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Macroeconomics and Macroeconomic Policy from a Gender Perspective

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Introduction

The conventional conceptual frameworks and statistics used to design macro-economic policy are gender-blind. They fail to recognise that:

- women's contribution to the economy is systematically underestimated ;
- there is an unpaid care economy in which women do most of the work of maintaining the labour force and keeping the social fabric in good order, maintaining social cohesion, civic responsibility and good neighbourliness;

Looking at macroeconomics through a gender lens alerts us to the importance of non-market processes in the healthy functioning of an economy; and to the ways in which financial liberalisation places new burdens on those providing unpaid care while at the same time undermining public provision in support of this work.

Section 1 of this paper examines gender and fiscal and monetary policy. Section 2 examines gender and financial liberalisation.

Section 1. Gender and Fiscal and Monetary Policy

Measuring women's contribution to the economy

More of women's work than of men's work is not counted by national economic statistics because a great deal of women's work is not market oriented. We can distinguish three kinds of non-market work that women do:

- subsistence production
- unpaid care work for family and friends
- voluntary community work

Subsistence production is production for home use of goods which in principle could be marketed - such as food, clothing, soft furnishings, pottery, housing. In principle it should be included in the measurement of the gross national product (GNP). But in practice it is frequently omitted because statistical surveys do not properly count it. This is only a small component of work in Western Europe, but in poor rural countries it is very important. There is typically a social norm about which types of this work are done by men and which by women. In the UK, for instance, tasks that involve the use of power tools tend to be seen as men's tasks, whereas tasks that involve the use of sewing machines tend to be seen as women's tasks.

Unpaid care work is the work of looking after a household: cooking, cleaning, and providing personal care for family members and friends and neighbours. In principle, it is excluded from the gross national product: it is defined in the UN System of National Accounts as lying outside the production boundary. But it is vital for keeping the social fabric in good repair, and for maintaining and reproducing the labour force.

Voluntary community work includes unpaid activity in all kinds of civic associations, both secular and church based. It includes everything from self-help groups of mothers getting together to run a children's play group or secure improvements in neighbourhood safety, to support work for large international charities. Again these activities are in principle excluded from the GNP - and often are regarded as leisure activities. Voluntary work makes a vital contribution to sustaining the fabric of society, particularly the sense of civic responsibility.

Unpaid care work and voluntary community work can in principle be done by men or women - but these kinds of work have been socially constituted as more the responsibility of women than men in most countries.

As reported in the Special Issue of *Feminist Economics* (November 1996), a great deal of progress is being made in many countries in measuring women's subsistence and informal sector activity, so as to include it in the GNP; and in measuring women's domestic or reproductive work and voluntary work so as to construct a SATELLITE ACCOUNT measuring unpaid output. UNDP (1995) estimates that in developed countries women's unpaid work produces an output equivalent to at least half of GDP. In the world as a whole women's unpaid work is estimated to produce an output of $11 trillion, compared to a global GDP of about $23 trillion.

Neither national accounts, nor satellite accounts, in themselves can indicate what policies are appropriate. A conceptual framework is required in which to use them. But statistics are important for making inputs and outputs visible - without this visibility it is difficult to get them included in policy frameworks and seen as significant by policy makers.

Conventional macroeconomic policy frameworks

Currently, fiscal and monetary policy is based on a concept of an economy in which private production and investment is carried out by market-oriented firms. This generates cash income for the households which own, or work in, firms. Households then either save their income, or consume

it by spending it on goods produced by firms. Households are assured to act as if they were completely unified, pooling their incomes and making savings and consumption decisions so as to maximise the total benefit to the household as a whole.
The role of the public sector is to levy taxes, make transfer payments, and provide public services. The economy operates so as to equate savings and investment, but not necessarily at full employment of those who want paid work, and full utilisation of the capital stock produced by previous investment. The extent which economies automatically tend to full employment is a matter of considerable debate among economists. But all are agreed that episodes of unemployment can last a long time.

In this vision, households do not produce. They are only consumers, whose function is to save or spend. The stocks of natural resources (or 'natural capital'), of labour (or 'human capital'), and the social framework (or 'social capital') are taken for granted and no work is required to maintain these resources. Non-market work is regarded for all practical purposes as outside the production boundary.

Bringing a gender perspective into macroeconomics

The conventional policy framework ignores non-market work, especially unpaid care work and voluntary community work. These activities tend to be taken for granted and not brought into the discussion of fiscal and monetary policy. They are often thought of as 'social roles' rather than economic activities. But they <u>are</u> economic in the sense that they require the use of scarce resources; and in the sense that they provide vital inputs to the public and private sectors of the economy. Palmer (1995) describes unpaid care work as a tax in kind that is levied on the domestic sector into order to reproduce the economy, a tax that is mainly paid by women.

We can incorporate unpaid work into macroeconomic thinking by seeing national output as a product of the interaction of four sectors, the private sector; the public sector; and the domestic sector and the voluntary sector (see UNIFEM, 2000:26). The creation of wealth in a country depends on the output of all four sectors. Sometimes there is a tendency to assume that the wealth-creating sector is the private sector; while the other sectors spend what the private sector has produced. The four sectors of the economy are <u>inter</u>dependent. The private sector would be unable to create wealth for use by the government and by families and communities, if the government and families and communities did not in turn create wealth for use by the private sector. In particular, women's unpaid care work and voluntary work is vital for the creation of human and social capital.

Of course, there are important differences between being paid to look after old people or children as an employee of the public or private sector, and looking after one's own parents and children (for further discussion, see Himmelweit, 1995; Folbre, 1995; McCloskey, 1996). This is not only a personal difference. The costs of care of old people and children in the private and the public sector show up in the national accounts, and are taken into consideration in policy decisions. But the costs of unpaid care for old people and children in the domestic sector do not show up in the national accounts are therefore not taken into account in policy decisions. But this care imposes costs of time and energy on those who do it, and when those costs are high, the carers may be unable to absorb these costs without strain.

There will always be and should always be an important role for unpaid care. But if unpaid care is treated as a free good in limitless supply, there will be negative feedbacks to the private and public sectors, reducing their productivity and increasing their costs. The tangible signs of this will be work days lost and lower productivity through absenteeism, high labour turnover, ill health and stress. There will be underinvestment in human and social capital. However, conventional macroeconomic models do not capture such links. Research is under way to develop gender-sensitive conceptual frameworks and national economic statistics which can reveal linkages and feedbacks between gender relations and macroeconomic outcomes. (See, for instance, Waring, 1989; Cagatay, Elson and Grown (ed), 1995; Special Issue of Feminist Economics, November 1996; Aerni and Lewis, 1999; Alexander and Baden, 2000;Grown, Elson and Cagatay, 2000;).

In Western Europe, the public sector has nevertheless provided support for unpaid work in the domestic and voluntary sectors through public services and income transfers. Historically, the improvement of women's lives has gone hand in hand with provision of such support (Folbre, 1994). However, this support is distorted and weakened by three kinds of bias: male breadwinner bias, deflationary bias, and privatisation bias (Elson and Cagatay, 2000).

Male breadwinner bias

This kind of bias occurs when public sector support for unpaid care work is constructed on the assumption that unpaid care is performed by women who are dependents of a male breadwinner. When there is male breadwinner bias, women's access to social insurance, pensions, welfare benefits and public services tends to be through husbands. Married women's income may even be aggregated with that of their husbands for taxation purposes. The counterpart to this is the assumption, by private and public sector employers, that typical workers will have little or no responsibility for providing unpaid care. This kind of bias is conducive to low labour market participation by married women, and the segregation of many women who do participate in a 'secondary earners' labour market of jobs with low incomes and few prospects. This kind of bias was common in the 1950s, when many European welfare states were built around 'the worker and his wife and children'. By the end of the 20th century, it had been considerably eroded, with rising female labour market participation and a decline in the ability of households to enjoy the living standard they expect on the basis of just one wage. But it still persists in many European countries and is reinforced by the two other biases that were not present in the 1950s, but which gathered strength in the 1980s and 1990s.
Male breadwinner bias penalises women for their unpaid investment in creation of human and social capital by denying them social entitlements on an equal basis with men.

Deflationary bias

Deflationary bias is a bias that gives high priority to low inflation, low public debt, low public expenditure, low taxation and low budget deficits; and low priority to full employment, high public investment and realising the full potential for improvements in the availability of goods and services (see UN, 1999; Singh and Zammit, 2000). It is now deeply entrenched in the institutional framework that governs macroeconomic policy in many countries. It is constituted in a variety of ways:

- central banks that have asymmetrical targets, so that they aim to keep inflation below a target level, but not above a target level;
- balanced budget legislation that constrains a government to cut public expenditure when the economic cycle takes a downturn;
- so-called 'stability' frameworks that incorporate rigid rules about ratios of budget deficits to GNP and ratios of public debt to GNP, regardless of the stage of the economic cycle, constraining governments to cut public expenditure when the economic cycle takes a downturn;
- rules about governments borrowing only to invest that allow only for investment in physical capital and disallow investment in human and social capital.

These rules deepen the global recession rather than aiding recovery. They undermine the livelihoods of men and women and throw people back into the non-market economy. Male breadwinner bias is often exacerbated through the perception that men's jobs are more important, and women should be first to be dismissed. Women's unemployment is thus often higher than that of men, while at the same time they have less access to social benefits.

Women face particular demands to provide the safety net of last resort for their families, managing a dwindling family budget to feed and clothe their children; coping with the depression, ill-health and often destructive behaviour of men whose whole sense of self-worth was bound up in the paid job they have lost. At the same time, there are cutbacks in the public services and income transfers that would have provided some assistance to women in these tasks. The most visible cost of deflationary bias is the rise in unemployment. Less visible, but important for the longer run, is the depletion of human and social capital. Women do their best, but are not superhuman. They cannot fully compensate for the failures of the market economy and the effects of inappropriate rules for fiscal and monetary policy.

Privatisation bias

Privatisation bias is the bias that stems from the assumption that the private sector is inherently more efficient than the other sectors. It can operate through three forms of privatisation:

- complete privatisation, such as the selling of public agencies to private investors;
- partial privatisation, such as the contracting out of services from public agencies ;
- simulated privatisation, when public services are compelled to operate as if they were privately operated.

The bias arises when faulty measures of 'efficiency' and 'value for money' are used; measures which do not take into account non-market costs and benefits; and which focus primarily on physical and financial capital. So, for example, measures are introduced to improve the 'efficiency' of public hospitals (measured in terms of monetary costs per patient) which have the effect of transferring real costs to households, increasing the amount of unpaid care work they have to provide. One example is changing procedures to shorten the time that patient spend in hospital, and lengthening the period of convalescence at home. This cuts back on the financial costs of employing hospital staff, but increases the costs of households (and primarily women within households) in time and energy spent on caring for convalescing patients.

Privatisation bias tends to intensify male breadwinner bias. One way is through worsening the pay and conditions of low paid women workers, making them more dependent on the income of a male partner. (The increasing 'value for money' that privatisation is supposed to bring is often the result of increasing the workload and reducing the pay and conditions of service of female occupations such as cleaners- see for example, Escot and Whitfield, 1995)). Another way in which male breadwinner bias is intensified is through the privatisation of social insurance and pension provision. This reduces the scope for pooling risks and resources and vastly reduces the possibility of social cross-subsidy. It frequently makes women more dependent on a male partner to access benefits and penalises women who do not have a male partner with whom to share household costs. Private pension provision penalises those with breaks in their employment record and longer life expectancy. It is quite legal in most countries for private insurers to discriminate against women in the annuities market. The factors which lead to the disproportionate poverty of women in old age are exacerbated.

Biased policies and false economies

Deflationary bias and privatisation bias may appear to be sound economics if we ignore non-market costs and benefits. But the reduction in public provision that they imply is a false economy. Of course it is important to avoid excessive rates of inflation, excessive public debt and waste of public money. But in judging what is excessive and what is waste, we have to look at the non-market processes that create and sustain human beings and communities. A strong public sector is vital to mediate between the market pressure to treat people as mere inputs into a production process and the aspiration to live life in a fully human way. A diminishing public sector throws more of the burden of managing the difficult balance between paid work and quality of life on to women. It results in false economies, reducing financial costs, but increasing costs in terms of health, well-being, social harmony. We need to develop innovative ways of bringing non-financial costs into the frameworks that are used to set the rules for fiscal and monetary policy. But analytical innovation is not enough.

The problem we now face is that fiscal and monetary policy are primarily shaped not by elected representatives who can respond to the aspiration for a human quality of life, but by those who work in financial markets, operating with purely financial criteria and very short time horizons. This problem is taken up in the next section of the paper.

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