Gender, Growth and Employment

By Elissa Braunstein

Abstract: Elissa Braunstein reviews the gendered employment impacts of the macroeconomic policy environment, with a particular focus on women's employment.

Is growth good for women?

There is an extensive literature that documents the positive impact that growth has had on a variety of measures of women's well-being and gender inequality, including education, life expectancy, the UN's Gender Development Index, female labour force participation, employment segregation, and the gender wage gap (Dollar and Gatti, 1999; Rau and Wazienski, 1999; Tzannatos, 1999; Forsythe *et al*., 2000; Seguino, 2000a, 2007; World Bank, 2001, 2005b).* But even if we take the literature on the positive impacts of growth on women's well-being and gender equality at face value, we still need to question if growth is good for women in the context of the neo-liberal macroeconomic policy environment, particularly from an employment perspective. For instance, with little growth, women's gains come at the expense of men. Deflationary bias, the combination of policies designed to keep inflation low and global capital flows stable, but that also result in slow growth, may cost women more than it costs men, both in terms of the male breadwinner bias embedded in social welfare policies and greater overall employment volatility. Moreover, the hypothesized pathways between growth and gender equality in employment may be dramatically weakened by the neo-liberal macroeconomic policy context in which they are drawn.

Gender inequality, international competitiveness and export-led growth

There is a substantial theoretical and empirical literature that gender equality raises economic efficiency and growth. The reasoning is that market imperfections, combined with traditional gender relations, can lead to gender inequality, which in turn may have direct effects on growth via selection distortion-type effects in education and labour markets, and create growth-inhibiting incentives for investments in human and physical capital. By contrast, feminist economist Stephanie Seguino has long argued that gender-based wage gaps actually contributed to growth among semi-industrialized countries because of their role in determining export competitiveness (Seguino 2000b, 2000c, 2010; Blecker and Seguino, 2002). Seguino's work indicates that the *type* of inequality is what matters for growth. When gender discrimination is manifested in ways that do not compromise the overall quality of the labour force but merely lower the cost of labour for employers, systematically discriminating against women can have positive effects on growth.

Trade Liberalization and the feminization of employment

Globalization underlies the nearly universal increase in women's share of the nonagricultural labour force among high growth or semi-industrialized developing economies in the past few decades; a result of the tremendous growth in manufacturing trade and export processing from the developing world. Increases in women's employment have also occurred among exporters of non-traditional agricultural goods, such as designer fruits and vegetables or cut flowers, in sub-Saharan Africa and Central America, as well as in countries engaged in the more traditionally feminine aspects of the services trade (for example lower-paid and lower-skilled work such as data entry and call centres) (Dejardin, 2009; Seguino and Grown, 2006). The relative increase in demand for female labour is not just a matter of expanding the available labour force when male labour is in short supply. With labour costs such a crucial part of international competitiveness in these industries, labour-intensive exporters prefer to hire women both because women's wages are typically lower than men's, and because employers perceive women as more productive in these types of jobs (Elson and Pearson, 1981).

However, this positive association between trade liberalization and female employment is strongest in labour-abundant semi-industrialized countries. In primarily agricultural economies where women are concentrated in import-competing agricultural sectors like food crops, men are better situated to take advantage of export opportunities in cash crops or natural resource extraction and women lose employment and income as a result of trade liberalization (Fontana, 2007; Bussolo and De Hoyos, 2009). Also, in developing economies with less competitive manufacturing sectors, particularly in Africa, tariff reductions on labour-intensive imports have resulted in higher job losses for women than for men (Adhikari and Yamamoto, 2006; Seguino and Grown, 2006). Moreover, women seem to lose their comparative advantages in export-oriented sectors as industries upgrade, leading to a de-feminization of manufacturing employment as has happened in Costa Rica, India, Ireland and many parts of East and Southeast Asia

The impact on female wages—mixed evidence

The standard theoretical prediction is that trade liberalization should increase female wages and lower the gender-based wage gap for two reasons. One is that the increased competition introduced by trade liberalization will make it more costly for domestic firms to discriminate. The second is based on standard trade theory, which predicts that when developing countries open to trade, their exports of unskilled labour-intensive goods will increase. Presuming that women constitute a disproportionate share of the unskilled labour force, trade liberalization should bring about convergence in women's and men's wages because it raises the relative demand for women's labour. A number of empirical studies support these predictions. However, there is also substantial evidence that the gender wage gap have either persisted or widened as a result of trade and investment liberalization.

The fallacy of composition and the limits to export-led growth: the low-wage/low- productivity trap

Export-led growth is widely lauded as a key to development success, but the large and increasing number of developing economies trying to get on the export bandwagon have lead to a fallacy of composition: increasing the exports of (labour-intensive) commodities of many countries with similar comparative advantages merely drives down the prices of those goods and constrains the types of improvements in wages and working conditions that adopting such a strategy is meant to deliver (Stiglitz, 2008). This dynamic is especially damaging for women because women's employment tends to be concentrated in the types of industries that are the most exposed to international competition (Berik and Rodgers, 2009).

A reconsideration of trade liberalization and relative wages

Defeminization in higher value added export sectors, increasing returns to skill as a result of outsourcing, the extreme competitiveness in traditionally female, labour-intensive export industries, and the increasing ease of moving production from one locale to another together indicate the inherent limits of trade liberalization as a vehicle for gendered wage convergence. Trying to address gender-based wage inequality, given the extreme competitiveness of global trade in an era when governments are discouraged or even prohibited from engaging in industrial policy, is an issue that is consistently ignored in discussions of gender inequality among the international financial institutions (Seguino, 2009).

Informalization, employment quality and vulnerability

Informal employment is characterized by less job security, lower incomes, little or no access to social benefits and fewer opportunities to participate in education and training than formal employment. Though data on informal employment is notoriously difficult to come by, we know from a wide range of studies that women tend to be concentrated in the most invisible areas of informal work: domestic labour, piece rate home work, assisting in family enterprises, or working in the lowest rungs of the global value chain (Chant and Pedwell, 2008). Gender differences in earnings in the informal sector seem to parallel, and in a number of cases even exceed gender wage gaps in the formal sector.

Public expenditure, growth and gender

The dominant macroeconomic narrative on public expenditure ignores a large theoretical and empirical literature on the links between public expenditure and growth. The theoretical story is rooted in endogenous growth theory, where public investment in things like infrastructure and education raises the rate of economic growth (Barro, 1990; Agénor, 2008). A causal link between infrastructure, women's time allocation, and growth has also been established. The reasoning is that the provision of public infrastructure like roads, electricity, sanitation and water lower the opportunity costs of market work for women—mostly by lowering the time intensity of care work. Better infrastructure and greater market participation among women also have positive externalities for health and education, both for women themselves and their children, leading to a virtuous cycle of human capital accumulation and economic growth.

Conclusion

Looking towards the future in terms of how to guide research and policy, it is important to trace whether and how the ongoing evolution of the Washington Consensus has altered the centrality of liberalization, privatization and price stability in the macroeconomic policy menu. A similar analytical framework should be applied to newer paradigms such as 'growth diagnostics', an increasingly popular response to the failures of the 'one-size-fits-all' approach of the Washington Consensus. The work here is certainly compelling, but the emphasis is still simply on growth. What is the approach to macroeconomic stability? Do we need a distinctive model for employment-generating growth? Do different responses to various binding constraints have different gendered effects? Answering these questions is essential to fundamentally challenging the dominance of neoliberal development macroeconomics, and more closely linking growth with high quality employment generation for women and men.

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Notes

1 The World Bank has sponsored a number of country case studies applying this approach. See http://go.worldbank.org/HXX29AT3X0

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