both recognize and prioritize the creation of productive and decent jobs and support existing livelihoods in agriculture and the informal economy. It requires the provisioning of adequate, universal social protection over the life cycle, public investments in social and rural infrastructure, reductions of the burden of women’s unpaid care and domestic work, and maximizing and optimizing fiscal space through a tax regime that redresses inequality and provides sufficient public resources.

Reflecting the principle of ‘**leave no one behind**’ within Agenda 2030 also requires a focus on the most marginalized women and those facing intersecting discriminations based on class and work status as well as gender, ensuring that their voices are heard and acted upon within decision-making processes.

<sup>2</sup> UN, 2016, *Leave No One Behind: A Call to Action for Gender Equality and Women's Economic Empowerment*, Report of the United Nation's Secretary-General's High-Level Panel on Women's Economic Empowerment. New York.

# WOMEN'S ECONOMIC EMPOWERMENT AND MACROECONOMIC POLICIES

There are five key areas where macroeconomic policies currently constrain progress towards WEE.

## 1) Narrow Definition of the Goals of Macroeconomic Policy

The goals of macroeconomic (fiscal and monetary) policy are narrowly defined and typically focus on the expansion of economic growth. However, economic growth by itself is an insufficient condition for promoting WEE. Instead, the focus must be on the *pattern of growth* – ensuring that it is inclusive and sustainable. Since specific patterns of economic growth can build on, and reinforce, labour market and gender inequalities (such as occupational segregation, gender pay gaps, and the expansion of informal employment), giving narrow measures of economic growth primacy over broader policy objectives can undermine the necessary conditions for WEE. For instance, many governments pursue macroeconomic policies that promote a growth strategy that relies in part on gender wage gaps to boost competitiveness as women are disproportionately employed in labour-intensive, export-oriented activities. This type of a growth strategy reinforces gender hierarchies in employment and does little to combat perceptions and norms that regard women as less skilled secondary workers.

## 2) Gender Bias in Macroeconomic Analysis and Policymaking

Gender bias in macroeconomic analysis means that policies can fail to address the structural disadvantages faced by women. Take for instance, the failure to recognize or value unpaid care and domestic work carried out predominantly by women. This work is neither reflected, measured, nor valued in any macroeconomic indicator despite its direct policy consequences for WEE. For example, fiscal austerity policies adopted in many countries have cut public

funding on social services (including health services and child-care) and so increased the demands on unpaid care and domestic work. Since these hidden costs are not recognized, it is also not acknowledged that costs are being transferred from the public sector, usually onto women and girls. And when women cut back on their participation in employment or when girls dropout of school to respond to these demands, progress towards WEE is hindered. Excluding unpaid work from national accounting frameworks not only biases estimates of the total level of economic activity as captured by GDP, it also biases economic policy and planning.

## 3) Insufficient Focus on Employment Creation and Enhancement of Existing Livelihoods

Macroeconomic policies have insufficiently focused on employment creation or enhancing existing livelihoods, and this has limited progress in addressing gender disparities in labour markets. Jobless growth, the downsizing of the public sector and the privatization of public services all have had negative impacts on women's employment outcomes. These impacts women's concentration in informal employment, as self-employed street vendors, in low-end personal services, in labour-intensive manufacturing, often as sub-contracted industrial outworkers, as subsistence farmers or, seasonal agricultural workers, and as domestic workers.

Given the size of the informal economy, and the concentration of women workers in it, how macroeconomic policy impacts informal enterprises and workers should be incorporated into any analysis of the impact of macroeconomic policy on WEE. Omitting the informal economy means that the differential impact on – and responses by – the informal and the formal economy are not properly understood. This omission inevitably biases both macroeconomic analysis and subsequent

policymaking. It is also why the outcomes of policies for WEE can be suboptimal. Consider, for instance, the policy responses to economic crises. Since employment in the informal economy often expands during economic crises (as many laid-off formal workers take up informal activities) it is widely assumed that the informal economy fares relatively well during crises. Yet, the impact of reduced demand, fluctuating prices, and exchange rates on informal enterprises and their workers have rarely been studied.<sup>3</sup>

#### 4) Failure to Maximize Fiscal Space for Women's Economic Empowerment

Restrictive macroeconomic policy choices have meant limited fiscal space to sustainably finance labour market and social policies that support WEE. In many countries, macroeconomic strategies (including tax policy, government expenditure, and debt-management) have artificially reduced fiscal space, limiting the scope for countries to mobilize resources needed to finance such investments.

Realizing gains in gender equality requires a substantial stepping-up of public investment. In the first instance, this will require maximizing fiscal space since current budgetary allocations are insufficient to generate such outcomes. Studies indicate that in many countries the potential for expanding fiscal space is considerable. Fiscal expansions are more likely to be sustainable when spending finances investment rather than consumption since future government revenues are increased and borrowing can be repaid.<sup>4</sup> Investing in childcare and health is now widely recognized as “investment” as it generates long-term economic benefits by for instance, increasing women's paid employment. These investments will generate tax revenue in the future.

How revenues are raised will have important implications for WEE, especially when it comes to tax

policy. For instance, some tax policies contain explicit gender biases such as when men are automatically granted deductions for dependents whereas women are only allowed these in special circumstances. Another example is work-related tax exemptions disproportionately benefit men who are more likely to be in formal employment.

Tax policies can also hinder WEE if they do not consider the sectors of the economy where women are concentrated. For instance, for the informal self-employed to benefit from fiscal policy, it is important to consider which taxes they are liable to pay and whether they pay them and/or pay other taxes; how value-added tax (VAT) impacts the price of their supplies and finished goods; and whether they can claim commercial rebates on the VAT they pay.

Resources to invest in WEE can also be mobilized by reprioritizing public spending. Governments have often controlled budget deficits with cuts in public investment that disproportionately affect women.

#### 5) Absence of Women's Collective Voice in Economic Decision-making

Women's agency, voice, and participation in the decision-making and implementation of macroeconomic policy require their presence in decision-making. Moreover, holding policymakers to account requires forms of collective action that allow women to question current macroeconomic policies. Yet, women's voices and participation have largely been absent in economic decision-making circles. The rights to freedom of association and collective bargaining, however, are fundamental labour and human rights. These rights should apply to all workers seeking to organize in both the formal and informal economy. Organizing and strengthening the visibility, collective voice, and representation of women's organizations will allow women – especially informal workers – to voice their needs and demands more effectively, advocate for an enabling legal and policy environment, and enhance their bargaining power.

<sup>3</sup> Chen, M. (2017). Macroeconomic policy, informal employment and gender, Policy Brief. Cambridge: WIEGO Network.

<sup>4</sup> Roy, R. & A. Heuty (2009). *Fiscal Space: Policy Options for Financing Human Development*. London: Earthscan.

# TOWARDS GENDER-RESPONSIVE MACROECONOMIC POLICY

## Look Beyond Growth

Macroeconomic policies must look beyond economic growth and include a broader set of objectives to ensure that growth benefits women and men and includes access to decent work, enhances informal livelihoods, addresses unpaid care work, and ensures basic living standards. Such objectives will need to recognize the particular needs of marginalized women facing intersecting discriminations.

## Promote Decent Work Across the Spectrum of Formal and Informal Work

Increasing women's opportunities for quality, paid employment – i.e. decent work – and enhancing women's existing livelihoods is key for promoting WEE. Macroeconomic policy plays an important role in promoting an environment that encourages an improvement in the quality and quantity of jobs available, and enhances existing livelihoods of women working in the informal and agricultural sectors. Advancing WEE requires employment creation that includes measures to promote decent work by ensuring that necessary regulations (including core labour standards) are in place and by investing in and directing resources to sectors that most provide decent work for women. For instance, research by the International Trade Union Confederation (ITUC) shows the value of investing in social infrastructure as a self-sustaining way of creating decent work for women<sup>5</sup> and research by WIEGO<sup>6</sup> shows the value of investing in basic infrastructure and transport services as a way to enhance the productivity of women's informal enterprises.

5 International Trade Union Confederation (2016). Investing in the Care Economy: A Gender Analysis of Employment Stimulus in 7 OECD Countries, Brussels.

6 Chen, M. (2014). Home-Based Workers Sector Report: Informal Economy Monitoring Study, Cambridge: WIEGO.

## Use Monetary Policy to Channel Credit to Marginalized Women

Monetary policy can stimulate growth in labour-intensive sectors in manufacturing, agriculture, and services. Monetary policy influences the amount of credit created by the banking sector. How these resources are used – and the degree to which they support improvements in WEE – depends on how the financial sector is organized and regulated. Central banks have a key role in determining how the financial sector channels and allocates these resources and can promote WEE by for instance, directing resources to priority areas or sectors where women predominate. Banks can provide loans to small women-owned enterprises and self-employed workers or agricultural workers. The Reserve Bank of India, for instance, has a non-binding mandate requiring commercial banks to direct a certain percentage of their loan portfolio to employment-intensive sectors such as agriculture and micro/small enterprises. In Bangladesh, the central bank operates refinance programmes targeting small and medium enterprises and mandates that at least 15 per cent of loans be made to women entrepreneurs.<sup>7</sup>

## Remove Gender Bias in Policymaking

Gender biases in macroeconomic policymaking should be identified and removed, starting with a recognition of the central contribution of unpaid care and domestic work to the economy. In China, for example, women's participation in the labour force fell from 79 to 64 per cent between 1982 and 2014, due partially to cutbacks in government-supported

7 N. Bhattacharya (2012). Monetary Policy and Employment in Developing Asia, ILO Asia Pacific Working Paper Series, Bangkok.

childcare.<sup>8</sup> Macroeconomic policies, including taxation and budgetary spending, should be formulated recognizing the substantial and unrecognized knock-on effects for unpaid caregivers.

### Expand Fiscal Space

Expansion of fiscal space is a necessary condition for advancing WEE. Public investments in universal social protection, enabling the transition to decent work, the building of social infrastructure to address care work deficits, and the provision of basic infrastructure and transport services to the working poor are some of the key investments required to close gender gaps in labour markets and ensure the inclusivity of the growth process. Many countries can mobilize additional revenues, but how such revenues are raised will have important consequences for gender equality. In this context, gender audits of all departments, ex-ante gender assessments of policies, including those for the informal economy, and gender-responsive budgeting initiatives are all important tools.

### Reduce the Likelihood and Impact of Crises

Macroeconomic policies have a fundamental role to play mitigating an economy's vulnerability to crises and to minimize its exposure to systemic risks. For instance, the adoption of capital controls, or ensuring that adequate resources are available to finance social protection for vulnerable groups or funding

public employment programmes are some of the measures that can be adopted to minimize the gender-differentiated impacts of such shocks. Building longer-term economic resilience, however, requires even more policy instruments and macroeconomic surveillance. These include a range of capital flows management techniques that can respond to different types of trigger events, and a gradual and long-term expansion of social insurance and social protection as a necessary part of counter-cyclical response. It also requires managing volatile commodity food prices and instituting a robust set of macroprudential regulations to regulate a highly volatile financialized world.

### Strengthen Women's Agency, Voice and Participation in Macroeconomic Decision-making

Finally, democratizing macroeconomic decision-making by strengthening women's agency, voice and participation and by bringing the interests of the most vulnerable women into these political bodies will be key to achieving WEE.<sup>9</sup> Measures that promote democratization include improving the transparency and accountability of institutions that develop and implement macroeconomic policy; ensuring that information regarding budgets, tax policy, monetary policy, and macro policy is readily available and accessible; and strengthening the capacity of civil society and women's organizations to engage with macroeconomic policy through initiatives such as informal economy budgeting and gender-responsive budgeting.

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