What's macroeconomic policy got to do with gender inequality? Evidence from Asia

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Introduction

The World Bank's focus on gender inequality and constraints faced by women in its flagship report, the *World Development Report 2012*, comes as a much-welcomed contribution to the scholarly and policy discourse on gender and development. Moreover, extensive efforts to disseminate the well-researched report across developing and industrialized regions is bound to give gender equality and women's welfare some much needed attention from mainstream scholars and government officials who otherwise marginalize such issues. This comprehensive volume of gender-aware research and policy discussion suggests that the goal of gender integration in development policy, pursued by scholars and practitioners since the early 1970s, is now realized at the level of a premier international financial institution.

The report's concern with gender inequality stems from the World Bank's recognition that gender equality can promote economic growth and is a worthy goal to pursue for both intrinsic and economic reasons. In the era of smart phones, smart cards, smart cars, and smart government programs, it is no surprise that the World Bank adopts the catchy phrase 'gender-smart' to highlight the economy-wide gains to be had from reducing gender inequities. That is, the potential productivity gains achieved by closing gender gaps will boost economic growth. Yet the report has emphasized some messages – especially those focused on the benefits of growth and the importance of micro-oriented policy reforms to address persistent inequities – at the expense of others, especially the complicit role of macroeconomic policy in aggravating gender inequalities in the market and in the home. The remainder of this essay gives greater prominence to these overlooked messages using evidence from Asia, a region known for gender inequities in health, assets, income, and unpaid work that have persisted despite several decades of export oriented growth.

Links between gender inequality and macroeconomic policy

The Achilles heel of the report is the silence on macroeconomic policy. The report primarily adopts a microeconomic framework whereby households, markets, and institutions are implicated in perpetuating or undermining gender inequality. Yet a substantial body of literature has pointed to the detrimental impacts of neoliberal macroeconomic policies on gender equality and overall wellbeing. These policies, enforced by the World Bank and the International Monetary Fund through their stabilization and structural adjustment packages, have fueled globalization since the early 1980s. The report largely credits trade openness, technological change, and faster dissemination of information as contributors to globalization. However, hand-in-hand with these processes have come liberalization of financial flows and foreign direct investment, cuts in public budgets, and privatization of public services. By taking away the spotlight from these neoliberal macroeconomic reforms, the report ignores the role they play as a force in globalization and in perpetuating gender inequalities. Indeed, the report views globalization primarily as a positive development, with the unfortunate exception that some groups, mostly women, are left behind. The report's solution then is to promote gender equity policies, making sure that women and girls catch up, rather than revisit the macroeconomic policies that generate adverse effects.

This approach is not a new way of framing the problem by the World Bank (Elson and Çağatay, 2000). Accordingly, the problem of gender inequality is tasked to social policies – separate from the macroeconomic policy fundamentals – and the standard macroeconomic policy prescriptions are insulated from critique. The report's silence on macroeconomic policies is especially noticeable in the policy prescriptions, where most of the priority areas for public action require financial support. Financing of public programs appears contingent on foreign aid and loans, sources that are at best fickle and at worst harmful in exacerbating country indebtedness and conditionality. Rather than examine the roles of monetary and fiscal policy in affecting gender outcomes, the report's proposals on financing focus on microeconomic aspects, especially women's access to credit and women's job opportunities in finance and business.

The shrinking public budgets and increased privatization resulting from neoliberal reforms since the early 1980s have placed enormous pressures on education and healthcare in countries around the world. The *World Development Report 2012* appears to be calling for a change in policy direction, with statements such as 'It is time to reverse that trend' (p. 363). For example, the report calls for public investments in providing access to safe drinking water in order to promote public health, emphasizing the public goods justification for such investment. It also calls for greater public investment in maternal healthcare services in order to reduce maternal mortality. This emphasis on allocating more government spending toward infrastructure, healthcare, and other social services is a welcome shift in the pendulum, but one that disengages from the World Bank's responsibility for putting pressure on developing country governments to privatize services and adhere to fiscal austerity during the past three decades. Empirical evidence from Asia, Latin America, and Africa shows that privatization of water services, for example, did not result in greater efficiency compared to provision by public utilities. In low-income countries, particularly those in Africa, privatization actually contributed to coverage gaps for the majority of low-income households (Estache and Rossi, 2002; Kirkpatrick et al., 2006). It does not take a major leap of imagination to deduce that these policies contributed to more difficult access to clean water and to increased time burdens for women, often without the hoped for cost-recovery for companies. While the report calls for reprioritizing government budgets, it also recognizes that, especially in low income countries, substantial resources will be required to deliver clean water and sanitation and better health services to all. Individual governments are likely to have difficulty generating large increases in resources. Consistent with the emerging international consensus as represented in the World Health Organization (2010), the report envisions the international development community and the private sector to step in to fill funding gaps. Whether there is anything innovative in the World Bank's new policy direction and whether it prevents a repeat record of the past three decades has yet to be seen.

Gender and macroeconomics in Asia

The report's silence on macroeconomic policies manifests itself in gaps in the coverage of research on gender and macroeconomics. While the report makes references to some of these studies, it does not engage with the content or highlight their results in its key messages. Much of this literature on gender and macroeconomics is focused on Asian economic development. For example, East Asia figures large in gender-aware studies on export oriented growth, a strategy championed by the World Bank. The report overlooks evidence on the contribution of gender wage gaps to comparative advantage in labor-intensive manufacturing (Busse and Spielmann, 2006; Seguino, 2000). In particular, relatively low wages for women played an important role in generating foreign exchange earnings from manufactured exports, which promoted economic growth and enabled East Asian economies to move up the industrial ladder. That gender inequalities can be instrumental in achieving competitiveness in some sectors is not given serious consideration. Instead, the main point emphasized by the report is that gender inequality has become harmful for most countries in this globalized marketplace due to inefficient use of women's human resources.

The report envisions that when companies and governments realize that discrimination is costly, this will accelerate an enlightened move toward gender equality that will unleash those efficiencies to help countries compete (p. 264). Asia actually figures large in empirical tests of this idea that labor market discrimination does not survive competitive markets, with several studies rejecting the prediction. In particular, a cross-country analysis for 1983–1999 failed to provide support for the equalizing effects of trade competition on gender wage gaps in low- and lower-middle-income countries (Oostendorp, 2009). Moreover, in India from 1983 to 2004 and in East Asia from 1980 to 1999, increasing trade competition was associated with widening gender wage gaps, even after controlling for workers' productivity characteristics (Berik et al., 2004; Menon and Rodgers, 2009). Yet by referencing mixed evidence, the report is ambiguous on the impact of trade liberalization on gender wage gaps.

For many developing countries, the emphasis on exports has meant staking a claim to the low-wage niche as the only way to maintain competitiveness in the world market. By reassuring readers that women's wages in export sectors are higher than wages in alternative jobs, the report downplays the ramifications of firms using women's relatively low wages to keep their labor costs in check. This line of reasoning appears to have become the standard response to concerns about gender wage inequality or low wages in manufactured export sectors. However, this argument leaves improving working conditions to the unfettered market – to consumer pressure on companies that source from developing country suppliers, coupled with voluntary self-monitoring through corporate social responsibility. Moreover, this line of reasoning assumes that existing trade agreements and international conventions provide adequate pressure on countries to enforce their legal obligations on labor conditions (pp. 266–267). This argument also turns a blind eye to the routine suspension of labor rights in export processing zones in violation of signatory countries' obligations to adhere to core labor standards in the International Labor Organization conventions.

The absence of a macroeconomic lens also means that the report does not address the wide-ranging gender implications of China's major transition to a market-oriented economy since 1978. The report's China analysis focuses almost exclusively on missing girls, a tragic outcome of China's population policy. Despite the uniqueness of China's transition and its more gender egalitarian starting point, China's market reforms, especially since 1992, contributed to relative disadvantages for women that are similar to those elsewhere when neoliberal policies are implemented (Berik et al., 2009). Nor does the report consider the effects of China's tremendous export growth on the prospects of low-income countries to compete in world markets and their capacity to provide decent jobs in their export sectors.

The report's account of 'What's happened' to gender equality under globalization is further incomplete with its scant attention paid to the job destruction and displacement wrought by trade liberalization in manufacturing and agriculture. There is no word of the havoc wreaked by agricultural trade liberalization on the livelihoods of small farmers (Tran-Nguyen and Beviglia-Zampetti, 2004). Closely related, the report views technological changes as only a positive force, disregarding the job displacement that women can experience when technological change makes traditional female jobs redundant and there are barriers to training for new jobs. For example, the adoption of new rice-husking equipment in India’s food processing industry and new technologies in India’s textiles and garment industry led to job losses for women (Jhabvala and Sinha, 2002). In typical mainstream economics fashion that minimizes adjustment costs, the report seems to have moved on to a world of jobs in information and communications technology, mostly in services, where opportunities are to be expanded for women workers and entrepreneurs. It seems the displaced and the redundant can be trusted to smoothly reallocate themselves to pursue opportunities elsewhere – in export farms, in urban areas, or in other countries. The report also fails to connect the dots between trade liberalization and other macroeconomic policies that generate surplus labor globally and the difficulties in achieving wage growth and better working conditions.

The report’s coverage of the Asian financial crisis is similarly ambiguous and incomplete. The report uses the term ‘external shocks’ to discuss diverse sources of adverse effects – ranging from the Indian Ocean Tsunami of 2004 to Russia’s transition to market economy to the Asian financial crisis – and the potential reversals these shocks could generate on the path to gender equality (pp. 85–87). This framework of assorted external shocks is not conducive to focusing on how financial deregulation, as promoted by the neoclassical economics paradigm, has made middle-income economies more vulnerable to economic instability. The limited discussion of the 1997 and 2007 financial crises begins and ends on a rather inconclusive note: whether women or men are more adversely affected depends on the sectors of employment, the country, and the metric of analysis. Moreover, the report’s welcomed focus on women’s relatively high unpaid work burdens as a binding constraint is not linked with the discussion of economic crisis. Yet a common coping mechanism observed during times of economic crisis is additional unpaid work for women at home (Singh and Zammit, 2000; Stotsky, 2006). Evidence from the Asian financial crisis of 1997–1998 indicates that women’s wages fell and their labor market hours rose, without any relief from domestic based obligations (Aslanbeigui and Summerfield, 2000; Lim, 2000). Strikingly, in Korea, subsequent job market recovery was characterized by increasing wage discrimination against women in the context of greater casualization of employment for both women and men (Kim and Voos, 2007).

Closing remarks

It is unfortunate that the labor market impacts of globalization and macroeconomic reforms do not make it into the report’s highlighted messages. In particular, the report’s ‘global agenda for greater gender equality’ does not include employment segregation, wages, wage inequalities, and working conditions among the priorities. Almost all of the priority areas are related to education and health, which are of course vitally important. Yet without generation of employment opportunities that actually support decent livelihoods, pursuing policy priorities such as providing increased access to childcare services will be insufficient to promote gender-equitable well-being. With no word on reforming the current macroeconomic policy regime or the need for industrial policy, the report has left employment generation to the devices of the market. In such a macroeconomic framework, if successful, public action to improve the quality of labor is likely to increase the educated unemployed and erode the returns to skilled labor, which would be inconsistent with efforts to close gender educational gaps and wage gaps. Thus, while the *World Development Report 2012* signifies the successful gender mainstreaming of development, it does so in a partial manner that does not address lingering problems caused by long-term restrictive macroeconomic policies, which have contributed to economic conditions that make it difficult for women to thrive. In order to achieve the priorities set in the report and carry out work around ‘gender equality is smart economics,’ the World Bank will have to approach gender-equitable well-being with a broader lens that includes macroeconomic policies.

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