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Engendering Macroeconomics and  
Macroeconomic Policies

**Nilüfer Çagatay\***

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\*Dr. Nilüfer Çagatay is an economic adviser in the Social Development & Poverty Elimination Division, Bureau for Development Policy, The United Nations Development Programme.

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## **Social Development & Poverty Elimination Division**

In June 1995, the Executive Board of UNDP decided to make poverty eradication the overriding priority of the organization. Based on the outcome of World Summit for Social Development and other major UN conferences, especially the Fourth World Conference on Women, UNDP has, since 1995, taken steps to commit its energy -- human, technical and financial resources-- to this priority. This is especially visible in the importance given to poverty eradication in the Country Cooperation Frameworks that have been prepared and approved since the launch of UNDP's new programming cycle on 1 January 1997. UNDP's Bureau for Development Policy has a special responsibility in support of country-level efforts, specifically with regard to policy analysis and advice; advocacy; development of new tools and methodologies, and support for experimentation and demonstration of new concepts.

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Social Development & Poverty Elimination Division  
Bureau for Development Policy  
United Nations Development Programme  
One UN Plaza, 20<sup>th</sup> Floor  
New York, NY 10017

<http://www.undp.org/seped>

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## Introduction<sup>1</sup>

The economic analysis of gender relations is quite recent. Even though, economists have in isolated instances debated “women’s issues” as early as the 1930s and the 1950s, the concept of gender relations as a socially constructed category that could have systemic links to the economy began to emerge only after the early 1970s.<sup>2</sup> Looking at gender and gender relations from a macroeconomic point of view is even more recent. In the 1970s, it began to be recognized that economic development had generally affected women differently than men in the developing world. Likewise, in the 1980s, feminists in general and feminist economists in particular argued that macroeconomic policies that were being implemented throughout the decade in the developing world in the context of structural adjustment policies were not gender-neutral in their effects. It was also recognized that the direction of causation between the macroeconomy and gender relations could go both ways. Thus, a line of analysis that began with the recognition of the gender non-neutral effects of macroeconomic policies evolved in a direction where it focused on the feedback effects of gender relations on the macroeconomy.

Macroeconomic analysis can be described as the analysis of the economy-wide interaction of a few highly aggregated markets. Usually, at a minimum, macroeconomists define three such aggregated markets: the labour market, asset market, and the goods market. Building on a conceptual understanding of how these markets are constituted, macroeconomists functionally specify the connections and the nature of the interaction between them. This makes it possible to build models that can capture these relations at varying degrees of detail and complexity depending on the question at hand. After developing a working model, it also becomes possible to add on what had been left out initially, such as the government and the foreign sector, and, study how their inclusion alters the way the model behaves under different hypothetical scenarios. In other words, a conceptual framework is built first, and formal models are developed next within this framework. The next stage in macroeconomic analysis involves empirical work. This can take the form of historical analyses of individual countries with a statistical analysis of time-series data, or of a comparative analysis of different countries using cross section data.

The ultimate goal is to be able to identify what is ailing the economy and determine what type of policies can be prescribed to establish conditions of growth so as to achieve a steady increase in per capita levels of income.<sup>3</sup> For macroeconomists this

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<sup>1</sup> This paper has been published (in Spanish) in the proceedings of the conference on “Gender, Macroeconomics and the State” held in Cartagena, Colombia, June 3-5. It is a revised version of a background paper prepared for the *1999 World Survey on the Role of Women in Development*. I would like to thank the organizers and the participants of the conference for their questions and comments. Special thanks are due to Ms. Anita Rico and Ms. Elvia Caro, the editors of the conference volume.

<sup>2</sup> See Beneria (1995) for a detailed exposition.

<sup>3</sup> One implicit assumption is that increasing levels of per capita income increase the well-being of societies or is synonymous with ‘development.’ Higher per capita incomes are indeed correlated with a number of indicators of well-being, such as educational attainment and longer life expectancy. Achieving high growth rates is also important for reducing poverty, however, obviously high growth rates do not guarantee an automatic trickling down of economic benefits to everyone. The Sustainable Human Development approach, advocated by UNDP is one of the paradigms that has challenged the equation of growth with development, without denying the significance of growth for achieving human development. See various

implies pursuing three types of policy objectives: the attainment of price stability, (i.e., keeping inflation or deflation under control), full employment and foreign sector balance. In pursuing these objectives policy makers can make use of three traditional instruments: fiscal policy, monetary policy and exchange rate policy.

The general presumption prevalent among economists is that these policy objectives and instruments are both gender-neutral. This paper surveys a body of recent work which challenges this traditional view by arguing that:

- (i) macroeconomic policies are generally gender-biased in their effects, and
- (ii) gender inequalities at the micro and meso levels have macroeconomic implications.

After a brief overview of how economics of gender has evolved over time, the next four sections discuss the relevance of gender in the context of the different aspects of macroeconomic analysis outlined above, namely the conceptual, modeling, empirical and policy formulation levels.<sup>4</sup> The last section provides a brief summary of the efforts made at the UNDP in the area of gender and macroeconomics.

## I. Economics and Gender: A Brief Overview

Gender is usually defined as the *social* meanings given to biological sex differences. It is a social stratifier and in this sense it is similar to other stratifiers such as race, class, ethnicity, sexuality and age. It is an ideological and cultural construct, but is also reproduced within the realm of material practices and in turn influences the outcomes of such practices. In economics, feminist economists use gender as an analytical category, alongside other categories such as class and race. The ultimate purpose of the analytical exercises is to find policies that help eradicate social inequalities, particularly but not exclusively those based on gender.<sup>5</sup>

Gender is the basis for a very basic division of labour within most societies: the division between “productive” and “reproductive” activities. Productive activities refer to income generating activities, generally linked to the market. Reproductive activities refer to activities for the care and development of people. Biological differences determine who gives birth to children, but they in themselves cannot explain why women should also be predominantly responsible for looking after children, caring for the sick, the elderly, and, in short, for reproductive labour.<sup>6</sup> Depending on the place and time, these

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Human Development Reports.

<sup>4</sup> See Cagatay, Elson and Grown (1995b) for examples of such work.

<sup>5</sup> In contrast, the mainstream economic paradigm, neoclassical economics, takes the individual as its basic category of analysis. It is assumed that human beings throughout history and across all cultures pursue the maximization of their utility or pursue their self-interest in a rational manner. ‘Rational Economic Man’ or *Homo Economicus* is the idealized economic actor, with a separative self and well-defined and exogenously given preferences. In this transhistorical, transcultural conceptualization of human behaviour, there is no room for empathy, conflicted behaviour, social shaping of ‘preferences,’ which determine consumption patterns, or social shaping of economic behaviour in general. The rational individual, among other dimensions of identity, lacks gender. Feminist economists, alongside other nonmainstream economists, have criticized the concept of Rational Economic Man. For critiques from a feminist perspective, see Ferber and Nelson (1993), among many others.

<sup>6</sup> See Edholm, Harris and Young (1979) and Beneria (1979), Picchio (1992) for a discussion of the

activities can range from shopping, food preparation, cleaning and sanitation, to repairing and mending and collection of fuel and water. But, whatever their exact composition, in most societies and throughout history they are carried out mostly by women under conditions of unpaid labour.<sup>7</sup> This is in contrast to “productive” work that finds remuneration in the market, which is done mostly by men.<sup>8</sup>

That women are primarily responsible for reproductive labour is a social, rather than a biological, phenomenon that is only explained by “gender relations,” that is, by the sum of social customs, conventions and practices that regulate the multifaceted relationship between men and women in a given society. It is in this sense that we can talk about the construction of a gender identity for both men and women, and say that men are, just as equally as women, affected by gender relations, but of course not in the same way. The asymmetry of power between men and women remains a pervasive trait of gender relations throughout the world. Within the family, for instance, gender inequality in the distribution of resources, decision making and the allocation of the labour of family members is usually the rule rather than the exception. Families are characterized not only by cooperation but conflict as well (Sen 1990).

Feminist economists have used gender as a category of analysis especially at the micro and meso levels both to critique orthodox approaches to economics and to construct a new approach. This is an example of gender mainstreaming at the conceptual, theoretical and empirical levels, which then makes it possible to formulate gender-aware economic policies.

Labour economics and “New Economics of the Household,” are two well-known areas of feminist economists’ investigation. Mainstream economics, with its gender-blind approach, had assumed households to be harmonious realms with egalitarian consumption norms and argued that the gender-based specialization in households is an efficient arrangement along the line of theory of comparative advantage. Thus, it is not surprising that mainstream direction of research was found dissatisfying by many economists who began to analyze gender discrimination, segmentation and segregation in the labour market and inequalities within households. With the added impetus of the women’s movement, new approaches began to emerge and address feminist concerns, criticizing along the way the narrowness of mainstream models for their faith in the market in providing optimal solutions for everyone.<sup>9</sup> In these new conceptions, the point of departure for analysis was the ‘real’ economy as it existed, rather than the abstract thought experiments of mainstream economic theorizing about optimal behavior for the

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meanings of reproduction.

<sup>7</sup> Some reproductive activities, such as education or health care are carried out by the state or the ‘private sector’ with the use of paid labour. Thus, there is no strict one to one correspondence between unpaid and reproductive labour on the one hand and paid and productive labour on the other. However, even when they take a paid form, activities of caring labour are still carried out by mostly by women.

<sup>8</sup> However, this gender-based division of labour has not meant equal work burdens for men and women. Women’s total work burden exceeds the work done by men in the world economy. See UNDP (1995).

<sup>9</sup> See Beneria and Sen (1981), Elson and Pearson (1981), Bergmann (1974), Sawhill (1977), Ferber and Birnbaum (1977), Hartmann (1979), Young, Wolkowitz and McCulloch (1981), Folbre (1992, 1986, 1994) Agarwal (1994), Ferber and Nelson (1993), Sen (1990) among many examples. Also see *Feminist Economics*, the official journal of the International Association for Feminist Economics (IAFFE), an association founded in 1992. IAFFE maintains a home page at [www.facstaff.bucknell.edu/jshackel/iaffe](http://www.facstaff.bucknell.edu/jshackel/iaffe)

‘representative’ agent with its imputed market-oriented rationality.

However, until recently the macroeconomic implications of gender as an analytical category were not well explored. The exceptions were the work on aggregate measure of unpaid work, the relationship between macroeconomic cycles and gendered patterns of employment in industrialized economies and the feminist critiques of structural adjustment and macroeconomic stabilization policies for their gender-biased and anti-poor effects.<sup>10</sup> Sen and Grown (1987) is an early critique of such policies.<sup>11</sup> This last line of thinking also gave rise to the idea that gender inequalities influence macroeconomic outcomes.

## **II. Rethinking the Conceptual Framework of Macroeconomics and Stylized Facts on Gender**

The conceptual starting points for the new gender-aware approaches to macroeconomic analysis can be summarized in three main propositions (Cagatay, Elson and Grown 1995a).

- (i.) Though social institutions may not be intrinsically gendered themselves, they bear and transmit gender biases. Being socially constructed institutions, ‘free markets’ also reflect and reinforce gender inequalities.
- (ii.) The cost of reproducing and maintaining the labour force in a given society remains invisible as long as the scope of economic activity does not include unpaid ‘reproductive’ labour. Thus, unpaid work needs to be made visible and the economic meaning of work redefined to include unpaid reproductive labour.
- (iii.) Gender relations play an important role in the division of labour, the distribution of work, income, wealth and productive inputs with important macroeconomic implications. This also implies that economic behaviour is gendered.

### **A. Gender and the Institutional and Legal Framework of Macroeconomy**

Because it takes the legal and institutional structure of the economy as given, traditional macroeconomic analysis ends up being gender-blind rather than gender-neutral. It fails to take into account male biases in labour market legislation, in property rights and inheritance law, all of which restrict and shape the economic activity of women. To this day, in some countries married women have to legally acquire their

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<sup>10</sup> See Beneria (1992) on unpaid work, Rubery (1988) on cycles and gendered patterns of employment.

<sup>11</sup> UNICEF was another very influential and early critique of structural adjustment policies. Sen and Grown (1987) was first written in 1985 for the Nairobi World Conference on Women, where feminist critiques of structural adjustment were articulated. NGOs such as DAWN, a south-based women’s NGO, were instrumental in the incorporation of these positions into the Nairobi Forward Looking Strategies and the Beijing Platform for Action. The latter mandates that all policies and programmes, including macroeconomic policies and trade policies, incorporate a gender perspective. This is a mandate not only for the 185 governments that signed the Platform, but also for regional and international institutions such as the World Bank, the IMF and all UN institutions.

husbands' permission to hold a job or relocate, in yet others, in the name of protecting them, women are barred from entry into certain occupations and fields of work. In some instances, women are not allowed to work at night shifts, in yet other extreme cases, they are even barred from working outside the household.

Again, before the law, women's position can be quite unequal to that of men in terms of property and inheritance rights. In some countries, women lose the right to manage their property once married, and, in yet others, female offspring do not enjoy equal rights as their male counterparts in inheritance. Likewise, women are also subject to other extra and intra-household restrictions which, though unsanctioned by law, emanate from social norms and conventions that go unchallenged by social legislation. In many parts of the world, it is not uncommon for women to face systematic coercion with respect to their work both within and outside the household with no or little legal recourse. Thus, they may not always have full command and control over their own labour or even their property.

Though the exact nature of these legal and conventional restrictions can vary from one country to another, they are typically pervasive enough to shape women's economic activity. Even when they have property, social and legal ambiguities with respect to their property rights prevent women from independent access to credit markets, severely limiting their chances of success in self-employment and entrepreneurship. Likewise, when social customs and practices that assign women the exclusive responsibility for physical and social reproduction remain the social norm, women enter paid work in the labour force in a disadvantaged position even in the absence of legal restrictions and "pure" discrimination. Employers might feel themselves justified in being reluctant to hire women for jobs that involve firm specific knowledge and training for fear that they might leave unexpectedly because of their maternal responsibilities or offer lower pay to compensate for their higher expected turnover rate. Women as a result tend to crowd in low-pay and low-skill jobs where high turnover does not matter as much or in those lines of work that do not clash with their reproductive responsibilities.

### ***B. Making Women's Work and the Reproductive Sector Visible***

Of the four components of work affected by undercounting - subsistence production, the informal sector, domestic work and voluntary activities - the inclusion of the first two in national income accounts did not require much of a conceptual reorientation (Beneria 1992). Informal sector, by and large, includes paid activities that are not recorded, so the problem is more practical than conceptual. Likewise, subsistence production, though unpaid, is thought to produce marketable goods. Thus, since the 1950s many country's national income accounts have been adjusted for both of these types of activity. But, the economic sense of including domestic work and voluntary activities in the national income accounts was found quite questionable. Considerations of gender equity aside, that these activities could have any economic significance was not easily accepted. However, as the structural adjustment policies of the 1980s came under critical scrutiny, the importance of the link between the productive and reproductive sectors of the economy became all too evident to ignore.

As it is well known, in the 1980s, many developing countries, faced with severe

balance of payments difficulties, were forced to implement structural adjustment and macroeconomic stabilization policies. These programmes consisted of, on the one hand, short term austerity measures aimed at keeping aggregate demand under control to lower inflation and curb budget and current account deficits, and, on the other, long term policies designed to carry out trade liberalization, deregulation and privatization.

According to the proponents of these policies, whatever the initial shock that caused the macroeconomic imbalance, the balance of payments crises almost invariably imply a situation where the demand for tradable goods exceeds its supply. The solution then must involve a shift in production towards, and in consumption away from, tradable goods. It is argued that the market system, if allowed to work freely, would automatically bring about this result. In other words, it is believed that markets can and will solve the problem provided that they are flexible enough. Thus, the overall objective of structural adjustment programmes is to improve the responsiveness of the market system by getting rid of structural and institutional constraints and rigidities that inhibit market adjustment.

Usually, the main target that comes under scrutiny is excessive government intervention in the economy. For instance, government programmes, such as price subsidies, transfer payments or protectionist measures in foreign trade are criticized not only because they give rise to large budget deficits, thereby fueling inflation, but also because they interfere with the allocative function of the market system by distorting relative prices.

The countries caught in the web of debt crisis had to heed this market-oriented advice before they could have access to financial aid they desperately needed. In order to improve efficiency, in one country after another, price subsidies, public investments on infrastructure and social expenditures on education, health and public services were drastically reduced. Trade and capital accounts were liberalized and public enterprises privatized. These policies had immediate adverse welfare effects on the poor and especially on women in poor households. Societal costs of reproducing and maintaining labour power were shifted onto a sphere where these costs were no longer visible, except in women's burden of work. Women and the poor had to make do with a much diminished household budget to provision the needs of social reproduction. Case studies have established that, adjustment policies have had adverse effects on the poor and women. Empirical investigations of how poor households had tried to cope with these adverse shocks have revealed that women's reproductive work had intensified. Women absorbed the shock of adjustment by working longer and harder both inside and outside the household. Likewise, mental and physical health deteriorated considerably for both sexes, but it was mostly women who took care of the ailing and the infirm.

Thus, the argument that women bear a disproportionate share of the burden of adjustment was made on two grounds: (i) it was found that under structural adjustment policies as a result of worsening income distribution and the reorientation of the economy towards exports, women increased their participation in the labour force, in order to maintain themselves and their families. They were often incorporated into informal employment under insecure and worsening conditions of work. (ii) They tended to increase their unpaid domestic labour in the face of falling incomes.<sup>12</sup>

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<sup>12</sup> For examples of work in this literature, see Standing (1989), Commonwealth Secretariat (1992), Elson (1991a; 1991b), Moser (1992; 1996; 1998), Beneria and Roldan (1987), Sen (1991), Beneria and Feldman

While these policies were carried out in the name of increasing efficiency, the invisibility of unpaid domestic labour may be hiding increased inefficiency. For instance, as Elson (1995) points out, measures to streamline the health sector through user fees that lead to shorter stays in hospital on average need not be increasing efficiency, if they are giving rise to longer periods of convalescence at home and greater expenditures of non-monetized caring labour. Likewise, even though it might be more cost effective for health authorities to pick a site for a new hospital outside city limits, the center of town might prove to be a more socially optimal location when the time patients and their visitors will have to spend in travelling to and from the hospital is made a part of the calculus. In the case of the macroeconomy the problem is quite similar. We have no way of assessing the true impact of policies on efficiency at the macroeconomic level as long as the unpaid sector remains invisible in the national income accounts.<sup>13</sup>

However, making the reproductive sector visible so as to highlight the welfare effects of different macroeconomic policies on women is only a part of the challenge. Equally important is the need to explore the economy-wide repercussions of shifting certain societal costs onto the reproductive sector in the context of an economic structure characterized by gender inequalities.

### **C. Gendered Nature of Economic Behaviour and the Macroeconomy**

Contractionary policies, which are usually the preamble of all structural adjustment programmes, aim at keeping aggregate demand under control by reducing public investment/expenditures and private consumption. While government spending is reduced by administrative fiat the reduction in private consumption requires the ‘invisible hand’ of market forces. Rising prices usually suffice to do the trick through ‘forced saving’ as poorer households are shun out of consumption, if they have no other recourse to restore their purchasing power through government services and transfers or other means. In other words, in the context of structural adjustment programmes, market stabilization and taming inflation typically entails a deterioration of well-being for the most vulnerable. Under these circumstances the family/household becomes the last refuge for the poor in their struggle for survival as social insecurity and uncertainty in the outside world intensifies. Thus, the ability of ‘forced savings’ to extract sufficient aggregate savings to close the savings gap at the macroeconomic level depends in large part on the reproductive sector’s ability to increase the magnitude and intensity of unpaid work. As Elson (1995) puts it, forced savings at the macroeconomic level presupposes ‘forced-labour’ in the reproductive sector. In this context, domestic violence, or its threat, within the household can be seen not just as an extra-economic social problem but also a

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(1992), Afshar (1992), Bakker (1994), Sparr (1994), Cagatay and Ozler (1995), Gonzales de la Rocha (1994), Floro (1995).

<sup>13</sup> In its assessment of the effectiveness of adjustment programmes in increasing the overall efficiency of the economy, the World Bank relies on the statistics of incremental capital output ratio. A fall in this ratio is interpreted to reflect an improvement in the overall efficiency of the economy. However, incremental capital-output ratio statistics are typically calculated from statistics that ignore unpaid work. Thus, given the invisibility of the reproductive sector a fall in this ratio might just as well hide increasing inefficiency (Elson 1995).

form of labour extraction.

However, reproductive sector cannot without a limit compensate for the drop in the access to market goods and services in the provisioning of basic necessities of life. Sooner or later, demand for higher money wages intensify, and past a certain threshold of stress, social disintegration begins to set in as the social fabric begins to fray on the edges. If political and social pressures become too acute governments might be forced to take measures that restore money incomes of the dispossessed in order to prevent the outbreak of political and social disturbances. The result then might be a stagflationary spiral, defeating the very purpose of neo-liberal contractionary policies in establishing price stability. Clearly, under these circumstances there would be nothing to show for the tremendous hardships caused by these contractionary policies. Even when the increased burden on the reproductive sector succeeds in extracting 'forced savings' it is at the expense of setting off a process of cumulative depletion of human resources as forced overwork or prolonged idleness (from increased unemployment) over time claim a severe toll on human mental and physical capabilities. Though its importance remains unrecognized to the same degree, this is quite analogous to environmental resource depletion, which might mean - as environmental accounting has by now well established - that GNP growth in many instances hides a net social loss.

Quite independently of the tradeoffs women face in terms of the allocation of their time between paid and unpaid labour, there is by now a large literature that shows that gender biases and inequalities in the labour market, in access to credit, in the distribution of wealth and income and in decision making can act as barriers in the effective and productive use of human resources in meeting human needs. Just to cite a few examples, research by Tzannatos (1992) has shown that total output could be increased considerably by eliminating gender discrimination in occupational patterns and pay. King and Hill (1995) show that gender gaps in education have an adverse effect on growth. Likewise, especially in sub-Saharan Africa, evidence suggests that gender inequalities in the control of resources in agriculture constrains output responses that structural adjustment policies are designed to induce (Palmer 1991; Gladwin 1991).

Along similar lines, in his analysis of why structural adjustment policies have failed to be effective in Africa, Collier (1994) emphasizes the importance of constraints women face in their labour supply decision, which in his view can be summarized in terms of the following four processes: a) discrimination against women outside the household; b) copying of gender-specific role models; c) asymmetric rights and obligations within households leading to weak incentives for women to undertake tasks in male-controlled cash crop production; d) the burden of reproduction, leading to confinement to a restricted range of economic activities that are more easily compatible with motherhood.

Collier's analysis concentrates on the obstacles these processes create for labour mobility and how that negatively affects output adjustment at the macro level. However, other macro level feedback loops caused by asymmetric rights, or more specifically, inequalities in decision making within the household can also be equally important. A striking example is the so-called "good-mother" thesis. Evidence from a diverse group of countries, for instance, shows gender differences in the pattern of consumption expenditures. Whereas women tend to spend more on children and household needs, the

pattern of expenditures by men tend to be skewed towards leisure commodities (e.g., alcohol, tobacco, gambling, etc.) and goods that are status symbols. In a social environment characterized by economic insecurity and uncertainty it might not be surprising that women save and invest in their children, while men focus their energies, and channel their expenditures, in order to gain privileged access to networks of other men outside the household. Thus, the expenditures of women enhance capabilities that are directly productive while those of men tend to be channeled to 'unproductive' uses. These examples make it clear that gender inequalities in the distribution of income and wealth along with male biases in the legal and institutional structure of the economy are likely to have significant short, as well as long term effects on the way the macroeconomy functions.

### **III. Engendered Macroeconomic Modeling**

Formal modeling can be expected fulfill three useful functions. First, it can help us organize our body of knowledge and state our arguments with theoretical precision. We can thereby identify and isolate key variables, specifying in an unambiguous way the nature of interaction between these variables. Second, it can ease the difficulty of communication with those economists who have little knowledge of the stylized facts on how gender matters in the way the macroeconomy functions. Finally, and perhaps most importantly, formal modeling is a crucial step in policy making. Simple models can be quite effective in demonstrating the potential effectiveness of gender aware policies to policy makers.

Four different approaches can be distinguished in gender-aware macro modeling (Cagatay, Elson and Grown 1995a). The first method entails disaggregation by gender. In these class of models, the objective is to highlight the implications of the difference in behaviour between the two genders. An example is Collier's (1994) model of labour reallocation during structural adjustment. Here, the objective of the exercise is to show how the introduction of a key stylized fact alone, - in this instance, restrictions on the mobility of female labour - can significantly alter the way the model behaves. By implication, it can then be argued that because policies which ignore gender differences in behaviour will fail to produce desired outcomes, a new gender-aware set of policies need to be designed. Another example of this method of modeling involves taking into account differences in the patterns of consumption by gender. As it has been discussed above, women tend to have a higher marginal propensity than men to spend on goods that enhance the capabilities of children. By introducing differences in gender patterns of consumption into the New Growth Theory models, where investment in human capital and educational attainment are important explanatory variables of long term growth, it might be possible to trace out the long term implications of distributing income towards women.

In this group of models, gender differences in behaviour are exogenously given, as it is assumed that they arise from a pattern of life characterized by pervasive gender inequalities. The disaggregation method is clearly more applicable in some countries than in others. In those economies where petty commodity production predominates, it is more

likely that men and women control different streams of income or differ explicitly with respect to their productive activity in a clearly identifiable way. By contrast, in economies characterized by large public or private enterprises, gender differences in behaviour will be more subtle and less uniform.

The second approach to macroeconomic modeling with gender involves the introduction of the gender dimension of certain macroeconomic variables into the model. This approach is based on the insight that the way labour, credit and goods markets function is predicated upon the degree of gender inequality. Likewise, decision making within the household, or in the private and public sectors, is made to depend on particular aspects of gender relations. As an example, we can envision what potential changes can be introduced to standard macroeconomic models such as the Revised Minimum Standard Model (RMSM) used by the World Bank. For one, the incremental capital-output ratio, which plays a very important role in this model as the gauge of overall efficiency, ignores unpaid labour in the reproductive sector. If unpaid labour is taken into account, the value of this ratio, and the policy prescriptions of the model, would change. Another important variable in this and in all other macroeconomic models with a clear gender dimension is the savings rate. Again, the relative importance of non-monetized goods in the wage basket, and the gender distribution of income as the “good-mother” thesis discussed above suggests, are likely to have an impact not only on the composition of consumption expenditures but also on the overall savings rate.

The third approach divides the economy into two sectors as productive and reproductive. The former sector comprises the traditional macroeconomic variables while the latter includes unpaid labour, non-monetized goods and services and human resource networks within the reproductive sector. Here, the objective is to focus on how the two sectors interact in terms of both flow and stock variables. As the model by Taylor (1995) exemplifies, these models can be developed on the basis of a social accounting matrix and different hypotheses about the linkages between the two sectors can be examined.

A fourth approach consists of using a combination of the approaches outlined above. For example, Darity (1995) combines the third approach with the first. He divides the economy into two sectors. The first sector is the household/subsistence sector, it is assumed that production is carried out exclusively by women. The second sector is the cash crop sector where both men and women work together, but their activities are gender-typed. Men control both the production process and the income from cash crops. When needed, they try to pull women from the household/subsistence sector and enlist their labour in the cash crop production by a combination of coercion, cooperation and inducement through compensation. Exploring how the loss of female labour to the cash crop sector affects the output of the household sector, the model shows that in a gender-segregated, low income economy where women shoulder the time/work burden, an export boom can possibly cause nutritional deprivation for women.

Another model that combines different modeling approaches is the one by Erturk and Cagatay (1995). In the context of a growth cycle model, they examine how secular and cyclical changes in the degree of feminization of the labour force and the intensity of female household labour influence the behaviour of the macroeconomy. They argue that an increase in the feminization of the labour force is likely to have a positive effect on investment, and that the savings rate would be positively related to the intensity of female

household labour. They use this model to investigate under what conditions an adjusting economy would be able to experience an economic recovery in the monetary economy by shifting costs onto the reproductive sector. On the basis of their analysis, they conclude that a recovery is likely to succeed when the impact of feminization of the labour force on investment is stronger than the impact of the intensity of female household labour on savings. This, they argue, is more likely to be the case in high and high-middle income countries.

These models illustrate the ways in which gender differences play a role in macroeconomic outcomes. More complicated models can be built to shed light on economic policy.

#### **IV. Gender and Macroeconomic Policy**

A cardinal rule of economic policy making involves the principle that policies should target problems at their source, rather than dealing with their manifestations. Various macroeconomic problems discussed in the earlier sections of this paper emanate from gender inequalities at the micro and meso levels. Thus, long term solutions can only be achieved if and when these inequalities are eradicated at their source. Creating conditions of equality in sharing reproductive responsibilities and decision making within the household; providing women with equal access to economic resources, education and job training; eradicating legal, institutional and cultural barriers that prevent or disadvantage women's participation in economic activity and decision making at the political level are just a few examples of the objectives long term policies need to target at the meso and micro levels.<sup>14</sup> However, this does not imply that macroeconomic policies cannot or need not be made gender-aware. It must be recognized that the traditional macroeconomic policies that are presumed to be gender-neutral are in fact gender-blind, since they have clearly identifiable gender-asymmetric effects at the micro and meso levels.

Fiscal policy is a good example of how macroeconomic policies need, and can, be scrutinized with respect to their gender effects. In countries as diverse as Canada, UK, Australia and South Africa, Women's Budget Statements and Initiatives have been developed as a device of intervention at the macroeconomic level of policy making. They are used to review and analyze national budgets and expenditures to determine which groups benefit from fiscal policies and whether biases against women, poor people or other disadvantaged groups are built into them. In these efforts, the ultimate objective has been to make macroeconomic policy responsive to the needs of the disfranchised groups.<sup>15</sup>

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<sup>14</sup> However, some micro and meso level policies, may have to be undertaken globally. For example, it may be politically difficult to increase women workers' rights (or labour standards in general) in open economies where women are mostly located in export-oriented sectors because of fears of loss of competitiveness. So in an increasingly integrated world economy, some micro and meso level interventions need to be undertaken by all countries (or regions), hence they would require trans-national collective action and global governance structures.

<sup>15</sup> See Budlender (1996, 1997) for detailed analysis of the South African Women's Budget Initiatives. The following discussion of the South African case draws from these volumes. See Elson (1996) for a general

For instance, the South African Women's Budget Initiative recognizes that women are not a homogenous group and that African women are particularly poor as a result of the legacy of apartheid. Thus, targeting women is viewed as an effective strategy of poverty reduction. In the analysis of budgetary allocations, a checklist of questions are drawn, to be asked of any type of public expenditure:

- How much is to be spent and on what?
- How will services be delivered ?
- How does expenditure relate to provision by business organizations, voluntary organizations and community groups?
- How does expenditure relate the informal and unpaid provision of services through households and family networks?
- Who will benefit in terms of access to services?
- Who will benefit in terms of public sector employment?
- How can poor women access more time, better nutrition, health and better skills?

A similar checklist is prepared with regard to revenue raising measures, such as taxes and user fees. This list included questions about the effects of such measures on various groups in terms of a reduction in income, consumption, access to services (e.g. through user fees) as well as a question on which groups would bear an increased workload in terms of *unpaid labour time* as a result of the revenue-raising measures. Another question that is asked addresses the role of fiscal policy in promoting norms, morals or ways of life.

The South African Women's Budget has also helped identify built-in biases in the budgetary process. For instance, it has revealed that the national budget was designed on the assumption of a stereotypical male (white) citizen with a nine-to-five job in the urban formal sector with a wife and children dependent on him. Yet, in relation to the total economically active population formal sector employment is small; women who are just over half the population predominate in the informal sector, among the unemployed and in rural areas, which are the most disadvantaged. Another example in the area of transportation policies, again, reveals a similar bias built into the underlying assumptions made in the design of policy. In South Africa, the majority of users of public transport are women and Africans. For poor families, transportation is the second major expense after food. Yet, transport subsidies applied only to those who held weekly or monthly tickets, discriminating against those who did not hold regular jobs. Unemployed people in search of jobs as well as those in the informal sector – most of whom are women - who traveled at irregular intervals and routes did not qualify for the subsidy. Moreover, it was also found that subsidies to private transport, in the form of income tax relief, free parking provisions and the like, were often larger than subsidies to the public transport system. Yet, those who use private transport come from the relatively affluent households who need government subsidy the least.

These examples show that it is important to consider not just the size of the national deficit/surplus, which macroeconomists are traditionally concerned with, but also the combination of expenditure and revenue which produces it. It is usually argued that, in the budgetary process there ought to be two overriding concerns: efficiency in the use

of resources and mobilization of new resources (Pyatt 1993). As Elson (1996) points out, in relation to both of these concerns, gender-analysis can play an important role, by ensuring that:

- (i) efficiency in the use of resources is properly defined. Macroeconomic policies which seem to increase efficiency in the formal economy might simply be an artifact caused by the transfer of costs to the reproductive sector of the economy.
- (ii) efforts to mobilize new resources take into account of the fact that women's labour is an over-utilized resource. This means that, because households do not necessarily pool all their resources, the impact of different taxes will vary by gender.
- (iii) policy design of the pattern of expenditures takes into account the gender specific externalities. An important example of this is women's caring work which has wide spillover effects on the economy at large beyond the family.
- (iv) sustainability is understood in a broader sense to include the intangible social/human resources, underpinning goodwill, trust, social stability and networks of solidarity. It is being recognized that the social framework is not invariant to macroeconomic policies and that excessive reliance on contractionary policies in macroeconomic stabilization can severely tax the social framework by creating widespread unemployment and idle capacity.

## V. Engendering Macroeconomics and UNDP

For UNDP, as for other development institutions, incorporating a gender perspective into all policies and programmes is a mandate of the Beijing Platform for Action. However, for UNDP, this mandate goes beyond a formal compliance in that *the development paradigm*, Sustainable Human Development (SHD), advocated by UNDP has gender equality as one of its cornerstones, others being poverty reduction, environmental regeneration, and employment growth and sustainable livelihoods. Among these, UNDP's main focus is on poverty reduction and freedom from poverty is viewed as a human right. However, the other cornerstones of SHD are equally important, since, for example, without women's empowerment and advancement, i.e. promotion of gender equality, poverty can not be reduced (UNDP 1998). Within the framework of SHD, UNDP also promotes good and democratic governance, respect for human rights in general and participatory people-centered approaches to policy making. Women's empowerment and poor people's empowerment are seen as critical for participatory and democratic policy-making processes.

However, this does not mean that gender equality is approached in an instrumentalist way<sup>16</sup>. Just as freedom from poverty is viewed as a human right by

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<sup>16</sup> Some feminists have argued that gender equality should be pursued within a framework of 'human rights,' rather than as an instrument of achieving other goals such as 'efficiency.' However, there is no contradiction between pursuing gender equality as a human right and also at the same time trying to design

UNDP, women's rights are also viewed as human rights. The question, then, is not whether gender equality or poverty reduction are goals in and of themselves, but how and through which policies and programmes these rights, gender equality and freedom from poverty, can be realized. From a macroeconomic point of view, this involves identifying macroeconomic policies that promote gender equality and types of growth that help reduce poverty and social inequalities in a sustainable and environment-friendly way.

Thus, engendering macroeconomic policies is consistent with the overall development policy framework of UNDP. Along these lines, several initiatives at UNDP have been undertaken toward engendering macroeconomics policies.

1. With other partners such as the Ford Foundation and the University of Utah, UNDP has been supporting research in the area of "Engendering Macroeconomics and International Economics." An International Working Group of Economists have been conducting research to further the conceptual, modeling, empirical and policy levels of analysis.<sup>17</sup> The next step in this process will be to produce manuals or training materials that can be used both by UNDP country offices as well as a range of policy-makers, civil society groups and other development partners.
2. The ultimate purpose of engendering macroeconomics is to produce gender-aware policy tools. For this purpose, another initiative is being undertaken to support the production of more detailed simulation models and to engender such models in order, for example, to predict the impact of a variety of policies on women and men as well as the impacts on the poor.
3. Along with a number of other agencies and foundations, UNDP has supported the South Africa Women's Budget Initiative and is interested in supporting other similar initiatives, which bring together governments and civil society groups for examining gender and anti-poor biases in fiscal policy.
4. Engendering macroeconomics or any other type of policy presupposes the availability of gender disaggregated data. UNDP along with ILO, UN Statistical Division and IDRC (International Development Research Center, Canada) and statistical offices of a number of countries, has initiated a pilot project on "Engendering Labor Statistics." The project involves the improvement of engendered data collection on both paid and unpaid labor in about a dozen countries. In the paid labour data collection, one particular area

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policies that enhance goals such as growth, (without necessarily subscribing to a neoclassical concept of efficiency). Gender equality and macroeconomic goals such as growth do not necessarily involve a trade-off, although sometimes gender inequality may be associated with higher profitability and perhaps a higher growth rate for a period of time. For example, keeping women's wages in export sectors such as apparel or textiles low may be a part of a country's international competition strategy. However, low-wage strategy of competition may not be sustainable in the long-run. Continuous upgrading of technology and increased productivity are essential for the creation of competitive advantage Cagatay (1996). A similar argument holds with other social inequalities, which may be associated with high profitability or growth under certain circumstances, however, growth strategies that rely on social inequalities, besides being ethically objectionable, become socially and therefore politically unsustainable by giving rise to ethnicity, race and class-based conflicts.

<sup>17</sup> The group has been in existence since 1994 and the first results of research were published in Cagatay, Elson and Grown (1995a).

of concern is the better documentation of informal employment, which is disproportionately made up of women. This project will also involve the time-use surveys, which are necessary for gender-aware macroeconomic analysis and policy-making.<sup>18</sup>

It is hoped that such initiatives will contribute to the design and advocacy of policies that promote gender and other types of social equality, elimination of poverty and destitution, not only by policy makers but also by civil society groups, whose efforts were crucial in making the connection between gender and macroeconomics.

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<sup>18</sup> There has been a debate about evaluation of unpaid labour and the its incorporation into National Income Accounts. Some in the feminist movement fear that making (mostly) women's unpaid labour visible will lead to demands of 'wages for housework,' which they believe will lock women into "housework" and perpetuate gender inequalities. Others find the efforts to assign a value to unpaid labor as problematic on grounds that any evaluation based on market prices will be gender-biased since market prices are gender-biased. What is being argued here is that in order to trace the feedback effects between the paid and the unpaid economy, we need to have time-use surveys and ideally they need to be conducted yearly over the course of the business cycle to investigate, for example, who bears the cost of adjustment during macroeconomic crises. However, such exercises do not necessarily require evaluation of unpaid labor at gender-biased market prices. The problematic of gender-biased market prices raises more difficult questions about the accuracy of income accounts in general and about the wisdom of policy positions which advocate "getting prices right." Unfortunately, these questions are beyond the scope of this paper.

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