Chapter 3
Liberalization, labour markets and women's gains: A mixed picture

Women's ability to achieve parity in well-being with men depends on the type of macroeconomic policies and development strategies undertaken. This is because women's and men's capabilities, and their access to resources such as time, land and credit, differ. Those differing starting points influence women's ability to generate income and obtain social insurance. Macroeconomic policies are mediated through a system of gendered job segregation: an important factor, even where there is an otherwise level playing field between women and men in terms of qualifications, skills and control over assets. While there is some variation in country-specific conditions, job segregation between paid and unpaid labour, and within paid labour markets—by occupation as well as industry—continues to be globally pervasive, a tendency that has shown little sign of abating.[1]

There are differences in women's and men's capabilities and possibilities for generating a livelihood, resulting from differential treatment in important markets such as labour, land and credit. The ability of macroeconomic policies to promote gender equality thus depends first on the degree to which economic growth is enhanced, and second, on the gender distributional effects of growth: via public expenditure, through intrafamily/household resource distribution, and through various markets.

This chapter considers the pathways by which liberalization policies produce gendered outcomes, emphasizing measurable labour market changes. This focus is in part due to the emphasis that globalization proponents place on the beneficial effects of liberalization on women's employment and income. The evidence presented questions the validity of this claim.

Of course, women's livelihoods, especially in developing countries, are affected more broadly than merely through employment. Liberalization policies affect agriculturally based economies via the impact on the types of goods a country produces, the extension and reach of markets (through commercialization), and the degree of integration with the international economy. As a consequence, women's ability to provide for their families in the agricultural sector, either through subsistence production or through production of cash crops for domestic markets and commodities for export, is deeply affected by liberalization policies. Further, such policies have an impact on the degree of informalization of work. These issues are elaborated in greater detail in section 2 of this report.

LIBERALIZED TRADE AND INVESTMENT FLOWS

Employment effects

Trade and investment flows have increased in recent years, as noted in the previous chapter, whether this is a result of neoliberal policies or of state-guided efforts to promote an outward orientation in the economy. Changes in these policies can have important employment effects, which are gendered due to labour market segmentation.

Proponents argue that liberalization of trade in particular is a gender-equalizing strategy. More flexible exchange rate policies and lowering trade barriers (that is, reducing quotas and tariffs) permit countries to expand exports of goods they can produce most cheaply, stimulating export demand. Countries are also able to import cheaper intermediate and capital goods, potentially reducing the costs of production and raising productivity. For developing countries, trade liberalization is expected to stimulate foreign demand for labour-intensive manufactured goods and high-value agricultural export crops (HVAE). With firms pressured to hire least-cost labour as a result of international competition, women's relatively lower wages make them an attractive source of labour, and this should give rise to increased female employment.

The liberalization of foreign direct investment (FDI), it is argued, should also improve women's access to paid work. FDI acts as foreign savings that stimulate investment above what would be possible if countries had only domestic sources of saving and investment to rely on. FDI should therefore act as an employment generator. Women in developing countries are likely to benefit differentially, since FDI to those countries is often directed to labour-intensive industries that seek out low-cost production sites. FDI-induced employment growth may also result in women's indirect employment by multinational enterprises (MNEs). They may, for example, work for local firms that are subcontractors for larger offshore corporations, with local employment dependent upon contracts from MNEs.

Some evidence exists to suggest that over the last three decades, women's employment and share of paid employment have risen as a result of liberalized FDI and trade. It is increasingly difficult however to distinguish the gender effects of trade liberalization from those of investment liberalization, since the two partly coincide, sometimes because MNEs that employ women are largely concentrated in the production of low-cost exports. Quite similar gendered employment trends are observed across diverse regions and countries, and by level of per capita income. This has led to the notion that employment

Box 3.1 High tech and high heels in the global economy: Women, work and pink-collar identities

In the early 1990s, Barbados saw a sharp increase in female employment in the informatics industry. Women employed in these jobs perform work until recently unheard of on this small island in the eastern Caribbean, representing vast changes in labour patterns and technology use in the global arena. As offshore data processors, they are linked with service workers in such disparate places as Ireland, the Dominican Republic, Jamaica, Mauritius, and the United States, as the informatics age signals intensification of transnational production and consumption of labour, capital, goods, services and styles.

This (pink-collar) work is gendered not only because it recruits women workers almost exclusively, but also because the work process itself is imbued with notions of appropriate femininity, which include a quiet responsible demeanour along with meticulous attention to detail and a quick and accurate keyboard technique.

Globally, the new pink-collar informatics worker represents both a reconfiguration and a cheapening of white-collar service work. What was once considered skilled information-based computer work can now be performed offshore without compromising the product or the speed with which it is produced.

The pay received for such work is sometimes less than could be earned in the cane fields, but the clean office atmosphere is attractive to women. Despite the image of prosperity and professionalism portrayed by pink-collar workers, a street scene between Christine, an informatics worker, and her former boyfriend Paul tells a different story. As the worker emerged from the building with her friends, Paul began shouting and motioning wildly for everyone around to look closely. 'You see she? You see she?' he exclaimed. 'Don' mind she dress so. When Friday come, she only carryin' home 98 dollar.' What this outburst conveyed was, 'In case you people might mistake her for a middle-class woman with a good office job, let me tell you, she is really just a village girl with a factory wage.' By exposing the reality of Christine's meagre wage in contrast to her impressive appearance, the disgruntled former boyfriend threatened to undermine a powerful image conscientiously created and enforced by women workers and the informatics industry that employs them.

Source: Freeman 2000.

has become "feminized" or female-intensive in the developing world, induced by a shift to an outward orientation. The trend extends to the service sector, and encompasses a diverse set of jobs, including tourism, informatics and data processing, all of which generate foreign exchange. Service-sector employment—at least, in the sense of office jobs—is sometimes viewed as more desirable than manufacturing jobs since these jobs are seen to have higher status. They may not, however, provide significantly more in terms of pay and security (see box 3.1).

Female employment in the agricultural sector, where trade liberalization has created seasonal employment in the area of agricultural exports, has also risen.[2] In the case of Chilean and South African export grape industries, for example, women are the preferred source of temporary labour and hold a small share of permanent jobs. This phenomenon is visible in a number of sub-Saharan countries. Such work opportunities can be viewed as a means for women to diversify their income sources, but livelihoods earned under these conditions are inherently precarious, a topic that is covered in greater deal in chapter 6.

The quality of employment

The benefits of employment resulting from trade and FDI liberalization depend on a variety of factors, including wages (discussed in the next section), the conditions of work, and the security of work. Using these criteria, the benefits of trade and FDI for gender employment equality are questionable. In part, this is because those jobs that women can find lack stability to a greater extent than jobs in male-dominated sectors. Data suggest, for example, that women's employment gains are not always permanent. Declines in the female share of paid employment are evident in the manufacturing sector of a diverse set of countries. In some cases, it appears that as developing countries "mature" industrially, shedding labour-intensive manufacturing jobs, women lose employment in declining industries but face difficulty in obtaining slots in the more capital-intensive manufacturing industries. This is particularly evident in the first-tier East Asian economies, such as Taiwan Province of China, Singapore, Hong Kong (SAR China), and Republic of Korea (table 3.1).[3] In those cases, as wages rose and lower-wage sites emerged, firms relocated labour-intensive operations to Southeast Asian countries as well as Central America. In some of these countries, declines in the female share of manufacturing employment are in part due to competition from even lower-wage sites (such as China), underscoring the precariousness of employment in labour-intensive export-oriented industries.

Table 3.1 Female share of paid employment in manufacturing, selected Asian economies (1991-2000)

	1991 (%)	2000 (%)	Percentage point change
China	42 (1)	46	+4
Hong Kong (SAR China) (3)	47	43	–4
Korea, Rep. of	41 (2)	36	–5
Singapore	45	41 (3)	–4
Taiwan, Prov. of China	45	42	–3
Thailand (4)	50	49	–1

Notes: (1) Data for 1990; (2) Data for 1992; (3) Data for 1999; (4) Data refer to total employment in manufacturing.
Source: Data are from ILO 2004b except for Taiwan Prov. of China, which are from Directorate General of Budget and Statistics 2003, and China, which are from National Bureau of Statistics 2004.

In a number of African countries, female employment in manufacturing has declined as a result of import competition from cheap manufactured goods from other developing countries—the other side of trade liberalization. The decline of textile manufacturing in Zimbabwe and Tanzania, for example, resulted in employment losses in female-dominated industries, due to the flood of cheaper imports from Asia after tariffs were reduced. Similar trends were evident in Côte d'Ivoire, Nigeria, Kenya, Ghana and South Africa.[4] In many developed countries, too, increased trade has led to a disproportionate loss of female employment in many industries with large concentrations of women (textiles, wearing apparel, footwear and leather goods).[5]

The precariousness of female jobs resulting from FDI in labour-intensive industries, and also through subcontracting, is linked to firm mobility. Firms in these sectors have an easier time shifting production to other locations to meet their profit targets than do firms in more capital-intensive industries. Men, on the other hand, are more intensively hired in MNEs which tend to generate more stable employment, due to the sunk costs of training in capital and skill-intensive industries. Layoffs thus tend to be less likely.

The attractiveness of women as workers in labour-intensive export industries, whether they be domestically or foreign-owned, is related to the ease of shedding these workers, based in part on gender norms that relegate women's paid work to secondary importance after their domestic and care responsibilities. This neatly fits with the desire of employers to reduce labour costs by also shifting the burden of uncertainty over product demand to workers, whose conditions of employment are increasingly flexible and intermittent. The flexibility of employment is more accentuated the more labour-intensive the industry. This is feasible because less investment in worker training is needed in such industries. Competitive pressures amongst firms to lower costs in the context of an increasing number of suppliers vying for access to developed country markets (such as those from China, and Mexico since the North Atlantic Free Trade Agreement (NAFTA)) also mean that firms have little incentive to train workers to upgrade their skills. Workers are thus seen primarily as a cost, rather than an asset. Their job trajectory in such firms is often short and precarious, with little chance for movement up the job ladder or acquisition of such skills as would enable them to move to more secure employment in other sectors. These are in other words dead-end jobs.

There is thus a coincidence between gender roles, job segregation by industry, and firm needs in a competitive international environment. The segregation of men and women into different types of jobs, due to gender norms that reserve higher-paying more stable work for men, suggests that FDI and trade liberalization may reinforce the tendency toward job segregation. Indeed, as noted, there is little evidence of a decline in job segregation by gender with liberalization.

The work conditions in the jobs women can obtain also place in question whether such employment is gender-enabling. In cases where women have gained formal-sector export jobs, such as in East Asia, for example, the conditions of work are often harsh, hazardous, and in some cases women work longer hours than men employed in non-tradable industries. Whether they are directly employed by MNEs or employed by local firms hired as subcontractors to larger firms in global commodity chains, female workers in the export sector have little bargaining power for better work conditions, partly because of the mobility of firms. Thus demands for better work conditions, shorter hours or more secure employment can lead firms to relocate or outsource to cheaper production sites, causing job losses. Because women are concentrated in such jobs, they face greater challenges than men in improving their conditions of work.

Even where beneficial employment effects are noted, such as the increase in female garment-sector employment in Bangladesh, competition between low-wage countries makes workers vulnerable if lower-cost producers emerge. In Bangladesh, for example, job opportunities are expected to diminish in the near future due to the planned phase-out of the Multi-Fibre Agreement (MFA) in 2005. That agreement had defined quotas for textile imports to developed economies. A number of countries with guaranteed access to developed country markets can expect to be squeezed out by lower-cost producers with well-developed textile industries, for example China.[6] In other words, a redistribution of global garment employment among developing countries is anticipated, with countries with the lowest unit labour costs being well positioned to gain. This highlights the problem of a growth strategy predicated on exports to developed-country markets. Export-oriented growth based on labour-intensive goods is difficult to sustain in the context of competition from many other low-cost producers. This is exacerbated by overproduction in the face of insufficient demand for goods from developed countries, due to slow growth. Given women's concentration in the production of such goods, the limits to employment and wage growth are evident, as are the constraints on achieving gender equity via this growth strategy.

In sum, there are clearly beneficial effects of globalization via women's increased access to employment. In some cases, pay and conditions are better in formal export sector jobs than in domestic enterprises and the informal economy.[7] This gain is not to be underestimated. Women who have taken up such employment, particularly in the more patriarchal societies, tell poignant stories of their increased ability to provide for their families and children. These are frequently short-term gains, however, as a result of the precariousness of such work. Further, it should be born in mind when evaluating the gender effects of globalization that women so employed are only one segment of the global commodity chain. These outcomes must be compared with those of the larger segment of "invisible" workers in home-based production, many of whom work under terms and conditions far inferior to those in formal-sector jobs. Indeed, there is evidence of an accelerated move to informalize many formerly formal-sector jobs since the Asian financial crisis.[8]

There are other concerns that should be borne in mind. Although such employment can raise women's absolute status, and can provide some escape from oppressive patriarchal relations, the potential to erode unequal gender relations is limited. Overcoming patriarchal structures of power, including social norms that result in gender inequality, requires sustained improvements in female livelihoods and the stability of those livelihoods. Such income-generating opportunities as have been created through globalization do not meet that criterion, since the jobs many women can get are insecure and often dead-end. That is, they do not provide a ladder to higher-paying and more prestigious types of employment. To attain equity requires an approach that generates access to livelihoods that are stable, and that provide a clear mechanism for increasing female incomes. The strategy of globalization in and of itself would not seem to yield the requisite conditions.

Gender wage gap effects

According to advocates, trade and investment liberalization should lead to improved wage prospects for women, and a narrowing of the gender wage gap as women's wages are bid up more rapidly than men's. This will occur if women's job opportunities expand relatively more rapidly than men's, and if women are in a position to translate increasingly tight female labour markets into higher wages. This should produce spillover effects onto wages in other sectors, since higher manufacturing wages set a floor beneath which female wages would not fall. Thus, theoretically women employed in all sectors of the economy should benefit, including those in less formal types of employment. FDI is also often thought to raise wages, both by stimulating employment growth and because it is often argued that foreign firms pay higher wages than local firms, thus pushing average wages higher. Some thus claim that female wages will benefit from liberalized FDI. Of course, women's relative wages can also rise as they attain higher levels of education, or due to changes in wage-setting institutions that affect wage bargaining.

But as noted above, there are a number of counteracting factors that reduce women's ability to bargain for higher wages. First, the process of "crowding" women into some sectors of the labour market, particularly the labour-intensive export-oriented parts, artificially induces an "oversupply" of female labour for these jobs. Second, in these industries there is intense pressure to keep costs low, and firms can relocate relatively easily. The result is that employment conditions make it structurally difficult to raise women's wages and to close gender wage gaps.

Nevertheless, simple wage ratios (average female wages as a percentage of average male wages) indicate that wage gaps have narrowed in a number of developing countries. The most extensive internationally comparable data are for the manufacturing sector and, as the data in table 3.2 show, the ratio of female to male wages has risen in a number of developing countries. This data is likely to overstate this ratio, since labour surveys that generate these data are often limited to firms of five or more workers. Thus women who work in small enterprises that subcontract are excluded from surveys, and their wages tend to be much lower than those of women working in larger firms. Nevertheless on the basis of this information, declines are evident in some Latin American countries as well as in Hong Kong (SAR China).[9] A central question is to what degree these trends are attributable to trade and investment liberalization, rather than to other factors that influence wages, such as increased female educational attainment relative to men.

Table 3.2 Female to male manufacturing wage ratios (in percentages), selected countries (1990–1999)

	1990	1995	1999
Africa			
Egypt	67.9	73.6	75.2
Kenya	73.3	92.8	-
Swaziland	87.7	86.6	62.8 (1)
Latin America			
Brazil	53.6	56.9	61.7
Costa Rica	74.3	70.9	73.1
El Salvador	94.1	96.6	62.0
Mexico	-	68.7	69.7
Panama	-	-	93.2
Paraguay	66.5	79.5	54.6
Asia			
Cyprus	57.6	60.1	54.2
Hong Kong (SAR China) (2)	69.5	60.9	57.3
Korea, Rep. of	50.3	54.1	55.6
Malaysia	50.1	57.9	62.9 (1)
Philippines	-	74.3	79.9
Thailand	-	61.6	64.8

Notes: The female to male wage ratios are calculated as the ratio of the average female manufacturing wage (across all subindustries, such as textiles, electronics and shipbuilding, and all occupations), relative to the average male wage, similarly measured. The ratio can vary because women are paid less than men in the same occupation and industry, but also because women's employment is concentrated in substantially different occupations and industries than men, with consequent effects on wages. Thus, job segregation, education or other productivity-related factors, or simple discrimination can influence wage ratios. None of this is reflected in the raw gender wage ratio.
(1) 1997.
(2) Non-agricultural wages.

Source: Calculated from ILO 2004b.

Explaining gender wage gaps

In order to isolate the effects of trade and FDI liberalization, numerous studies have carefully controlled for alternative factors that might affect female and male wages. Several have found that increasing international trade (measured as export orientation) tends to widen gender wage gaps.[10] It is particularly interesting that these negative effects are evident in several rapidly growing East Asian economies. This implies that although increased female education relative to men's could potentially lead to a narrowing gender wage gap, the downward pressure on female wages—resulting from women's lower bargaining power under trade and investment liberalization—works in the opposite direction, thus expanding the gender wage gap. The downward pressure of liberalization on female relative wages is often construed as discriminatory: women fail to be paid a wage commensurate to their productivity.

Examples from Asia are illustrative. One study of Taiwan Province of China and the Republic of Korea found an inverse relationship between trade shares (the ratio of imports and exports to GDP) and the ratio of female to male wages, adjusted to take account of gendered skill differences.[11] In China, the data indicate that inequality between men's and women's wages increased.[12] The proportion of the gap between male and female wages that is unexplained by skill differences is larger in the most deregulated sectors of the economy, and smallest in the least deregulated (the public sector).[13] Thus the private sector shows evidence of greater wage discrimination against women than the public sector. In Viet Nam, there has been only a slight change in the economy-wide gender wage gap. An increased return to skills has helped women, but there is a larger negative effect of discrimination that holds down women's wages.[14]

As the data in table 3.2 show, wage gaps appear to have increased in some Latin American countries as well as in Hong Kong (SAR China). In a number of cases both male and female wages declined, but the decrease in women's wages was greater, partly because of their concentration in the hard-hit apparel sector.[15] In Uruguay, an otherwise gender-equitable economy with a fair macroeconomic performance in the 1980s and 1990s, gender gaps have narrowed, although this is primarily due to declining wages for men rather than rising wages for women. Statistical analysis shows the portion of the wage gap that is due to discrimination has risen in Uruguay, and that gender gaps are wider in the private than the public sector. In Chile also, while the economy-wide gender wage ratio has improved, the portion of the wage gap attributable to discrimination has increased.[16] By way of contrast, in Brazil there is evidence of a decline in the discriminatory component of the gender wage gap in the 1990s, although in part this was the result of a decline in male wages resulting from stringent austerity policies.[17] Brazil is also much less export-dependent than many of the Asian economies, and thus the pressures to hold down female wages may be attenuated.

With regard to FDI, there is little evidence that investment liberalization can contribute to narrowing of gender wage gaps. One study showed that the positive effect of FDI on the wages of both men and women ended in the late 1980s when capital became more mobile.[18] A number of more recent studies show a negative effect of capital mobility on wages due to the "threat effect" of firm mobility, and among those, several indicate that FDI has widened the gender wage gap.[19] In Taiwan Province of China, which witnessed rapid growth of female employment in the 1970s and 1980s, FDI rules were later liberalized. The resulting shift abroad of labour-intensive industries caused a fall in relative female wages. This stands in contrast to the Republic of Korea's experience. There, FDI rules remained rigid for a longer period of time, with consequent immobility of firms and a continued narrowing of the gender wage gaps.

Another example of the negative effects of FDI on gender wage gaps is Mexico where, in the period 2001–2, there was a massive relocation of "maquila" firms mainly to China, with the loss of 160,000 jobs in labour-intensive industries. Wage differentials between China and Mexico were one of the major considerations in this shift, and these pressures may explain the widening gender wage gap that has emerged in Mexico.[20]

Firm mobility also makes it easier for firms to appropriate the gains of productivity growth, thus making the distribution of income between capital and labour more unequal. In the case of Bangladesh's female-dominated garment industry, profit margins increased from 13 per cent to 24 per cent in the early 1990s as productivity rose, with the wage share of value-added falling, which signifies women's lack of bargaining power vis-à-vis employers.[21]

As is evident from this discussion, trade and investment liberalization are two differing but complementary aspects of the current period of globalization, although most studies analyse their effects separately. What is clear, however, is that the employment and wage effects of globalization imply a tendency for greater inclusion of women in the paid economy but under exploitative conditions, related to the intense competition amongst countries for labour-intensive export market share. Not surprisingly, there is evidence that the growth of exports of labour-intensive goods and economic growth has been most rapid in those countries that have the widest gender wage gaps.[22] It is particularly significant that even in some of the most rapidly growing Asian economies, the discriminatory portions of wage gaps have not been reduced during this era of globalization. Indeed, part of the success of the East Asian "tigers" can be attributed to such gaps.[23]

The benefits of women's increased access to paid work are thus attenuated by the insecurity of such jobs and the limited power women possess in the jobs into which they are segregated to demand higher wages and better working conditions. While some women may experience improved bargaining power at home, as a result of their improved status as wage earners, for others, the insecurity and low wages do not translate into improved ability to renegotiate the distribution of labour and resources in the household.[24]

SLOW GROWTH AND ECONOMIC VOLATILITY EFFECTS

While rapidly growing economies have witnessed an increase in female employment and thus women's inclusion in the paid economy, there are also gendered implications in slow-growing economies, with women often at the back of the job queue. Slow growth has been linked to deflationary macroeconomic policies. These include monetary policy designed to rein in aggregate spending as a means to control inflation; cuts in public-sector spending to reduce budget deficits (which are perceived as inflationary); and increases in interest rates. In all cases, a major goal is to establish credibility with financial markets in order to attract financial capital, which is interested in receiving high rates of return on investment.

There is the danger, however, that the goal of attracting financial capital can come into conflict with development objectives, due to the negative effect such policies have on aggregate demand and GDP growth. There is some evidence that the deflationary bias of these policies outweighs the possible benefits of lower inflation, financial liberalization, and low public-sector deficits. Further, financial liberalization tends to contribute to the volatility of capital inflows and outflows, which may amplify the ups and downs of the business cycle. The financial crises that have occurred over the past decade in Mexico, Asia, Russia, Brazil, Turkey and Argentina, with contagion effects on countries not initially implicated in the crises, have been linked to such volatility.

Gendered effects of deflationary macroeconomic policies

The deflationary bias in macroeconomic policy has direct implications for progress towards gender equality. The evidence from diverse regions is that slow growth and recessions have more serious negative effects on women than men.

In the Caribbean region, for example, which began liberalizing in the late 1970s, growth rates have been inadequate to provide sufficient employment. As a result, despite women's high levels of education and the attractiveness of lower-cost female labour in export-intensive small open economies, women continue to face greater exclusion from employment than men.[25] In most countries of the region, female unemployment rates exceed those of men, and in some cases they are almost double.

In Latin America, unemployment rose steadily in the 1990s, even though GDP growth rates improved.[26] With regard to Uruguay, there is clear evidence of gender effects. The onset of inflation and crisis after the adoption of liberalization policies led to the emergence of unemployment as a significant problem, and the negative effect on women was greater than on men. Women's unemployment rate almost doubled between the early 1970s and the 1980s, while men's increased by half that amount. The gender effects of slow growth are masked when those who cannot find work take up self-employment or wage work in the informal economy, a phenomenon that affects women in particular, given that they constitute a higher share of informal-sector work despite their much lower share of the labour force. This trend is evident in Latin America (as elsewhere); the decline in formal-sector employment has been paralleled by the spread of informal employment.[27]

In the transition economies, which formerly had high rates of female labour force participation, recent slow or negative rates of growth have resulted in particularly adverse implications for women. In Central Europe, for example, female labour-force participation rates have fallen absolutely, and in some countries, more than men's. For example, in Hungary from 1990 to 2001, men's participation rates declined 16 percentage points, compared with women's decline of 23.5 percentage points. Unemployment rates for women exceed those of men by several percentage points in the Czech Republic and Poland, although not in Hungary. In the latter case, the female unemployment rate may be artificially low since women have withdrawn from the labour force by a greater margin than men (see chapter 5).[28] Even in developed economies, and in particular in Western Europe, slow growth has resulted in increased unemployment that has affected women more than men.

Financial crisis, economic instability and gender

Mounting evidence indicates that women bear the brunt of financial and economic crises, both in the short and the longer term, as research-based evidence from the 1997 Asian crisis attests.[29]

While the gendered employment effects of crises depend in the first instance on the particular sectors affected and the degree to which they constitute "women's" or "men's" work, women workers in general are particularly vulnerable to dismissal in times of economic downturn. They are often the first to lose their jobs, due to their less secure employment conditions and also due to discrimination based on the "male breadwinner bias".[30] During the Asian financial crisis, for example, women in the Republic of Korea were laid off at a rate twice that of men. The decline in total female employment was almost three percentage points greater than that of men (–6.9 per cent compared with –4.1 per cent). Among the category "regular workers", the negative effects on women were even more evident. The numbers of female regular workers fell by 18.8 per cent, while the number of male regular workers fell by 6.6 per cent.[31] Similarly in Thailand, women suffered greater job losses due to the economic downturn induced by the financial crisis.[32]

The societal calamity that these financial crises produced was seen as highly gendered, for public expressions focused mainly on the woes of male workers, while women, who suffered a disproportionate share of job losses, were perceived mainly in their role as "carers". This speaks to the tenuousness of the movement toward gender equity via liberalization. If employment gains are not secure and long-term, highly gendered job perceptions reassert themselves and turn back the clock on gender equality.

Further, the very considerable reversals in poverty reduction achieved in preceding years in some Asian countries were undermined, affecting women in particular. Reductions in women's incomes were more sharply felt, owing to falling real wages or lower earnings when shifting to informal-sector work in efforts to maintain a livelihood, in the absence of public welfare benefits and widespread unemployment benefit schemes.

Other impacts of such crises include the withdrawal of children, often young females, from education to assist with household tasks while the mother seeks income to make up for the household's decline in earnings. Frequently this withdrawal is permanent, especially when educational charges are introduced to deal with budget deficits resulting from economic crisis. Gender gaps in educational enrolments are therefore reinforced, preventing the accumulation of female human capital and thus prejudicing women's future earnings potential and keeping their economic productivity lower than it otherwise might be.[33]

It is at times of economic crisis that women's unpaid labour and the "care" economy become both more obvious and more crucial, particularly in developing countries where the family functions as the surrogate social safety net or refuge of last resort.[34] Under the prevailing gendered division of household labour, women have the main responsibility for the provision of family food security, health care, basic services such as water and energy and also "affective" care. While even during normal times in developing countries, the burden on women of stretching their energies between paid and the unpaid work is substantial, in times of economic crisis it becomes severe.[35] The cost is not only in terms of women's health and well-being but also in terms of micro and macroeconomic efficiency.[36]

FISCAL RETRENCHMENT

The ability of low-income developing-country governments to fund public expenditure depends on domestic macroeconomic policy, and also on the cost of borrowing and the proportion of Official Development Assistance (ODA) given for budget support. Government ability to spend has come under increasing pressure from the international financial institutions as well as liberalized financial markets, which encourage tight fiscal policies involving the reduction of budget deficits to keep inflation low. Hence governments have to tailor expenditures to their ability to raise revenue, principally from domestic sources.

Government tax revenues have been subject to contradictory pressures. In the context of trade liberalization, countries are encouraged to reduce trade taxes (tariffs and export duties), which in developing countries constitute on average one-third of government tax revenues.[37] A second revenue-weakening effect of liberalization is tax competition. Global competitive pressures make governments wary of raising income and capital taxes for fear that foreign, or even national, capital will flee elsewhere. The tax base is also constrained by the increasing informalization of the economy. Hence, over and above the reduction of state revenues derived from international trade, tax reforms have included a reduction of income and capital taxes. Efforts to expand the tax base (to collect taxes from those previously not taxed or in compliance with tax laws) have also been made, although these have not been particularly successful partly due to the weak capacity of tax authorities.[38] As a result many governments have increased sales and value-added taxes, regressive taxes which tend to hit the poor hardest.

The combined effect has often been a reduction in government resources for infrastructure spending, and for expenditures on social programmes and safety nets. There is also pressure to privatize government-owned enterprises, including those that provide public goods, such as water, electricity and telecommunications, with a concomitant reduction in public-sector employment. The gender effects of such policies are significant because the state is an important agent in redistributing resources and income.

The contradictory effects of globalization

While government fiscal capacity is constrained, globalization enhances the need for the development of infrastructure, investment in human capital, and mechanisms for social protection. Increased economic volatility and the reduced security of employment increase the turnover rate of labour, and thus the number of workers who are in transition, and women figure predominantly in this group. To cushion these negative effects, interim and in some cases long-term expenditures for unemployment insurance are required, as well as other forms of income support to ensure access to health care and adequate housing.

In addition to social protection, globalization also increases the need to invest in education and training to make sure that a country's labour force is sufficiently adaptable to changing conditions of competition in a global environment. Because most workers do not have the resources to finance their own training and education, there is an increasing need for the state to provide the resources necessary for human capital investment.

Moreover, to make their country an attractive location for investment, governments must also invest in physical infrastructure. These public expenditures are in general complementary to private investment because they raise the productivity and thus the profitability of private firms. The East Asian economies of Taiwan Province of China and the Republic of Korea are examples of developing countries that have made significant investments in education (beyond the primary level), while Singapore, noted for a more hands-off approach to development, nevertheless made substantial public infrastructure investments, which led to substantial MNE investment.[39]

Paradoxically, then, the viability of a growth strategy that relies on openness and market liberalization increasingly depends on the extent to which the state can afford to protect its citizens from the vagaries of the market. Further, an expanded role for the state is critical in an open, competitive environment since businesses cannot take on the costs of providing social protection if they are to remain competitive.

Gender effects of fiscal retrenchment

The gender effects of fiscal retrenchment operate mainly through the following four channels: (1) the distributional effects of tax reform; (2) the net effect of fiscal spending cuts on social safety nets and social welfare, with implications for women's unpaid labour burden and their security of income; (3) the effect of fiscal retrenchment on female and male employment; and (4) the privatization of public utilities, enterprises, services and common property resources.

As mentioned earlier, financial liberalization places pressure on states to lower income taxes on corporations, as well as on the wealthy as a means to reduce capital flight and attract foreign capital. The result has been a shift of the tax burden from capital to labour. Further, the move to user fees and indirect taxes as a way to supplement tax shortfalls results in a more regressive tax structure, which demands that low-income households provide a disproportionate (to their income) share of the revenues raised through taxation.

Given the lower labour-force participation rates and lower earnings of employed women, the low rates of direct taxes clearly favour males, because they are higher income earners and more likely to be owners of companies or shares in corporations than women. Men constitute a stronger tax base and would have to pay more if the rate structure was more progressive and exemptions lower, and—most of all—if the laws were enforced. The same is true for the low share of total taxes coming from property taxes. The gendered effect of the shift to greater reliance on indirect taxes such as sales taxes is difficult to assess. To the extent that indirect taxes are regressive, which they clearly are in many countries, we can assume that women as lower income earners are more disadvantaged. Where the degree to which they are regressive is tempered through exclusions focused on basic goods and services in health and education, as in Costa Rica and Jamaica, the incidence is presumably more gender-neutral.[40]

Under conditions of globalization and market liberalization, it appears that the limits on the state's ability to provide social expenditures and investment in infrastructure have become more pronounced. While the 1980s saw severe pressures on public spending due to rising interest rates and costs of servicing external debt, there has been a lessening of those pressures in the 1990s. Still, total government expenditures as a share of GDP (which includes capital or infrastructure spending) increased only marginally (0.45 per cent) in low-income countries, while declining significantly in lower-middle-income countries (–12.8 per cent) and in upper-middle-income countries (–5.5 per cent). While there have been improvements in per capita social expenditures (education, health, social security and welfare) in the late 1990s, as the data in table 3.3 show, these expenditures as a share of GDP have declined in a number of developing countries. These negative trends are most pronounced in sub-Saharan Africa and in Eastern and Central Europe. Moreover, given the need for expanded social expenditures, some of the increases in expenditure noted here are insufficient.

Table 3.3 Social expenditure per capita in constant international prices, five-year averages (1975–1999)

Country	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999
Low income					
Cameroon	93	94	136	**96**	**43**
Ethiopia	26	29	29	**24**	-
Indonesia	35	50	53	71	96
Nepal	19	24	30	30	46
Zimbabwe	187	308	**292**	**245**	380
Lower-middle income					
Colombia	-	280	291	**224**	368
Dominican Republic	121	142	**116**	119	202
Egypt	214	279	**278**	307	**262**
Iran, Islamic Rep. of	395	**391**	**323**	401	517
Morocco	232	264	**254**	291	305
Paraguay	140	207	**153**	225	-
Sri Lanka	191	**151**	178	238	246
Syrian Arab Republic	154	209	**126**	**105**	159
Thailand	116	163	191	279	417
Tunisia	480	**464**	575	659	813
Upper-middle income					
Argentina	724	**539**	**525**	689	1028
Chile	690	947	**779**	854	1270
Costa Rica	659	**648**	671	691	759
Mauritius	737	740	**705**	916	1303
Mexico	481	492	**371**	505	539
Panama	569	660	773	805	916
Uruguay	932	1137	**1065**	1550	2138
High income					
Korea, Republic of	156	251	337	564	800
Singapore	437	759	970	1096	1372

Note: Social expenditure comprises public expenditure on education, health, and social security and welfare. Income groups are based on World Bank 2004b. Some countries lack some years on the averages due to unavailability of the data. Numbers in bold indicate decreases in average per capita expenditures compared with the previous five-year average. Base year for constant prices is 1996.
Sources: Calculated from IMF *Government Finance Statistics* (several years); Heston et al. 2002.

Governments have responded to fiscal pressures in various ways. In some instances social expenditures have been protected, but infrastructure spending has been forced to bear the brunt of revenue shortfalls. In others, social spending has also declined. This has impaired the ability of developing countries to promote human development, exacerbating the growing problem of inequality.

The need for public expenditure is even more pressing if the objective of achieving gender equality is to be taken seriously, with both the level and composition of public spending playing a crucial role. Women are often disadvantaged in labour and credit markets, making them more cash-constrained than men. Where women are responsible for financing their own and their children's health and education (as in many parts of sub-Saharan Africa), when access to these services requires cash payment, the result can be particularly detrimental for women and children. If there are also gender biases in the intrahousehold distribution of resources, due to the gender-biased social norms that value boys more than girls, the result can be particularly disadvantageous for girls. State spending on education and health aiming to achieve gender equity in access to these services is an important means of improving female capabilities (see chapter 8).

Evidence from gender budget initiatives, designed to evaluate the effects on women and men of government expenditures, thus far suggest that cuts in public infrastructure spending have especially negative effects on women. Lack of access to clean water, for example, impacts more heavily on women, who are largely responsible for household management and care. Reduced government expenditures on health care, such as rural clinics and public hospitals, means that women's unpaid care work increases. Negative health effects of excessive work can result (see chapter 8).

Downsizing of the government sector also negatively affects employment, and some studies indicate that women have been more negatively affected than men, though systematic evidence across countries and regions is lacking.[41] In many cases women shift to service-sector work, frequently in the informal economy where the terms and conditions of work are adverse.

There has also been pressure to reduce social safety nets. And yet women even more than men are in need of social safety nets, due to their heavier representation in insecure jobs as well as their care responsibilities. Of course most social safety nets provide broader coverage to formal-sector full-time paid workers, thus excluding most women from coverage. To the extent that pressures to reduce budget deficits erode the coverage of such schemes, there is less protection for men, which reduces differences in coverage between men and women, but through "downward harmonization". Nevertheless, and perhaps more importantly, as work becomes more insecure the state is less able to afford to smooth the income flows of its citizenry, and given the preponderance of women in informal and insecure work as well as in unpaid work, fiscal constraint acts as a major impediment to gender equality through "upward harmonization".

Privatization

Privatization of services and the introduction of user fees for state services have been major thrusts of neoliberal agendas. Privatization is argued to promote economic efficiency, and can result in lower costs and higher quality for essential goods such as electricity and water, health care and education, while user fees are seen as a mechanism for financing state services.

The benefits of privatization for low-income groups and in particular women are, however, disputed for a variety of reasons. Through privatization, public-sector providers are replaced by private monopolies. The result has been lack of competition, evidenced by inflated prices, under-investment, intermittent supplies and exclusion of consumers unable to pay.[42] Privatization may not even save public finance, when public money is spent on improving the efficiency of public-sector enterprises to make them more attractive to private buyers. The low rate of corporate taxation together with evidence of tax avoidance suggest that privatized entities are not likely to make much of a contribution to the public coffers.

The implications of privatization for the macro economy can only be assessed for each specific country, taking into account which state assets are privatized, the terms and conditions of privatization, and the national and international economic climate.[43] However there is widespread evidence of considerable short-term costs, and reason to think that the cost for women may be long-term. In Africa and Latin America, privatization has been more detrimental to women's employment prospects. Experience shows that the poor are not effectively protected from user fees, as exemption systems rarely work in practice. Moreover in the area of public services, because the anticipated expansion of services has often not materialized, nor have fees fallen—in many cases they are higher—women frequently bear the burden of managing household budgets on less income and with fewer essential services.

GLOBAL ECONOMIC INTEGRATION AND WOMEN'S PARTICIPATION IN DECISION MAKING

The period of global economic integration has coincided with processes of democratization as well as decentralization of decision making. Such political transformations, to which women's movements have contributed, can both increase the space for women in decision making and improve the accountability of governments to female constituents. Women's greater access to political decision-making bodies in local political institutions, or as participants in advocacy groups, can thus improve their ability to effect gender-equitable change (see section 3). There is clear evidence of such changes in recent years, as numerous countries have passed legislation that can improve women's lives, including laws against domestic violence as well as reform of family law. While these changes have indeed been beneficial, one area that has not seen improvement is women's ability to influence economic policy. This is because advances in women's access to decision-making bodies have coincided with a diminished opportunity for parliaments in particular to influence macroeconomic policy.[44]

Noteworthy in the reduced control of national governments over economic policy is the enlarged role of the international financial institutions in setting macroeconomic policies in economies that confront serious balance of payments difficulties due to adverse trade balances or capital flows. In such contexts these organizations directly influence, and often set, policy by influencing exchange rates, public-sector spending levels, and rules that affect liberalization of trade and capital flows. They are able to enforce their policy programmes by withholding needed balance of payments support and other aid, subjecting developing countries to pariah status in international markets should their governments default on their external debts. The irony is that the shift in power to these global institutions tends to subvert national control at a time when women are making noteworthy advances in gaining access to parliamentary seats.

In addition to their influence over national macroeconomic variables, these organizations have also pushed for central bank independence—that is, giving central banks the ability to maintain the value and stability of the domestic currency, free from pressure from the central government to pursue other goals such as full employment or industrial development. Independent central banks have increasingly pursued inflation targeting as the primary, even single, focus to the exclusion of other goals that might promote development and well-being. The independence of central banks can weaken democratic accountability by insulating critical centres of policy decision making from participatory processes and public debates over the ideal inflation target and other critical policy choices.[45]

Debate over targets can be contentious, with many economists arguing for example that the goal of low inflation produces costs that far outweigh the benefits.[46] While monetary restraint may keep inflation low, which can be beneficial to consumers and to financial investors who desire higher real rates of return on investment, the costs are felt in higher unemployment rates. Indeed, even World Bank economists note that there is little empirical evidence that inflation under 40 per cent annually has a negative effect on growth.[47] And yet central banks often pursue inflation targets that are close to zero, with negative effects in terms of lost employment and income. In the absence of greater public debate and decision making on these matters, a second-best option would be for the governing bodies of independent central banks to embrace a more diverse set of social interests, including those of women.

Notes

1 Anker et al. 2003.
2 UN 1999; Deere 2004.
3 Berik 2000; Ghosh 2004a; Jomo 2001.
4 Malhotra 2003; Hart 2002.
5 Kucera and Milberg 2000.
6 Siegemann 2004.
7 Kabeer and Mahmud 2004.
8 Balakrishnan 2002.
9 Seguino 1997.
10 Gupta 2002; Oostendorp 2004.
11 Berik 2004.
12 Maurer-Fazio et al. 1997; Liu 1998.
13 Maurer-Fazio and Hughes 2002.
14 Packard 2004.
15 World Bank 1995b:107.
16 Montenegro and Paredes 1999.
17 Arabsheibani et al. 2003.
18 Paus and Robinson 1998.
19 Busse and Spielmann 2003.
20 Palma 2003.
21 Bhattacharya and Rahman 1999.
22 Seguino 2000b.
23 Seguino 2000a.
24 Acero 1995.
25 Seguino 2003b.
26 Weeks 1998.
27 Standing 1997; ILO 2002b.
28 Fodor, E. 2004b; UNIFEM 2002.
29 Singh and Zammit 2000; Lim 2000; Floro and Dymski 2000; van Staveren 2002; Baden 1996.
30 Cho et al. 2004; Singh and Zammit 2000; van Staveren 2002.
31 Cho et al. 2004.
32 Zhiqin 2000.
33 Elson 1998.
34 Elson and Cagatay 2000.
35 Bakker 1994; Elson 1995.
36 Ertürk and Cagatay 1995; van Staveren 2002.
37 UNRISD 2000:33.
38 Huber 2004; Cagatay and Ertürk 2003.
39 Jomo 2003.
40 Huber 2004.
41 Packard 2004; Lee 2004.
42 Zammit 2003.
43 Van der Hoeven 2000.
44 Bangura 2004.
45 Boylan 1998a, 1998b; Elgie 1998; for a different perspective see Goodman 1991.
46 Epstein 2002.
47 Bruno and Easterly 1996.