From Gender as an Exogenous or Impact Variable to Gender as an Endogenous Force in the New Economics

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Gender is often ignored in (macro) economic analyses

- Gender may be regarded as exogenous: female labour force participation rate as a constraint on sustainability of pension systems in EU
- Gender may be regarded as a social impact variable: women may benefit less than men from a particular policy: breadwinner benefits in fiscal policy
- Gender is almost never regarded as part of the economic process, as endogenous, in a two-way relationship between economic processes and gender relations

Gender as an endogenous economic variable

- Influencing access to and control over resources, such as land, education, wage income
- Shaping agency and choices, for example in segmented labour markets
- Driving macroeconomic trends such as through the female labour force participation rate
- Underlying a female intensive substantial unpaid economy.

Elson's micro-meso-macro approach to gender analysis

- Recognizing that macro is more than just aggregation of micro, it involves the meso level of (gendered) processes
- Recognizing feedback effects from macro to micro level
- Recognizing a two-way relationship between the economy and gender relations -> relatedness between equity and efficiency

Inefficiencies from gender inequality in markets

- Inefficiencies in the allocation of resources, for example in financial markets
  - Women have higher pay back rate
  - Loans to women generate higher wellbeing effects in households
  - Women generate higher marginal returns on loan investments than men
- Inefficiencies in the distribution of resources in agricultural households
  - Shifting fertilizer to female plots and male labour and unpaid female labour to female plots increase net household yields and income up to 44%
- Inefficiencies in access to public services such as education
  - If girls in sub-Saharan Africa would have had the same school enrolment rates as in Asia, African economic growth rates could have been doubled over the period 1960-1992
  - Missing the MDG on gender equality by 2015 will result in GDP losses between 0.1 and 0.3 percentage points

Short-run growth *benefits* of gender inequality

- Mechanism: when gender inequality reflects exploitation (a price well below the level of productivity for one sex)
- Empirical results; Asian countries with the highest gender wage gap reap the highest export earnings relative to their GDP
  - Explanation: they use low women's wages as a major competitive advantage to lower the cost price and to increase retained profit which will finance investment in new technology

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Two policy responses to the use of the gender wage gap as competitive advantage:

- Global social floor including adherence to country specific minimum wages (ILO Decent Work programme)
- Improving female wages leading to increased labour productivity (efficiency wages approach)

Gender and trade dynamics: empirical results and model exercises

- Decline in labour market discrimination of women in the South increases the net barter terms of trade of the South with the North
  - Gender power in the labour market has a negative effect on the trade balance
- Gender division of labour in African agriculture between food crops (women) and cash crops (men) results in low export supply response to devaluation if men do not compensate women for the extra labour needed in cash crop production
  - Gender power in the household has a constraining effect on export stimulating policies
- Labour market flexibilization with trade liberalization makes women's jobs more vulnerable than men's: in Taiwan, women experienced more net job reallocation than men, both in the export sector and the import competing sector.
  - Gender power shifts the burden of trade-related flexibilization to women in terms of job vulnerability whereas women at the same time benefit from increased employment
- Trade liberalization (import competition) in the US has reinforced gender inequalities: in the concentrated industries women's factory jobs reduced (artificially reducing the average industry level gender wage gap) and in the competitive industries women's lower-end jobs expanded (increasing the actual gender wage gap).
  - Gender power replaces low skilled female labour by skilled male labour (high road strategy) or expands only the low skilled jobs for women (low road strategy)

Example: Mercosur-EU trade agreement since 1995

- Trade expansion in 10 years time for Mercosur vis-a-vis EU:
  - Trade + 42%
  - Export + 77 %
  - Import + 13%
- Trade elasticities of gender inequality:
  - Food affordability -1 => women have a harder time to budget for food for the household
  - Female employment share in exports -0.1 => inelastic: women have not gained employment in the stable export sector
  - Male employment share in import competing sector -2.3 => women's share of jobs has increased in the vulnerable sector
- Conclusion:
  - Women do not benefit much from trade with the EU, even though their educational level is higher than that of men
  - Gender inequality keeps Mercosur locked-in into a traditional low value added and low employment generating trade pattern with EU
  - Other trading partners generate higher productivity employment higher up the production ladder (Brazil, North America, Latin America): this may provide better opportunities for women's labour market position in Mercosur

PRSPs and gender

- Domestic price stability through deflationary policies
  - Higher job losses for women than for men
  - Higher costs of borrowing for small scale entrepreneurs (largely female in many countries)
  - Reductions in public spending tend to increase women's unpaid workload
- External balance
  - Net job gain for women through export sector expansion
  - Higher costs for imported food and other basic household needs
  - Limited aggricultural supply response to devaluation due to male control over cash crop earnings
- Internal balance
  - Reinforcement of male bias in public expenditure through cuts in social sectors
  - Lack of anticyclical fiscal policy during downturn leads women to substitute paid consumption with unpaid production and household consumption, reinforcing the economic crisis through a further decline in aggregate demand

=> Conclusion: interaction between gender and neoliberal macroeconomic policy reduces the effectiveness of macroeconomic policies on growth and poverty reduction.

Conclusions

- Gender blind macroeconomic policies tend to reinforce existing gender inequalities
- Existing gender inequalities tend to limit the effectiveness of macroeconomic policies
- A new mainstream economics should take gender serious as an endogenous variable, to strengthen the quality of economic analysis, to improve the effectiveness of macroeconomic policy and to reduce gender inequalities in economic outcomes.