

# **Engendering Development Strategies and Macroeconomic Policies: What's Sound and Sensible?**

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## Introduction

Gender-aware analysis since the early 1970s has produced a large literature showing that men and women are affected differently by policies and processes associated with economic development. Boserup (1970) was the first to present a systematic examination of the gender-differentiated effects of agricultural transformation, industrialization and associated structural changes. Much of her evidence indicated adverse outcomes for women in their labour market and social status. The Boserup study and subsequent works in the 1970s focused on the inward-looking strategies pursued in developing countries, many of which were newly independent nations emerging from colonial rule. In the aftermath of the debt crisis of the early 1980s and the ascendancy of the neoliberal paradigm in development economics, developing countries gradually shifted toward outward-looking strategies that emphasized trade and investment liberalization, export-orientation, fiscal austerity, deregulation and privatization. Introduced in the form of stabilization and structural adjustment programs under the auspices of the International Monetary Fund (IMF) and the World Bank, this shift in development strategy produced dramatic economic, political and social changes, with far-reaching impacts on people's livelihoods.

Gender-aware analysis during the 1980s and early 1990s examined the impacts of macroeconomic stabilization and structural adjustment programs on labour market outcomes, poverty, inequality and well-being within the household. Country case studies highlighted the adverse impacts of economic reforms on low-income groups and those less able to take advantage of the emerging opportunities in economies undergoing structural change.<sup>1</sup> Since the mid-1990s, a growing literature has documented the shortcomings of neoliberal policies that have become the global orthodoxy and that are also known as the Washington Consensus. These studies sought to produce not only gendered analyses of macroeconomic policies and economic growth but also to develop a gender-aware macroeconomic theory and methodology, and through these frameworks aimed to develop alternative policies.<sup>2</sup>

This paper takes stock of the project on engendering macroeconomic theory and policies. We present an overview of feminist arguments and methodologies by focusing on the feminist

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<sup>1</sup> Benería and Feldman 1992; Benería and Roldán 1987; Bakker 1994; Sparr 1994; Elson 1995b.

<sup>2</sup> See in particular: Çağatay et al. (1995), Grown et al. (2000), Benería (2003), Barker and Feiner (2004), van Staveren et al. (2007) and Berik et al. (2007).

critiques of neoliberal policies, key debates on conceptualization and measurement of well-being, methodologies for gender-aware analysis and the empirical evidence on gendered effects of development strategies and their component policies. We examine the gendered impacts of neoliberal reforms by using two approaches: a country case-study approach and a specific reform-focused evaluation of the theoretical predictions and empirical evidence.

The gendered development histories of the Republic of Korea, the Taiwan Province of China, Viet Nam, Malaysia, Chile and Uruguay in this volume illustrate the insights that could be gained from using a case-study approach.<sup>3</sup> Despite their considerable differences, each of these economies started with an inward-looking development strategy and opened up to international trade and investment in the aftermath of economic and political crisis. The narratives for Korea and Taiwan, two of the world's leading models for the export-led growth strategy, provide useful evidence for assessing the various debates on gender and trade liberalization. While Viet Nam is a transition economy that is opening up to trade and foreign direct investment (FDI), Malaysia, Chile and Uruguay are capitalist economies that have moved away from import substitution industrialization (ISI) toward export-oriented growth. Besides outward orientation, however, these economies have been selective in following other policies supported by the neoliberal paradigm, relying to a considerable degree on state management of policies in order to achieve growth. Our comparative evaluation of these case studies highlights the commonalities and divergences in the gendered outcomes, the strategies and policies that have contributed to an improvement in well-being over time and across social groups, and the policies that can help remove the obstacles to achieving gender equality in the future.

Our assessment of the theoretical predictions and empirical evidence regarding the gendered effects of key neoliberal reforms confirms earlier findings in feminist economics literature that women and men weather the storm of macroeconomic shocks, neoliberal policies and the forces of globalization in different ways. Trade liberalization, international capital flows, fiscal austerity and restrictive monetary policy—the bread and butter of neoliberal reforms and the outward-looking development strategies that we examine—can in principle bring new opportunities to participants of stable and prosperous economies. However, our evaluation shows that when analyses incorporate rather than ignore gendered effects, they show that neoliberal

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<sup>3</sup> Hereafter, we refer to the Republic of Korea (also known as South Korea) as “Korea,” and we refer to the Taiwan Province of China as “Taiwan.”

reforms do not promote well-being in a broad-based manner and entail additional drawbacks for women due to the constraints they face in the household and in society. Where macroeconomic policy reforms billed as “sound” and “sensible” have achieved their targets of exchange-rate stability, low inflation, replenished foreign exchange reserves and higher growth, the benefits have been uneven. While creditors, asset holders and internationally mobile groups have seen clear gains from these policies, gains for low-income women from greater price stability have been counter-balanced by adverse effects that exacerbate gender inequalities.

Based on our review and the gendered development histories in this volume, we argue that in order to achieve gender-equitable well-being, it is crucial to adopt reforms at the multilateral and national levels to regulate international capital flows and labour standards and to release domestic policy from the short time horizons that are used to evaluate financial capital flows. Rather, the soundness and sensibility of macroeconomic policies ought to be based on the extent to which they integrate social objectives into their macroeconomic goals and achieve them.

## **The Project of Engendering Development Strategies and Macroeconomics**

### ***Gender and economic analyses of macroeconomic policies***

Gender-aware evaluations of the consequences of economic crises and the subsequent macroeconomic stabilization and structural adjustment programs problematized the use of gender-blind macroeconomic models to guide policy. Since the early 1980s, both developing and industrialized economies have adopted policies that accelerated their integration in the international economy and reduced government regulation over the domestic economy. The debt crisis that many developing countries experienced during the early 1980s was a turning point, marking the shift from inward-looking to outward-looking strategies under the policy guidance of the IMF. Macroeconomic stabilization policies in the IMF conditionality sought to bring under control inflation, the budget deficit and the balance-of-payments deficit through restrictive monetary and fiscal policies and currency devaluation. Subsequently, trade liberalization, export orientation, openness to FDI, capital account liberalization, the deregulation of government controls and the privatization of public services and state-owned enterprises (SOEs) were phased in as structural adjustment programs that aimed for long-term growth.

Feminist economists argue that the lack of policy attention to gender and class differences was responsible for the uneven burdens and economic inefficiency generated by these programs (Çağatay et al. 1995). One particular insight concerns the implicit assumptions about unpaid caring labour. Focused as they are on the monetized economy, macroeconomic policies do not pay attention to the impacts of policy changes on the unpaid reproductive economy, in effect assuming an unlimited supply of reproductive labour. As a result policy makers do not fully assess the costs of stabilization and adjustment measures. Feminist economists show that increases and intensification in unpaid household labour made up for the shortfalls in public services due to cuts in health and education budgets, and that these cuts also had human resource costs in an intergenerational sense.<sup>4</sup> Moreover, two particular outcomes associated with these programs are likely to have deleterious effects on the well-being of low-income groups and women in particular: the “deflationary bias” of the recommended macroeconomic policies tends to hurt these groups through shrinking budgets for basic services, while their “commodification bias” means that women have to increasingly rely on cash incomes to provision their families (Elson and Çağatay 2000). Implemented in an institutional context that favours male breadwinners, gender-blind reforms further exacerbate these adverse effects on well-being.

Feminist economists argue that “engendering macroeconomics”—that is making visible the way gender relations permeate the workings of the economy—is the first step toward producing alternative policies that reduce gender, class and ethnic inequalities and promote human well-being (Çağatay et al. 1995; Grown et al. 2000). Thus this project does not solely entail adding gender awareness to the existing neoliberal paradigm but rather to transform it. Underlying this perspective is a redefinition of the economy as the totality of interconnected paid and unpaid activities required for provisioning of human beings (Nelson 1993; Benería 2003; Power 2004). While well-being is a multidimensional concept that encompasses income, health, education, empowerment and social status, feminist economists increasingly rely on Sen’s capability approach to gauge improvements in well-being. Sen has argued that the goal of development policies ought to be to promote human capabilities, understood as each individual’s

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<sup>4</sup> Prominent in the scholarship on caring labour is work by Nancy Folbre, who argues that the social construction of caring penalizes women and that economic penalty imposed on caring work can be eliminated with public-policy options that include improved measurement of non-market work, more public support for parents and policies that promote pay equity (Folbre 2001, 2008).

potential to do and be what they may choose to value (Sen 1999). In contrast to other approaches to well-being, most notably utilitarianism and income-based approaches favoured by most economists, the capability approach shifts the attention from subjective assessments or maximization of access to resources to actual outcomes that individuals are able to attain (Nussbaum 2003). Thus, successful policies are to be gauged in terms of their ability to deliver individuals a healthy life, knowledge, bodily integrity, a life free from discrimination and a host of other capabilities, and to reduce inequalities in these capabilities. Attention to policy ends also forces scrutiny of the means for individuals to achieve their livelihoods (that is, their entitlements through the labour market, the state and the community) so that they can expand their capabilities. Hence the capability approach links the concern about the adequacy of and inequalities in entitlements with concern about unequal capabilities and problematizes development strategies and their component macroeconomic policies.<sup>5</sup>

The focus on gender necessitates attention to class, ethnicity and other social differences since these social stratifiers shape the actual meaning of being a woman or a man in a given society. These differences are relevant in the design of macroeconomic policies as well. Feminist economists point out that economically powerful groups have considerable influence in shaping the policy mixes and supporting a definition of “sound” macroeconomic policies that protect their interests and leave less powerful groups to bear the costs of these policies (Elson and Çağatay 2000). Specifically, when soundness is defined in terms of exchange-rate stability and low inflation targets, these policies take on a deflationary character that aims to attract creditors. Such policies also protect the real returns for the holders of financial assets and the internationally mobile groups, such as multinational corporations and wealthy households. Feminist economists have argued for judging the soundness of policies on the basis of their ability to bring society toward social justice and produce improvements in people’s lives, and thereby they have sought to integrate social policy goals in macroeconomic policies. Goals for social justice include distributive fairness, equity, the universal provisioning of needs, elimination of poverty, freedom from discrimination, social cohesiveness, and strengthening of human capabilities (Elson and Çağatay 2000; Benería 2003). Thus, enhancing gender-equitable well-being is integral to promoting social justice.

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<sup>5</sup> In engaging critically with Sen’s work, Iversen (2003) stresses the need to consider domestic power imbalances, bargaining skills and intrahousehold inequality when assessing the well-being of individuals.

In the quest for transforming policies, feminist economists have been pluralistic in approach and methodologies. They have relied on a number of methodologies for gender-aware analysis. These methodologies include building formal models, utilizing growth accounting frameworks, conducting empirical tests of economic theories, developing country case studies, and pursuing research at the conceptual and empirical levels.

### ***Building gender-aware models***

A major effort in the project of engendering macroeconomics has focused on the theoretical modelling of the macroeconomy. Proponents of this methodology have argued that formal models would not only assist in communicating with and potentially influencing model building in mainstream macroeconomics but also shape policy making, which invariably relies on models. Efforts to add a gender dimension to macroeconomic models have followed three types of approaches.<sup>6</sup> The first, a “gender disaggregation” method, builds on evidence that shows that men and women may differ in their consumption, investment or saving behaviour in order to justify the disaggregation of macroeconomic variables by gender. The second approach, a “gendered macroeconomic variable” method, modifies parameter values in macroeconomic models to reflect the effects of gender inequalities in the economy. The third approach is a “two sector/system” method that models an economy as two systems: one includes the standard types of variables related to the macroeconomy and the other comprises gendered variables related to the unpaid reproductive economy.

Gender-aware approaches to macroeconomic modelling that follow at least one of these approaches include Darity (1995), which develops a two-sector, gender-segregated model of a low-income, farm-based economy. Production in the subsistence sector depends only on the labour of women, while production in the cash-crop sector depends on men’s and women’s labour. A key feature of this model is that men have control over production and income, and they try to maximize their income by using force, cooperation and payment to obtain additional effort in cash-crop production from women. This model shows that increases in cash-crop output may be achieved at the expense of subsistence production. In a second example of gendered modelling of the macroeconomy, Ertürk and Çağatay (1995) build a model in which the feminization of the labour force stimulates investment, while an increase in the female intensity

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<sup>6</sup> These approaches are introduced in Çağatay et al. (1995) and Grown et al. (2000), and they are further discussed in Fontana and Rodgers (2005) in the context of general equilibrium models.

of household work boosts savings. This model predicts that economies have a higher likelihood of recovering from cyclical downturns if women's labour-force participation rises more quickly than their time devoted to household work. Thus, the gender division of unpaid and paid labour makes a difference in prospects for economic recovery. As a final example, Walters (1995) demonstrates the importance of the reproductive sector in the growth process and how neoclassical aggregate growth models have neglected the reproductive sector by assuming that population and the labour force are determined exogenously (as opposed to being produced and reproduced by caring labour).

A small but growing number of studies are adding a gender dimension via a combination of the above three approaches to Computable General Equilibrium (CGE) analysis. The CGE analysis is then used to demonstrate that macroeconomic policies and shocks can affect men and women differently through multiple linkages among various sectors in the economy. CGE analysis has a history of several decades as a planning and simulation tool in development economics scholarship and policy making. Two published studies (Arndt and Tarp 2000; Fontana and Wood 2000) are the first to incorporate gender features into a CGE model by differentiating between men and women in the labour market. An advantage of CGE models over most other types of macroeconomic models is that they provide the opportunity to study the macroeconomy in greater detail at the sector level with empirical data (Fontana and Rodgers 2005). While other types of gendered macro models follow an economy-wide approach and link aspects of the monetary economy with those of the household economy, they do not allow for connections with detailed sectors. An engendered CGE approach fills this gap with the simultaneous analysis of all individual sectors of the monetary economy, the relations among them, and the linkages and feedback effects between the monetary economy and the household economy. Another advantage of gender-aware CGE models is their fit with the multi-sector planning models used by governments and international agencies to simulate the outcomes of macroeconomic policies, structural reforms and economic shocks, which make it relatively easy to incorporate gender awareness in policy making. However, CGE analyses (including the engendered types) entail some drawbacks in achieving a more informed policy assessment. These drawbacks include the lack of agreed standards and methodologies, ambiguities surrounding the extent to which simulation results are driven by the underlying assumptions and



parameter choices, and gaps in addressing issues related to the environment and the quality of life (Fontana and Rodgers 2005).

In building the macroeconomy as a gendered structure, gender-aware models show that not only do macroeconomic policies have different effects on women and men, but also gender inequalities shape macroeconomic performance. These models have contributed to the growing awareness of the valuation of women's caring work, a new understanding of the constraints and costs it imposes on women, and greater recognition of the division of resources and tasks within the household.

### ***Engendering growth theory and empirical results***

Theoretical growth models that examine the relative contribution of various factors to the expansion of a country's economic output (principally, labour, capital and technology) have followed several approaches in incorporating issues of gender. Earlier studies sought to add fertility and the costs of children to growth models but failed to examine the implications of a gender earnings gap for economic growth (Lagerlöf 2003). Subsequent work (most notably Galor and Weil [1996]) that explicitly modelled gender differences in mental input ("brains") and physical strength ("brawn") generated the prediction that physical capital accumulation leads to higher returns to mental input relative to physical strength, causing an increase in women's relative wages and, through the rising time cost of children, a decline in fertility.<sup>7</sup> Lagerlöf (2003) combines various aspects of earlier work to build a theoretical model that suggests that Europe's long-term economic growth and demographic transition can be explained by a series of small changes that steadily led to more gender equality over time. With growing equality between men's and women's education levels, women's time became more valuable and couples substituted away from quantity of children to quality of children. As fertility declined, the education level rose and mortality stabilized, per capita income growth increased, resulting in an outcome of growth that accompanies the move to gender equality.

Among efforts to engender empirical studies of economic growth, considerable debate has emerged regarding the direction of causality as well as the distributional consequences.

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<sup>7</sup> Other growth studies with gender have examined the effect of technological innovation in household production and the increase in married women's labour-force participation; the link between marital patterns and income and wealth inequality; the influence that marriage outcomes of sons and daughters have on parents' decisions to invest in their children; very long-run patterns characterizing the demographic transition to lower fertility, lower mortality and lower population growth rates; and the importance of a scale effect from population size that triggers a growth take-off through technological progress.

Growth may improve gender equality or reduce it, and gender inequality can hamper growth or stimulate it. As argued in Stephanie Seguino's chapter in this volume, to properly assess the relationship requires the isolation of a particular set of policies or pathways in order to ascertain the gender effects. Further, analyses sometimes arrive at divergent conclusions, depending on which gender effects are emphasized. In exploring these questions, researchers have relied on cross-country regression analyses that examine the relationship for many countries together. This methodology is viewed by many development economists as the most reliable source evidence, while others regard them with scepticism since the methodology overlooks country-specific and time-specific evidence.<sup>8</sup>

With these caveats in mind, a number of studies have shown that economic growth may have a causal impact on the gender gap, with the gap widening or narrowing depending on the type of policies and the dimension of gendered well-being that are under consideration. For example, any improvement in economic growth that is generated by the privatization of public services may widen gender gaps in capabilities if privatization results in higher prices that, in turn, disproportionately constrain women's and girls' access to these services. Likewise, export promotion may boost economic growth but put downward pressure on the wages of workers in the export sector and, to the extent that women workers account for a high proportion of employment, contribute to wider gender wage gaps. A recent example of such an econometric study is Balamoune-Lutz (2007), which finds that economic growth from 1990 to 1999, combined with increased integration in world markets, led to greater gender inequality in literacy in Sub-Saharan Africa. Yet other cross-country growth studies have found that economic growth leads to an improvement in women's status. For example, Forsythe et al. (2000) use data for the 1970–1992 period and find that economic growth led to higher levels of status as measured by the United Nations Development Programme's (UNDP) Gender-related Development Index (GDI), with the greatest improvement in countries characterized by relatively low GDI indicators in the early 1970s.

In the reverse direction, gender inequality can also have a causal impact on economic growth. In particular, Knowles et al. (2002) estimate a neoclassical growth model with cross-

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<sup>8</sup> Cross-country growth regressions have been criticized for methodological problems that pertain to causality, measurement, and robustness and for substituting global information for the local in making inferences about the obstacles to growth, and for exaggerating the benefits of globalization (Rodríguez and Rodrik 2001; Stiglitz 2005). One proposed solution is to apply a "growth diagnostics method" to identify constraints to growth at the country level (Hausmann and Rodrik 2005).

country data from 1960 to 1990 and show that women's education has a positive and statistically significant long-run effect on labour productivity, while the long-run effects of men's education on labour productivity are less robust. The authors conclude that gender inequality in education can hamper economic growth. A similar conclusion is reached in Klasen (2002), with the interpretation that gender inequality in education has a direct dampening effect on economic growth by reducing the average level of education and an indirect effect by lowering investment and increasing population growth. However, improvements in women's educational attainment may not translate into lower wage gaps, particularly in countries with high levels of gender-segregated employment. Seguino (2000a, 2000b) argues that gender inequality can actually serve as a stimulant to economic growth, when that inequality is measured as the formal-sector wage gap. Estimating cross-country growth regressions using data from 1975 to 1990, Seguino demonstrates that wider gender wage gaps were associated with higher growth rates. She explains that relatively low female wages contributed to lower labour costs, which helped raise investment and improve export performance. Growth in foreign exchange earnings in turn helped finance greater capital goods and intermediate inputs, both of which contributed to productivity and economic growth.

Gender-aware analyses have also shown that growth is not sufficient to improve gendered well-being in all its dimensions. In particular, Sen has drawn attention to discrimination against females in the basic capability of life as evidenced by the shortfall of women relative to men in the population of some countries, including high-income countries or those experiencing rapid growth (Sen 1989, 1990). Further, Klasen and Wink (2003) argue that rising per capita income is associated with mixed evidence for improvements in women's relative status, with an increase in the absolute number of "missing women" and a growing incidence of sex-selective abortions in Asian economies offsetting some of the gains women experienced in education and labour-market outcomes. In this volume Günseli Berik shows that this startling gender outcome of growth and structural change also emerged in Taiwan and Korea after two decades of high growth rates. The elevated population ratio of boys to girls emerged in the mid-1980s in the context of falling fertility rates. Contrary to the claim that the elevated population sex ratio reflects the resistance of cultural values to economic change, Berik contends that persistent gender wage gaps that facilitated export growth along with the absence of social protection institutions for old age support likely boosted (the cultural) parental preferences for having sons.

Thus, growth that relied on lower relative wages of women is implicated in reinforcing the lower social value of women.

## **Gender, Globalization and Development Strategies: Country Case Studies**

The country case-study approach is another useful empirical methodology in the engendering project. Describing the gendered development trajectory of a country and linking the changes in gendered well-being to the development strategy and its component macroeconomic policies helps in assessing the implications of strategy shifts or neoliberal economic reforms. Country-level studies provide contextual information on institutions and history, and they have the advantage of examining outcomes that are generated as a result of a combination of policies, which contrasts with statistical, cross-country analyses that isolate the effects of one policy (Rodrik 2003; Stiglitz 2005). Comparative evaluation of country studies can also help identify empirical regularities that could be used in building and testing formal macroeconomic models. In this volume, case studies of four Asian and two Latin American economies undertake the difficult task of producing gendered development histories that evaluate the changes in capabilities and entitlements within the limitations of an article-length space. The authors rely on primary and secondary statistical sources to assess how the relative and absolute measures of women's social and economic well-being have changed during various phases of reforms and development strategies.

### ***Inward-looking development strategy***

Despite their divergent paths, each country examined in this volume initially pursued an inward-looking development strategy. Their goal was to industrialize, insulate themselves from the adverse effects of the international economy and stake out a development path that was relatively autonomous from former colonial powers or major trading partners. The centrepiece of this strategy was ISI, which was supported by early development economists and had a successful track record in the development histories of today's industrialized economies (Prebisch 1950; Hirschman 1958; Chang 2002). ISI aimed to create a domestic market and was supported by tariff protection, an overvalued exchange rate, real wage growth, domestic terms of trade that favoured manufactured goods and expansionary fiscal and monetary policies. While Latin American economies relied on ISI for decades, the Asian economies switched more quickly to an

outward-looking strategy. Chile and Uruguay implemented an inward-looking strategy from the early 1930s to the early 1970s, while Taiwan and Korea pursued it for less than a decade between the early 1950s and early 1960s. Malaysia's and Viet Nam's inward-looking phases each lasted slightly longer than a decade. The typical limits that forced re-orientation away from ISI were economic stagnation due to foreign exchange constraints and relatively small domestic markets as well as inflation due to large budget deficits and expansionary macroeconomic policies.

Rosalba Todaro, in examining Chile, and Alma Espino and Paola Azar, in examining Uruguay, identify vulnerability to crisis during the Great Depression as the motivating factor for their change in development strategy from reliance on primary product exports to ISI. Todaro shows that in the 1940s and 1950s, Chile achieved industrialization based on the major role of the state in investing in infrastructure, utilities and strategic industries, such as oil refining and steel. The state also supported the development of the domestic market through tariff protection and encouraged investment in intermediate and capital goods. As ISI hit its limits in the 1950s, the state sought to overcome the foreign exchange constraint by pursuing agrarian reform, greater openness to FDI and the partial nationalization of the copper industry. Restrictive macroeconomic policies and price controls aimed to curb inflationary tendencies without much success. In the early 1970s, macroeconomic instability heightened as the government sought to gain control of export revenues through a nationalization program and boost demand through spending programs that benefited low income groups. The economic and political crisis was punctuated by the 1973 military coup, which brought about a dramatic shift in development strategy.

Espino and Azar's account of Uruguay's experience with ISI is very similar to Chile's experience. In both Chile and Uruguay, income distribution became more equitable during the ISI regime as labour-market institutions (such as salary councils and collective bargaining) facilitated wage increases that supported the domestic market. Chile and Uruguay also achieved major and gender-equitable improvements in basic capabilities: higher life expectancy, lower infant mortality and greater access to education. In Chile the ISI period improved reproductive health, albeit with limited reproductive rights, and broadened political rights. As in other countries, the ISI development strategy was built upon the male breadwinner–female homemaker division of labour and resulted in rising male-intensity of manufacturing employment and

declining female labour-force participation. Social security and health care institutions and policies were predicated on the male breadwinner assumption.

Turning to look at Asia, Korea and Taiwan emerged from Japanese colonialism at the end of World War II as poor agricultural economies, with little indication of their future spectacular success (Chang 2003). Following land reforms of the early 1950s, which eliminated rural inequalities and potential political opposition to the industrialization project, they established ISI in consumer non-durables. Both economies expanded schooling by building on the colonial foundation of gender-equitable educational access, especially in Taiwan. In the 1950s the majority of the labour force was engaged in agriculture, with Taiwan also pursuing rural industrialization. These policies that fostered a relatively egalitarian society proved to be crucial ingredients in the success of the subsequent outward-oriented development strategy (Sen 1999). Without any natural resource exports to generate foreign exchange earnings and with small domestic markets, both economies came up against the constraints of ISI sooner than their Latin American counterparts. By the early 1960s, they were among the first few countries that had embarked on an export-led industrialization strategy.

Emerging out of an extractive colonial economy, at the point of its political independence in 1957, Malaysia had virtually no industry. Anita Doraisami's chapter shows that in the late 1950s, Malaysia sought industrialization by inviting multinational companies to produce for the domestic market. This strategy initiated the slow increase in women's labour-force participation. However, the scope of structural change was limited and the economy remained dependent on primary-product exports until the late 1960s. The eruption of ethnic riots in 1969, which were rooted in persistent ethnic inequalities that were the legacy of British colonialism, precipitated a change in strategy. In contrast, Viet Nam's inward-looking strategy between 1975 and 1986 was built on a centrally-planned economy that prioritized heavy industry and relied on trade with the socialist bloc. In this volume Tu Packard argues that rural women bore the burden of changes associated with the demobilization after the war and the socialist reconstruction. They were displaced from decision-making positions upon men's return and were responsible for care work and for agricultural production, which was the main source of livelihood. However, women benefited from the socialist commitment to health and education expenditures, even under severe fiscal constraints, and this commitment produced gender equitable improvements in capabilities and the country's current distinct capabilities profile. In response to economic crisis and

hyperinflation in late 1970s and early 1980s, the Vietnamese government embarked on reforms that relaxed restrictions on private domestic trade and introduced an output contract system in agriculture that allowed rural households to sell their agricultural surplus. These measures expanded food production and trade opportunities and improved food security over the longer term, which according to Packard, had favourable effects on women's well-being.

### ***From inward- to outward-looking strategies***

In an attempt to solve the macroeconomic crisis associated with their inward-looking development strategy, each economy turned to export-promotion policies, accompanied to varying degrees by trade liberalization and encouragement of FDI. These transitions also entailed the adoption of macroeconomic stabilization policies. However, while Chile and Uruguay attempted to roll back the role of the state considerably, outward orientation of the economy was accompanied by extensive state management of policies in Korea, Taiwan, Malaysia, and Viet Nam. Korea and Taiwan, in particular, pursued selective industrial policies that strategically targeted industries or firms for attaining export and productivity goals and succeeded in creating dynamic comparative advantage (Chang 2003). Hence the strategy shifts did not entail a wholesale adoption of neoliberal policies. Moreover, failure to achieve growth and macroeconomic stability based on neoliberal policies led countries to revise them or move away from them.

Chile, and to a lesser degree Uruguay, became the first cases of full-scale and unadulterated neoliberal reforms (termed monetarism at the time) after the 1973 and 1974 military coups suspended democratic rights and drastically curtailed the distributive and economic role of the state. Neoliberal reforms did not achieve their macroeconomic goals of price stability and economic growth until the late 1980s (Chile) and 1990s (Uruguay), after the “lost decade” of the 1980s and after some divergence from the neoliberal blueprint.<sup>9</sup> Chile's reforms dismantled or restricted the scope of social protection institutions (social security system, health care system and unemployment insurance), while there were more limited reforms in Uruguay. In both countries the suspension of labour rights resulted in declining real wages and a shift in income distribution toward high-income groups.

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<sup>9</sup> See Palma (2003) for a regional overview that highlights the political economic constraints that shaped the development strategy shifts.

In both Chile and Uruguay, the male breadwinner–female homemaker division of labour characteristic of ISI began to erode under the military dictatorship because of the squeeze on male earnings and high unemployment. Todaro and Espino and Azar contend that women bore a heavy burden of the neoliberal reforms as they increased their unpaid labour at home and in the community as well as entering the labour market. In both countries women’s labour-force participation has steadily increased since the early 1970s. Women’s employment grew first in export sectors and in the 1990s in services and increasingly in more precarious employment. Todaro argues that the privatized retirement and health insurance systems have adverse effects on Chilean women because these reforms were pursued in a gender-blind manner and as a result they present greater risks or limited benefits for women. For example, Chile’s maternity-leave policy for all working mothers who are part of the social security system does not ensure maternity leave for most working mothers because only a small percentage contribute to the system.

Democratic governments that came to power in Chile after 1990 altered some elements of the economic regime and sought to restore labour rights and social spending to support low-income groups and reduce poverty. A new fiscal policy regime that relies on counter-cyclical fiscal policy (in order to continue funding social policies when they are most needed) was introduced; this regime included education and health care reforms. The government also implemented progressive tax reform to raise revenue, and it used capital controls during the 1990s to shield the economy from contagion effects. Governments sought to achieve development goals with macroeconomic stability and social solidarity. Todaro identifies the successful outcomes of this divergence from neoliberalism: less poverty, less income inequality (if social services are included as part of income), greater domestic investment and more FDI. Chile secured social and macroeconomic stability in the 1990s and early 2000s after a lengthy period of dictatorship, longing for democracy and possibly greater interest on the part of firms in strengthening the domestic market.

Yet, Todaro claims, there has been very little change in the gendered patterns of employment and the gendered division of labour in the household, despite women’s rising education level, the closing of the educational gap between men and women, and women’s rising labour-force participation. Todaro and Espino and Azar identify large gender income or wage gaps. Rising labour-market flexibility in the 1990s and early 2000s paradoxically requires longer



hours in paid work; it has not made paid work more compatible with caring work, nor has it made possible changes in the gender division of labour in the household.

Outward-looking development strategy in Asia has relied to a far greater extent on women's labour compared to these Latin American cases. Korea's and Taiwan's implementation of export-oriented growth strategy from the early 1960s put them on a path of rapid and sustained growth that was accompanied by low levels of income inequality and impressive improvements in capabilities. Berik's chapter provides an updated gender-aware portrait of these achievements followed by an in-depth analysis of gender inequalities in the labour market. Berik shows that by the early 2000s, manufacturing was no longer the main source of employment for women in Korea and Taiwan. In addition, the gender wage gap was on a trend decline, not only in manufacturing but also in the rapidly expanding service sectors and in occupations where women's relative employment opportunities were rising. The new sectoral and occupational employment patterns emerged after the massive layoffs in manufacturing in the mid- and late-1980s and early 1990s. These layoffs occurred when local manufacturers shifted labour-intensive export production facilities to China and Southeast Asian sites following the liberalization of trade and financial flows. Berik argues that employment discrimination continues to undermine women's wage gains associated with closing gender gaps in education, which she sees as the legacy of longstanding discriminatory hiring and wage-setting practices that were legal until recently. Limited enforcement of antidiscrimination legislation, limited support for women's caring responsibilities and gender gaps in areas of study explain the ongoing and newly emerging segregated patterns of employment.

Similar to Korea and Taiwan, Viet Nam and Malaysia embarked on export-led industrialization on the basis of low-skill, labour-intensive manufacturing, which relied heavily on women's labour. Export-led industrialization was a key component of Malaysia's New Economic Policy (NEP) during the 1970–1985 period. The NEP strategy used extensive social and economic planning targets tied to ethnic categories in order to reduce poverty and restructure society. The NEP sought redistribution of income, assets, and educational and occupational opportunities in favour of individuals of indigenous Malay descent in an attempt to narrow the gap between indigenous Malays and non-Malays (ethnic Chinese and Indians).<sup>10</sup> As Doraisami

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<sup>10</sup> See Huat (2005) for details on a variety of quota or “affirmative action” strategies to reduce ethnic inequality in Malaysia.

argues, although gender equality was not an explicit goal, rapid growth generated by the NEP did have a dramatic impact on improving education and health outcomes for women. Lagging behind were gains in women's access to better-paying and higher status occupations, even during the years of rapid economic growth and sizeable inflows of FDI. Doraisami argues that government restrictions on union activity in foreign-invested enterprises (FIEs) limited the relative wage gains of women.<sup>11</sup> In addition, women's job displacement as firms shifted toward high-tech production processes brought a decline in women's share of manufacturing employment in the 1990s. Similar to Korea and Taiwan, social norms that encourage women to specialize in arts and humanities at higher levels of education were slow to change, resulting in a skills mismatch relative to the new jobs created in Malaysia's high-tech economy. While Malaysia is highly open to FDI, it was quick to institute capital controls during the Asian crisis thereby shielding its low-income citizens, and women in particular, from the adverse effects of the crisis and the IMF stabilization program that increased hardship in Korea and Indonesia.

Promotion of export-oriented manufacturing was an important component of Viet Nam's wide-ranging *Doi Moi* (Renovations) reforms, which were launched in 1986. The reforms also included trade liberalization, openness to FDI, restructuring and privatization of SOEs, and fiscal and monetary austerity. Packard argues that, in aggregate terms, women's well-being improved as a result of Viet Nam's extraordinary economic growth and macroeconomic performance that followed the launch of reforms. She also claims that achieving macroeconomic stability itself is a pro-woman outcome, even as she recognizes that women bore the brunt of fiscal austerity and state-sector downsizing. However, the gains in well-being have not been evenly distributed across income groups, regions or ethnic groups. Because of their higher socioeconomic status and their superior access to resources, women in the dominant ethnic group and in urban areas have benefited more from *Doi Moi* in terms of income and improvements in capabilities than have ethnic minority and rural women. Other evidence presented by Packard also points to a mixed record. Labour-intensive export manufacturing is characterized by high share of women in employment and large wage gaps. Time-use surveys show that, as a group, women work substantially longer hours (in paid and unpaid work) compared with their male counterparts. In

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<sup>11</sup> As Peetz and Todd (2001) show in the example of Malaysia's National Union of Bank Employees it was possible for some unions to organize and negotiate gains for members despite the hostile legislative environment in Malaysia toward unions.

addition, in both rural and urban areas, proportionately more women than men are self-employed, which implies less job security and more unstable income compared to wage employment.

### ***Case study lessons***

These gender-aware development histories point to common patterns and trends. Women's basic capabilities have expanded in an absolute sense in all cases, and in most indicators relative to men as well. These achievements were largely the product of gender-blind policies, and in most cases were undertaken during development strategy phases that emphasized social inclusion and sought to reduce household income inequality and improve standards of living of the entire population. Uneven distributions in areas of study remained at the tertiary level due to gender norms that shape women's educational choices. These norms in turn likely reflect the feedback effects of labour-market inequalities.

The shift from inward- to outward-looking strategies, accompanied by one or more neoliberal reforms, resulted in an increase in women's labour-force participation rates, and women's employment opportunities in export activities rapidly expanded. In addition, when the reform context was marked by prolonged economic crisis or macroeconomic instability, women entered the labour market in search of jobs to make up for shortfalls in provisioning their families. However, women's employment remained concentrated in relatively few occupations and industries, subject to the pressures of international competition, with limited labour rights, which hindered their wage gains. Gender wage gaps remain wide and are wider in private- than public-sector employment.

Women bore the brunt of employment losses associated with trade liberalization and privatization owing to the pattern of occupational and industrial segregation that made them susceptible to trade and exchange rate fluctuations and technological change. Male breadwinner biases also made women more susceptible to lay-offs compared with men. Those governments that managed capital flows insulated their economies from various risks associated with capital liberalization and the labour-market and household-level shocks that adversely affect women. While time-use survey-based evidence is scarce, most authors claim that an intensification and increase in unpaid, caring labour accompanied women's increased participation in paid work. Rising household income inequality has been a trend over the 1990s and early 2000s and has

resulted in uneven progress in some capabilities by social class.<sup>12</sup> The trends in instituting or reforming social protection institutions have varied: while Malaysia has continued with its individual savings accounts system and Chile with a similar privatized system, Uruguay's public social security system is under increasing strain of budget cuts, and Taiwan and Korea have moved to create and strengthen the state's role in providing universal social protection. In each of these cases there is need for gender-aware, as well as class-aware, reforms.<sup>13</sup>

## **Effects of Globalization and Neoliberal Policies**

Over the course of the 1990s, neoliberal policies have become conditions for bilateral trade agreements, foreign aid, debt restructuring, debt cancellation and membership in the World Trade Organization (WTO). As of the early 2000s, in some cases multiple sets of conditionality continue to add pressure for developing economies to adopt all elements of the neoliberal model. Highly-indebted African economies and developing economies with stock markets alike are subject to these pressures. Since critique of these policies is the point of departure for the engendering macroeconomics project, we review the recent debates on the theoretical frameworks and the empirical evidence regarding the gender implications of each of these economic reforms.

### ***International trade***

The increasing representation of women in the workforces of developing countries, especially in manufactured export industries, has become a stylized fact of economic development and structural transformation (Standing 1999). Among the first to highlight this feature, Elson and Pearson (1981) documented women's growing participation in manufactured export industries. These industries experienced rapid growth by actively recruiting and employing women workers, mostly from rural areas. Employers achieved lower unit labour costs via women's higher productivity and lower wages, which Elson and Pearson argued were premised on women's subordinate status. Subsequent studies have provided further insight into the feminization of the

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<sup>12</sup> In Malaysia there is evidence that married women's earnings contributed to a decline in household income inequality between 1976 and 1988 (Amin and Da Vanzo 2004).

<sup>13</sup> As Ramesh (2005) explains for Malaysia, social security systems based on individual accounts have a number of disadvantages, including a lack of coverage of informal sector workers or those without an income and a tendency to replicate the income distribution pattern in the economy (since contributions to the fund are tied to income level). Doraisami and Todaro explain further disadvantages from women's perspective.

workforce in export-oriented industries, especially in middle-income, industrializing countries.<sup>14</sup> More recently, in a study of five developing countries (Mauritius, Mexico, Peru, the Philippines and Sri Lanka), Nordas (2003) concluded that labour-intensive, export-producing industries had higher female employment shares compared with industries competing with imports. Further, while the increase in exports was associated with a substantial rise in female employment and in women's share of employment, import competition associated with trade liberalization did not cause disproportionate job losses among women to offset this upward trend.

A common pattern in the Asian case studies in this volume is their reliance on women workers in labour-intensive, export-oriented manufacturing sectors. In Malaysia, Viet Nam, Korea and Taiwan, women's share of manufacturing employment rose during their export drive. Women were clustered in low-paying occupations and unable to bargain for higher wages due to the suspension of labour rights either in these industries or in the economy as a whole. This reliance on women workers holds true for one of the Latin American case studies as well. In Uruguay women were employed in processing non-traditional agricultural export products and, to a lesser degree, in manufacturing for export, which later lost its competitiveness due to currency appreciation under the neoliberal reforms of the 1990s.

More contentious is the question of when trade openness and trade liberalization will stop producing new employment opportunities for women. Several studies have shown that in middle- and higher-income economies, women are experiencing displacement from low-paying jobs in import-competing sectors. For example, Anker (1998) provides evidence that women tend to be clustered in manufacturing industries that have begun to upgrade their technologies, reduce the size of their workforce and move production to lower-wage countries. In the case of Taiwan, technological upgrading and rising capital intensity of export-oriented manufacturing after 1980 was linked to a relative decline in employment opportunities for women (Berik 2000). Similarly, Mexican maquiladoras have undergone a defeminization of employment since 1982 (Pearson 1995; Fussell 2000). In the United States, the decline in the gender wage gap after the mid-1970s can be attributed mostly to women's job losses in low-wage manufacturing industries that faced growing competition from imports (Kongar 2007).

Women in lower-income countries can also experience job displacement when trade and technological change make traditional female jobs redundant and when women face barriers to

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14 See, for example, Wood (1991), Çağatay and Özler (1995), Joekes (1995) and Özler (2000)

training for new jobs. For example, the adoption of new rice-husking equipment in India's food processing industry and new technologies in India's textiles and garment industry led to job losses for women (Jhabvala and Sinha 2002). In this volume Berik shows that female share of employment declined in Korea's and Taiwan's manufacturing sectors as these economies moved out of their niche as exporters of less-skill intensive goods. Doraisami also identifies a reversal in the female share of manufacturing employment as Malaysia began to move up the industrial ladder in the 1990s and rely to a greater extent on male workers. Also in Malaysia temporary migrant workers were substituted for native women workers in the less-skilled jobs.

Feminist scholarship has contributed important evidence on the limited extent to which women have benefited from international trade through new paid employment opportunities. Women's wages have been a contentious issue, with some scholars arguing that jobs in the export sector offer better pay compared to the alternatives for women workers (Lim 1990; Kabeer 2004). As argued by Berik et al. (2007), however, evaluation of wages in the export sector has to include consideration of not only how they compare with wages in alternative jobs, but also the level of wages expressed in hourly terms, the non-wage working conditions and the adequacy of wages to reproduce the worker's labour power over time. Others argue that as firms face pressure in international markets to keep production costs low, the jobs they offer become increasingly insecure; employment is often temporary, casual, flexible and characterized by poor working conditions (Barrientos et al. 2004). A large body of evidence across sources from academia, the media, multinational organizations and non-governmental organizations has documented poor working conditions, worker abuses, lack of union rights and discrimination by sex in developing countries in the post-1980 period.<sup>15</sup> Further contributing to existing gender inequalities in pay, men are more likely to obtain formal-sector jobs while women are more likely to enter the informal sector. For example, Bhaumik (2003) found that, following the sweeping trade liberalization in India in 1991, the share of the workforce considered to be casual grew, with larger increases for women workers compared to men in both rural and urban areas. Across countries the casualization of the workforce can be partly explained by the growing tendency of final-goods producers to subcontract toward smaller-scale, home-based operations (Carr et al. 2000). Home-based workers are predominantly women who work for lower pay

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<sup>15</sup> See, for example, Rodgers and Berik (2006), Kucera (2004), Fair Labor Association (2005) and Botero et al. (2004).

(often on a piece-rate basis), receive few if any fringe benefits, pay their own utility costs and work long hours. In view of their informal status, most home-based workers remain uncovered by labour regulations that raise the cost of labour. They are predominantly new labour-market entrants, women who have lost their formal-sector jobs, and women who need to combine paid work with childcare obligations (Balakrishnan 2002; Benería 2007).

A lively debate has focused on whether trade expansion and increasing trade openness have reduced gender wage gaps. Empirical studies have relied on existing economic theories as a point of departure or as a framework to incorporate gender difference. The widely accepted neoclassical trade theory, the Heckscher-Ohlin theoretical framework, with skilled and unskilled labour as the two inputs, has long been used to predict the wage effects of an expansion in developing country exports. According to this theory, demand for the relatively abundant, lower-skilled labour in the developing country will rise, thus putting pressure on the wage gap between higher- and lower-skilled workers to narrow. Because women are concentrated in lower-skilled jobs and men tend to be employed in higher-skilled jobs, this framework predicts that expansion of export manufacturing that relies on lower-skilled labour will lead to a reduction in the gender wage gap in developing countries.

Despite this prediction, gender wage gaps have persisted in some countries in the face of growing trade openness and trade policy reforms. Some studies argue that gender wage gaps serve as a determining factor behind comparative advantage, which is the key consideration in defining patterns of specialization in the world economy according to the classical economic theory of trade. For example, Busse and Spielmann (2006) find that in a sample of 92 industrialized and developing countries, gender wage gaps are positively linked with comparative advantage in the export of labour-intensive goods. Looking at specific circumstances associated with this relationship, Seguino (1997) argues that gender wage gaps in Korea's manufacturing sector supported the country's continued export competitiveness. She shows that female-dominated sectors have lower wages and explains employment segregation in terms of public- and private-sector hiring practices, the exclusion of women from on-the-job training opportunities and promotion discrepancies between men and women. The clustering of women in a few industries left women in a relatively weak position to bargain for wage increases that matched their productivity gains. As a result, despite the strong demand for women's labour and their increasing educational levels, women's relative wages failed to rise.

Other studies that examine the relationship between gender wage gaps and international trade predict that gender wage gaps are likely to decline under competitive pressures generated by increased participation in world markets. Several authors have utilized econometric methods to test the dynamic implications of Becker's (1971) theory of discrimination by differentiating between the effects of international and domestic market pressures on the gender wage differentials.<sup>16</sup> According to this interpretation, in the domestic economy, firms in concentrated industries enjoy some degree of market power that allows them to pay higher wages (above that warranted by the productivity level of workers) to groups of workers that they favour on account of their gender (or ethnicity). Indulging their "tastes" in this manner will result in wage discrimination against women workers. Such discrimination is not as likely in less-concentrated industries where greater domestic competition renders them unable to pay workers above their productivity. Therefore, any observed changes in gender wage gaps in concentrated industries following greater exposure to international trade is more likely to have resulted from increased foreign competition rather than from domestic forces.

Using this empirical strategy, Berik et al. (2004) find evidence for two East Asian economies that is contrary to Becker's hypothesis; namely, growing competition from international trade in concentrated industries is associated with larger, not smaller, wage gaps between men and women. Because the econometric analysis takes into account any productivity-related differences between women and men, the widening wage gap can be interpreted as a sign of increased wage discrimination. Similar results are found for India in Menon and Rodgers (2006): after India's sweeping trade liberalization, firms in the more-concentrated sector favoured male workers over female workers in the wage bargaining process. On the other side of this debate, Black and Brainerd (2004) find declining residual gender wage gaps in manufacturing industries in the United States that were relatively concentrated domestically and experienced more competition from imported goods. In related work using data from Mexico, Hazarika and Otero (2004) find that trade-induced competition in product markets is associated with lower gender earnings differentials.<sup>17</sup>

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16 A "difference in differences" technique is used to identify the international trade effects on wage gaps by comparing relatively more- and less-concentrated manufacturing industries. The wage gap is defined in "residual" terms, that is, as the wage differential that is not accounted for by gender differences in worker skills.

17 Artecona and Cunningham (2002) have a similar conclusion for Mexico but the key result is not estimated with precision across specifications. Going beyond a single country analysis, Behrman and King (2002) find that competitive pressures from international trade are a source of narrowing gender wage inequality in a sample of



Berik et al. (2004) argue that rising wage gaps with international trade may be interpreted as the outcome of the employment effects of increased international competition—that employers lay off workers in import-competing sectors, move to other lower-wage sites and obtain wage concessions from workers in a manner that disadvantages women workers. In other words, differing findings on the statistical relationship between trade and the gender wage gap can be explained by competing theories with differing notions of discrimination.<sup>18</sup> The gender wage gap can also be a poor indicator for gauging changes in well-being. The possibility of improvement in relative wages due to either slower growth in men's wages or a declining trend in both men's and women's wages points to the need for paying attention to changes in the absolute level of wages as well as relative wages (Elson 1999). For example, Berik (2000) shows that lower wage gaps in Taiwan's export-oriented sectors compared to more domestic-oriented industries was the result of a larger wage penalty from export-orientation on men's wages.

While not explicitly seeking to examine predictions of a theory, in this volume Doraisami and Packard present evidence that shows that in Malaysia and Viet Nam, trade liberalization, accompanied by an open-door policy toward FDI, has resulted in the segregation of women workers in lower-wage industries that produce for export and are the locus of gender wage discrimination. Packard shows that the average wage level in labour-intensive, export-oriented, wholly foreign-owned firms in Viet Nam is about one third of the wage in capital-intensive, joint-venture firms that predominantly employ male workers. Also, the average wages in export sectors are 20–26 per cent lower than average formal-sector wages. Other empirical studies on Malaysia using survey data from the late 1980s demonstrate that wage discrimination favouring men was a prevalent feature of the labour market (Schafgans 2000; Arrifin et al. 1996).

Several engendered CGE studies that incorporated the household sector and unpaid domestic labour into a standard CGE framework show that the new opportunities for paid employment created by greater openness to trade may not necessarily improve women's well-being. Simulations for Bangladesh in Fontana and Wood (2000) indicate that increased export orientation in female-intensive manufacturing industries caused an increase in the economy-wide

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sixteen economies. Further clouding the issue is mixed evidence produced by Oostendorp (2004) in an analysis of occupation-level wage data for more than 80 countries. Although greater trade openness is associated with reduced wage gaps in higher-income countries and for low-skilled workers in lower-income countries, the opposite result holds for highly-skilled workers in lower-income countries.

<sup>18</sup> See Albelda et al. (2005) for an overview of theories that view discrimination as a tool of competition among firms and workers.

demand for female labour, which resulted in higher female labour force participation and higher wages for women. However, women's time allocated toward domestic work was not reduced, leading to an increase in their total work burdens. Fofana et al. (2005) find similar results in the case of Nepal's trade liberalization.

Trade liberalization policies can affect gendered well-being through other channels besides the labour market. Trade liberalization has reduced tariff revenues and has further constrained government spending in low-income developing countries (Khattry and Rao 2002). Grown's (2005) framework for understanding the impact of trade liberalization on people's access to reproductive health services during economic reforms includes direct channels that affect government funding of reproductive health services and trade agreements that include provisions that privatize health care services or open them up to FDI. Indirect channels include changes in labour market conditions that affect income, mobility, health and decisions about marriage and fertility. While trade liberalization can offer new health products and services inequalities can constrain the provision of and access to improved services and commodities. Constraints include the concentration of services in higher-income and more densely populated regions, the increased costs of medical supplies and services, and a lack of medical professionals due to migration out of the public sector and out of developing countries.

For example, Chen and Standing (2007) argue that health care system reforms in China after the late 1990s interacted with the effects of trade liberalization, labour market restructuring and other policy reforms, resulting in changes that disproportionately affected poor, older and rural women. These changes included more costly access to health care, the virtual elimination of preventative services in the rural sector (including reproductive care) and a decrease in health insurance coverage. Other findings on trade liberalization demonstrate gains in access to health care and health status. Liberato and Fennell (2007) demonstrate that female employment in the Dominican Republic's free trade zones has resulted in women's increased usage of preventative medicine and social security coverage, although the likelihood of declaring health problems also increased. More broadly, Schultz (2006) examines cross-country variation in gender inequalities in schooling and health and finds that trade liberalization is associated with higher levels of education and health for men and especially for women, leading to greater gender equality.

Hence a large body of theoretical and empirical studies have examined various dimensions associated with the relationship between international trade flows and trade policy

liberalization on the one hand, and indicators of women's relative and absolute well-being on the other. These studies have shown that export expansion brought about rising employment opportunities for women but often under poor working conditions with virtually no labour rights. There is also evidence for disproportionate job displacement of women due to import competition. The record on the impact of trade expansion and trade liberalization on wage gaps is mixed, with contending explanations for the observed statistical evidence. Changes in wage gaps clearly have to be evaluated along with trends in the absolute level of wages, the adequacy of the wage level for reproduction of labour power, working conditions and other channels through which trade liberalization affects well-being. With this active set of debates and multi-faceted body of research, any discussion of "sensible" trade policy reforms is not sensible if it fails to include a gendered dimension.

### ***International flows of capital***

Domestic and international financial liberalization constitutes an integral feature of the macroeconomic policy reforms undertaken by many developing countries. Yet greater integration in the world's financial capital markets has contributed to increased vulnerability to financial crisis and exchange-rate shocks. A number of high-profile crises in the 1990s and early 2000s have spurred wide-scale discussions about the costs and benefits of financial liberalization as well as reforms to the existing international financial architecture.<sup>19</sup> As discussed in Singh and Zammit (2000), capital flows have gendered impacts through several potential channels. The first such channel is direct effects that operate through the specific activities toward which the capital flows are directed, such as grants and projects that specifically target women or men. Another channel functions through the economic growth that could result from financial liberalization and could generate more resources devoted to health, education and social services. A third channel transmits through the effects of capital account fluctuations, with women bearing a greater burden than men because social norms favour men as the rightful wage earners and marginalize women as less important members of the workforce. Hence women are more vulnerable to losing their jobs during economic downswings and financial crises, and they are also more likely to take

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<sup>19</sup> The collapse of the Mexican peso in 1994, Asian financial crisis of 1997, Russia's currency turmoil in 1998 and Argentina's crisis of 2001–2002 underscored the fragility of international capital markets.

on extra household burdens in the face of an inadequate social safety net. A fourth channel is the expansion and diversification of financial services and improved access to microfinance.<sup>20</sup>

In an effort to theorize some of these links, Floro and Dymski (2000) develop a model in which financial liberalization can generate greater employment for women as well as more lending to households. With greater household borrowing, households can acquire more time-saving assets, but at the same time the credit-driven expenditures can leave households at greater risk during an economic downturn. Under such conditions, financial crisis can result in lower earned income and fewer assets for women, leaving women to bear a disproportionate share of household adjustment costs. In subsequent work Floro (2006) takes issue with the commonly held view that financial liberalization reduces poverty (by mobilizing savings, shifting resources to more productive uses and thereby promoting higher growth). Floro argues that without policy interventions that specifically target poverty, any gains from financial liberalization are likely to favour groups along the higher end of the income distribution and will not adequately address poverty reduction.

Empirical studies that focus specifically on financial liberalization and financial crisis through a gendered lens are quite sparse, with results suggesting that the main direct benefit of financial liberalization is improved access to capital, while the main cost is the additional burden created for women during financial crises and economic downturns (Singh and Zammit 2000; Stotsky 2006a). In the Asian context, evidence in Aslanbeigui and Summerfield (2000) and Lim (2000) suggests that during a financial crisis, women's wages fall and their working hours in the labour market rise, without any relief from domestic-based obligations. These studies argue that the largest short-term repercussions from the 1997–1998 Asian financial crisis occurred in the

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<sup>20</sup> The surge in microfinance activity began with fairly small, independent programs in Latin America and South Asia during the 1970s. Since then this movement has provided approximately 65 million low-income individuals around the globe with access to small loans without collateral and with opportunities to acquire assets and purchase insurance (de Aghion and Morduch 2005). The microcredit approach to poverty reduction fits well with the neoliberal approach because it is not a public program, and it rests on individuals' (poor women's) own efforts to get out of poverty. Recent critics argue that microfinance has become a magnet for large financial-sector firms, who view the relatively high interest rates as profitable, and this development signals hardship for the poor and subverts the goal of poverty reduction (Pollin et al. 2007). See Johnson (1998) for more on the debates around microfinance.

region's labour markets. In Indonesia and the Philippines, women's labour-force participation rates rose, as did their average working hours in order to smooth household consumption during the crisis. In Korea both men and women experienced substantial losses in regular jobs, but women saw a sizeable increase in relatively insecure positions as daily workers.

In addition to the increasing international flows of short-term financial capital and the growing importance of domestic equity markets around the world, international flows of physical capital in the form of FDI also have ramifications for gendered poverty, labour-market outcomes and access to credit. In this volume Doraisami attributes the slow rise in the gender wage ratio in Malaysia to the suspension of labour rights as a condition for attracting FDI to export-oriented manufacturing. Also in this volume Packard shows that Viet Nam's export-oriented wholly-foreign owned firms, which predominantly employ women, pay substantially lower wages compared to other firms. Braunstein and Brenner (2007), on the other hand, find that in China both male and female workers earned higher wages if they were employed by FIEs or worked in provinces with greater shares of FDI in total investment. They use household survey data combined with province-level data to estimate the effect of FDI on women's and men's wages in the urban sector in 1995 and 2002 and control for a number of worker, firm and province characteristics. These wage advantages of FDI changed in 2002 when men's wages increased to a greater extent compared to women's wages resulting in a widening wage gap. The changing composition toward higher-value production over time could help explain why the wage gains favoured men in 2002.

Recent research has also focused on the footloose nature of FDI moving from one country to the next in search of the lowest cost producers. Seguino (2007) examines this trend using data from 37 semi-industrialized countries and shows that international mobility of FDI has a causal impact on the slowdown in their productivity growth. One channel occurs through the negative effect of firm mobility on workers' bargaining power, which in turn puts downward pressure on wages. With lower wages helping to maintain profits, firms have less of an incentive to raise productivity. Another channel occurs through the incentives that firms have to pursue outsourcing and subcontracting as a strategy for reducing costs. This strategy, albeit cost-saving in the short term, reallocates production to a relatively more precarious and less productive segment of the labour force, and it serves as a substitute for longer-term, more capital-intensive

investments. Seguino's econometric results provide evidence that FDI mobility leads to lower wage growth and that FDI mobility has a negative effect on productivity growth.

Elissa Braunstein's chapter in this volume focuses specifically on the various associations between FDI and gender inequality. This chapter contributes an important set of stylized facts based on the careful scrutiny of numerous case studies for individual countries. These stylized facts indicate that the proportion of women workers in the labour-intensive, export-oriented manufacturing sector is relatively high in semi-industrialized countries that receive high inflows of FDI, but with technological upgrading and industrial restructuring, women experience disproportionate job losses. Secondly, greater FDI inflows are associated with short-term gains in women's absolute wage levels, but the long-term trajectory for women's relative wages is more ambiguous. The other contribution of this chapter is a thorough analysis of policies used to manage FDI in labour-intensive industries. Braunstein argues that by managing FDI (through multilateral agreements and domestic regulations) it is possible to make growth compatible with promotion of gender equity. In order for women workers to take advantage of the higher-wage jobs that these policies could generate over the long term she emphasizes social investments to bolster the productive capacities of women and girls and improvement in the social support available to working families when women enter the labour market.

As in the case of trade liberalization, international flows of financial capital, financial liberalization and FDI can potentially help both men and women through a number of channels, including greater access to capital and new job opportunities in factories operated by multinational firms. However, the evidence indicates that women's unpaid workloads and caring responsibilities, and their relative lack of bargaining power associated with the jobs and industries in which they are concentrated, can lead women to bear a disproportionate share of the burdens associated with increased international mobility of capital. The "soundness" of financial liberalization is clearly undermined by the macroeconomic instability it generates.

### ***Fiscal austerity, deregulation and privatization***

Fiscal austerity constitutes a key component of macroeconomic stabilization programs and is the cornerstone of the neoliberal macroeconomic policy underlying the subsequent restructuring of the public sector. In the 1990s and early 2000s, international financial markets have been an important source of pressure on governments to adopt a fiscally conservative stance. Thus, developing countries with stock markets are under pressure to keep a positive real rate of return

for investors (via low inflation rates) and poor heavily-indebted economies have to keep stable exchange rates and export earnings high by maintaining low inflation levels. Fiscal restraint not only undermines funding for all policies but is also contrary to historical evidence that shows that growth has been strongly correlated with higher levels of public investment (Chang and Grabel 2004–2005).

Fiscal austerity can take a number of forms, including deregulation of prices, cuts in subsidies, higher fees for public services, reductions in cash transfers to the poor, tax increases, a reduction in government services and the privatization of SOEs. Cuts in subsidies on essential items and reductions in government services are likely to disproportionately affect women to the extent that women hold more responsibility for purchasing food and necessities for their families. Hardship faced by women in low-income households is greater as exchange-rate devaluation, often implemented at the same time as subsidy cuts, raises the prices of imported basic consumer goods. In addition, since the demand for education and health services for women and girls is relatively more sensitive to changes in prices and income, higher fees for education and health programs and cuts in cash transfers are likely to adversely affect women's well-being (Stotsky 2006a). Closely related are the adverse effects of cutbacks in some social services, such as maternal health care. Because of the importance of health and education spending to supporting well-being and boosting human resources, spending cuts in this area can have substantial long-term repercussions for economic growth (Stotsky 2006a). Examples of how fiscal spending austerity can have gender-differentiated impacts are found in Elson (1995a). In particular, women in Sri Lanka experienced greater cuts in food consumption following spending cuts on food stamps, and women in Zambia reallocated time from farming work toward caring labour following public spending cuts on health care.

Deregulation of markets can also have unintended adverse consequences for women. In the African context, Evers and Walters (2000) show that the constraints that female farmers face—including property rights that are not clearly defined, inadequate transportation and poor marketing structures—can prevent them from fully responding to incentives created by higher prices that follow deregulation. They also cite evidence for Zambia that market liberalization led to the demise of local marketing cooperatives. Because women farmers had favoured such cooperatives, liberalization resulted in a decrease in women's marketed food production.

Privatization of SOEs has become a widespread and central feature of economic reform packages since the 1980s. In the short term, privatization will have negative labour-market impacts as workers are laid off and lose their primary source of wage earnings. These losses hit especially hard because in the context of austerity, governments do not support the laid-off workers with sufficient compensation measures. Since displaced workers cannot afford to remain unemployed, the informal sector is often the de facto source of new employment, which helps explain why privatization has become a major influence behind the growth or persistence of informal sectors in many developing economies. Privatization of public services and infrastructure can have additional negative effects in the short term if these subsidized services are interrupted or replaced with more expensive alternatives. Long-term effects depend on whether the private sector meets the needs of individuals across the income distribution at prices they can afford.

In many countries the public sector was a major source of job growth over the 1960 to 1980 period, and women accounted for a higher share of public-sector employment relative to the private sector (Standing 1999). In these countries the privatization of SOEs and public agencies is expected to contribute to a decline in the female share of total employment. Downsizing often involves lay-offs for employees who have lower levels of tenure, less education and lower status positions. Women are disproportionately affected by downsizing to the extent that, on average, they have less job seniority than men, have less education, and may be subject to discrimination. Retrenchment can also cause, all else equal, a widening in the average gender wage gap since the public sector is a major source of jobs with higher wages and benefits. For example, in India, the public sector wages are not only higher than the private sector (by at least 60 per cent), but this public-private differential is also even greater for women workers (Glinskaya and Lokshin 2007). In this volume Packard and Espino and Azar also show that the gender wage gap is larger in the private sectors of Viet Nam and Uruguay.

Evidence for a subset of developing countries indicates that contrary to predictions, at least for the 1975–1994 period, women’s share of public-sector employment increased (Standing 1999). Yet, more recent case studies show a reversal in this pattern as well as insights on the mechanisms that produce greater job losses for women and a widening of gender wage gaps. In Ethiopia, Uganda and the Côte d’Ivoire (Appleton et al. 1999) and China (Appleton et al. 2002), once women workers were displaced from their government jobs, they had greater difficulty



securing similar private-sector jobs, forcing them to turn to lower-status jobs, enter the informal sector or leave the paid-labour market. Employers preferred to hire less costly temporary and part-time workers, and they discriminated against women workers in their hiring decisions. In China employers' preference for hiring younger women workers, combined with former SOE women workers' more limited job-related skills and social contacts, put older women workers at a disadvantage in job searches. Thus, pre-reform job segregation in employment adversely affected post-reform job prospects of women workers (Liu 2007). The SOE reforms in China also contributed to a widening in the gender wage gap. One channel was the greater latitude given to SOE managers in wage and employment decisions and the weakening of antidiscrimination mandates. In other economies as well, the move to a leaner labour force with privatization has led to a resurgence or emergence of discrimination against women in access to jobs and wages (Wiegersma 1994; Pollert 2003; Coppin and Olsen 2007).<sup>21</sup>

In Viet Nam's textile and garments sectors, Packard reports evidence for wage discrimination in the private domestic and foreign-invested enterprises but not in SOEs. Additional findings in Liu (2004a, 2004b) using alternative decomposition procedures and controls for detailed worker productivity characteristics point to the problems of discrimination across time and within sectors as culprits behind Viet Nam's aggregate gender wage gap, and that the wage gap is likely to widen with further government downsizing. Women experienced an additional setback in Viet Nam when a reduction in state support for childcare services during the economic reforms made it more difficult for women to find and hold formal-sector jobs (Nguyen 1999).

Hence the weight of the evidence points to the hardships associated with fiscal austerity, deregulation and privatization that are disproportionately experienced by women. These hardships include cuts in spending on public services used by women, a relative lack of ability compared to men to respond to new opportunities in private markets and higher gender wage gaps following public sector downsizing. Again, fiscal policies labelled as "sound" are not so sound after all when viewed through a gendered lens.

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21 By contrast, Brainerd (2000) finds the opposite pattern that wage discrimination appears to have lessened following the introduction of market reforms and privatization in five former socialist countries in Eastern Europe, while it worsened in Ukraine and Russia. While the contrast with results in other studies may be due to a number of reasons, including country sample, institutional features and methodology, Brainerd explains the divergent findings within the study by the relatively stronger force of product market competition on reducing discrimination in Eastern Europe compared to Ukraine and Russia.

## ***Monetary policy***

Although monetary policy that targets low inflation constitutes a key feature of the neoliberal policy agenda, there is limited information on how restrictive monetary policy may affect men and women differently. The labour market is one obvious channel through which we can observe gendered effects from monetary policy, often in combination with the effects of deflationary fiscal policy. Supply-side explanations centre on worker productivity characteristics, where workers with lower levels of education, experience and other marketable attributes are expected to have higher unemployment rates. On the demand side, structural economic conditions, labour market institutions, social norms and employer preferences can lead to employment and unemployment differentials between men and women (Seguino 2003). On the demand side, if employers believe that men bear the primary financial responsibility for supporting families, discrimination can be a determinant of higher unemployment for women. In an empirical study that points to both supply- and demand-side factors in explaining equilibrium outcomes in the labour market during a contractionary economic environment, Braunstein and Heintz (2006) use data for 51 “inflation-reduction episodes” in 17 low- and middle-income countries for the 1970–2003 period. They find that episodes of inflation reduction that resulted in labour-market contraction had a disproportionately negative impact on women’s employment rates.<sup>22</sup> The male breadwinner norm also explains the higher unemployment rates of women in Uruguay identified by Espino and Azar in this volume.

Access to credit is a second likely channel for gender-differentiated effects of monetary policy. Restrictive monetary policy entails a reduction in the supply of credit, which can have negative effects on women if women have more uncertain credit histories and lenders reduce their credit to borrowers. To the extent that women are disproportionately represented among small business owners, higher debt service costs from higher interest rates for small businesses can also squeeze women out of the credit market. The third channel is via consumption. If restrictive monetary policy does succeed in reducing inflation, low-income women who are responsible for family support (as well as low-income earners in general) may experience

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<sup>22</sup> Two recent studies lend support to the demand-side argument in a broader macroeconomic context that does not isolate the impact of monetary policy. Algan and Cahuc (2006) use survey data on social values and beliefs in the OECD from 1970 to 1999 and argue that women experienced negative employment effects due to employer beliefs that it is more important for men to fulfil their traditional breadwinning responsibilities. Evidence in Azmat et al. (2006) indicates that in European economies with high rates of unemployment from 1994 to 1999, unemployment rates for women were substantially higher than those of men, partly because an ample supply of workers seeking jobs made it easier for firms to indulge in preferences for hiring men.

relative gains from the greater price stability of the goods and services they consume. In this volume Packard contends that macroeconomic stability in general has been the most important contribution to women's well-being in Viet Nam, in spite of the fact that women have borne the brunt of fiscal austerity and public sector downsizing. She reasons that macroeconomic stability has contributed to growth and thereby generated funds for social spending, and also spared household stress that results from volatile swings in economic activity. Unfortunately there is virtually no published evidence that isolates the gendered impacts of monetary policy on borrowing and consumption from other macroeconomic reforms.

### ***The debate in policy reports***

In response to the growing scholarly attention to gendered outcomes of development strategies and macroeconomic reforms, since 1995 the multinational development organizations have published several policy-driven special reports on the state of gender inequality. These reports have arguably served as a medium of implicit debate regarding the effects of neoliberal policies. In this volume Seguino assesses the extent to which three key reports examine the role of neoliberal policies in hindering or promoting gender equality in the post-1980 period: the UNDP's *Human Development Report* (1995), the United Nations Development Fund for Women's (UNIFEM) *Progress of the World's Women* (2000, 2002), and the World Bank's *Engendering Development* (2001). Seguino's wide-ranging analysis focuses on the evidence presented in each report and the empirical methodologies used in reaching conclusions. She finds a high degree of gender awareness of macroeconomic policies embodied in the UNIFEM report and limited attention in the World Bank report.

As an institution that has long championed the adoption of neoliberal policies as sound policies, Seguino recognizes the institutional limitations placed on the World Bank research team in producing an in-depth examination of the impacts of neoliberal policies on gender inequalities. These constraints, along with the World Bank's primary concern with promoting efficiency, most likely shape the shortcomings in the report identified by Seguino. While the report affirms the importance of promoting gender equality on grounds of both fairness and efficiency, it maintains a narrow focus on capabilities and inequities at the micro and meso levels. The measures of gender equality used in cross-country regression analyses in the report are invariably capabilities measures (education, for example), which Seguino argues may be growth promoting or may benefit from growth, even as gender wage inequalities persist or women are relatively

disadvantaged in the growth process in other dimensions of well-being. The report tends to overlook the gender-segregated nature of employment as the source of gender wage inequalities and how liberalization of capital flows undermines women's ability to bargain for higher wages due to this feature of the labour market.

Another shortcoming is that the World Bank report's regression analyses used to examine the effect of growth or structural adjustment programs on gender equality are flawed in terms of either modelling or sample choice. Likewise, there is a selective use of evidence to support the World Bank's argument in favour of market and trade liberalization, and insufficient attention is paid to the adverse effects of these policies on the ability of governments to fund a range of programs (from safety nets to social services to enforcement mechanisms) that would improve well-being in a gender-equitable manner.

Seguino, by contrast, notes that the UNIFEM reports are attentive to the limitations of neoliberal policies in promoting gender equity and their contradictory effects on gender outcomes. These reports recognize the need for reliance on alternative macroeconomic policies, specifically those that remove the constraints on public expenditures imposed by international organizations. They propose expansionary fiscal policies as a complement to policies that promote labour-market equity and employment security. Seguino's argument, implicit in her evaluation, is consistent with that reflected in the UNIFEM reports: the neoliberal macroeconomic paradigm presents formidable obstacles to promoting gender-equitable growth, and new rules for the international economy must be implemented in order to remove these obstacles.

More recently, the United Nations Research Institute for Social Development's *Gender Equality: Striving for Justice in an Unequal World* has also focused on the gendered effects of neoliberal policies (UNRISD 2005). Prepared to assess global progress on gender equality ten years after the Beijing Platform for Action, the report draws a complex picture of changes: Women's absolute and relative gains on the education and health front have been accompanied by limited improvements, even deterioration, in gender equalities on other fronts, particularly in the terms and conditions of employment and in political representation. The report attributes the persistent labor market inequalities to the neoliberal policy environment, which has made it difficult to implement policies to improve women's relative wages in many countries because women's low wages underlie export competitiveness. Neoliberal policies have also undermined

the capacity of the state to provide social services and infrastructure. This argument and the attempt to identify the features of an alternative to the neoliberal paradigm put the report in opposition to the World Bank report. The UNRISD report calls for going beyond income-based measures of wellbeing and poverty; re-envisioning global governance reforms so as to include social justice goals and broader political debate and participation; and supporting social policy via redistributive measures and state regulation of capital. Also in contrast to the World Bank, UNRISD emphasizes in this report the importance of the state as the main instrument for gender equitable policies, with a cautionary note that the accountability and the capacity of the state must be strengthened under the vigilant attention of social movements.

## **Looking Toward the Future: Policies that Promote Well-Being with Equity**

### ***Conclusions on the engendering project***

Feminist scholarship on development strategies, macroeconomic policies and economic growth has demonstrated, through a variety of methodologies, that women and men have diverging experiences. Gender-aware analyses have shown that growth is not sufficient to improve gendered well-being in all its dimensions. Neoliberal policy reforms have had contradictory effects on the well-being of women and men, and the pursuit of goals of macroeconomic stability has come at a high cost. Especially pernicious has been the high international mobility of capital and trade liberalization. In many developing countries, increasing mobility of foreign direct investment and export expansion has increased the reluctance of policy makers to enforce labour laws that could improve the well-being of workers. Financial liberalization has subjected domestic policies to the short-term decision-making horizons of financial markets, resulting in restrictive monetary and fiscal policies that undermine well-being and putting economies at risk for macroeconomic instability. These policies have had disproportionately negative effects on women. At the same time, a growing body of evidence indicates that improving gender equality in education, access to assets and credit, and labour-market opportunities helps achieve not only a fairer society but also macroeconomic goals.<sup>23</sup>

Based on our evaluation of country case studies in this volume, along with the recent literature, we identify three specific directions for policy reform that need to be implemented at

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23 On assets, see, in particular, Deere and Doss (2006).

the multilateral and national levels: end the fiscal austerity policy regime, strengthen the enforcement of labour standards with a broad-based strategy that incorporates trade incentives and reform the regulations covering capital flows in the international economy. We believe that these reforms will promote gender equitable well-being by improving women's entitlements through the state as well as the labour market, thereby promoting people's capabilities and social justice.

### ***Gender-sensitive fiscal and monetary policies***

The neoliberal quest for achieving growth through macroeconomic stability in the form of low inflation and stable exchange rates constrains the scope of fiscal policy. Restrictive monetary policy governs fiscal policy, leaving limited space for fiscal policy to undertake social policy, industrial policy and public investments in education, health and infrastructure. We argue that relaxing these constraints is necessary for implementing policies that promote gender equitable growth. As many have argued, there is room for expansionary fiscal policy, raising tax revenues and a higher level of tolerance for inflation (Chang and Grabel 2004–2005; Elson and Çağatay 2000).<sup>24</sup> Several authors in this volume argue in favour of public funding of social security and health care systems as a key fiscal priority. These policies support entitlements other than the wage that are necessary for the reproduction of labour power. Doraisami proposes that the government fund larger contributions to Malaysia's social security system in order to bolster workers' real wages without increasing the cost to employers. She also calls for the creation of a universal old-age pension scheme that is not tied to employment, which would reduce the income insecurity risk to women. Berik, Espino and Azar, and Todaro also call for gender-equitable design in social security and health care systems, so that older women are not left behind. In addition, Doraisami is concerned about the risk that the gains in women's health that were achieved with the health care system might be reversed under a privatized system.

Berik, Espino and Azar, and Todaro call for public policies (such as publicly-funded childcare and early childhood education) that help men and women balance paid work and unpaid caring work in light of the persistence of the gender division of labour in the household and labour market. Todaro argues that rising labour-market flexibility in urban Chile in the 1990s and early 2000s paradoxically requires longer hours in paid work and does not make paid

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<sup>24</sup> See Chang and Grabel (2004–2005) for policies to expand tax revenues in developing countries.

work more compatible with caring work, yet it deceptively signals greater compatibility. Moreover, implicit in all the country case studies in this volume is the need to fund the government's antidiscrimination enforcement apparatus. Discrimination is at work in explaining persistent employment segregation and gender wage gaps in Korea, Taiwan, Viet Nam and Malaysia, and requires a well-funded commitment to enforce and strengthen antidiscrimination legislation.

Packard focuses on investment in rural infrastructure and policies to strengthen the economic links between Viet Nam's urban and rural areas as a means to reducing rural poverty and the rural-urban income gap that has left rural women and ethnic minorities behind. In addition, improvements in the design of Viet Nam's public safety net, which include more spending to meet needs as well as better responsiveness to changing household circumstances, will help more women and men move and stay out of poverty (van de Walle 2004). These fiscal policies lend themselves to win-win situations in terms of being both pro-women as well as pro-growth.<sup>25</sup>

We also consider it necessary that the project of analyzing fiscal budgets from a gender perspective continue as an important analytical and political tool to transform the deflationary nature of fiscal and monetary policies in many developing countries. Gender budgets entail an examination of budgets for their gender-differentiated effects in order to encourage governments to be more accountable for their commitment to gender equality (Elson 1998; Elson and Çağatay 2000). Spurred on by pressure from feminist groups and a call in the United Nations Beijing Platform for Action for the incorporation of a gender dimension into budgetary decision making, governments in more than 60 countries have introduced gender budgets in various forms since 1995 (Sharp and Broomhill 2002; Budlender 2000; Budlender and Hewitt 2003). In this volume Doraisami and Packard also call for monitoring budgets for their gender impact and making them more gender sensitive. In addition, Packard views increasing women's representation at the local government level as a complementary goal in order to better scrutinize budgets in the context of Viet Nam's unfolding fiscal decentralization.

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25 In recognition of the benefits of improving women's education, health status and labour-market outcomes for economic growth, Stotsky (2006b) has recommended that the IMF encourage government fiscal authorities to remove discriminatory measures from fiscal legislation, including rules in the tax code dictating the allocation of shared income, exemptions, and deductions.

## ***Labour standards***

This paper has shown that increasing international competition puts pressure on working conditions, resulting in low pay and unequal pay, limited training and advancement by gender, unhealthy and unsafe work environments, and the lack of worker rights to organize and bargain collectively. We argue in favour of reforms at the international to support stronger enforcement of international labour standards and national labour laws as one instrument for improving workers' health, safety and wages globally.

This proposal has been a contentious and divisive issue among groups that are concerned about workers' well-being. Several feminist economists have focused specifically on whether globally enforced labour standards will improve the overall well-being of women workers employed in export-oriented sectors. On one side in this debate, authors such as Çağatay (1996) and Hale (1996) argue that market forces alone are inadequate for achieving improvements for female workers. These authors support the global enforcement of labour standards, more comprehensive labour market regulation and union activity. On the other side, Kabeer (2004), Singh and Zammit (2004) and Razavi (1999) caution that the global enforcement of labour standards with trade sanctions will inevitably result in either lower female employment or women's job transfers to the informal sector, which is not covered by labour standards. Because these changes are likely to widen rather than narrow labour-market inequalities between men and women, an implicit priority in this argument is the retention of women's export-oriented jobs over the pursuit of a costly strategy for improving the poor working conditions. A potential compromise in this debate is a complementary set of policies, which we favour, that includes a trade-incentives approach for improving working conditions and expanding employment in the new global order of intensified competition (Berik and Rodgers 2007). At the centre of such a strategy are new trade arrangements similar to those under the Generalized System of Preferences (GSP) that reward labour standards compliance with increased export-market access. Since much of women's paid work lies in informal units beyond the reach of regulation stronger enforcement of international labour standards will need to be complemented by other policies that raise the standards of living of workers in the informal sector. Fiscal and monetary policies that support an effective social safety net and provision of basic services are necessary to strengthen the fallback position of workers.



## ***Regulation of capital mobility***

Policies aiming to raise women's relative pay and improve working conditions may be counter-productive if firms relocate in order to avoid paying higher wages. In order to prevent such a response and to raise the likelihood that higher wages will stimulate productivity gains, governments may consider measures that slow the speed with which firms can leave a country (Singh and Zammit 2000; Chang and Grabel 2004–2005; Seguino and Grown 2006). A number of countries have successfully used restrictive FDI policies, including Korea, Taiwan, Singapore and Costa Rica. Countries' ability to maximize the potential of FDI depends on their bargaining power shaped by market size, poverty level, educational level of labour force, location and natural resources. In this volume Braunstein identifies a number of specific FDI policies (including assisting domestic firms for stronger linkages with FDI through industrial policy, performance requirements, incentives for technology transfers, and regulations on the physical mobility of capital) that promote both gender equality and growth.<sup>26</sup>

National policies to regulate short-term capital flows (along with improved gender-equitable social safety nets) would also help reduce the macroeconomic instability that emanates from unimpeded capital flows. A growing number of empirical studies also indicate that greater macroeconomic stability, together with better political governance, less corruption and higher economic security, attracts FDI. Malaysia's introduction of capital controls during the Asian financial crisis and Chile's capital controls indicate that divergence from neoliberal prescriptions on financial liberalization has worked to shield these economies from volatility. Malaysia's experience with capital controls leads Doraisami to characterize them as pro-poor and pro-women. However, Malaysia and Chile constitute the exceptions, and most middle-income developing economies continue to depend on financial inflows to finance growth and as a result are vulnerable to speculative-led crises. The "soundness" of financial liberalization is clearly undermined by the macroeconomic instability it generates, thus substantiating the need for a new international financial architecture that shields countries from speculative attacks and volatility and supports efforts to finance development.

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<sup>26</sup> Whether low-income countries can pursue selective industrial policies of the type that Korea and Taiwan successfully adopted is a source of debate. Recent evidence suggests that, even if in principle this option is available, under the WTO trade rules enforced by the IMF and the World Bank the space for adopting industrial policy has diminished (Khan 2007).

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