GENDER EQUALITY AND INCLUSIVE GROWTH:

Economic Policies to Achieve Sustainable Development

Edited by Diane Elson and Anuradha Seth

UN WOMEN

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LIST OF ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
ARRs	asset-based reserve requirements
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CESR	Center for Economic and Social Rights
CTT	currency transactions tax
ECLAC	Economic Commission for Latin America and the Caribbean
EIF	enhanced integrated framework
ELR	employer of last resort
ESCR-Net	Economic Social and Cultural Rights Network
FAO	Food and Agriculture Organization
FTT	financial transactions tax
G7	Group of Seven
G20	Group of Twenty
GDP	gross domestic product
ICJ	International Commission of Jurists
IDRC	International Development Research Centre
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
IT	inflation targeting
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
TINTA	“There is no technocratic answer”
UN DESA	United Nations Department of Economic and Social Affairs
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund.
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNRISD	United Nations Research Institute for Social Development
WID	Women in development

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Diane Elson and Anuradha Seth

INTRODUCTION

Anuradha Seth

More than 75 per cent of the world's population lives in societies that are more unequal today than 20 years ago. In many parts of the world, income gaps have deepened despite impressive growth performances. The sharpest increases in income inequality have taken place in those developing countries that were especially successful in pursuing vigorous growth and managed, as a result, to graduate into higher income brackets.[1] Economic progress may well exacerbate inequalities, not alleviate them.

Something about the dominant pattern of growth in many countries has clearly been harmful for income distribution among households. Data on household income inequality show a rising trend beginning in the 1980s in most countries. In 2016, the share of total national income accounted for by just that nation's top 10 per cent of earners (top 10 per cent income share) was 37 per cent in Europe, 41 per cent in China, 46 per cent in the Russian Federation, 47 per cent in the United States of America and Canada, and around 55 per cent in sub-Saharan Africa, Brazil and India. In the Middle East, the top 10 per cent captures 61 per cent of national income.[2]

Closely associated with these trends are those that show a decline in the labour share of national income. Trends in functional income distribution (i.e., the distribution of income between labour and capital) reveal that labour has been losing ground relative to capital over the past 20 years.[3] A focus on functional income distribution is important because it points to the changing position of labour in the production process. And it is not possible to reduce household income inequality without addressing how incomes are generated in the production process to begin with.

The fact that the benefits of growth have not been distributed fairly across society, and the notion that growth needs to create equitable opportunities for all were motivating concerns of the concept of inclusive growth. Broadly speaking, inclusive growth refers to the sharing of prosperity that results from economic growth. For some, inclusive growth "builds a middle-class which implies an increase in both the proportion of people in the middle-class and the proportion of income they command".[4] For others, inclusive growth is measured with reference to the income share of the poorest 60 per cent of households,[5] or is a measure of whether economic opportunities created by growth are available particularly to poorer households.[6] Despite differences among various approaches on the measure of inclusive growth, it is widely agreed that inclusive growth is chiefly concerned with extending the benefits of economic growth to a wider swathe of the population.[7]

Policymakers have felt the pressure to respond to growing deprivation in the midst of plenty, and inclusive growth has become a key objective of development policy. As noted in the 2030

Agenda on Sustainable Development, "sustained, inclusive and sustainable economic growth is essential for prosperity.... (T)his will only be possible if wealth is shared and income inequality is addressed".[8] But even as inclusive growth proponents advocate for equity considerations to be at the front and centre of growth policy, the principal concern is with class equity – not gender equality.

Yet, a growing body of evidence shows that economic growth is a gendered process, and that gender inequalities can be barriers to shared prosperity. For instance, gender discrimination in wages can boost price competitiveness by lowering unit labour costs in less developed countries characterized by the manufacture of labour-intensive and price-elastic goods for exports.[9] Growth patterns that exploit women's position as a source of flexible labour may result in jobs that do little to transform their bargaining power within the economy or lessen the burden of their unpaid care work.[10] And growth that generates forms of employment that favour male workers, as in many of the oil economies of the Arab States, can also buttress existing ideologies of the male breadwinner, leaving pre-existing gender inequalities largely intact.[11]

Such evidence makes clear that unless the gender dimensions of inclusive growth are made explicit, and unless policies for inclusive growth aim to improve women's well-being and address gender gaps, it is unlikely that growth will benefit women and men equally.

Policy frameworks on inclusive growth, however, have rarely called into question current models of production or proposed macro-level policies and structural reforms necessary to correct the distributional bias of growth. Rather, policy attention has focused on measures to promote equality of opportunity. For instance, the Organisation for Economic Co-operation and Development (OECD) framework for policy action on inclusive growth emphasizes policies that can improve the prospects of households in the bottom 40 per cent of income distribution. It identifies actions needed in three areas: (1) investing in people and places that have been left behind through targeted quality childcare, early education and lifelong acquisition of skills, and effective access to quality health care, justice, housing and infrastructure; (2) supporting business dynamism and inclusive labour markets through broad-based innovation and technology diffusion, strong competition and vibrant entrepreneurship, and access to good quality jobs, especially for women and underrepresented groups; and (3) building efficient and responsive governments through integrating distributional aspects upfront in the design of policy, and assessing policies for their impact on inclusiveness and growth.[12]

The World Bank, regional development banks such as the Asian Development Bank (ADB), and bilateral development agencies (such as the United Kingdom's Department for International Development), among others, have also recommended that equality of opportunity should be at the core of inclusive growth policies. For instance, the World Bank's approach to shared prosperity or inclusive economic growth seeks to foster income growth among a nation's bottom 40 per cent of households. It focuses on economic growth as "growth generates jobs and economic opportunities for all segments of the population". It advocates for a social contract in every country that commits to investments in safety nets that protect the poor and vulnerable against deprivation and shocks, and that improve and equalize opportunities for all citizens. For women in many societies, this would mean dismantling barriers to their participation in economic, social and political life.[13]

Such approaches to inclusive growth assume that improving the supply of labour (for instance, by investing in human capital such as skills training and education) will increase the employability and productivity of workers. And this will raise the rate of growth. The concern here is primarily with the rate of growth, not its pattern.

But even as redistributive policies and actions to improve the equality of opportunity of poor and vulnerable groups are important measures, it is unclear that such policies by themselves will alter or compensate for distributional outcomes associated with specific patterns of growth. If growth is to be inclusive and gender-equitable, then the pattern of growth must be such that it generates productive employment and decent work for women and men by "equalizing up" – that is, by closing gender gaps as a result of the growing prosperity of women relative to men, rather than through a decline in men's well-being.

This will require policymakers to rethink the role of macro-level policies (trade, industrial, macroeconomic, finance and investment) since these affect the distribution of income, assets and other resources, which in turn have feedback effects on the whole economy. Failure to identify the two-way linkages between the macroeconomy and distribution can undermine efforts to achieve gender equality and inclusive growth.

Even as inclusive growth frameworks have acquired currency in development circles, the importance of gender equality and women's economic empowerment as key development objectives has also come to the forefront of the policy agenda in recent years. With respect to policy priorities, there is a convergence between both perspectives.

In 2018, Canada, as president of the Group of Seven (G7), convened the Gender Equality Advisory Council to recommend concrete measures to make gender inequality history. The Council's report states that women's economic empowerment and financial inclusion are prerequisites for inclusive and equitable economic growth. Women's economic empowerment can drive gender equality outcomes and broader intergenerational benefits for women, their children, households and communities. Women who are economically empowered not only have greater access to income and economic assets, but also enjoy increased control over their own economic gains and more equitable decision-making power. Among other recommendations, the Council called on G7 leaders to:[14]

- Recognize, reduce and redistribute unpaid domestic and care services between families and the public sector, and between girls and women, and boys and men.

- Institute or improve paid parental leave programmes to support all eligible families.

- Integrate gender-based analysis, gender-responsive budgeting and gender audits throughout policy development and implementation.

- Close the financial inclusion gender gap in financial services and accounts ownership

- Ensure that women are productive and innovative in the economy by creating enabling conditions for decent work, including for women in the informal sector, and reducing the gender gap in labour force participation by 25 per cent by 2025.

- Incentivize the private sector to achieve pay equality for women and men in companies and at all levels of management by 2030 with penalties for not complying.

In 2016, the United Nations Secretary-General established a High-Level Panel on Women's Economic Empowerment as "part of the efforts to ensure that the 2030 Agenda moves from the pages of UN documents into the lives of women and builds stronger, more inclusive economies".[15] Its report makes the case that empowering women economically is not only the right thing to do (it honours the world's commitments to human rights) but also the smart thing to do for development, economic growth and business.

The report points to four overarching systemic constraints that prevent women from accessing labour markets and economic opportunities: adverse social norms and stereotypes; discriminatory laws and lack of legal protection; the failure to recognize, reduce and redistribute unpaid household work and care; and a lack of access to financial, digital and property assets. It outlines an action agenda to accelerate progress by tackling these barriers, and calls on governments, business, civil society and development organizations to address these specific issues.

Development finance institutions, including multilateral institutions such as the International Monetary Fund (IMF) and regional development banks, have also emphasized women's economic empowerment as central to the agenda of inclusive growth. In 2018, the IMF issued a staff guidance note on how to operationalize gender in its country-level work, including surveillance, lending and technical assistance.[16]

The staff guidance note states that reducing gender gaps can have important economic benefits. For example, gender-based legal restrictions in many parts of the world, as well as barriers in access to education, health care and financial services, prevent women from fully participating in the economy. In turn, labour force participation rates are lower among women than men. Gender equality (by boosting female labour force participation rates) can play an important role in promoting economic stability by increasing economic productivity and growth, enhancing economic resilience and reducing income inequality.[17]

For the Asian Development Bank (ADB), inclusive growth is one of the three strategic objectives in its Strategy 2020. Strategy 2020 points out that inclusive growth has emerged as a new development paradigm in many countries of Asia and the Pacific. The bank will "continue to emphasize gender equality and the empowerment of women as fundamental elements in achieving inclusive growth. It will also work to increase investments aimed at providing women with better access to education and other economic resources, such as credit".[18]

Other regional development finance institutions, including the African Development Bank (AfDB), have also increased their investment portfolios for promoting women's economic empowerment. Invariably, the business case is made for doing this. Invariably, this is seen as a win-win scenario for achieving both gender equality and economic growth. The President of the AfDB has called for greater mobilization of resources in favor of women, stating, "We need to change the current system and introduce a mechanism for rating and classifying financial institutions. Those who put the issue of gender at the center of their concerns should be at the forefront of this ranking."[19] The bank plans to raise a US $300-million guarantee fund for the Affirmative Finance Action for Women in Africa initiative. This initiative is expected to leverage close to $3 billion over 10 years to empower female entrepreneurs through capacity-building, access to funding, and policy, legal and regulatory reforms to support enterprises led by women.

But even as there is a focus on women's economic empowerment and its relation to inclusive growth, the policy and investment focus appears mainly to address supply-side constraints to increasing women's labour force participation. Typically, policy measures aim to provide equal access to and control over economic resources and opportunities, as well as to eliminate gender inequalities in labour markets, including through a better sharing of unpaid care work. Measures include improving women's capabilities and skills to facilitate their entry into the labour market, enhance their entrepreneurship potential, and facilitate access to land, productive inputs and credit.

Women's unpaid care tends to be treated by development agencies and financial institutions simply as a constraint on female labour force participation. The focus is on indicating how women's disproportionate responsibility for care is one of the ways that gender inequality inhibits growth.[20] In short, the assumption is that removing barriers to female labour market participation will help unleash women's economic potential and contribute to their empowerment. The focus is on the better inclusion of women into the growth process but not on the nature of the growth process itself.

However, it is not axiomatic that increasing women's labour force participation will lead to greater gender equality or to inclusive growth. "It may be that the re-allocation of women's labor from unpaid activities (which are not counted in estimates of growth) into paid activities (which are) is simply a matter of redefinition with very little impact on either the overall productivity of labor or women's bargaining power. It may be that greater gender equality in the distribution of responsibilities for unpaid care work within the home frees women up to spend more time in productive activities so that the observed increase in gender equality in the labor force is made possible by a hidden increase in gender equality within the home. Or, alternatively, if the gender distribution of unpaid work does not adjust to women's greater participation in the labor market, greater gender equality in labor force participation with its positive implications for growth will be accompanied by greater gender inequality in overall work burdens."[21] Increasing female labour force participation may not result in greater gender equality. It may well deplete women's energy and compound their time-poverty.

Moreover, for growth to be inclusive and gender equitable, it is not sufficient to focus only on supply-side measures that promote equal access and opportunities for women. Increasing women's participation in labour markets does not ensure that there are sufficient jobs to absorb their labour. Insufficient labour demand as women's labour force participation increases instead can contribute to job competition in an increasingly crowded labour market. And the result may be that women are sequestered in the lowest quality jobs, or that gender conflict over the limited number of jobs is exacerbated.

Aggregate demand plays a key role in determining labour market outcomes for women and men (via its impact on distribution and accumulation). Demand-stimulating policies can support the goal of creating full and productive employment, and thus more decent work opportunities for women, while spurring and supporting further productivity growth. Fiscal policy can promote the creation of full employment and decent work through expanding aggregate demand, and through targeted spending on public health and physical and social care infrastructure. Monetary policy can expand its focus beyond inflation to include "real" economy targets such as employment growth, gender equality in employment, and improved incomes for workers in the informal sector or for women farmers. It can use tools including asset-based reserve requirements and credit allocation policies to achieve these objectives. Macroprudential policies such as capital management techniques and reserve ratio requirements can be used to smooth boom and bust cycles, and guard against currency crises. Economic shocks are particularly harmful for gender equality because the effects of crises disproportionately weigh on women. Further, the need for such policies has increased greatly on account of financial liberalization and deregulation, resulting in the rise of systemic financial risk and volatility.

It has been noted that if women's wages are systematically lower than men's, or if women have less power than men to bargain with capital over wages, then as more women enter the labour force, labour's share of income will decline. Evidence shows that "job shortages and gender job segregation have been found to be a factor in the declining labor share of income observed globally".[22] Hence, improving the quality of employment, supporting wage growth, and reducing occupational segregation should be core objectives of any gender-equitable inclusive growth strategy.

In this context, trade and industrial policies that go beyond merely involving women in markets or encouraging their participation in global value chains will be key. Three elements will be important in designing a gender-equitable industrial policy that promotes inclusive growth. First, policies to tackle the occupational segregation of women into the lowest-paid, most labour-intensive industrial sectors, and to help women get better jobs as industrialization proceeds and firms become more capital or technology intensive. Second, labour standards that directly address the challenge of generating decent work, especially in women's traditional industries (such as garments), and particularly in the context of trade liberalization that has encouraged a competitive race to the bottom. A key aspect of labour standards involves protecting the rights of workers to engage in collective action to increase their bargaining power. Third, women's traditional service sector work (such as paid domestic work and small-scale trading) will need to be transformed in terms of both its rewards and conditions of employment to meet the standards of decent work.

Implementing policies to promote gender-equitable inclusive growth will require fiscal space. It will require policymakers to rethink the distinction between consumption expenditures and investment, as well as an approach to deficit and debt financing that can create space for spending that is necessary for gender equality. For instance, little attention has been paid thus far to the ability of certain types of spending, such as in health or education and care, to create fiscal space by raising the productive capacity of the economy. This, in large part, is because much of such expenditures are classified as consumption (not investment), an approach that fails to take account of their feedback effects on labour productivity and thus on economic growth.

Investment maintains and expands the productive capacity of an economy. It can help ensure adequate opportunities for productive employment and support increases in living standards. By expanding the definition of what constitutes investment, a new approach to financing can be developed that promotes gender equality and inclusive growth.

The need to accelerate progress towards achieving gender-equitable inclusive growth cannot be overstated. It is imperative for human rights and fundamental for the well-being of millions of women and men. Even today, over 42 per cent of workers globally are in vulnerable employment and the percentage is even higher for women in developing countries.[23] But this work is not the only category of employment exposed to systematic labour market risks. Informal employment includes other groups, such as workers in the informal sector, with women over-represented in informal employment in developing countries.[24] Worse, the significant progress achieved in the past in reducing vulnerable employment has essentially stalled since 2012, and the pace of reducing working poverty is slowing.

What does a gender-equitable inclusive growth process entail? What kinds of macro-level and labour market policies improve the distributional bias of growth and promote gender equality? These are the motivating questions of this book. It is aimed at two sets of development actors and policymakers: those whose goal is shared prosperity, and those for whom gender equality and women's economic empowerment are central to any project of inclusion.

Chapter 1 introduces ways of conceptualizing gender-equitable inclusive growth. The starting point is the concept of economies as gendered structures, comprising the spheres of production, social reproduction and finance. The chapter discusses the ways in which gender inequality can be an impediment to shared prosperity. It recognizes that inclusion in the growth process via paid and unpaid production can be harmful rather than beneficial, such as through forced labour, unsafe working conditions and precarious income levels. The chapter proposes a concept of inclusive growth focused on securing gender-equitable growth in which inclusion in the growth process promotes, rather than harms, well-being. This requires changing the pattern and process of growth to ensure a more equal distribution of prosperity, including through actions to reduce the power of finance over economies, increase the bargaining power of labour vis-à-vis capital and increase investments in public services. Gender-equitable inclusive growth can be framed in terms of the progressive realization of economic and social rights, with priority given to the most disadvantaged groups.

Chapter 2 discusses the effect of macroeconomic policies on gender equality with the goal of identifying gender-equalizing policies that are consistent with overall rising living standards. The chapter identifies specific macroeconomic policies and tools, including an enlarged and revised role for fiscal and monetary policy, and indicates how public spending and tax policy as well as central bank tools can be designed to create fiscal space that promotes the goals of gender equality and inclusive growth. It highlights the importance of adopting macroprudential policies to protect against systemic risks in the financial sector – both because financial crises produce economic instability, and because the effects of such crises disproportionately weigh on women, and among women, those in subordinate racial/ethnic groups.

Chapter 3 takes up the question of industrialization from a gender perspective. It focuses on the sphere of production and points out that industrialization is central to the structural transformation that drives growth and increases in productivity. Likewise, trade liberalization plays a significant role in shaping the structure of production and productivity-enhancing structural change. To the extent women participate in industrialization and growth, they typically do so on inferior terms, with consequences not only for their well-being but also for distribution and growth. For this reason, a gender-equitable inclusive growth framework must prioritize the quality of employment, and industrial and trade policies that promote, on an equal basis, decent work, with good wages, working conditions and labour rights so that the benefits of industrialization and growth are shared.

Chapter 4 takes a fresh look at investment, focusing on public investments and household investments in human capacities. Specifically, it takes account of non-market investments involving unpaid household labour and makes the case that public investments that raise the productivity of this labour have the potential to contribute to greater gender equality and to inclusive growth. However, even as such investments in human development (health care and education, which are often provided in the household) raise the long-term productivity of labour and contribute to growth, these are not treated as investments but rather as consumption expenditures in public finance. This is why current fiscal rules and definitions regarding what is consumption or investment need to be reconfigured. Doing so can expand fiscal space and help secure the financing needed for gender equality and for a more inclusive process of growth.

Chapter 5 examines how human rights can strengthen prospects for gender-equitable inclusive growth. The chapter shows how specific rights map onto key elements of inclusive growth. It indicates how to assess whether the policies adopted to promote economic growth adhere to human rights obligations and shows how human rights procedures can be used to help secure changes in the pattern and process of growth. It also demonstrates how the adoption of these norms and principles helps safeguard against the many forms of "harmful inclusion" that are currently occurring. The chapter highlights the ways in which the human rights perspective calls for less technocratic, and more transparent and accountable policy processes, in which deprived and unequally treated peoples can claim their rights.

The evidence and policies presented in the book make a compelling case for policy makers to rethink the role of macro-level economic policies to achieve sustainable development. In doing so, they will dare to be different, and by doing so, they can profoundly transform the lives and livelihoods of millions.

NOTES

1. UNDP 2013.
2. World Inequality Lab 2018.
3. ILO 2011.
4. Birdsall 2007, p. 262.
5. McKinley 2010.
6. Ali and Son 2007.
7. Rauniyar and Kanbur 2010.
8. United Nations 2015.
9. Blecker and Seguino 2002; Busse and Spielmann 2006; Braunstein 2012.
10. Beneria 2003.
11. Moghadam 2003.
12. OECD 2018.
13. World Bank 2015.
14. Gender Equality Advisory Council 2018.
15. United Nations Secretary-General's High-Level Panel Report on Women's Economic Empowerment 2016.
16. IMF 2018.
17. Ibid.
18. ADB 2018.
19. AfDB 2018.
20. Braunstein et al. 2017, p. 25.
21. Kabeer and Natali 2013, p. 34.
22. Seguino and Braunstein 2019 (forthcoming).
23. Vulnerable employment includes own-account workers (i.e., workers who, on their own account or with one or more partners, hold jobs defined as self-employed, and have not engaged on a continuous basis any employees to work with them during the reference period) and contributing family workers (i.e., workers who are self-employed in a market-oriented establishment operated by a related person living in the same household, but with too limited a degree of involvement in its operation to be considered a partner) (ILO 2018).
24. The share of women in informal employment in developing countries was 4.6 per cent higher than that of men, when including agricultural workers, and 7.8 per cent higher when excluding them (ILO 2018).

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CHAPTER 1

CONCEPTUALIZING GENDER-EQUITABLE INCLUSIVE GROWTH

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INTRODUCTION

This chapter discusses ways of conceptualizing gender-equitable inclusive growth. The idea of inclusive growth was introduced as a response to concerns about inequality in the distribution of income[1] and was included in the new development agenda adopted in 2015 by the Member States of the United Nations. The Declaration of the 2030 Agenda for Sustainable Development states: [2]

> We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities.

There is plentiful evidence of failure to share the fruits of growth equitably among households, among different kinds of labour, and between capital and labour. The IMF has highlighted trends in income inequality between households in Group of Twenty (G20) countries, noting the disproportionately large share of income that has accrued to the top 1 per cent of the income distribution. Moreover, in G20 countries, the combined labour share of low- and middle-skilled labour fell by more than 10 percentage points from 1995 to 2009, while that for highly skilled labour rose by more than 5 percentage points in “emerging G20” countries and by 10 percentage points in “advanced G20” countries.[3] Oxfam reports that data on the global distribution of income show that while all income groups experienced positive growth in their real income between 1988 and 2011, the incomes of the poorest 10 per cent of people increased by $65, equivalent to less than $3 extra a year, while the incomes of the richest 1 per cent increased 182 times as much, by $11,800.[4] The United Nations Development Programme (UNDP) reports that in a group of 16 developed countries, the labour share of national income declined from about 75 per cent in the mid-1970s to 65 per cent in the mid-2000s; and in a group of 16 developing and emerging economies, average labour shares declined from around 62 per cent of gross domestic product (GDP) in the early 1990s to 58 per cent in the mid-2000s.

None of those measures of income distribution explicitly address distribution by gender, but since many women have no income of their own, and when they do earn an income tend to be concentrated in low- and middle-skilled jobs, and moreover lack capital assets, the distribution of income by gender is likely to be even more unequal. Unless the gender dimensions of inclusive growth are made explicit, and policies for inclusive growth deliberately aim to improve women’s well-being and address gender gaps, is it is unlikely that growth will benefit women and men equally. In the 2030 Agenda for Sustainable Development there is no discussion about whether and how the process of growth needs to be changed to achieve gender equality, though some of the indicators used are disaggregated by gender. Nor is there any recognition that current patterns of growth actually make some people worse off: They not only leave people behind, they push people behind.[5]

Inclusive economic growth is a focus of the 2030 Agenda's Sustainable Development Goal (SDG) 8, "Promote sustained, inclusive and sustainable economic growth, full and productive work for all", but no definition is offered of these terms, nor of the kind of growth process that is required. Inclusion in income growth is a focus of SDG 10, "Reduce inequality within and among countries". Inclusion is specifically mentioned in Target 10.2: "By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status." SDG 9 calls for the promotion of inclusive and sustainable industrialization, again without defining these terms, but the focus is on increasing industry's share of employment and GDP. SDG 5, "Achieve gender equality and empower all women and girls", does not mention economic growth, but does call on states to undertake reforms to give women equal rights to economic resources in Target 5.a. The SDG focus on inclusive growth is ambiguous and fragmented. The 2030 Agenda for Sustainable Development does not provide a vision of gender-equitable inclusive growth and the policies required to realize this vision.

This chapter uses a gender lens to scrutinize economic growth, and the ways in which it needs to be changed to improve the well-being of women, and to be truly inclusive and equitable. The chapter is organized as follows: Section 1 examines growth as a gendered process, distinguishing the spheres of production, social reproduction and finance, and discussing the ways in which gender inequality can be a barrier to shared prosperity. Section 2 discusses how inclusion in growth via paid and unpaid production can be harmful rather than enhancing, and notes that economic growth frequently has adverse side effects, such as depletion of human and natural resources. Growth of output is not necessarily a route to well-being – much depends on what kinds of outputs are growing, and how they are produced. Section 3 considers key reports on inequality and inclusive growth from a number of international organizations that are influential in policymaking processes. It does not provide a comprehensive survey of the work of these organizations, but highlights some of their different conceptualizations of inclusive growth, and the extent to which they take gender dimensions into account. Section 4 elaborates what a gender-equitable inclusive growth process would look like, in the spheres of production, social reproduction and finance.

The concluding section highlights key findings. Based on the evidence and arguments reviewed in this chapter, we conclude that gender-equitable inclusive growth requires the pattern and process of growth to be changed to ensure prosperity is shared more equally between men and women, and the lives of both men and women are transformed.

This will require changes to the prevailing model of economic growth, including action to reduce the power of finance over economies, to increase the bargaining power of labour vis-à-vis capital and to boost investment in public services. All of this would be facilitated if economic policy formulation used human rights as a guiding normative framework, as discussed in Chapter 5.

1. GROWTH AS A GENDERED PROCESS

Economic growth is a gendered process because economies are gendered structures.[6] Economies comprise both a paid economy, where output is counted as contributing to economic growth as measured by GDP, and an unpaid economy, in which people are reproduced on a daily and intergenerational basis, through unpaid care work and domestic work. Unpaid domestic work, such as collecting firewood and water, and growing vegetables in kitchen gardens, is conceptually included in the system of national accounts as part of GDP, but in practice, the outputs of such work are not measured and not counted as part of national output. Unpaid care work is not conceptually included in the system of national accounts as part of GDP and is not counted as contributing to economic growth. But it clearly makes an indirect, unmeasured contribution, since without this work, there would be no people to produce economic growth. One way to reveal this contribution is through the construction of a satellite national account of household production, in which money values are attributed to unpaid care work and the services it produces. Some countries, such as Australia, Colombia and Finland, have produced such accounts.[7]

Finance is essential for the operation of markets and national economies, but in the last 30 years, finance has moved from facilitating markets to a position of domination over economies and people, with disproportionate power exercised by financial businesses, operating both internationally and within countries.[8] Economic growth has been punctuated by financial crises that slow, halt or even reverse economic growth. Countries that experienced a banking or financial crisis between 1975 and 1994 had 1.3 per cent lower growth in the subsequent five years than countries that did not.[9] There were major financial crises in Latin America in the early 1980s and in Asia in 1997, and a crisis with global impact in 2008 that originated in the United States. The policy response to these crises has been marked by deflationary bias: cutting public expenditure to try to reduce budget deficits created by the crisis, limiting access to public services and hampering job creation.[10] The crises and the policy responses to them have had a particularly detrimental impact on low-income women.[11]

Even so, there is a big push on the part of international development agencies and financial businesses to draw as many people as possible into the financial system, and the SDGs include as Target 8.10, "Strengthen the capacity of domestic financial institutions to encourage and extend access to banking, insurance and financial services for all". There is insufficient discussion, however, of the measures required to ensure that financial inclusion is beneficial for well-being and not just a way of enhancing the profits of financial service providers. There is mounting evidence of the ways in which financial inclusion exposes people to the risks of mis-selling financial products, fraud, increasing levels of indebtedness, loss of assets and vulnerability to the depredations of debt collectors. This includes not only the sub-prime mortgage market in the United States of America,[12] but also commercialized microcredit across much of the developing world.[13] Much of the so-called financial inclusion of low-income people has been predatory inclusion, with disproportionate impacts on women, who are especially at risk because of low and erratic earnings.

The dominance of finance means it is useful to distinguish three spheres of an economy: finance, production and social reproduction.[14] The financial sphere includes profit-oriented banks, insurance companies, hedge funds, etc., and their regulators, comprising central banks and ministries of finance. It also encompasses non-profit businesses such as mutual or cooperative savings and loan funds, subsidized microfinance and state banks, and informal money lending by pawnshops, kerbside dealers, and landlords and merchants. In the sphere of production, goods and non-financial services are produced for sale, through activities such as farming, mining, construction, manufacturing, wholesaling, retailing and supply of leisure services. This sphere includes both formal and informal paid work. The non-market sphere of social reproduction supplies goods and services directly concerned with the daily and intergenerational reproduction of people as human beings, especially through their care, socialization and education. It includes unpaid domestic and care work in families and communities, organized unpaid volunteer work, and paid (but non-market) work in public services such as health and education.[15]

All three spheres are characterized by gender inequalities, such as the division of labour in which the primary responsibility for unpaid care and domestic work is assigned to women, and paid work is marked by gender occupational segregation and gender earnings gaps.[16] Large businesses are almost invariably led by men, and households are subject to internal gender inequalities in income, consumption, asset ownership and decision-making.[17] These inequalities can be measured in various ways, providing data are available, and are supported by social norms that constrain the choices of women and men.[18] Social norms are persistent, but can change in the process of economic growth, such as when it becomes "normal" for women to undertake paid work outside the home. They can also be transformed by deliberate collective action, such as when domestic violence becomes perceived as a crime that governments must address. Examining economies as gendered structures recognizes the diversity of women, and that some women's lives are shaped by multiple inequalities, not only related to gender but also to class, race/ethnicity and/or location. Gender intersects with different sources of disadvantage, such as a lack of education, place of residence and ethnicity. In many parts of the world, there is a growing gap between women whose economic and personal status has improved, and those who are further disadvantaged as inequalities between the rich and the rest widen.[19]

Building the picture of a specific economy as a gendered structure, taking account of intersections with other inequalities, calls for collecting and analysing data on several dimensions of all three spheres. For example, in the sphere of production, it requires sex-disaggregated data, not just on the quantity of employment, but also its quality, such as through measures of gender-based occupational segregation, gender earnings gaps and levels of earnings. Ideally data should be disaggregated not only by sex but also by other factors such as place of residence, age, educational attainment and migration status of workers, to show how gender intersects with other sources of disadvantage to determine forms of inclusion or exclusion. Data on the distribution of income should move beyond distribution among households to include distribution between women and men. In the sphere of social reproduction, statistics are required on unequal patterns of time spent on unpaid domestic and care work, as well as usage of services that can reduce unpaid work, such as electricity, water and care services, disaggregated not just by sex but also by household income and place of residence. Data on public spending on social services can help in capturing the extent to which responsibility for care provision is shared between families, the State and other institutions.[20] In the sphere of finance, the degree to which the economy and its people are dominated by financial services needs to be identified, including the role of financial businesses, the regulatory structure, and the extent of access to financial services and of indebtedness. Disaggregated data on financial governance and financial inclusion are critical for identifying which groups control the sphere of finance and which groups are most vulnerable to financial predators.

The spheres of production, social reproduction and finance are essential for economic growth. Time trends in the data identified above reveal the ways in which economic growth is gendered. Some types of growth depend on the maintenance of various kinds of gender inequality. For instance, this will be the case if growth depends on keeping wages low and maintaining a gender earnings gap (as is frequently the case in labour-intensive, export-led, foreign-investment-led development), while at the same time keeping taxes and public expenditure low so as to attract foreign investment, and relying on women's unpaid work to care for the current and future labour force.[21] In this type of growth, benefits go disproportionately to foreign investors, and women's overall working time increases, as paid work is added to unpaid work. Moreover, this growth model holds back the investment in human capacities required to move to higher productivity, higher wages and a more equal economy in the future. When public expenditure on education and health is limited, and household incomes are low, boys tend to get priority over girls. And when women take on paid work without public investment to reduce their unpaid work, older girls frequently have to take on additional unpaid work, to the detriment of their education. The simultaneous pressures on women from paid work and unpaid work can lead to the depletion of their human capacities through physical and mental injuries.[22] Inclusion in growth can be harmful rather than beneficial.

2. HARMFUL FORMS OF INCLUSION

Inclusion is typically treated as positive in the SDGs and in much of the literature on inclusive growth.[23] The problem is identified as exclusion, both exclusion from the process of generating GDP growth, and/or from the enjoyment of the benefits produced by it. But inclusion in economic growth can be harmful as well as beneficial. For instance, direct inclusion in growth via employment can entail:[24]

- Forcible inclusion (e.g., forced labour, modern slavery)
- Injurious inclusion (e.g., unsafe working conditions, long hours of work)
- Impoverished inclusion (e.g., returns to work not above poverty level)
- Precarious inclusion (e.g., insecure employment)
- Segregated inclusion (e.g., inclusion via low-paying occupations at the bottom of the job hierarchy)

Conditions of indirect inclusion in economic growth via social reproduction can also be harmful.[25] For instance:

- Forcible inclusion (e.g., forced unpaid domestic and care work through forced marriage)
- Injurious inclusion (e.g., unsafe working conditions and long hours of unpaid care and domestic work, vulnerability to domestic violence)
- Stigmatized inclusion (e.g., low-quality public services narrowly targeted to poor mothers)

Economic growth has many other harmful impacts on human well-being, with many millions not just being left behind but being pushed behind, some to lower living standards, some to premature avoidable death. For instance, many developing countries have recently experienced land enclosure and appropriation in the name of improving productivity and economic growth. Research in Africa, however, found that many land deals were done in secret or without consultation with local communities, and without transparency, accountability and participation. In some cases, new wage employment was created, so people were included in growth, but the number of jobs was far below what had been projected. The jobs involved mainly casual and seasonal work at low pay compared with similar employment in the locality. People who retained some land were often incorporated as out-growers but typically on adverse terms, especially for women whose control of productive resources and cash income was undermined.[26]

Economic growth has overall increased life-harming pollution. While development reduces some forms of pollution, such as from sewage-contaminated water, and indoor cooking stoves using wood, dung or charcoal, new forms, such as outdoor air pollution, are produced by industrialization and motor transport. Indoor air pollution from stoves caused an estimated 2.9 million deaths in 2015, but outdoor pollution from vehicles and industry caused 4.5 million deaths. The deaths from outdoor air pollution are set to rise rapidly in many countries unless measures are taken to reduce pollution.[27] There is no possible compensation that will make good some kinds of damage, such as premature avoidable death due to pollution or the loss of culturally valued ancestral lands. Where compensation would be possible, such as for loss of income and employment, it often does not materialize.[28]

Many kinds of GDP growth give rise to problems, even when employment is created for low-income people, and their incomes are disproportionately increased. Rather than simply looking at GDP increases as an indicator of prosperity, it is necessary to look at which kinds of outputs are growing, and which activities are taking place. Some of them destroy well-being rather than create it. The references to sustainability in the SDGs (such as Goal 12, "Ensure sustainable consumption and production patterns") do not fully address the risks to human well-being, as they do not link natural resource use to depletion of human capacities and destruction of human life. Thus, as well as a concern with sharing prosperity, there needs to be a concern with avoiding depletion and destruction of human beings and human well-being.

3. CONCEPTS OF INCLUSIVE GROWTH USED BY INTERNATIONAL AGENCIES

Many international organizations have fleshed out the concept of inclusive growth in flagship reports and key documents. Here we briefly discuss a selection, including reports and statements from UNDP, the International Labour Organization (ILO), the United Nations Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the IMF and Oxfam. The aim is not to provide a comprehensive review but to identify some influential notions of inclusive growth and the extent to which they address gender equality. This section concludes with a comparative table summarizing key features of the reports.

The UNDP report,[29] *Humanity Divided: Confronting Inequality in Developing Countries*, states that "inclusive growth refers to equity with growth or to broadly shared well-being resulting from economic growth," measured in terms of the increment of income accruing disproportionately to those with lower incomes.[30]

Three routes to promoting inclusive growth are identified:[31] The pattern of growth must be shifted so as to increase the incomes of low-income households more than the average; measures to redistribute income via social protection and consumer subsidies must be introduced; and opportunities for low-income households and disadvantaged groups to access employment and income generation must be expanded. The report does not discuss gender issues in relation to these three routes and does not highlight the limitations of focusing on household incomes alone, such as the unequal power within households that often means increases in household income are not shared equally. Moreover, social protection may be delivered in ways that reinforce social norms that disadvantage women. And opportunities extended to disadvantaged groups may create new forms of disadvantage, such as through being trapped in low-wage, dead-end work. The report is notable for recommending strengthening the position of employees through minimum-wage policies and measures to bolster collective bargaining.

Taking up the issue of equal access to employment, the report states that women enjoy less access to more secure, better-paying jobs.[32] Unpaid care responsibilities are identified as a barrier to women's participation in paid work, and the importance of the public provision of childcare[33] and investments in the provision of water and energy[34] is noted. No specific recommendations are made about reducing the gender wage gap and occupational segregation in the context of securing inclusive growth, though the report does have a separate chapter on gender inequality with extensive data on these issues. Nor is there any discussion of the way in which well-being requires not only time *free from care* but also time *free to care* for one's loved ones.

The report discusses macro and micro aspects of finance and inclusive growth. It notes that international capital flows are highly volatile and can jeopardize the stability of economic growth. Capital flight can result in sharp currency devaluation, followed by increased prices and falling real wages, and increases in unemployment and inequality. The report does not mention gender-differentiated impacts. It does emphasize measures to reduce volatility, including controls on capital flows. It also considers limited access to financial services among poor and disadvantaged groups to be an important constraint, and recommends measures to address this, but with no specific mention of women or predatory forms of inclusion.

The ILO emphasizes qualitative as well as quantitative dimensions of employment in the Decent Work Agenda launched in 1999.[35] The agenda includes four pillars: full and productive employment, rights at work, social protection and the promotion of social dialogue. Labour rights include basic rights such as no forced labour, no child labour, no discrimination, freedom of association and collective bargaining, as well standards on terms of employment and job security. Enforcement of these rights is fundamental to avoid harmful forms of inclusion in production. Gender equality is a cross-cutting objective of the agenda.[36]

The ILO considers creation of decent work as central to inclusive growth[37] and identifies policies that can especially help women overcome their multiple constraints in accessing quality jobs.[38] Efforts have been made to operationalize the core principles of decent work, including by compiling detailed indicators and preparing decent work profiles for several pilot countries.[39] These efforts have had mixed outcomes so far, however, given the complexity of the task and persisting data gaps in a range of dimensions.[40]

Formulations of decent work have tended to focus on the productive sphere and paid employment outcomes, but a 2018 ILO report, *Care work and care jobs for the future of decent work*, signals greater attention to the interactions between production and social reproduction, and a more holistic understanding of the economy as a gendered structure.[41] The report notes, for example, that economies are dependent on care work, both paid and unpaid, to survive and thrive. It therefore argues that transformative care policies, combining macroeconomic, employment, social protection and migration policies, are needed to achieve inclusive labour markets and gender equality. It suggests a "new road map of quality care work" in which unpaid carers can enjoy the rewards of care provision without bearing high costs for it in terms of stress, mental health and/or exclusion from decent jobs; paid care workers have access to decent jobs, hence setting the foundations for the provision of quality care services; and the rights of caregivers and care recipients are both respected.

UNIDO's *2018 Industrial Development Report* focuses on inclusive and sustainable industrial development, which is regarded as:

> ... creating shared prosperity (offering equal opportunities and an equitable distribution of benefits to all), advancing economic competitiveness, and safeguarding the environment (addressing the need to decouple generated prosperity of industrial activities from excessive natural use and negative environmental impacts).[42]

The report gives more attention to environmental concerns (the excessive use of natural resources and the negative consequences of their depletion) than to the risk of depletion of human capacities. Inclusiveness is discussed more in terms of countries or firms (e.g., the need for low-income countries to gain better access to global markets and global value chains), than in terms of specific groups of disadvantaged people. The report recognizes that manufacturing may have varying effects on employment, wages and technological upgrading in countries at different stages of development, and identifies the main challenge for low-income countries as sustaining the process of industrialization itself. For middle-income countries, the main challenge is environmental sustainability. For (deindustrializing) high-income countries, it is ensuring continued employment generation and shared prosperity in the face of growing inequalities and skill-biased technological change.

The report suggests that greater automation of production often skews the distribution of profits towards factory owners and managing directors, to the detriment of workers. It further notes that even though globalization has brought previously excluded segments of society into the labour market, employment conditions for low-skilled workers may not meet international labour standards. Industrial jobs can be hazardous and exploitative.[43] The report cites extensive evidence demonstrating that the terms of inclusion in global value chains are often more unfavourable for women than men.

Noting that technological advances and the robotization of production are reducing manufacturing's capacity to generate employment, the report emphasizes the potential of industrialization to be inclusive via the production of new varieties and qualities of goods that become affordable to everyone. The issue of how this can help narrow gender disparities is brought up only in relation to the diffusion of household appliances such as washing machines and vacuum cleaners. In high-income countries, household appliances – it is argued – significantly reduced the time women needed to spend in household production, and this is good for gender equality because the time released can be spent on market-oriented activities.[44]

The 2017 edition of UNCTAD's flagship *Trade and Development Report,* entitled *Beyond austerity, towards a global new deal,* calls for structural policy reforms to address power imbalances, reduce inequalities and promote inclusive outcomes at both global and national levels.

> Moving away from hyperglobalization to inclusive economies is not a matter of simply making markets work better, whether by enhancing human capital, filling information gaps, smartening incentives, extending credit to poor people, or providing stronger protection to consumers. Rather, it requires a more exacting and encompassing agenda that addresses the global and national asymmetries in resource mobilization, technological know-how, market power and political influence caused by hyperglobalization, which generate and perpetuate exclusionary outcomes.[45]

The report introduces the idea of "simultaneity of inclusion and exclusion"[46] to stress that those who have been most excluded from economic well-being have usually been integrated into hyperglobalization. They have been included on very unfavourable terms in labour markets offering insecure jobs and low wages, however, and borne the bulk of the costs of reduced public services, limited social protection and crises of the financial system.

The report identifies the main problems as the high concentration of wealth and market power, and the resulting increased economic polarization within and between countries as well as between groups with different control over resources (such as creditors and debtors, wage earners and profit earners, financial and industrial interests, and so on). It examines three sources of exclusion: the automation of production, especially robotization; the segmentation of labour markets, particularly the gender dimension; and corporate strategies to concentrate market power.

An entire chapter devoted to the analysis of gender dynamics of exclusion and inclusion in labour markets is comprehensive and well-articulated.[47] But other chapters, such as on financial instability and inequality or on market power, do not consider gender dimensions.

The report is especially good in highlighting harmful terms of inclusion and discussing power asymmetries and unequal inclusion in finance. It examines gender dimensions but only in relation to paid jobs. It takes both a global and a national perspective, gives prominence to the sphere of finance and refers to the sphere of production. But it does not deal with social reproduction.

The IMF has adopted inclusive growth as an objective and claims that it is actively involved in promoting inclusive growth.[48] A concise statement of the IMF approach is provided in a note prepared for G20 leaders in 2017.[49] This defines inclusive growth in terms of "a broad sharing of the benefits of, and opportunities for, economic growth". Benefits are assessed in terms of income and wealth, and opportunities in terms of access to the labour market and access to basic services. There is no mention of gender inequality in income, but gender is mentioned in relation to inequality of opportunities, notably, gender gaps in economic participation and education, health and financial access.

The note emphasizes the need to identify policies that allow for the broad sharing of growth "without affecting economic efficiency". It states, "The growth opportunities from global integration are well established but integration has also negatively impacted some groups of workers or communities."[50] Evidence is cited that participation in global value chains has lowered the labour share of income in both advanced and emerging market developing economies. There is acknowledgement of how international financial integration is raising vulnerability to financial crisis, and how financialization has increased inequality in many countries. There is no call for changes in the governance of the international economic system, however, and the note states, "Macroeconomic policy frameworks that support strong growth and macroeconomic stability are prerequisites for inclusive growth and should remain a key policy priority."[51] In other words, the usual IMF macroeconomic policy advice still stands: "Monetary policy frameworks that support low and stable inflation are clearly supportive of inclusive growth."[52]

The note does not call for shifting the pattern of economic growth and measures to increase the bargaining power of labour vis-à-vis capital. Instead, it proposes the continuation of "reforms" that it assumes will boost economic growth. Governments concerned about distributional impacts "can adjust specific features of reform design and/or introduce targeted accompanying measures to make pro-growth reforms more inclusive, without generating inefficiencies that endanger growth itself".[53] The note does not comment on gender issues in the design and implementation of these targeted measures.

Unlike UNDP, the ILO and UNCTAD, the IMF does not refer to "decent work" but to "productive employment". It makes no reference to strengthening labour rights, employment guarantee schemes, minimum-wage legislation or improving the bargaining power of employees.

The note emphasizes fostering women's participation in economic activities through a number of measures, but does not mention measures to increase the returns that women get for their work. No recommendations are made about reducing the gender wage gap and occupational segregation. There is no discussion of how benefiting from growth requires not only time *free from care* but also *time to care* for one's loved ones. Women's care responsibilities are seen only as a barrier to women's labour force participation, and there is no mention of any policies to share care responsibilities more equally between women and men.

The note makes frequent reference to financial inclusion as an important component of policy for inclusive growth, to facilitate the ability to save and invest in assets and skills, and smooth incomes over time.[54] Particular attention is paid to gender gaps in access to financial services. The note does call for adequate financial regulation, to protect consumers and strengthen supervision of risks,[55] among other aims, but it does not reference any of the literature that demonstrates the spread of predatory inclusion.

In a 2016 report, *Poverty and Shared Prosperity: Taking on Inequality*, the World Bank states that it "focuses squarely on improving the welfare of the least well off across the world, effectively ensuring that everyone is part of a dynamic and inclusive growth process".[56] The report is more upbeat than other reports about the recent distribution of the fruits of growth. Based on household survey data, the report notes that from 2008 to 2013, in 49 out of 83 countries monitored, income growth among the bottom 40 per cent exceeded that of the mean (and therefore, that of the top 60 per cent).[57] The report does not discuss whether women are disproportionately concentrated in the bottom 40 per cent. Nor does it acknowledge that even if the incomes of the bottom 40 per cent grow faster than those of the top 60 per cent, the better off still derive more benefits in absolute terms.

The report provides case studies of five countries, Brazil, Cambodia, Mali, Peru and the United Republic of Tanzania, that enjoyed vigorous economic growth and made progress in boosting shared prosperity, narrowing inequality and reducing poverty. The issue of whether the kind of growth that these countries experienced can be sustained over time is not discussed. The report is uncritical of the implications of participating in global value chains. For instance, in the case study of Cambodia, the report claims that the gender wage gap is much lower in the garment sector than in other sectors, but does not discuss how women's earnings compare with the profits made in the garment sector by local and international businesses.

The report does not call for any changes in the international economic system or for labour market interventions, but advocates spending on early childhood development, universal health care, good-quality education, conditional cash transfers and rural infrastructure. The gender implications of these policies are not discussed, nor is the extent to which the macroeconomic policies usually called for by the World Bank facilitate or constrain fiscal space for these policies.

The report concludes with a call for more and better data, including long-term generation of more microeconomic household data, but it makes no reference to better gender data. Unlike in comparable reports by UNDP and UNCTAD, no chapter focusses specifically on gender inequality.

A recent Oxfam briefing paper, "An economy for the 99%",[58] describes current patterns of growth as "exclusive growth" that benefits the richest 1 per cent more than anyone else. Oxfam's research has revealed that over the last 25 years, the top 1 per cent has gained more income than the bottom 50 per cent put together.[59] The paper makes the point that women are disproportionately concentrated in the bottom half of income distribution, both because they are less likely than men to participate in the labour market, and because when they do, they are concentrated in lower paid and part-time jobs, as well as often not receiving equal pay for equal work of equal value.[60] The paper also notes that women often face violence and sexual harassment in workplaces. It concludes that economies exploit, rather than challenge, many gendered social norms, and argues there is a need to change the economy itself to ensure that growth fairly benefits women, challenges social norms and values women's contributions to society.

The paper is forthright in naming the drivers of income inequality as corporations that squeeze labour and production costs and minimize their tax payments so as to hand an ever-growing proportion of their profits to their owners.[61] The profit-enriched super-rich convert their economic power to political power, and shape policies to preserve and enhance their wealth.[62]

As an alternative to "exclusive growth", Oxfam does not call for "inclusive growth" but for a "human economy".[63] This would be an economy that works equally well for women and men. The paper does not spell out in detail what this would look like, except to say that unpaid care work would be recognized, reduced and redistributed, and there would be no underlying threat of violence against women. Rather than provide policy recommendations, the paper says that women's collective action is key, "and is most effective when women's rights advocates in grassroots and civil society organizations, think tanks and university departments can build strategic alliances with actors in political parties, state bureaucracies, and regional and global institutions".[64]

The above discussion of the approach taken in key reports of different international organizations is summarized in the following matrix. There may be a variety of nuances in other reports produced by the same organizations, but our aim has been to capture key aspects of the conceptualizations put forward in well-publicized, high-level reports, and to highlight similarities and differences.

Table 1.1.
Gender and inclusive growth in international reports

	Gender inequalities	**Production** -Participation in labour market -Terms of inclusion	**Social reproduction** -Barrier to participation -Contributor to growth	**Finance** -Macro -Micro	**Growth model**
UNDP (2015b)	Refers to gender inequalities in access to decent employment as well as gender wage gaps. Mostly focuses on income inequality between households, and between labour and capital, without exploring gender dimensions.	**YES** Emphasizes increasing access to paid employment for people in low-income households. Acknowledges that jobs available to the poor must provide decent work.	**LIMITED** Unpaid care recognized only as a barrier to women's participation in paid work.	**YES** Discusses both macro and micro aspects but without reference to gender dimensions.	Focus is on modifying the growth model through employment creation involving both macro policies, and promotion of small and medium enterprises and employment guarantee schemes, and through redistributive policies such as public services, social protection, and consumer subsidies, especially for food. Does not discuss what is required to ensure that design and implementation of these policies are gender-aware.
ILO (1999, 2018)	Gender equality is a cross-cutting objective of the Decent Work Agenda. Focus is mostly on gender differences in production, but increasing attention to social reproduction.	**YES** Strong emphasis on terms of inclusion, not just on participation. Attention to the intersection of women's sources of disadvantage, e.g., women migrant workers. Wider range of sex-disaggregated indicators to capture quality of employment.	**YES** Goes beyond recognizing unpaid care simply as a barrier to women's participation in paid work.. Advocates for a new road map of quality care work, in which the rights of both caregivers and care recipients are respected.	**NO**	Focus is on modifying the growth model to secure decent work for all. Emphasis on worker's rights, collective action and social justice. Investments in quality jobs the key policy priority.

	Gender inequalities	Production -Participation in labour market -Terms of inclusion	Social reproduction -Barrier to participation -Contributor to growth	Finance -Macro -Micro	Growth model
UNIDO (2018)	Acknowledges gender-based differences in access to industrial jobs but does not discuss specific policies to address gender gaps. Women's economic empowerment largely understood as promotion of female entrepreneurship.	**YES** Raises concerns about unfavourable inclusion of women in global production chains. Suggests that job creation via industrialization will be limited by automation. Claims production of goods to meet needs of low-income people will be an important channel of inclusion.	**LIMITED** Unpaid care recognized only as a barrier to paid work. Mentioned only in relation to the production of time-saving household appliances that can reduce unpaid domestic work.	**NO**	Emphasis on increasing the share of manufacturing in GDP, but expects only limited manufacturing job creation. Manufacturing can contribute to shared prosperity by producing new varieties of consumer goods affordable to all. Concern with environmental impacts but not human capacities depletion.
UNCTAD (2017)	Attention to gender dynamics of exclusion and inclusion in labour markets. Does not consider gender aspects when discussing financial inequality or inequalities in market power.	**YES** Draws attention to the "simultaneity of exclusion and inclusion". Strong emphasis on harmful terms of inclusion.	**LIMITED** Unpaid care recognized only as a barrier to women's participation in paid work.	**YES** Discusses financial instability and inequality at length, particularly at the macro level, but does not consider gender dimensions.	Challenges prevailing model of growth based on high concentration of wealth and asymmetric power. Radical policy reforms needed to address asymmetries in market power and resource mobilization, both nationally and globally.

	Gender inequalities	**Production** -Participation in labour market -Terms of inclusion	**Social reproduction** -Barrier to participation -Contributor to growth	**Finance** -Macro -Micro	**Growth model**
IMF (2017a, b)	Mentions gender gaps in education, economic participation, health and financial services. Does not consider gender-based occupational segregation and earnings gaps.	**YES** But emphasis is on making labour markets more flexible, which may have more benefits for employers than employees. Greater concern for inequalities among different groups of workers than between labour and capital.	**LIMITED** Unpaid care recognized only as a barrier to women's participation in paid work.	**YES** Particular attention to this dimension, including improving women's access to financial services. Does not acknowledge limitations of financial inclusion for improving the well-being of the poor.	Emphasizes that inclusiveness must not be at the expense of efficiency, and can be achieved through targeted fiscal policies. Advice on macro policies stresses stabilization as usual.
World Bank (2016)	Focus on women's participation in paid employment in specific sectors in selected countries, but uncritical of possible negative effects, e.g., women working in garment factories in Cambodia. Analysis mostly conducted at the household level, intra-household inequalities are ignored. Calls for better data but neglects to mention gender.	**YES** Little attention to terms of inclusion.	**LIMITED** Unpaid care recognized only as a barrier to women's participation in paid work.	**NO**	Main objective is to foster growth in the income and consumption of the poorest 40 per cent. Does not call for changes in the growth model but for targeted public spending measures.

	Gender inequalities	Production -Participation in labour market -Terms of inclusion	Social reproduction -Barrier to participation -Contributor to growth	Finance -Macro -Micro	Growth model
Oxfam (2017)	Attention to gender inequalities not only in employment but also in earnings, as well as other dimensions, such as violence and harassment.	**YES** Special attention to harmful forms of inclusion. Singles out, among others, social norms that perpetuate gender inequalities in access to decent jobs and sexual harassment in workplaces. Focus on corporations and unequal power relations between different groups in society.	**YES** Unpaid care is recognized not only as a barrier to women's participation but also as an important contribution to economic development. Details are not elaborated.	**YES**	Challenges prevailing models of growth and calls for a "human economy". Progress to be measured not only by GDP but also by the contribution of unpaid care and by environmental impacts. Women's collective action important for securing an economy that works equally for women and men.

4. WHAT WOULD GENDER-EQUITABLE INCLUSIVE GROWTH LOOK LIKE?

Gender-equitable inclusive growth would do no irreparable harm to the well-being of women and men. Thus, growth of production using processes that lead to premature avoidable death and permanent ill-health and injury, both within the production process, and through spillover effects that pollute air and water, should be halted. It is not enough to close gender gaps – harms must be eliminated for both women and men. For instance, one of the indicators for SDG 8 is, "Frequency rates of fatal and non-fatal occupational injuries by sex and migrant status". It would not make sense to seek to equalize these rates for women and men. Rather the goal should be to reduce the rate to zero for both women and men (and, of course, for migrants).

Rising female labour force participation rates are often considered an indicator that growth is becoming more gender equitable and inclusive. Absence from the labour force does not mean that women are not contributing to economic growth, however. Many are contributing through their unpaid domestic and care work in social reproduction, which ensures a supply of labour for the economy, even though the output produced by this work is not counted as part of GDP.

Using the terminology employed by UNCTAD, we might consider them simultaneously excluded and included. Absence from the labour force tends to exclude women from enjoying an income of their own,[65] but presence does not mean they will share equally in prosperity. For instance, not all women who are looking for jobs get them. ILO data for 2018 show that the global unemployment rate of women, at 6 per cent, is higher than that of men, and the gender gap is projected to increase in Africa, East Asia and Latin America.[66] Even if women are employed, their employment frequently does not conform to standards of decent work.

One frequently used indicator is the ILO indicator of workers in vulnerable employment, defined as own-account workers and contributing family workers, among whom women typically predominate. But many other workers are in employment that does not conform to IL0 standards of decent work. To reflect this, the ILO has recently started to collect statistics on a broader range of "non-standard forms of employment" such as temporary employment (including seasonal work, casual work and task-based contracts), part-time and on-call employment, temporary agency work and dependent self-employment. Although there are variations among regions and countries, in general, across the world, women, young people and migrants are more likely to be found in non-standard arrangements compared to other population groups.[67]

Gender-equitable inclusive growth would eliminate gender gaps in unemployment and enjoyment of decent work by increasing the creation of decent work for both women and men, with a higher rate of expansion for women than for men, a process that may be described as "equalizing up". Gender gaps could be closed by raising the male unemployment rate to that of women, and increasing the share of men in non-standard forms of employment to the same rate as women. But this kind of "equalizing down" would impoverish women via the impact on the incomes of men in their households, and would likely increase the share of income going to well-off owners of capital. Reduction of gender gaps should not be considered in isolation from the asymmetries of power between capital and labour, and between the rich and the majority of the population.

Women everywhere tend to be concentrated in a few occupations with lower pay and poorer working conditions. Occupational sex segregation has persisted despite economic growth, and is deeply rooted in gender norms that shape the decisions of both women and their employers.[68] When considerable numbers of men have entered female occupations, such as nursing, pay and conditions have improved for all workers there. Gender-equitable inclusive growth would see a reduction in occupational sex segregation, not only through more women entering male-dominated technological occupations but also through more men entering women-dominated caring occupations.

Decent work has value in its own right, as it helps to give a positive meaning to life, but paid work has most often been treated in the discussion of inclusive growth in purely instrumental terms as a means to secure a better income. Further, "shared prosperity" has been judged in terms of reducing inequality in the distribution of income, but has ignored inequalities in income within households. The basis for determining whether someone is in the bottom 40 per cent is the per capita income of their household, not their own income. But if the income of the bottom 40 per cent of households rises faster than the national average, that does not mean that the income of all members of the household rises faster than the national average. Clearly a woman who has no income of her own will experience no rise in her income, and in terms of income will be left behind. This reality is obscured by the tendency to use household income and expenditure interchangeably in the measurement of interhousehold inequality (as in SDG indicator 10.1.1.). A woman with no income of her own does enjoy some of the goods and services purchased by the household, but lack of an income of her own tends to have a negative impact on her voice and agency (which is why advocates of gender equality pay attention to female employment rates).

At the country level, it is important to research intrahousehold distribution of income, and to push for data on the individual incomes of household members. In 40 countries where data are available on individual incomes by sex, they show that from 2007 to 2013, women were more likely than men to live on less than 50 per cent of median income. Single mothers were much more likely to be in this situation; in 6 countries, at least 40 per cent of single mothers live on less than 50 per cent of medium income.[69] Gender-equitable inclusive growth would close this gender income gap by reducing the proportion of both women and men living at below 50 per cent of median income, but with a faster reduction for women.

Without data on individual income, the best that can be done is to examine average hourly earnings of employed women and men. But it is difficult to get good data for those in self-employment, family farms and informal businesses, so most available data are for employees in the formal sector. It is tempting to judge how gender equitable growth is in terms of whether there is a fall in the gender wage gap, but simply looking at the gap conceals whether a fall is an example of equalizing up or down. Gender-equitable inclusive growth would be where the average hourly earnings of both women and men rises, but the rise is faster for women.

There is more scope for sex-disaggregation of the functional distribution of income, to indicate female and male shares of capital and labour income, and male and female shares of income of different categories of labour according to their formally recognized skill levels. From what we know about the gender distribution of asset ownership and formally recognized skills, capital income is much more likely to accrue to men than to women. Income from "high-skilled" occupations is much more likely to accrue to men than to women. Sharing prosperity on a gender-equitable basis would be assisted by reducing the shares of capital and "high-skilled" occupations, and increasing the shares of "middle-" and "low-skilled" occupations, and of women within these occupations. It is important to recognize that these shares are determined by bargaining power and social norms as well as by technical skills, and do not merely reflect a value-neutral "productivity". Gender-equitable inclusive growth requires not only more training and opportunities for women to enter "middle-" and "high-" skilled occupations. It means revaluing the contributions of women in some typically female "low-skilled" occupations such as care work, so that wages increase. The 2018 ILO report on care work goes some way to recognizing this.

As well as employment and income, it is important to look at the composition of output. As noted above, UNIDO includes this in its definition of inclusive industrial development, referring to provision of "new varieties and qualities of goods that become affordable to everyone". The examples provided all relate to privately produced and consumed goods, however, such as frozen food, computers, medicines and household appliances. Much more important for ensuring a gender-equitable composition of output (outputs that equally meet the needs of women and men) is the public provision of affordable housing, clean energy, safe public transport, clean water and sanitation, and health, education and care services, all of which can reduce women's unpaid work and enable them to access paid work. Gender-equitable inclusive growth would ensure that there is adequate public investment to increase physical and social infrastructure so that it is accessible and affordable to all women.

There is widespread recognition that inclusive growth requires a reduction in the unpaid work that women have to do. But this is mainly considered in terms of investments to free women's time so that they can increase their participation in paid work. There is little recognition of the fact that low-income women are overworked, for instance, already participating in work that generates an income but also burdened with the need to collect fuel and water. Their long hours of exhausting work deplete their health and strength.[70] For such women, shared prosperity should include a reduction of their overall work burden, and more time for rest and participation in the life of the community. Prosperity is not only a matter of having more income; it may also mean having more free time (this is true for men, as well, who often have to undertake very long hours of paid work to earn sufficient income). Gender-equitable inclusive growth means that neither women nor men should be overworked.

This is relevant in all countries. For instance, for women who have clean energy, water and sanitation, but have many care responsibilities, prosperity may mean both having time free from care, but also time free to care. Many women put a positive value on being able to provide care for their loved ones, but they want to be able to earn an income of their own too. So public investment in physical and social infrastructure needs to be complemented by changes in the world of paid work to enable this to be possible, as is recognized by the ILO Decent Work Agenda. Such changes are not just important for women. They are also important for men, to enable them to share responsibility for whatever unpaid care and domestic work is undertaken in their household. Measures are required to enable and incentivize men to take on more of this work. This requires social protection measures, such as paid parental leave for fathers as well as mothers; changes in business practices with respect to working hours and promotion; and collective action to change gender norms. There are men's organizations campaigning for this.[71] In sum, gender-equitable inclusive growth with respect to social reproduction requires a reduction (but not elimination) of time spent on unpaid domestic and care work, and an equal sharing of it between women and men.

Gender-equitable inclusive growth should not be understood in terms of enabling women's lives to become more like those of men, but in terms of transforming the lives of both women and men, so that each participates equally in paid and unpaid work, and each has an income of their own and free time.

This requires profound changes in the sphere of finance, which as currently organized does not support gender-equitable inclusive growth. It is not enough to eliminate gender gaps in access to financial services. Unless financial services are very well regulated, it is possible for financial businesses to pursue predatory inclusion strategies, which incorporate women (and other disadvantaged groups) in ways detrimental to their well-being. Women's experience is too often of increasing inclusion in the financial system, but in ways that increase their exposure to fraud, mis-selling and indebtedness, putting any assets they own at risk, as well as making them vulnerable to harassment by debt collectors. An international effort should elaborate a concept of decent finance comparable to the concept of decent work.

At the macro level, there is considerable evidence that financial crises and policy responses to them often have particularly adverse impacts on women,[72] setting back not only the prospects for growth but also for gender equality. Gender-equitable inclusive growth requires measures at the international and national levels to regulate international financial markets and prevent destabilizing volatility, and to safeguard countries against pressure for expenditure cuts that will hamper the creation of decent jobs and investment in public services.

CONCLUSION

Gender-equitable inclusive growth must be growth that does no irreparable harm to the well-being of women and men. Thus, growth of production using processes that lead to premature avoidable death and permanent ill-health and injury, both within the production process, and through spillover effects that pollute air and water, would be stopped.

Gender-equitable inclusive growth is a pattern and process of growth that ensures prosperity is shared between men and women in ways that reduce gender inequality through changes in the three spheres of the economy: production, social reproduction and finance. Prosperity is understood in multidimensional terms, not only as income and consumption, but also as meaningful and satisfying paid and unpaid work, and time free from paid and unpaid work, on an equal basis for women and men. Gender-equitable inclusive growth means transforming the lives of men and women, so that they share unpaid domestic and care work on an equal basis, and women have an income of their own.

Gender-equitable inclusive growth cannot be achieved by focussing only on reducing gender gaps and ignoring the power imbalance between the rich and the rest of society, and between capital and labour. It requires new models of growth that reduce gender gaps while at the same time reducing the gaps between the shares of capital and labour, and the shares of high-, middle- and low-skilled labour.

Gender-equitable inclusive growth requires public investment to increase physical and social infrastructure that supports social reproduction so that it is accessible and affordable to all women and men.

The new models of growth that this entails would not be possible without profound changes in the sphere of finance. Gender-equitable inclusive growth requires more than the elimination of gender gaps in access to financial services. It requires changes in the provision and regulation of financial services to avoid predatory inclusion and to ensure that there are real benefits for low-income women. It calls for changes at the national and international levels to ensure that financial flows do not create destabilizing volatility and financial crises, and that financial markets do not impose a deflationary bias on fiscal and monetary policies. Without these changes, it will be difficult to secure the creation of decent work for all and investment in public services to support the reduction and redistribution of unpaid care and domestic work.

Thus, mutually supportive changes are required in all three spheres. A policy framework that supports this needs to be put in place, one that safeguards against harmful inclusion and ensures that inclusion supports the reduction of gender inequality, alongside other inequalities. This must be complemented at country level by an appropriate framework of indicators of policy effort and outcomes, building upon but going beyond the SDGs.

NOTES

1. Klasen 2010.
2. United Nations General Assembly 2015, para. 3.
3. IMF 2017a.
4. Oxfam 2017.
5. Elson 2018.
6. UN Women 2016; Elson 1999.
7. UN Women 2017, pp. 100-101.
8. Epstein (Ed.) 2005.
9. UNDP 2015b, p. 235.
10. Elson and Cagatay 2000.
11. Elson 2013; Fukuda-Parr et al. (Eds.) 2013.
12. Dymski et al. 2013.
13. Bateman et al. 2018.
14. Elson 2010, p. 202.
15. There is also market/private sector paid care work that would usually be included under "production". Within the paid private care sector, conditions are often unfavourable for both paid domestic care workers and care recipients. Evidence shows that care services provided directly by the public sector are of greater quality and ensure more equitable access (e.g., Fontana and Elson 2014).
16. UN Women 2017, Chapters 4, 5 and 6; UN Women 2015, Chapters 1 and 2, and Annexes 1 to 4.
17. UN Women 2019 (forthcoming).
18. Collection of data and measurement are not neutral processes either and involve not only technical decisions but also political ones. For instance, measuring women's inclusion in paid employment only in terms of (absolute and relative) changes in labour force participation rates says nothing about the terms of their inclusion; measuring changes in the gender composition of employment status and across occupations and sectors does (for examples, see UN Women 2016 and Fontana 2018).
19. ILO 2015; UN Women 2015, pp. 44-48.
20. A good example of utilizing available data to capture the gender features of an economy and identify data gaps is the UN Women report on making inclusive growth work for women in Viet Nam (UN Women 2016, Chapter 2).
21. Braunstein 2015.
22. Chopra and Zambelli 2017.
23. Recent studies reviewed in Kan and Klasen (2018) acknowledge, however, that increased involvement of women in the paid economy does not necessarily lead to their greater economic empowerment.
24. For examples, see UNDP 2015a, pp. 40-51.
25. For examples, see UN Women 2015, pp. 49-52 and pp. 140-141.
26. Hall et al. 2015.
27. Lancet Commission on Pollution and Health 2018.
28. Elson 2018.
29. UNDP 2015b.
30. This is distinguished from "pro-poor growth", which focused on raising the incomes of poor people, but not necessarily reducing income inequality, and/or increasing the incomes of those just above the poverty line. Ibid., p. 23.
31. Ibid., p. 229.

32. Ibid., p. 230.
33. Ibid., p. 250.
34. Ibid., p. 254.
35. ILO 1999.
36. http://www.ilo.org/global/topics/decent-work/lang--en/index.htm.
37. http://www.ilo.org/global/topics/sdg-2030/resources/WCMS_436923/lang--en/index.htm.
38. ILO 2017a, p. 17.
39. See the 18th International Conference of Labour Statisticians, 2007. https://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians.
40. See the ILO website page on "Measuring Decent Work". http://www.ilo.org/integration/themes/mdw/lang--en/index.htm.
41. ILO 2018a.
42. UNIDO 2018.
43. UNIDO 2018, p. 63.
44. UNIDO 2018, p. 42.
45. UNCTAD 2017, p. 31.
46. UNCTAD 2017, p. 23.
47. UNTAD 2017, Chapter IV.
48. IMF 2017a.
49. IMF 2017b.
50. Ibid., p. 22.
51. Ibid., p. 23.
52. Ibid., p. 23.
53. Ibid., p. 24
54. SDG 8 has as Target 8.10 a call to "expand access to banking, insurance, and financial services for all".
55. IMF 2017b, p. 25.
56. World Bank 2016, p. 1.
57. Ibid., p. 53.
58. Oxfam 2017.
59. Ibid., p. 12.
60. Ibid., p. 14.
61. Ibid., p. 18.
62. Ibid., p. 20.
63. Ibid., p. 28.
64. Ibid., p. 34.
65. Unless they own assets that generate rents, interest and dividends, which is only the case for a small minority.
66. ILO 2018b, Table 1.
67. ILO 2016, Chapter 3.
68. ILO 2017b.
69. UN Women 2018, p. 114.
70. Chopra and Zambelli 2017.
71. See, for example, Kaufman 2011.
72. Elson 2013; Fukuda-Parr et al. 2013.

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CHAPTER 2

TOOLS OF MACROECONOMIC POLICY: FISCAL, MONETARY AND MACROPRUDENTIAL APPROACHES

Stephanie Seguino

INTRODUCTION

The field of modern macroeconomics was erected on the embers of the Great Depression. In the wake of that catastrophic event, Keynesian theorists argued that governments had a major role to play in stabilizing the economy to prevent economic instability and future recessions. The adoption of Keynesianism signaled the end to classical laissez-faire policies at the national level. The primary tools Keynesians identified to promote stabilization were fiscal and monetary policies. Along with a revised role for government in managing national economies came a dual mandate for policymakers: full employment and price stability. This new field was developed based on circumstances in developed economies. It failed, however, to take into consideration conditions in developing countries. Instead, major institutions such as the World Bank applied a one-size-fits-all developed country policy approach, even though developing economies, particularly in the post-independence period, were largely focused on the challenge of structural change as a means to raise living standards. Structural conditions differed significantly, making developed country policies less relevant for developing economies.

The scope and focus of macroeconomic theory and policy has continued to change. In part, this is due to the fact that national economies are more globally integrated than in the past. Also, the problem of stagflation in rich countries in the 1970s and a changed political climate contributed to a theoretical and policy shift. Keynesian macroeconomic theory was unable to grapple with the problem of inflation in the face of unemployment. The rising embrace of monetarism and the election of conservative governments in the United Kingdom and the United States led to a shift in policy focus from full employment as the primary goal of stabilization policies to price stability. Activist government policies (such as expansionary fiscal and monetary policy) were seen as the problem, not the solution, in terms of stabilization. Instead, monetarists saw unemployment and inflation as supply-side problems that could be rectified by deregulation and reduced government intervention.

There are, of course, other means to address supply-side problems, such as increased public investments in infrastructure, health care and education that would lower costs and thus inflation. But these were not considered due to a belief in free markets, deemed to be more efficient than government. The main role of government was deemed to be that of making credible commitments to price stability that would afford the private sector the ability to develop sound expectations about the future, thus supporting private investment and stability. From this theoretical stance, inflation targeting (IT) emerged as a policy tool and goal in the 1990s, with central banks announcing a low inflation rate target and committing monetary policy to achieving that target. Full employment as an explicit policy goal waned from its elevated position. Indeed, monetarist and neoclassical macroeconomists in general have argued that most unemployment is voluntary, so long as wages are (downwardly) flexible. It is only government and labour union interference that makes wages downwardly sticky, contributing to unemployment, according to this view, reinforcing the notion that government activism is not a solution to macroeconomic instability.

In the post-war period, an alternative theoretical perspective – structuralist macroeconomics – emerged, responding to the inadequacy of mainstream theory and policies for developing economies. Hans Singer, Andre Gunther Frank and Raul Prebisch, among others, are noted structuralists, along with Michael Kalecki and Lance Taylor in more recent years. Structuralist macroeconomic models reflect the stylized features of economies that should be taken into consideration in policy design to promote employment and output growth. For example, some countries may be primary commodity producers, whose pricing conditions differ from countries that specialize in manufactured goods. Or consider the case of developing countries that have rigid imports and price elastic exports. Macroeconomic policies will have different effects than in closed economies, which are not import dependent. Feminist economists are also noted for their contributions to structuralist macroeconomics, especially with regard to the role of gender in production and social reproduction.

The broader lens of structuralists necessitates a more comprehensive set of macroeconomic policy tools, such as policies that promote structural change (industrial and agriculture policies), policies that affect social reproduction and environmental policies. A key feature of this body of work and policy is that there is no one-size-fits-all theoretical or policy framework. Rather, a country's structure of production, institutions, gender and racial division of labour, and degree of inequality are all factors that should be considered in models and policy. Structuralists have also made the important contribution to macroeconomic theory and policymaking that macroeconomic policies are not distributionally neutral. Rather, macro-level policies affect the distribution of income, assets and other resources, with a feedback effect on the macroeconomy itself. Failure to identify the two-way linkages between the macroeconomy and distribution can undermine the goals of macro policy, underscoring the importance of incorporating distributional effects into macro models.

It should be noted that mainstream macroeconomists have done some soul-searching since the Great Recession. They have recognized the inadequacy of their theory and models for the task of addressing the problem of macroeconomic instability, and in particular, painful downturns that led to the widespread destruction of jobs during the Great Recession.[1] Many of their self-critiques revolve around the need to re-theorize the impact of the financial sector on the real economy, but little if any attention has been paid to intergroup inequality and social reproduction. The contributions of structuralists have thus not been incorporated into new thinking on macroeconomics – and indeed, even the mainstream's own self-critiques have not been widely adopted by academics or policymakers. This failure makes it all the more imperative to continue the work of revising macroeconomic theory and engendering macroeconomic policy to make it not only more class equitable, but also equitable and inclusive by race and gender.

This introduction to macroeconomic theory and policy lays the groundwork for an exploration of the tools that exist to promote gender and racial equality and inclusion. The toolkit is much bigger than mainstream economists have believed it to be, and as a result, macroeconomics is undergoing yet another shift, in response to efforts to expand its scope and reconsider its goals.

1. GOALS OF GENDER-EQUITABLE AND INCLUSIVE MACROECONOMIC POLICY

What are the key qualities and features of gender-equitable and inclusive macroeconomic policy? Elson and Fontana (Chapter 1) offer an answer to that question, emphasizing that policies should be predicated on a growth process that harmonizes upward – that is, where gender gaps are closed as a result of growing prosperity of women relative to men rather than through a decline in men's well-being. This requires appropriate policies in three domains: finance, production and social reproduction. As Elson and Fontana note, prosperity " is understood in multidimensional terms, not only as income and consumption, but also as meaningful and satisfying paid and unpaid work, and time free from paid and unpaid work, on an equal basis for women and men" (p. 39).

This broader definition of well-being or prosperity moves us beyond the limits of much of the theoretical and empirical research on gender and the macroeconomy, which has heretofore largely focused on the relationship between gender and economic growth. Though the goal of economic growth is particularly relevant for developing countries, it is less applicable to advanced economies where the main challenge is inequality and thus unequal distribution.[2] This distinction underscores the importance of a structuralist approach to macroeconomic policymaking; goals should differ depending on the structure of the economy, economic relations with the rest of the world, and gender and racial inequalities. Moreover, as Elson and Fontana note in Chapter 1, even for developing countries, growth of output is not necessarily a route to well-being. It will depend on which components of output are growing, how they are produced and the distribution of those outputs.

It is useful to identify specific attributes of gender-equitable and inclusive macroeconomic policy that can serve as indicators against which to measure macro policy impacts. The indicators will differ by country, its stage of development, and the types and degree of gender inequality in three key domains – capabilities, livelihoods and social reproduction.

Capabilities can be conceptualized as the prerequisites for adults to engage in production that provide a secure and adequate livelihood, and are typically measured with education and health variables. Gender equality in this domain is in part reliant on equitable and equalizing public sector expenditures and social insurance programmes.

Livelihoods refers to the ability to provide for oneself and others with dignity and economic security. Indicators such as wages, employment, access to credit, and ownership of productive assets are reflective of this domain. Livelihood indicators can also be used to capture the quality of work. The ILO's characterization of decent work is useful here, defined as work that is productive, delivers a fair income with security and social protection, safeguards basic rights, offers equality of opportunity and treatment, and provides opportunities for personal growth and voice. Macroeconomic policy plays a major role in promoting gender equality in livelihoods through demand-management fiscal and monetary policies, labour rights legislation and regulation, and social insurance programmes to cushion the effects of downturns and crisis.

The third domain, social reproduction, can be understood as the conditions under which the care of people – children, the elderly, the infirm and caregivers themselves – takes place. More succinctly, social reproduction may be described as "the production of human life", and includes direct care of people emotionally, socially, psychologically and materially. It also includes the complementary tasks that indirectly support human capacity, such as cooking, fetching wood and other aspects of care of the household. The work may be paid or unpaid, and occurs under the auspices of three entities: the household, the private sector and the public sector. Gender equality in this domain can be summarized by Diane Elson's three R's: recognize, reduce and redistribute.[3] More specifically for our purposes, growth and development[4] require that sufficient care work be undertaken, and that efforts be made to reduce the care burden at the household level (and therefore women's care burden) by expanding public infrastructure to ensure access to clean water, sanitation, clean energy and electricity. Finally, gender equality requires a redistribution of care work, particularly unpaid care work, from women to men within the household, and between families and society. The role of macroeconomic policy here is clear, requiring well-targeted public sector expenditures as well as an approach to deficit and debt financing that creates the space for such spending.

Among these domains, the United Nations and other international bodies have directed primary attention to capabilities, especially education. The evidence shows that this is not sufficient to leverage change in other domains, especially livelihoods. Macro-level policies associated with globalization coupled with gender job segregation have made it difficult for women in many countries to convert their greater productivity (related to higher educational attainment) into improved livelihoods, absolutely and relative to men. Gender gaps in employment remain much wider than gender gaps in education, and there is evidence of increased gender job segregation globally, with women's share of jobs in the industrial sector declining over the last 20 years.[5]

A focus on improvements in gender equality in the ability to secure a livelihood could help to leverage change in other domains – including capabilities such as education and health as well as agency. This is due to two main factors. First, women's livelihood equality with men generates bargaining power to influence the distribution of resources at the household level. Second, gender norms and stereotypes change as women's economic roles change.

To achieve gender equality in livelihoods requires greater access to employment and productive resources, reduced job segregation, macro policies that promote full employment and reductions in women's disproportionate unpaid care burden. The quality of employment matters; jobs should pay a living wage and provide economic security with limited volatility in income flows. Women's relatively greater access to and control over other assets such as land, credit and other inputs essential for women farmers are necessary to improve their relative well-being. Social protection to smooth income flows is also required.

It is also not enough to achieve improvements in women's economic empowerment if the changes are to be sustainable. What happens to men is also important to avoid backlash and resistance to changes in the gender distribution of resources and power. The narrowing of gender gaps in employment has occurred in the context of falling employment rates for men, heightening gender conflict.[6] Thus, women's increased access to employment and productive assets must be made in a context in which men's well-being at a minimum is stable, and ideally, in which men also experience improvements in well-being. Thus, full employment is needed, the definition of which will differ, depending on a country's structure of production.[7]

2. MACRO-LEVEL POLICIES TO ACHIEVE GENDER EQUALITY

As the discussion in the previous section suggests, the State has a key role to play in promoting gender equality using a variety of macro-level policy tools. Macro-level policies are a broader set of instruments than fiscal and monetary policy, which we typically think of as part of the macroeconomist's toolkit. Two key generalizations can be made about the role of the State. First, the State is the key institution responsible for articulating national development goals and objectives, and is the entity that conducts macroeconomic policy. At the centre of government policymaking should be a detailed strategy for achieving inclusive and sustainable macroeconomic outcomes. Second, an important component of the State's developmental role is to adopt incentives that encourage private investors to align their own profit goals with broadly shared well-being.

The specifics of a gender-equitable and inclusive macroeconomic policy regime of necessity should be determined according to the structure of an economy. That said, we could outline the broad "real" (as compared to monetary) targets any inclusive macroeconomic framework might want to achieve, based on identifying key social and economic problems to be addressed. Four components, in addition to gender equality in capabilities, livelihoods and the conditions for social reproduction, are key: full employment, class/caste and racial/ethnic equality, economic stability and the promotion of a green economy. These components are likely to be interlinked and to reinforce each other.

An expanded toolkit to promote sustainable and equitable growth and development would include targeted public investment and credit allocation policies, full employment goals and tools, industrial and agricultural policies to promote structural changes, and capital management techniques. Tax policies that would generate sufficient resources to achieve these goals would also be required. Strategies to manage foreign direct investment and trade in ways that promote a country's sustainable development goals would also be part of this toolkit. Macroprudential policies are also increasingly necessary, in order to prevent systemic risk in financial systems that can spill over to the real economy. The emphasis on macroprudential policies is relatively new, and is a reaction to the 2008 financial crisis. These policies differ from microprudential policies, which focus on supervision and regulation of individual financial institutions to ensure they are safe and sound. In contrast, macroprudential policies are designed to protect against systemic risk, in large part by smoothing boom and bust credit cycles.[8]

Livelihoods, whether through paid work or self-employment, are the most immediate and important indicator of well-being. We know from many years of research that women's access to employment and livelihoods is central to improving their well-being and their bargaining power within the household. The principles of inclusive macroeconomic policy identified here also reflect the fact that growth based on inequality, as it has been in the previous two decades, is not sustainable. Needed, instead, are macro policies that make equity compatible with development and growth.

In the sections below, the roles of fiscal,[9] monetary and macroprudential policy are explored in detail (Chapters 3 and 4 explore industrial policy and the role of public investment). Although the discussion approaches these policy tools as distinct categories, in practice, policies can and should be coordinated. This is especially true of fiscal and monetary policy, a task made more difficult by the pressure on countries to ensure the "independence" of central banks from national economic policy.

3. AN ENLARGED AND REVISED ROLE FOR FISCAL POLICY[10]

This section outlines gender-equalizing fiscal policies. It will become clear that although macro-level policies on their surface may appear to be distributionally neutral, they are not, and in particular, they can have differential effects on women and men. Thus, while policies may not have explicit gender targets, it is critical to trace their gender effects.

Countercyclical and full employment policies

The lesson of the Great Depression was that capitalist economies are inherently unstable and, indeed, irrationally erratic. For several decades, governments of a wide array of political leanings routinely adopted Keynesian demand-management policies. Those countercyclical fiscal policies entailed "leaning against the wind"; during economic downturns, governments increased spending on goods and services to cushion the recession. Conversely, government spending was cut or moderated during inflationary periods, when the source of the problem was deemed to be business and household spending that exceeded the ability of the economy to meet demand. During the former periods, government budget deficits built up, and during the latter, surpluses amassed. In theory, national budgets were expected to balance over the medium or long run, but in the short run, deficits or surpluses were anticipated.

The commitment to Keynesian demand-management approaches to stabilization eroded during the period of stagflation from the 1970s until the Great Recession, when a renewed faith in such policies re-emerged. During that interim period – from the 1970s to the late 2000s – neoclassical macroeconomists believed fiscal policy should play a secondary role to monetary policy, whose goal, they argued, should be to maintain a low and stable inflation rate. Indeed, in regards to fiscal policy, the primary focus was on debt sustainability. Fiscal policy was no longer seen as a stabilization tool except in extreme cases, and the goal of promoting full employment via fiscal policy appeared to be all but abandoned. This period was one of stable inflation, it is true (at least in developed economies). But all was not well. Inequality rose to levels not seen since before the Great Recession, and though underemployment rates appeared to be relatively low, wages stagnated and work became more precarious for many. As a result, household consumption in developed countries was increasingly debt-financed, adding to the vulnerabilities that led to the Great Recession of 2008-2009.

The widespread destruction of jobs during the Great Recession has caused even mainstream economists to rethink the role of countercyclical policy (Blanchard et al. 2010). That said, due to years of ignoring the role of fiscal policy as a tool to stabilize the macroeconomy and to promote full employment, policymakers have a lot to learn (and re-learn) about the types of fiscal policy that create the conditions so that everyone who wants a job has a job; the appropriate combinations of tax and government spending; and the medium- and long-run effects of full employment on deficits and debt.

Among feminist economists, it is recognized that to achieve gender equality and inclusion, countercyclical policies are needed on a global scale. There are several reasons this is so. What appears to be low unemployment in both developed and developing economies masks underlying job insecurity and job shortages. For example, although informal sector workers are counted as employed, many are simply residually unemployed due to the lack of formal sector jobs. Nor do official unemployment rates capture involuntary part-time employment. The shortage of jobs – particularly of good jobs that pay a decent wage – contributes to job competition and as a result, exacerbates gender and racial tensions over who is most deserving of a job. Seguino and Braunstein (2019 forthcoming) provide evidence that job shortages and gender job segregation have been a factor in the declining labour share of income observed globally.

Industrialized economies typically are more able to adopt countercyclical policies as evidenced during the Great Recession. That is, they tend to have greater fiscal space – the ability to borrow in order to deficit spend – due to credibility among lenders.[11] Poorer countries have less latitude to adopt countercyclical policies. In part, this is because the IMF has pushed for reductions in public-sector spending via the conditionalities it imposes on those countries that must borrow from it during crises, rather than from private capital markets. In the recent crisis, for example, the IMF required budget reductions in a number of developing countries – Bosnia and Herzegovina, Djibouti, Ghana, Latvia, Mali and the Republic of the Congo, among others.[12] The costs in terms of lost services and employment are painfully high among those who have the lowest levels of savings and assets to weather economic storms, including women.

The parameters of fiscal space merit reconsideration, given the long-term effects of economic stagnation and unemployment. The economic costs of procyclical (contractionary) policies relate to the negative economy-wide effects resulting from persistent high unemployment rates. Of great concern is that long-term unemployment contributes to skills erosion. As a person's skills deteriorate due to lack of use, the probability of being hired in the future declines. Employers instead will prefer to hire younger workers whose skills have not atrophied from inactivity.

Long-term unemployment also has negative psychological effects and, as a result, harms worker productivity.[13] Joblessness is linked to higher incidence of mental anxiety, depression, poorer cognitive performance and loss of self-esteem, all affecting worker productivity.[14] Women's unemployment has additional negative macroeconomic effects. As noted above, studies document the impact of a mother's poverty and depression on early childhood development.[15] At the macro level then, sustained unemployment leads to hysteresis.[16] Put differently, cyclical unemployment, if prolonged, can raise the structural rate of unemployment. This underscores that unemployment is not a transitory problem when it persists for so long that it reduces labour productivity.

The adverse consequences of prolonged unemployment highlight the link between full employment policies and longer-run growth and development. Government expenditures to stimulate demand and full employment can be at least partially if not fully self-financing if we consider a longer time horizon. Economists and policymakers have not typically thought about the gender effects of countercyclical or full employment policies, but they should. Evidence suggests that in many countries, women and subordinate racial/ethnic groups are at the back of the job queue during economic downturns. This underscores that strategies to promote full employment should be part of the toolkit to achieve gender equality.[17]

Employer-of-last-resort programmes

Employer-of-last-resort (ELR) programmes are another means to promote full employment and, at the same time, reduce gender conflict over scarce jobs. The ELR is a type of government-funded programme that employs all of the jobless who are ready, willing and able to work in a public-sector project at a base wage. This programme would eliminate unemployment by hiring any workers who apply, regardless of their work experience, skill background, race, age or gender. ELR programmes can be used to prevent deskilling and to strategically invest in infrastructure. During recessions, ELR employment would rise as the private sector sheds workers. During economic expansions, ELR employment rolls decline as workers seek employment in the higher-wage private sector.[18]

Several countries have adopted ELR-type programmes. Argentina adopted *Plan Jefes y Jefas de Hogares* in 2001 after the financial meltdown to deal with the subsequent economic fallout.[19] The plan offers a job opportunity to unemployed heads of households in a community project. The programme was federally funded but locally administered, and reduced unemployment by approximately 2.5 percentage points. This type of programme has substantial direct and indirect gender effects, given the predisposition in many countries to prefer males when jobs are scarce. An ELR programme such as *Plan Jefes*, as it was known, cushions the effect of recessions on women's job losses relative to men's.

In 2005, the Indian Government adopted the National Rural Employment Guarantee Act. The act establishes a legal job guarantee for 100 days of employment every year to adult members of any rural household willing to do public work (mainly unskilled) at the statutory minimum wage. The overall effect is to improve the incomes of rural people by providing primarily semi-skilled or unskilled work opportunities, whether or not they are below the poverty line. This programme differs from *Plan Jefes* in Argentina, where only one member of a household was eligible for work, thus creating gender competition for slots. In India, women's participation rate in the programme is double their participation rate in the casual labour market, and in 2009-2010, they comprised about 48 per cent of those employed by this job guarantee scheme. [20]

Government spending to address inflationary pressures

Government spending can also be usefully directed to targets that reduce inflationary pressures, especially in developing countries where the origins of the problem often lie with supply bottlenecks. Targeted spending to reduce bottlenecks – on physical infrastructure, roads and communications, and also on social infrastructure, such as for public health – can reduce production costs and therefore inflation. This is important for achieving the goal of full employment since, in many countries, central banks respond to inflationary pressures by raising policy interest rates, thereby reducing business investment and aggregate demand. The result is a slowdown in growth. Section 4 provides a more detailed discussion of monetary policy.

Tax policy

Two aspects of tax policy are relevant for redressing gender gaps in well-being – the distributional impact and the overall level of tax revenues. The distributional impact (specifically, the gender incidence) of taxation includes both direct taxes (for example, personal income and corporate taxes) and implicit taxes (such as value added, luxury and fuel taxes). Grown and Valodia (2010) published an excellent and detailed analysis of the gender effects of taxation, and the reader is referred to that volume for approaches to such analysis.

Although tax inequality may be direct (e.g., women and men explicitly taxed at different rates), the more frequent scenario is that gender bias is indirect and implicit, related to men's and women's different economic roles and norms. For example, insofar as women are the primary caretakers of families, taxes imposed on the consumption of basic goods will weigh more heavily on women. An example of gender-equalizing indirect taxation is in South Africa, where basic food items and paraffin are zero-rated (there are no taxes on these items) in contrast to high taxes on alcohol and tobacco. [21]

Tax codes may also reflect bias in the taxation of assets. Exemptions for mortgage interest payments, for instance, or dividend payments on stocks disproportionately benefit men. With regard to direct income taxes, the gender impact depends on the effect of joint or individual filing. Joint filing may lead to higher marginal tax rates on women's income, even though they earn less than men, thus discouraging their labour force participation. Examining tax codes with a gender equity lens, then, can provide the foundation for tax code reforms that are gender equalizing. Rather than a one-size-fits-all tax policy approach, country-by-country analysis is required.

The level of taxes supports the ability of governments to reallocate pooled resources in ways to promote gender equality goals as outlined above. Some expenditures are actually investments. That is, some expenditures increase output and incomes (e.g., early childhood education, gender equality in education and employment that stimulates growth). Through taxation, the increased income yields a payback for many years into the future, such that these expenditures, at least partially if not fully, eventually pay for themselves.

A challenge then is to identify appropriate sources and levels of taxation as one of the means to generate the financial resources for gender-equalizing public investment. Reflections on the potential for increased taxation to fund public investments are often conveyed with a sense of pessimism due to perceptions of scarcity. Scarcity, however, is in good part a social and political construction, based on years of globalization and neoliberal macroeconomic policies that have led to a decline in tax rates on the wealthiest and on capital. In many countries, the progressivity of taxation has declined, leading to budget cuts and/or higher tax rates on lower income groups. This, in part, is due to the increased mobility of capital, both financial and physical, which has resulted in the increased bargaining power of the wealthy vis-á-vis workers and governments.

The impact has been a decline in tax rates on capital. Decreases have been substantial. Average global corporate income tax rates (direct and indirect) have fallen from 38 per cent in 1993 to 24.9 per cent in 2010.[22] As Rodrik (1997) has noted, this has meant that the immobile factor of production – labour – increasingly bears the tax burden. Coupled with the declining wage share of national income, this has led to downward pressure on public spending. This has created a fiscal squeeze, weakening the ability of countries to fund policies and programmes that promote gender equity.

Macro-level policies that manage capital flows and foreign direct investment can reduce the "threat effect" of capital flight or firm relocation, permitting higher rates of taxation. This will offset revenue losses from tax holidays and other tax favours governments have granted in order to attract foreign direct investment. This discussion highlights that the most significant challenges governments face in collecting taxes from corporations and the wealthy are associated with the globalization of financial flows. Estimates of the value of tax revenue losses due to corporate tax avoidance (resulting from, for example, transfer pricing and capital flight) are in the range of $217 billion to $692 billion annually.[23] These challenges operate in an environment in which international governmental cooperation is institutionally lagging, in part explained by governmental tax competition to attract much needed investment.

Two tax proposals have emerged to increase revenues collected from the financial sector – a financial transactions tax (FTT) and a currency transactions tax (CTT). FTTs tax the purchase and sale of financial securities. Taxes on financial transactions are not new. For example, the United States imposed a stock transactions tax from 1914 to 1965, and this type of tax is about to be resuscitated in Europe. France adopted an FTT in 2012, and although the details are not yet finalized, 11 European countries have agreed to tax equities and some derivatives at a rate of 0.1 per cent with an annual predicted yield of $100 billion.[24] The Center for Economic and Social Rights (2014) estimated that the resource yield from a FTT across major financial sectors would range from $70 billion to $661 billion a year.

The CTT is a tax on currency exchanges. The foreign exchange market is the largest market in the world, with an estimated $5 trillion of foreign exchange traded per day. Only a small percentage of currency exchanges are to finance international trade. Exchange rate speculation accounts for the overwhelming bulk of global currency market trading.[25] Tax rates proposed on currency transactions are similar in magnitude to those on financial transactions, and estimates of revenue generation vary as widely.

The speculative character of the bulk of financial and currency transactions creates several macro-level problems. First, such transactions tend to be focused on short-term gains rather than long-term productive investment. Second, speculative activity has harmful destabilizing effects on the real economy, contributing to volatility, financial crisis, and, as a result, crises in the real economy in terms of lost output, unemployment and economic insecurity that weigh most heavily on households with low incomes and few assets.[26]

A second channel by which trading in financial instruments and currency produces social costs is the higher level of foreign exchange reserves countries have been forced to hold to self-insure against speculative attacks on their currency. According to Rodrik (2006), the opportunity cost of those reserves is roughly 1 per cent of GDP. Any analysis of the costs and benefits of financial and currency transactions taxes then would have to factor in the cost of reserves, as well as the impacts on volatility and crisis on households, especially those with few assets to smooth income.

Some have been skeptical that countries would agree to such taxes. Since the 2008 Great Recession, sentiments have changed, however. The significant taxpayer resources devoted to financial sector bailouts have led to heightened sentiment that this sector is not paying its fair share of taxes. The rising share of rentier income (income derived from wealth holdings as a share of national incomes) in recent years, contributing as it does to global inequality and economic instability with substantial costs in terms of human development, makes these taxes an appropriate source of revenue.

FTTs and CTTs would offer a disincentive to engage in short-term speculative transactions. Such a low tax may not quell speculative cross-border flows of money, however, suggesting that this option should be adopted in conjunction with capital management techniques.[27] Rich countries would generate the bulk of the tax revenues, and more generally, the taxes would be highly progressive, and in essence, act as a sales tax.

Some have argued that because the CTT is focused on currency exchanges, it would benefit from being universal and uniform, with rates equalized across all markets. This implies that a multilateral approach to adoption of CTTs would be needed. The argument goes that, were it imposed unilaterally by one country, there is a danger that its foreign exchange market would simply move offshore.[28] Jetin (2003) disagreed and argued that a wide variety of regulations exist that can overcome the problem of tax avoidance.

The question also arises as to how the revenue from a multilateral tax should be distributed. This is a concern since financial activity tends to concentrate in certain developed country locations such as New York and London. Those financial centres will have greater capacity to raise revenues with a CTT than others. A multinational agreement on how to apportion these revenues would be required. In earlier debates on this topic in the 1980s and 1990s, a variety of proposals for how to administer and distribute the proceeds of a CTT were advanced,[29] and the United Nations was identified as the entity that could create a body to allocate such revenues. Were there traction for this idea today, a portion of such revenues could be earmarked for investments that promote global progress on gender equality.

As is by now clear, the design of financial and currency transactions taxes continues to be debated. A first step in adopting such taxes is to reach sufficient global consensus that such taxes are macroeconomically salutary, and, from a justice standpoint, lead to a fairer sharing of tax burdens that contributes to equity. An attractive feature of these taxes is that financial and currency speculators can avoid the tax by reducing their transactions, a response that would have socially beneficial effects on families, especially low- and middle-income families, as well as women. Indeed, these taxes are similar to pollution taxes in the sense that they discourage a behaviour that can have negative social effects whose cost is not captured in the existing cost of trading, and in any case, is not fully borne by trading parties.

Rethinking fiscal space: the investment character of expenditures geared towards achieving gender equality

As the previous section underlines, physical and social infrastructure expenditures could help governments finance development for the future by generating increased productive capacity. This potential is more generally acknowledged with regard to physical infrastructure investments. To date, little attention has been given to the ability of social infrastructure spending to create fiscal space by raising the productive capacity of the economy.[30] This may be due to the fact that analysts mistakenly categorize such spending as consumption and therefore discretionary, failing to take into account the feedback effects on labour productivity and thus economic growth.

Spending on physical infrastructure has been noted to have a public goods quality because it produces spillover benefits to society as a whole, with the stream of returns accruing over many years. More concretely, there is ample evidence that improvements in physical infrastructure “crowd in” private investment by lowering business costs.[31] Less clearly understood is that some forms of social spending are not only for social welfare or social protection. They also improve social infrastructure. This is because, by raising labour productivity, such expenditures raise incomes, generating tax revenues with which to pay down the debt incurred to finance the original investment. Just as with physical infrastructure, social infrastructure improvements lower the costs of doing business by raising productivity.

Under current fiscal discipline rules, many countries are assumed to lack sufficient fiscal space to undertake public investment. In particular, the degree of space is circumscribed by limits placed on a country’s public debt relative to GDP. The current approach to establishing debt ceilings defines fiscal sustainability for the short term, an approach that ignores the interaction between fiscal policy and growth over the longer term. This leads to an underestimation of the long-term payback to fiscal sustainability of public investment that could be debt financed. Relatedly, current guidelines for assessing fiscal space and sustainability ignore what the fiscal space is used for. Most budgets classify current and capital budgets separately, but this distinction is not made when evaluating fiscal deficits. The result is restrictive fiscal targets, which have led to a decline in public investment/GDP ratios in many countries.[32]

The challenge is for governments to reframe their thinking on public expenditures by recognizing the investment character of such expenditures. Some benefits are more immediate, but many are evident only in the longer run. The time frame for generating measurable returns to this type of spending (and thus in many cases borrowing) may be as long as 5 to 10 years. By that time, appropriate public investments will have begun to expand the productive base of the economy, generating (taxable) incomes with which to pay down the debt. Such investments then are both fiscally sound and sustainable. Key here is that gender-responsive investment itself creates fiscal space by adding to the productive base of the economy.[33]

The task then is to develop alternative criteria for determining the appropriate, fiscally sustainable level of public investment that takes into account the medium- and long-run economic benefits of such expenditures. Developing alternative criteria is not enough. Expansion of fiscal space by reconceptualizing the investment character of public expenditures will also require lending institutions to accept these new criteria.[34] In regard to gender equality, several studies demonstrate substantial positive growth effects of gender equality in education.[35] To make a rigorous case for the ability of expenditures that promote gender equality in other domains (e.g., spending on health and other care expenditures) to expand medium- and long-run fiscal space will require more focused empirical research. Funding targeted research on the payback of gender equality investments is pivotal to expanding the discourse and consensus on fiscal space.

4. MONETARY POLICY TO PROMOTE GENDER EQUALITY

Central banks can play an important role in promoting gender equality through their ability to influence credit availability. This can stimulate job growth and increase access to productive assets for women entrepreneurs and farmers. Central bank tools to reduce destabilizing cross-border capital movements can limit macroeconomic volatility and help to avoid economic crises that undermine the goal of secure livelihoods. Despite this potential, over the past two decades, central banks have narrowed the focus of their policy interventions to almost exclusively emphasize low inflation. At the same time, and perhaps because of their more limited monetary policy goals, they have also restricted use of monetary policy tools that could help to achieve gender equality. Heterodox economists have criticized the mainstream's narrow view of the role of monetary policy and the unwillingness to adopt a broader array of policy tools than the policy interest rate.

Alternatives to inflation targeting

Since the late 1970s, inflation targeting (IT) gradually became the dominant monetary policy prescription for developing and developed countries alike. IT focuses on maintaining a low level of inflation, often in the single digits, to the exclusion of other important objectives such as employment generation, investment promotion or poverty reduction. Central banks that adopt IT deploy a single policy tool, the policy interest rate. As inflation rates approach the target set by the central bank, the policy rate is raised. This puts upward pressure on commercial lending rates that reduces business spending, and, as a result, contributes to economic slowdown and higher unemployment. The effect of IT policies then is to reduce aggregate demand as the means to address inflationary pressures. This focus, however, has several deleterious effects.

First, IT misses the dominant sources of inflation in many countries, which are often related to supply-side pressures – for example, low productivity due to ill health and lack of education, HIV/AIDS and other public health crises, agricultural shocks, energy costs and poor infrastructure. Second, IT is deflationary – that is, it leads to slower GDP and employment growth, and dampens private investment. Because it also slows growth, tax revenues fall, making it even more difficult to finance growth-stimulating public investments in physical and social infrastructure. Third, IT contributes to growing inequality. As inflation falls and nominal interest rates increase, the real rate of return on financial investments rises. A redistribution to the wealthy dampens aggregate demand (due to the lower marginal propensity to consume of the wealthy), while also squeezing the incomes and thus consumption of lower income groups, reducing their ability to invest in productivity-enhancing expenditures such as health care and their children's education. Finally, IT policies, by raising interest rates, attract capital inflows due to the higher rate of return on financial assets, leading to currency appreciation and downward pressure on exports, growth and jobs.

Adherents to IT argue that while the short-term effects are painful, inflation is worse. This view is based on the premise that workers, observing price increases, accentuate their demands for higher pay, triggering an inflationary spiral. IT is meant to harness inflationary expectations and avoid such a spiral. Adherents of IT theorize that low inflation will stimulate investment and output growth in the medium- to long-term. Thus, it is assumed that unemployment costs resulting from higher interest rates and slower growth are only temporary.

With more than 25 years of IT experience globally, enough evidence has accumulated to evaluate the effects of this policy stance. Some research shows that countries that have adopted IT have experienced reductions in inflation.[36] Of course, inflation itself is not the end goal; employment, growth and development are. There, the record suggests IT has not achieved its objectives.

A number of studies indicate that IT central banks do not reduce inflation at any lower cost than other countries' central banks, in terms of job and output losses.[37] Unemployment triggered by contractionary monetary policy has also been found to lead to disproportionate layoffs among blacks in the United States relative to whites, and differentially affects women in some developing countries as well as in the United States.[38]

This is not to suggest that inflation should be ignored. Rather, the question is what the appropriate inflation target should be. A common argument from IT adherents is that in order to prevent the harmful effects of inflation on long-run growth, inflation should be in the low single digits.

Research on the relationship between inflation and growth shows, however, that much higher levels of inflation are consistent with growth.

An early study by World Bank economist Michael Bruno (1995) found that growth increased as inflation rose, up to 15 to 20 per cent inflation, in a sample of 127 countries. More recent studies confirm those findings. Pollin and Zhu (2006), for example, found that an inflation rate of up to 15 to 18 per cent is associated with moderate growth gains, after which growth declines. Anwar and Islam (2011) explored the inflation-growth trade-off for developing economies and obtained similar ranges of acceptable inflation rates that are growth-stimulating rather than growth-inhibiting. According to other studies, including by the IMF, the inflation rate threshold is 10 to 12 per cent for developing economies.[39] This stands in sharp contrast to the inflation targets set in a number of developing countries, which are frequently in the range of 3 to 6 per cent.[40] By raising the target inflation rate, central banks could allow real interest rates to fall, thus stimulating output and growth, and generating revenues to fund infrastructure spending and employment growth. It is worth reiterating that monetary policy has not typically been seen as a means to promote gender equality. Monetary policy, however, is not gender-neutral. The monetary policy tool rightfully should be part of the toolkit of any government that desires to achieve gender equality.

Clearly, such an approach would require central banks to expand beyond an exclusive focus on inflation and to articulate additional targets in addition to a (higher) inflation target. One approach that is particularly useful for promoting gender equality is what might be called the "real" targeting approach to monetary policy. In this approach, targets should be linked to the real economy (rather than simply monetary targets). Central banks would adopt country-appropriate targets, such as for employment growth, gender equality in employment, improved incomes for women farmers, investment promotion and structural change, subject to an inflation constraint.[41] The shift in policy framework would require the central bank to design new tools and to rediscover old tools used by developed economies as well as East Asian economies. The real targeting approach might also be complemented by other policies, such as capital management techniques to deal with possible capital flight, as discussed in more detail below.

Alternative central bank tools

The implicit assumption in the development and use of new tools is that there are economy-wide benefits to discretionary policy interventions, and that decentralized private markets can and do generate sub-optimal outcomes that can be improved upon. A tool central banks could use to meet multiple targets in addition to the short-term interest rate is asset-based reserve requirements (ARRs).[42] ARRs would require private banks to hold a certain proportion of their loans in designated high-priority areas or else hold the same proportion of their total assets in non-interest bearing reserve accounts. Such a tool can be especially useful when fiscal policy is constrained by budget constraints. It would incentivize but not require banks to lend in priority areas, given that they would incur a cost of holding reserves in reserve accounts that do not pay interest. This is a flexible method for directing credit to priority areas. Private banks would still be responsible for determining the creditworthiness of borrowers and thus retain a great deal of autonomy in lending practices.

The ability to qualify as creditworthy is a major roadblock for women borrowers, such as farmers, or for small- and medium-sized firms. Thus, even with the use of ARRs, governments must adopt additional tools to expand access to credit for women entrepreneurs and farmers. One approach is for the central bank to offer guarantees on loans to targeted groups. Again, the private sector would provide the bulk of the credit, but it would be characterized by low interest rates leveraged with government loan guarantees. Government guarantees would reduce a bank's risk exposure, allowing it to lower the cost of lending to borrowers. These loan guarantees could substitute for collateral, leveraging access to credit and potentially bringing informal sector businesses into the formal sector. Credit could also be directed to large-scale businesses that can demonstrate their ability to promote significant increases in employment relative to their total spending.

These are neither new nor radical approaches. At a time when economists were seeking to explain the rapid growth of East Asian economies, Amsden (2001) identified the importance of central bank mechanisms that promote medium- and long-term investment in late industrializing countries, supported by central bank policy tools to achieve this goal. Credit allocation policies were extensively adopted, and included selective credit targeted to strategic sectors and support for specialized credit institutions to meet diverse credit needs. The central bank's role in enabling long-term productive investment, coupled with targeting subsidized credit to strategic sectors, is credited with the rapid growth of manufacturing and overall economic growth in these economies. This occurred during a period of time in which central banks worked with governments to promote economic development. That is, fiscal and monetary policies were coordinated.

Epstein (2015) described central bank policies adopted in recent years in developing countries that have expanded the focus beyond inflation to economic development and employment growth, both key to promoting gender equality. The Central Bank of Bangladesh, for example,developed policies to provide subsidized credit to small business, improve renewable energy use in agriculture and increase assets for small farmers. In 2012, Argentina's Parliament approved a new charter for the Central Bank that allows it to provide funds for domestic banks and other institutions involved in long-term financing of productive investment. This approach strongly mirrors not only that of late industrializers but also of the early history of central banking in the United Kingdom and the United States, as well as the more recent innovations in policy tools used by developed country banks in the wake of the 2008 crisis.[43]

The expanded role of central banks described in these examples, including monetary policy coordination with government, are in contradistinction to the dominant view today that central banks should be independent from government and other political pressures. In practice, central banks are not independent.[44] The institutional nature of central banks is such that they develop close relationships with the financial sector, and as a result, policies reflect the interests of that sector rather than the economy as a whole.

This discussion highlights that monetary policy's strength lies in its employment generation possibilities, as well as its ability to overcome asset inequality,[45] whether in the form of land or other forms of wealth that serve as collateral. To be effective and well targeted, however, inclusive monetary policy must be coordinated with public investment goals. To the extent that public investment reduces inflationary pressures, central banks can afford to lower interest rates, in turn making it less costly for governments to finance public investment.

5. MACROPRUDENTIAL POLICIES

Macroprudential policies can be used to promote economic stability and reduce the risk of a financial crisis. Economic shocks are particularly harmful for gender equality because the effects of crisis disproportionately weigh on women, and among women, those in subordinate racial group(s). Macroprudential policies differ from microprudential policies, which focus on supervision and regulation of individual financial institutions to ensure they are safe and sound. In contrast, macroprudential policies are designed to smooth boom and bust credit cycles, and guard against currency crises.[46] The need for such polices has increased dramatically in the era of financial liberalization and deregulation, resulting in the rise of systemic financial risk and volatility. Financial liberalization has had a deflationary effect that has reduced GDP and employment growth, hindering economic development.

The deregulation trend has been influenced by the growth of inequality and the ability of wealth holders and large financial institutions to impact the regulatory environment through lobbying. Moreover, the growth of inequality itself has contributed both to financialization of the economy as well as increased systemic risk.[47] Stagnant and falling incomes of those at the bottom of the distribution (in rich countries) led to debt-financed consumption and vulnerability to predatory lending. Insufficient aggregate demand that results from the growth of inequality (due to the higher savings propensity of the wealthy) has led corporations to funnel profits into the financial sector rather than expand output. This led to the growth in scope and power of the financial sector.

Boom-bust credit cycles and wide swings in asset prices are indicative of financial instability that can touch off an exchange rate or financial crisis. Financial sector meltdowns then spread to the real economy, leading to recession, bankruptcy, widespread unemployment and sharp declines in GDP. As an example, the Asian financial crisis that broke out in 1998 caused GDP to plummet – by as much as 13 per cent in Indonesia – and led to dramatic increases in unemployment previously unheard of in the rapidly growing emerging economies of that region. There were several contributing factors. One was the lack of government oversight of lending, which contributed to fragility due to overinvestment in real estate and too little in productive sectors of the economy, and inadequate attention to maturity mismatches between bank borrowing from abroad and domestic lenders. Secondly, the growth of inequality dampened demand for exports from the region, contributing to current account imbalances. Another factor was the lack of adequate regulation in countries with major financial centres – specifically in the United States. These kinds of financial crisis can be reduced and their negative consequences contained through prudential financial regulation.

It bears reiterating that financial crises that generate job losses in the real economy have differential gender effects, even while they are devastating to a wide swath of people. Seguino and Heintz (2012) found that in the United States, for example, when unemployment rises (for example, due to contractionary monetary policy), women and people of colour suffer greater job losses than males of the dominant racial/ethnic groups. Feminist economists and others concerned with promoting gender equality have rarely considered macroprudential policymaking a relevant arena for research and advocacy. This section merely offers highlights of examples of macroprudential policies that could be undertaken to promote systemic stability.

Policies to address excessive risk-taking and asset bubbles

When the prices of assets, such as houses, increase far beyond their intrinsic value, the risk of a sudden fall in those prices creates dangers for the entire economy. There are several means to address asset bubbles and to prevent banks from taking on excessive risk (under the assumption that markets are not self-correcting, or even if they are, the crises generate enormous negative externalities). As an example, indicators designed to identify asset bubbles (such as the housing bubble of the late 2000s in the United States and some European countries) could help central banks to prevent asset prices from plummeting, thus triggering crisis in both the financial sector and real economy. Early warning mechanisms can also alert policymakers to banks taking on too much risk.

Central banks can make capital requirements dependent on economic conditions, so that capital requirements increase when credit expands too rapidly. Alternatively, macroprudential policies could place restrictions on financial institutions' activities by, for example, setting mortgage lending conditions and protecting against predatory lending. Central banks can also step in when banks have excessive leverage or debt. When the level of debt builds up in the economy to an unsustainable level, policies would kick in that would restrict further credit extension (or at least slow it down). These interventions expand the effectiveness of other macroeconomic policies in supporting broader social objectives. More generally, macroprudential policies promote resiliency among financial institutions.

Capital management techniques

Capital management techniques focused on cross-border financial transactions can reduce the chance that a country will experience a massive outflow of short-term financial resources that can trigger a crisis. It is useful to trace more explicitly the negative effects of unregulated capital flows on the macroeconomy, because their widespread effects are not immediately obvious if we only consider the impact on investment.

First, as noted above, wealth holders prefer low rates of inflation. Low inflation ensures that inflation-adjusted returns on investment (the rate of return on the investment less the inflation rate) are high, which is equivalent to saying profits derived from owning money rise.[48] As a result, when finance is deregulated, countries competing to attract the pool of global capital are forced to take steps to quell fears of inflation (even if those fears are irrational).

As an alternative, capital management techniques can and have been employed to control destabilizing flows of "hot money" and maintain more stable, competitive exchange rates that expand the space to adopt expansionary monetary policies. Many countries have used these kinds of policies to reduce volatility and to retain a stronger influence over domestic policy, including Brazil, Chile, China, Colombia, India and Malaysia.[49] The benefits include a reduction of macroeconomic volatility and exchange rate volatility (and thus economic insecurity), and the ability to free up reserves held by governments to insure against a financial crisis or external shocks. Although capital management techniques had faced objections from the IMF in the past, there has recently been a shift, albeit incomplete and begrudging, on the acceptability of capital controls.[50]

With regard to reserves, international financial institutions such as the IMF have required countries to maintain larger foreign exchange reserves in order to hedge against crisis from financial panics, bankruptcies and competitive devaluations. Borrowing countries are required to place a significant portion of foreign aid into foreign exchange reserve accounts or use these funds to reduce debt. Reserves held by low-income countries amount to eight months of imports and almost 30 per cent of GDP.[51]The cost of holding such large reserves is the interest that could be earned from investing funds in higher-yielding financial assets as well as the potential for otherwise foregone public investment to "crowd in" private investments and reduce inequality.

Epstein et al. (2004) and Gallagher (2011) review experiences with capital management techniques. Tools differ across countries and include reserve requirements on inflows of capital as well as diagnostic tools, such as early warning systems that trigger regulation of capital flows. There is no one-size-fits-all toolkit to manage capital flows, and the approach to the use of such tools has often been dynamic – that is, countries have flexibly adapted these tools to changes in the internal and external environment.

Rather than providing an extensive review of these tools here,[52] the key point is that there is increased policy space to adopt such tools in the wake of the crisis, as evidenced by the increased openness of the IMF to such controls. Further, capital controls are a gender equality issue.[53] Reduced volatility that leads to crisis can help to reduce women's care burdens (which rise during periods of crisis). By taking steps to promote economic stability, governments can also lessen job competition between men and women, which is exacerbated during times of crisis. Moreover, the government revenue sacrificed by holding reserves can be recuperated with controls, with a beneficial effect on public investment. Policymakers pursuing gender equality then would benefit from linking what appear to be gender-neutral macro-level policies to their distributional effects on women and other groups who suffer resource deprivation in stratified societies.

CONCLUSION

This chapter outlines a series of approaches to generating a supportive environment and resources to promote gender equality and inclusion in productive economic activity using the tools of fiscal, monetary and macroprudential policies. For many advocates of gender equality and inclusion, macroeconomics is a new and unfamiliar policy arena. That said, macroeconomic policy is neither gender- nor class- nor race-neutral in its effects. To advance the goal of gender equality, macroeconomic policy must be conducted through an equity lens with much more attention to its distributional effects.

Although we are able to identify the linkages and provide some empirical evidence that substantiates those relationships, a gender-equitable and inclusive macroeconomic policy agenda would benefit from much more research. There are likely to be additional connections and policies that will support sustainable macroeconomic development and growth while also promoting gender equality and broad access to employment.

Two additional key points are made in this paper. First, employment (livelihood) improvement should be our central macroeconomic indicator. Access to employment is central to the concept of inclusion. Further, gender equality in livelihoods will support and leverage gender equality in the domains of capabilities and social reproduction (though clearly more is needed in these areas in terms of public policy, as well). Second, financing for gender equality in employment and other domains can be self-sustaining because of the feedback effects from gender equality to economy-wide well-being. To that end, research on gender equality has made clear that gender-equitable livelihoods are required for sustainable development. This entails creating the conditions for women to increase their participation in remunerative work that pays well and is secure, while at the same time ensuring that men, too, have access to good jobs. As a result, it calls for policies that support social reproduction in a way that does not inhibit participation in the paid economy and thus inclusion.

Demand-stimulating macroeconomic policies are required in order to support these goals. Moreover, full employment is a prerequisite to address the problem of male unemployment. This will help to avoid gender conflict, resistance, and, in some cases, backlash as more women enter the labour force in a global context in which men's access to paid work has been falling.

Fiscal space is required to pursue these goals as well as a reformulation of the way we understand financing for development and gender equality. Financing for gender equality is an investment that yields an income stream in the future, as a result of the beneficial development and growth effects of improvements in women's absolute and relative economic well-being. Adopting this approach will require a change in thinking about public finance. We know that gender equality and inclusion have beneficial effects on the macroeconomy. In order to develop fiscal space guidelines that reflect this effect, research will be needed to better quantify the macroeconomic payback. Openness to new forms of finance, including taxation of the financial sector, is also required.

It is also time for an expansion of monetary policy tools. Monetary policy has been excessively restrictive and ineffective in promoting gender equality and development. A multiplicity of policy tools available to central banks can be adopted, rather than reliance on IT and a singlular tool – the policy interest rate. Examples include capital management techniques, AAR requirements and loan guarantees in order to overcome women's lack of legal title to assets that could serve as collateral to obtain credit. The review of monetary policy tools here suggests another lesson. Emphasis on low inflation via the policy interest rate is a mismatched tool to address inflationary pressures. Those are best dealt with through targeted fiscal policies in education, health care and investment in strategic sectors, such as agriculture and infrastructure.[54] The resulting economic stimulus can generate rising incomes that can pay down public debt incurred to finance the investments. These strategies can also promote green development and growth.

It is worth emphasizing more explicitly that what is proposed here is a partial role-reversal between fiscal and monetary policy. Greater weight should be given to the potential for fiscal policy to control inflation and for monetary policy to generate employment growth. Fiscal policy could address inflationary pressures by funding social and physical infrastructure (e.g., roads, research and development in agriculture and industry, irrigation, clean water and HIV/AIDS programmes). Prioritization of investment projects should be gender-responsive. Lowering inflationary pressures through public investment leaves more space for expansionary monetary policy and targeted credit allocation that can stimulate employment generation. Key to both of these goals is a shift in focus away from IT by central banks and a stranglehold on sensible public-sector investment that can expand the productive capacity of an economy and promote social reproduction.

NOTES

1. Blanchard et al. 2010; Stiglitz 2018.
2. This argument is predicated on the following. Economic growth is highly correlated with improvements in human development in the poorest countries, and, as such, is an appropriate goal. Growth strategies can be shaped, however, so as to limit negative ecological effects. The challenge for governments is to incentivize green growth, a path that could, for example, emphasize the expansion of services rather than material goods, once basic needs have been met. In richer countries, the correlation between GDP growth and well-being is much weaker, and a shift in focus to goals of inequality reduction, full employment, improvements in the quality of work and increased economic security are more fitting.
3. Elson 2017.
4. Development is a broader concept than economic growth. It refers to the expansion of well-being in the economy in ways that improve the quality of life. Well-being may be enhanced, for example, via economic and food security, time for leisure, access to cultural production, educational opportunities, immunizations and other aspects of public health.
5. IDRC 2013; Seguino and Braunstein 2019 (forthcoming).
6. Seguino 2016.
7. Full employment may be defined as 1 to 2 per cent unemployment in countries with well-developed labour markets, reflecting voluntary or frictional unemployment. It might be defined quite differently in countries that are largely agricultural. There, the term might include a goal of women having equitable access to resources needed for productive purposes, such as credit and up-to-date technologies.
8. This refers to the tendency for credit to increase during economic expansions and to be severely restricted during downturns.
9. Alternatively, the term government spending may be a better moniker for this domain of policies, because fiscal policy is typically associated with efforts to influence the level of aggregate demand, without necessarily the intention of altering the distribution of income and resources or influencing future growth patterns.
10. Parts of Sections 4 and 5 are drawn from Seguino 2018.
11. While many industrialized countries have subsequently adopted austerity plans in response to their deficits, this has not been due to the inability to borrow (Greece is an exception).
12. Weisbrot et al. 2009.
13. Darity and Goldsmith 1996.
14. Flatau et al. 2000.
15. Agénor et al. 2010.
16. Ball 2014; Fatás and Summers 2015.
17. Seguino 2003; Couch and Fairlie 2010; Seguino and Heintz 2012. Some observers have claimed that men suffered disproportionately during the Great Recession. A more detailed analysis of the data shows, however, that in the United States, those most likely to lose their jobs were men and women of colour, and single mothers, as compared to married men and women (Hartmann et al. 2010). In some cases, women are forced to engage in “distress sales” of labour during crises to compensate for husbands’ income loss due to unemployment. Typically, the types of jobs women gain during such crises are insecure and of low quality (Kabeer 2012).
18. Tcherneva 2012.
19. UN Women 2015.

20. Dutta et al. 2012.
21. Casale 2012.
22. These are statutory rates, or the base rate applied on all profits. Tax adjustments may be applied such that the effective tax rate differs from (and is lower than) the statutory rate. Taking the United States as an example, although the statutory tax rate is 39.1 per cent, the effective tax rate after deductions is 24.1 per cent (KPMG 2010).
23. CESR 2014.
24. A number of other countries have FTTs, typically on stocks, including Australia, China, India, Italy, the Republic of Korea and the United Kingdom. Most tax rates are in the range of 0.1 to 0.3 per cent but are as high as 0.6 per cent in Argentina (Burman et al. 2015).
25. UNCTAD 2010; Bank of International Settlements 2013.
26. These include the Mexican crisis in 1994 and the Asian financial crisis of 1997 to 1998, with contagion effects on Russia (1998) and Brazil (1999) as well as crises in Turkey (2000) and Argentina (2001).
27. Grabel 2003.
28. Palley 2003.
29. Griffith-Jones 1996.
30. An example of in-depth research by James Heckman on one type of social infrastructure spending – early childhood education – can serve as a model. His results show that investments in children during sensitive periods in their early years have lifelong productivity effects. Heckman and Masterov (2007) found, for example, that one early childhood education programme yielded a 4 per cent rate of return for the child and a 12 per cent rate of return for society at large.
31. Seguino 2012.
32. Roy et al. 2009.
33. Seguino et al. 2010.
34. States that cannot resist external pressures to undertake fiscal austerity will have to rely more heavily on resource mobilization through taxes. This is inadequate, however, since these are also the states that lack resources and administrative capacity to expand tax revenue collection and enforcement. A significant effort is therefore required to change working definitions in international financial institutions as well as the international banking sector in general.
35. Klasen and Lammana 2009; Bandara 2015; Cuberes and Teignier-Baqué 2015; McKinsey and Company 2015.
36. Mishkin and Schmidt-Hebbel 2007.
37. Bernanke et al. 1999; Ball and Sheridan 2005; Epstein and Yeldan 2009.
38. Rodgers 2008; Braunstein and Heintz 2008; Seguino and Heintz 2012.
39. Khan and Senhadji 2001; Espinoza et al. 2010.
40. Epstein and Yeldan 2009.
41. Epstein 2007.
42. Pollin et al. (2006) provided a detailed example of the application of this tool in the context of South Africa's need to generate substantial employment growth.
43. IMF 2013.
44. As noted by Bibow (2013), even Milton Friedman stated decades ago that independent central banks are likely to be too close to the commercial banking sector. He opposed the concentration of power in a body that is free of direct political control.
45. Use of monetary policy does not preclude and indeed should not replace legal reforms, such as reforms to family codes that enable women to own and contest ownership of assets.

46. This refers to the pro-cyclicality of bank lending. Banks amplify financial fragility by increasing lending during economic expansions and contracting lending during recessions and periods of slow growth.
47. Jayadev 2013.
48. Economists call profits obtained from holding wealth “rentier” income, rentiers being wealth holders. Epstein and Jayadev (2005) provide evidence that rentier income has risen substantially in the neoliberal period.
49. Cordero and Montecino 2010.
50. Ostry et al. 2011; Gallagher and Ocampo 2013.
51. Rodrik 2006.
52. For a more detailed discussion of macroprudential policy techniques, see Lim et al. 2011.
53. Grabel 2003.
54. Calderón and Servén 2004; Fay et al. 2005; Agénor 2008; Bayraktar and Moreno-Dodson 2010.

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CHAPTER 3

GENDER-INCLUSIVE INDUSTRIALIZATION FOR GROWTH AND DEVELOPMENT IN THE CONTEXT OF GLOBALIZATION

Elissa Braunstein

INTRODUCTION

Gender-equitable inclusive growth can be considered in light of the simultaneous challenges of industrialization and globalization. This chapter examines the gendered sphere of production, excluding explicit consideration of finance or social reproduction. By doing so, it can focus on the intersecting roles of gender and class in determining both the distributional causes and consequences of growth. Hence the analysis of social inclusion and growth is squarely centered in the realm of paid work.

Industrialization, and the structural transformation of production that accompanies it, performs a special role in development for growth economists. Going through industrialization is how most now-developed countries got that way. Industrialization reversals or slow-downs are often cited as being at the heart of the so-called "middle-income trap", where incomplete industrialization seems to impose an income ceiling on many emerging economies. SDG 9, "Build infrastructure, promote inclusive and sustainable industrialization and foster innovation", recognizes the central role of industrialization in development, as well as the challenges associated with making it more inclusive.

This chapter begins by explaining these mechanisms. It then develops an analytical framework that links the structures of production and distribution with industrialization and productivity growth, emphasizing the special role of trade in manufactures in determining the nature and extent of these connections. The third section presents a largely empirical analysis of how industrialization and trade have performed in terms of two aspects of social inclusion: gender and class. For gender inclusion, we evaluate the extent to which industrialization and trade have generated high-productivity employment for both women and men. The labour share of income is then used to assess the consequences for class. The last section draws these insights together in a taxonomy that relates gender and class inequality with industrialization and structural change that enhances productivity, highlighting the consequences for growth.

1. INDUSTRIALIZATION, GROWTH AND TRADE

1.1 Why industrialization? Structures of production and productivity growth

The central role that most development-oriented growth economists give to industrialization is best understood from how they think about growth. Economic growth is driven by one of two factors: capital accumulation including human capital, and productivity growth, to which technological change is a key contributor. Though the two factors are interconnected (capital accumulation itself is also associated with productivity growth), sustained and substantial growth – that is, growth resulting in substantive improvements in living standards and well-being – arises from increasing productivity, that is, producing more with less.[1] Most neoclassical growth models, including so-called endogenous growth models, where the factors driving technological change and productivity growth arise from investment dynamics internal to the economic system, are not sector specific.[2] It does not matter whether economic activities are primarily located in the industrial, services or agricultural sectors. And whether industrialization proceeds quickly or ebbs prematurely is not a problem for growth, as long as whatever activities occur generate technological change and productivity growth.

Somewhat counter to this view, both classical and contemporary growth economists specifically concerned with development have tended to view growth as the result of a reallocation of resources from low- to high-productivity activities with increasing returns to scale (meaning that the more you produce of something, the lower its average cost). This process crucially depends on the structure of output, in particular on a growing share of manufacturing in output and employment.[3] This perspective is drawn from modern economic history: that with few exceptions, increasing living standards have been associated with increasing industrialization.[4] Now known as "Kaldor's Growth Laws", after the post-war Cambridge economist Nicholas Kaldor who coined them, this causal connection between industrialization and growth is argued to emerge from three "empirical regularities".

First, industrialization is central to the structural transformation that drives growth. The faster the growth of manufacturing output, the faster the growth of real GDP. The industrial sector has the strongest forward and backward linkages throughout the economy, with more opportunities for capital accumulation, acquiring new technology, and (dynamic) economies of scale and scope (where capabilities in one set of activities lowers the effective cost of engaging in others) than traditional agricultural or service sectors. Most importantly, it is not that shifting labour from traditional activities to higher productivity industry will raise the overall productivity level of the economy, but rather that this shift raises average productivity growth over time.[5] Second, manufacturing growth actually causes labour productivity growth as it enables a deeper, economy-wide division of labour, specialization and faster learning-by-doing among firms. And lastly, manufacturing productivity growth drives productivity growth in other sectors. This occurs by absorbing underemployed rural surplus and service sector workers, spreading technological know-how, supplying more productive capital goods to other sectors, and generating demand for modern services that complement manufacturing such as transport and finance.[6]

These observations are probably driving the influential empirical finding that modern manufacturing exhibits what economists term "unconditional convergence". Regardless of the time period, geographical endowment, or existing economic or institutional conditions, labour productivity in modern, formal manufacturing industries will converge to the global productivity frontier. Convergence moves faster the farther away from the frontier it begins.[7] The better the conditions, of course, the faster productivity growth and convergence will proceed.

This is not the case for the rest of the economy, where "conditional convergence" exhibits much closer dependence on the fundamentals. These can be impossible (geography) or very difficult (institutions) to change in the near term. From a growth and development perspective, manufacturing sectors need to be large and broadly integrated throughout the economy to eventually propel industrializing economies to the high per capita incomes and levels of human development found in developed countries. Countries that have fully experienced industrialization, including high middle-income countries in Asia, then see a decline in the share of employment in industry, but have subsequently developed new high value added services. This chapter is concerned primarily with developing countries that have not yet fully experienced industrialization and still need to achieve structural transformation.

1.2 The role of trade: production, accumulation and distribution in the context of globalization[8]

Manufacturing activities are thus seen as a key driver of catch-up development, and the processes of industrialization and productivity-enhancing structural change that stem from them provide an important foundation for achieving many of the SDGs. Likewise, international trade plays a significant role in shaping and mediating these relationships, both in practical terms, given the expanding reach of globalized production, and in development theory and policy. In the latter, trade liberalization and participation in the global production system are often seen as solutions to a wide range of development challenges. That trade in manufactures in particular is a means rather than an end is the starting point of this section. It presents a framework for understanding how this sort of trade is hypothesized to drive industrialization, structural change and productivity growth.

There are two types of links between trade and industrialization. First, manufacturing trade (both exporting and importing) directly affects productivity growth through changing the structures of production. Second, manufacturing trade influences the structures of distribution and accumulation, which in turn sparks increased investment and growth while sustaining higher wages and improved livelihoods.

Production and structural change

Exporting manufactures can generate productivity growth both within and across industries and sectors. Probably the most familiar line of transmission is through economies of scale and scope. These are dynamic in the sense that they afford more than just a one-time shot at raising productivity; they create capabilities and processes that elevate productivity in an ongoing and cumulative way. From this perspective, exporting becomes instrumental, because the domestic markets of developing countries are not large or complex enough to support the scale or scope achievable in global markets.[9]

But there is a potential contradiction as well. Economies of scale and scope imply that large firms, or agglomerations of firms, may be necessary for capturing some of the benefits of exporting. That world trade and the global value chains that increasingly structure it are so dominated by large firms – especially in the top tiers of value added – is probably related to this point.[10] It also means that exporting first, and capturing dynamic economies of scale and scope before others do, gives you a strategic advantage, making it more difficult for new entrants to compete (the so-called “first mover advantage”).

These challenges are the basis for infant industry-type arguments that maintain that developing country firms need some combination of time, support and protection to adequately build their capabilities before they can compete internationally, just as firms in developed and some East Asian countries did during their nascent industrial periods.[11] Concerns about infant industry protection are also linked to how exporting – once protected firms become globally competitive – can enhance opportunities and capabilities for learning, discovery and innovation. Technological, managerial and worker capacities are cumulative and path dependent, and experience, especially of the sort afforded by the dynamism of international markets, lengthens the forward reach of prior success.[12] Exporting manufactures is an activity where these sorts of positive externalities and spillovers show particular promise.

However, there is an instructive difference between the macro and micro evidence on learning by exporting. While exporting firms also tend to be the most productive in a sector, the empirical evidence at the micro level indicates that this correlation is primarily driven by selection rather than the hypothesized causal link from exporting to productivity growth.[13] That is, more productive firms tend to select into exporting; alternatively, opening to trade simply increases the market share of more productive firms because competition drives less productive domestic firms out of business. Either way, a sector’s overall productivity increases, but not because firms are getting more productive.

At the macro level, however, the empirical evidence is stronger that a country’s income is partly a consequence of the technological sophistication of its exports, and “what you export matters”.[14] Dynamic economies of scale and scope, coupled with the productive externalities and spillovers these processes engender, are by their very nature difficult to capture, empirically or practically, at the firm or even industry level. It may be useful here to think of the substantive difference between the narrow benefits of enclave production, and the sort driven by strong links across production, income and learning.

Another way that trade, both exporting and importing, can affect the structure of production and productivity is via its impact on aggregate patterns of structural change. As discussed in the last section, part of productivity-enhancing structural change involves shifting labour and resources from low-productivity work in traditional sectors to higher productivity work in manufacturing. Selling to external markets expands these possibilities to a greater extent than what can be achieved by selling exclusively to domestic markets. Exporting manufactures can raise productivity within industry and raise an economy's aggregate productivity by redistributing existing resources across broad economic sectors.

The redistribution of labour resources to higher productivity activities only works if sufficient aggregate demand and employment are generated. When there is surplus labour, a nearly universal feature of both developing and developed countries in the current era of deficient aggregate demand, increased import competition and/or productivity growth driven by the exit of less productive firms from industry (lowering labour demand) and trade liberalization can result in declines in aggregate, economy-wide productivity even as it raises productivity in the industrial sector. The determinant is what is happening with employment, and whether productivity growth in industry is outweighed by a larger shift of labour and resources into low-productivity work outside the industrial sector.[15] These dynamics underlie growing concerns over stalled industrialization or premature de-industrialization in the developing world.

Demand, distribution and accumulation

Typically, export-led industrialization and associated productivity growth are considered almost exclusively from the production or supply side. There is also an important role for demand in an economy's distribution of income and the consequences for accumulation. To capture and capitalize on trade opportunities, benefits must be channelled towards positive structural transformation and widely shared growth. Aggregate demand is a central part of that.

First, exporting manufactures should support a strong investment drive by generating profits for domestic firms in international markets. Such profits provide a basis for increasing domestic investment, and financing innovation and upgrading. Upgrading can also come from the direct import of capital equipment and foreign technology, which in turn require foreign exchange that exporting earns, alleviating the balance-of-payments constraint to growth.[16] The challenge is complex, and involves generating, capturing and directing rents in productive, development-oriented ways. Industrialization and development require capital accumulation, and it is important to ask whether the current global trade regime has, in fact, generated sufficient resources for financing it.

In a related sense, a key driver of investment and the productivity growth and structural transformation that result is aggregate demand. When firms expect demand to increase, they respond by investing to extend productive capacities. Buoyant demand also makes it easier to stomach the risks associated with moving into new areas of production or engaging in technological innovation. With export-led industrialization, external demand helps fulfil this function. However, as global trade has slowed and the field of exporters becomes more saturated, partly as a result of the ease of entry into global value chains and international production networks, external demand has become a more capricious partner. Additionally, depending exclusively, or even primarily, on maintaining a competitive edge by compressing wage growth structurally limits the extent of domestic demand. Ultimately, the path to development set out by increasing trade has to lead to better livelihoods if it is to live up to its promise.

Part of the story lies outside traditional narratives of industrialization and the types of investment required to achieve it. When trade is associated with more employment at higher wages, it also encourages investment in human capital. This occurs by raising both incomes and the returns to education, which enhance labour capabilities.[17] This is sometimes an overlooked aspect of making a successful connection between trade and industrialization. But labour supply-side policies are not a substitute here, either, not least because supply is hardly ever successful at generating its own demand, most especially where labour is concerned.[18] When investment in human capabilities is driven by demand, and thus directly connected to employment, it becomes a substantive and sustainable vehicle for upward mobility. And from a gender equality perspective, generating more and better jobs for women is essential for empowering them. Moreover, both higher profits and better wages provide a tax base for public revenue and investment in physical and social infrastructure, addressing one of the key challenges of financing the SDGs.

If, instead, aggregate demand and wage growth stagnate, competition is intense and profit margins slim, and governments are reluctant to expand the tax base for fear of losing domestic or foreign business activity, a low-level equilibrium prevails. Productivity growth that may accompany manufacturing trade on the supply side may be used to gain or simply maintain market share by lowering relative export prices, effectively giving away productivity gains to global firms or foreign consumers. If these dynamics are strong enough, productivity growth can actually make a country worse off by lowering the terms of trade by more than the gains in growth.[19]

This problem evokes points made by Raúl Prebisch and Hans Singer. In the early post-World War II era, they argued that because the price of developing country exports (largely primary commodities at the time) tends to decline relative to developed country exports (largely industrial goods), developing countries face a structural disadvantage in global trade relations with the North. This maintains and magnifies the income gap between rich and poor – the so-called "Prebisch-Singer hypothesis".[20] Updates have since taken into account the increasing role of manufactures in developing country exports,[21] but the spirit of the original hypothesis remains a concern. The distribution of income partly determines the nature and rate of capital accumulation and innovation, so the price that developing countries get for their manufacturing exports may constrain the developmental benefits of trade.

1.3 Gender, inclusive industrialization and growth

More specific points on gender, industrialization and inclusive growth follow in the next section. Here it is important to note some of the tensions that taking a gender-aware perspective introduces into the portrait of production, accumulation and distribution sketched above.

Gender has historically played an important role in productivity-enhancing structural changes. Because women are so frequently a new source of market labour in the early phases of export-led industrialization, this transition often involves a shift of women's work from the unpaid household sector – including care work and other forms of unpaid family labour – to the market. This expands market production and GDP growth, and induces the fertility declines and increased investments in children that can lead to demographic shifts and gifts to development. It under-lies widespread calls for increasing women's labour force participation as a source of growth and development. Part of this process is about simply shifting production from activities in the nonmarket to the market, or from the uncounted to the counted sectors. But another part is about inducing productivity-enhancing structural changes.

These structural changes can be cast as inclusive because they draw women into new and more highly remunerated forms of economic activities. This perspective echoes arguments made by early advocates of the "women in development" or WID approach, which emerged in the 1970s in Washington, DC. Advocates promoted women's integration into processes of industrialization and modernization, and rationalized increasing equality between women and men largely on efficiency grounds.[22] The neoclassical revolution in economic thought that occurred in the 1970s and 1980s, which drove the market fundamentalism of neoliberal approaches to development policy, provided a ready rationale for these arguments.[23]

Inclusion has to be about more than simply including women in markets, however. Inclusion in industrialization or growth has to grapple with the question of gender, which encompasses how women's productive and reproductive roles reflect social relationships and hierarchies between women and men, and how these in turn manifest in institutions, including markets. To the extent that women participate in industrialization and growth, they typically do so on inferior terms, with consequences not only for their well-being, but also for distribution and accumulation.

2. GENDER, INDUSTRIALIZATION, TRADE AND EMPLOYMENT[24]

Despite widespread impressions to the contrary, export-led industrialization in the neoliberal era generally has been disappointing as a generator of broadly shared, high-wage employment.[25] One challenge is the popularity of the export-led growth and industrialization model itself; increasing the manufacturing exports of many countries with similar comparative advantages drives down the price of goods, and constrains improvements in employment and incomes that adopting such a strategy is meant to deliver. Even where productivity gains offer potential for social upgrading, they may be used to lower prices and solidify a competitive advantage rather than to raise wages or improve working conditions. This pressure can be particularly strong in global value chains, where the demanding sourcing policies of lead firms or first-tier suppliers manifest as low wages and precarious labour arrangements for temporary, contract and migrant labour.[26] To the extent that wages do rise, the stylized fact is that there is an increase in the returns to skilled relative to unskilled work, driving a positive association between trade integration and wage inequality in developing countries.[27] This is partly because of technological changes that trade liberalization brings, and partly because of increased competitive pressures from an expanding global supply of low-skilled labour amid deficient global demand.

Competitive dynamics have been particularly problematic for countries in Africa and Latin America, where globalization has been associated with the movement of labour from high- to low-productivity production, including in the informal economy. A number of Asian countries have been better able to leverage opportunities from exporting manufactures into simultaneous productivity and employment expansion. Using gender as a lens through which to investigate the links between trade and employment affords a more nuanced understanding of these dynamics, one that is typically overlooked even as it is a central feature of the distributive structures and effects of trade and industrialization.

2.1 Export orientation and women's employment

Globalization and trade liberalization underlie the nearly universal increase in women's share of the industrial labour force in high-growth or semi-industrialized economies in the past few decades. This is a result of the tremendous growth in manufacturing trade and export processing from developing countries. Increases in women's wage employment have also occurred among exporters of non-traditional agricultural goods, such as designer fruits and vegetables or cut flowers in sub-Saharan Africa and Central America. They can be found as well in countries engaged in aspects of the global services trade traditionally associated with women, such as lower paid data entry jobs and call centres.[28] With labour costs such a crucial part of international competitiveness, exporters in labour-intensive sectors prefer to hire women because their wages are typically lower than men's, and because they perceive women as more productive in these jobs.[29] Foreign investors and firms looking for low-cost outsourcing platforms conform to the same pattern, at least on the lower rungs of the value added ladder.

The positive association between trade integration and women's employment is strongest in labour-abundant semi-industrialized countries. In primarily agricultural economies, where women are concentrated in import-competing agricultural sectors such as food crops, men are better situated to take advantage of export opportunities in cash crops or natural resource extraction. Women lose employment and income as a result.[30] In developing economies with less globally competitive manufacturing sectors, particularly in Africa, tariff reductions on labour-intensive imports have resulted in higher job losses for women than men.[31]

Extending these dynamics to wages, the standard prediction is that trade liberalization should increase women's wages and lower the gender wage gap for two reasons. One is that the increased competition introduced by trade liberalization makes it costlier for domestic firms to discriminate, and hence will tend to diminish gender wage discrimination. The second, based on orthodox trade theory, is that when developing countries open to trade, their exports of unskilled labour-intensive goods increase. Presuming that women constitute a disproportionate share of the unskilled labour force, trade liberalization should bring about convergence in men's and women's wages because it raises the relative demand for women's labour. A number of empirical studies support these predictions, finding women's wages increasing relative to men's in a variety of country contexts and cross-sectionally as well. There is also substantial evidence, however, that gender wage gaps – both in absolute measures and the proportion of the gap attributable to discrimination – have either persisted or widened as a result of trade and investment liberalization.[32]

These contradictory findings may have to do with the fact that women seem to lose their initial advantages as industries upgrade, leading to a de-feminization of manufacturing employment.[33] Similar patterns have been found in high-income countries, where women's job losses in manufacturing have been directly linked with rising manufacturing imports.[34] Paired with the finding that trade liberalization has raised inequality in developing countries, partly because of increasing relative returns to skill, this de-feminization does not bode well for the potential of industrial exporting to serve as a platform for advancing gender wage equality.

That women supplied a deep pool of low-wage labour in the initial stages of export-led industrialization has been instrumental to its success in spurring growth. Gender-based wage gaps contributed to growth among semi-industrialized economies, especially in Asia, because of their role in determining export competitiveness.[35]

As discussed in Section 1.2, the development of many economies is limited by the small size of domestic markets and a lack of foreign exchange to purchase capital goods imports and foreign technology. The segregation of women into labour-intensive export sectors at lower wages enhance competitiveness and profitability, raising investment and growth. This phenomenon has been termed the "feminization of foreign exchange earnings", referencing how wages for women crowded into export sectors can have the same salutary effect on trade performance as an exchange rate devaluation.[36] The phrase also reveals how varying systems of inequality, not just between but also within countries, can determine the structural conditions for and distributional effects of a development strategy like export-led industrialization.

2.2 The employment elasticity of industrial activity and trade

While exporting manufactures provides a theoretical route for fast-tracking industrialization and productivity-enhancing structural change, it must ultimately generate more employment at higher wages to result in a sustainable, self-reinforcing path to development. This section evaluates the recent record of this relationship by assessing the responsiveness of gendered employment to industrial production and exporting.

Before proceeding, however, it is important to provide a note of caution on using the quantity of employment to characterize outcomes. Ideally, we would use some measure of employment quality as well as quantity – some proxy for the provisioning of not just work but decent work. Given the limited availability of data, we compare sector-specific rates of employment generation to explore whether the promises of globalization and industrialization have been borne out in terms of creating jobs in industry purported to be "better" than those in traditional agriculture or services. The next section on labour shares explores the relationship between economic sectors and job quality more directly.

Table 3.1 gives the elasticities of different categories of employment in various categories of production. The rows vary by the sector of employment (all employment, which includes agriculture, services and industry; industrial employment and services employment), and the sector of production (manufacturing exports versus industry in general). The columns disaggregate results by gender: total, and women's and men's employment. The far-right column gives median annual growth rates by region for a number of the variables discussed to provide a better sense of actual magnitudes involved.

The elasticities refer to the percentage change in employment associated with a 1 per cent change in exports or output. Beginning on the top left with Africa and moving right, a 1 per cent increase in manufacturing exports is associated with a 0.18 per cent increase in total employment, a 0.20 per cent increase in women's employment and a 0.18 per cent increase in men's employment. Moving down one row, a 1 per cent increase in industrial output is associated with a 0.51 per cent increase in total industrial employment, a 0.27 per cent increase in women's industrial employment and a 0.59 per cent increase in men's industrial employment.[37]

Comparing regions, industrial expansion has a larger impact on industrial employment than manufacturing export growth for both women and men. The relative boost to employment is a lot larger for men's industrial employment in Africa, however, where the elasticity of men's industrial employment with respect to industrial output is 0.59 per cent, compared to 0.25 per cent for manufacturing exports. Still, these differences have to be considered in conjunction with how much industrial output versus manufacturing exports actually grew, with the latter averaging a growth rate about twice as large as the former in Africa and Latin America and the Caribbean. Industrial output largely kept up with manufacturing export growth in Asia.

For women, one surprising result is that when manufacturing exports grow, the responsiveness of service employment is much higher than industrial employment. For instance, a 1 per cent increase in manufacturing exports in Africa is associated with a 0.34 per cent increase in women's services employment, but just a 0.12 per cent increase – a third as much – in their industrial employment. In Latin America and the Caribbean, a 1 per cent increase in manufacturing exports is associated with a 0.29 per cent increase in women's services employment, and a 0.14 per cent increase – about half as much – in industrial employment. The gap is largest for women in Asia, with an elasticity of 0.44 per cent in services and just 0.13 per cent in industry. The same is also true for men across regions, but the gaps are considerably narrower and not statistically significant in Latin America and the Caribbean.[38]

The relatively large increase in services employment associated with manufacturing export growth experienced by women in Africa and Latin America and the Caribbean has been accompanied by slow productivity growth. Median annual growth was 1.2 per cent in Africa and 1.1 per cent in Latin America and the Caribbean. This suggests that increasing manufacturing trade is more closely linked to the expansion of low-productivity services employment than a climb up the value added ladder, especially for women. It reflects accounts of the connection between globalization and informalization.[39]

The causal mechanism here is twofold. On the one hand, increased competitive pressures in export and domestic markets have induced more outsourcing and the proliferation of informal work, often home-based, as documented in multiple studies of trade liberalization in Latin America.[40]

On the other hand, lower cost access to more skill- and capital-intensive production technologies have both reduced the employment intensity of manufacturing and raised the relative demand for skilled labour. For many low-income countries in Africa, manufacturing export growth has not been accompanied by the same feminization of manufacturing as in other regions, and women have instead remained employed in subsistence agriculture or transitioned to low-productivity services, even as the exports of manufactures increase.[41]

Conversely, service sector expansion in Asia is happening for both women and men, in a context of high labour productivity growth, with an annual median value of 3.6 per cent. This seems to reflect a dynamism in service sector growth that is expected in later stages of productivity-enhancing structural transformation.

3. THE CONSEQUENCES FOR DISTRIBUTION: ASSESSING THE ELASTICITY OF LABOUR SHARES

One way of better understanding what these dynamics mean for inequality is to consider the responsiveness of the labour share of income to changes in measures of global integration and gender inequality in the labour market. Lower labour shares mean that workers' earnings are growing more slowly than profits. A negative association between measures of trade and investment and the labour share would suggest that global integration compromises labour's bargaining power, cutting into workers' abilities to claim a share of the benefits of globalization. In terms of gender, if women are systematically underpaid relative to men, or if their integration into the labour market reflects an industrial or trade structure that generates lots of surplus labour, one would expect a negative association between women's relative employment rates and the labour share.

The relationship between the labour share and household income inequality is not straightforward. Whether it is positive or negative depends on how income is distributed within the shares of labour and capital, and whether and where changes are concentrated in that distribution. For instance, if income is more equally distributed among households that get most of their income from capital, then higher capital shares should lower income inequality. In the recent past, however, the relationship has tended to work the other way. Lower labour shares have been associated with higher household income inequality.[42] Depending on measures of household income inequality to understand gender inequality can be problematic because household-level observations do not reveal causes and effects on the level of individuals. For instance, a study of OECD countries found that women's increasing participation in paid work and an expansion in their paid hours of work have been associated with declines in household income inequality, a result that is difficult to gauge.[43] If women living in households at the bottom of the income distribution increase their paid work participation, this would lower income inequality, but it could be more about engaging in distressed sales of labour among poorer households than strides towards gender equality. Given the increasing correlation of earnings between husbands and wives, and the slow recovery of men's work opportunities since the Great Recession, it is clearly important to get a more precise handle on the nature and meaning of these relationships. With the focus here on assessing inclusion in the context of industrialization and trade, tracing the consequences for labour shares as opposed to measures of household income inequality enables a parallel focus on outcomes in the labour market.

In that vein, Table 3.2 presents data on changes in labour shares in developing regions. It details the relative responsiveness of these labour shares with respect to different measures of trade, investment and employment. Column (1) gives average values for the row variable, column (2) the average percentage point change between the early 1990s and 2011-2014 for that variable, column (3) the elasticity of the labour share relative to the row variable, and column (4) an estimate of the percentage contribution of the row variable to the associated decline in the labour share. Note that the percentage contributions in column (4) are merely suggestive of the potential magnitude of the impact of the elasticity estimates in column (3). There are multiple factors that simultaneously impact labour shares, some negative, some positive. The percentage contribution estimates are results for bivariate (as opposed to multivariate) relationships while controlling for country-specific features, so the column does not represent a decomposition of the total change in the labour share, as we only focus on a limited number of factors, and hence will not add up to 100.

Labour shares

As indicated in Table 3.2, labour shares have been declining on average across the developing world since the early 1990s. For the developing country group as a whole, average labour shares went from 52.6 per cent in the early 1990s to 48.9 per cent in the 2010s, for an average decline of 3.7 percentage points. Labour shares decreased an average of 4.1, 3.1 and 3.2 percentage points in Africa, Asia, and Latin America and the Caribbean, respectively.

Exports of manufactures

Exports of manufactures as a share of GDP averaged 12.9 per cent for developing regions as a whole, with a low of 5.6 per cent for Africa, a close 6.1 per cent for Latin America and the Caribbean, and a high of 39.3 per cent for Asia, reflecting its strong performance as an exporter of manufactures. The differences in elasticity between the first two regions and Asia averages to near-zero results when combined together in the all-developing countries group. Regional disaggregation tells a slightly different story. The Africa region actually experienced a slight decline in exports of manufactures as a share of GDP, with Asia topping out with an increase of 5 percentage points, and Latin America and the Caribbean in between with a 2.2 percentage point increase but from a much lower base than Asia.

Table 3.2 shows that the labour share is generally not very responsive to changes in exports of manufactures as a share of economic activity, with the exception of Asia, where a 1 per cent increase in the exports of manufactures as a share of GDP is associated with a 0.08 per cent decline in the labour share. Though these magnitudes seem small, incorporating how much the variables actually changed gives a true sense of the potential extent of the correlation between manufacturing exports and labour share. Such estimates are presented in column (4). Once again, the only significant magnitude is in Asia, where growth in manufacturing exports as a share of GDP could account for 12.7 per cent of the region's decline in the labour share. That exporting manufactures takes a potentially large bite out of labour shares in Asia, where most of the world's biggest manufacturing exporters are located, suggests that wage growth suppression has been an element of that success.

Imports of manufactures

For Africa and Latin America and the Caribbean, imports of manufactures are most strongly associated with the decline in labour shares, as evidenced by the elasticity values of -0.09 per cent and -0.10 per cent, respectively. The estimate for all developing countries is similar at -0.08 per cent. The consequences for labour shares are economically important. In Latin America and the Caribbean, manufactures imports have been associated with 13.8 per cent of the decline in labour shares, and in Africa, with 6.8 per cent of the decline. As discussed above, globalization and increasing trade integration bring with them heightened competition for domestic producers, as well as technological changes that raise labour productivity and the capital intensity of production. While both competition and technological change can enhance efficiency and thereby support development and growth, without sufficient counter balancing growth in aggregate demand and decent employment, the net effect on labour demand will be negative. The employment challenges that accompany premature de-industrialization and stalled industrialization will prevail. These are reflected by downward pressure on the labour share.

Total trade

Total trade as a share of GDP may behave differently than trade in manufactures alone. Modern services trade could offer a higher-wage alternative to the more traditional role of manufactures in export-led growth. The commodity price boom of the recent era might facilitate a new type of commodity-led development. If these shifts enhance the position of labour, we would expect that to manifest in the labour share. Total trade is strongly and negatively associated with declines in the labour share across all developing regions, however. For the developing country group as a whole, a 1 per cent increase in total trade as a share of GDP is associated with a 0.17 per cent decline in the labour share of income. This magnitude is equivalent to 62.8 per cent of the total decline in the labour share from 1991 to 2014, as shown in Table 3.2.

The estimated labour share elasticity is particularly large in Latin America and the Caribbean at -0.22 per cent, perhaps reflecting some of the contradictory effects of the commodity export boom in the 2000s. While this boosted growth and helped finance progressive social policies in many countries, commodity price booms and the rise in natural resource rents that result perpetuate the sort of "rentierism" and Dutch disease tendencies that have long driven income inequality and compromised industrialization and productivity growth around the region.[44] Understanding the consequences for the labour market is complex. The laudable declines in household income inequality that accompanied the most recent commodity boom were driven not by a reallocation of income from capital to labour, but by a more equal distribution of labour earnings.[45] This fall in wage inequality came largely from a decrease in the relative returns to education, and the commodity boom played an important role in this decline. The rise in commodity exports and real exchange rates shifted domestic demand to imports and non-tradeable domestic sectors, which in the region tend to be less skill-intensive, such as low-productivity services and construction. Though wages and incomes grew for workers, aggregate incomes shifted towards capital.[46]

Foreign direct investment

Increases in inward foreign direct investment as a share of total investment are also associated with declines in the labour share. Interestingly, the elasticity magnitudes are similar across regions, though the impact is much larger in Asia, where increased flows of foreign direct investment have been associated with as much as 18.1 per cent of the region's average decline in the labour share. The differences between Asia and the other regions are probably connected to the different nature of the types of investment that the three regions attract. In Asia, investment is more likely to be the sort of footloose capital associated with minimizing production costs, as opposed to natural resource-seeking investment, which is less mobile and has fewer direct links to domestic labour markets. More generally, foreign investment brings with it advanced technology, contributing to the downward pressure that productivity growth exerts on labour demand. Without compensating growth in aggregate demand, either domestic or external, the net effect on labour demand – and labour's bargaining power – is negative.

Women's employment relative to men

Moving to the question of gender differences, the last two sets of rows in Table 3.2 give results for the ratio of women's to men's overall employment levels, which we term "women's relative employment," and the share of industrial employment in women's total employment relative to the same measure for men, which we term "women's relative share of industrial employment". Women's relative employment is simply the number of women employed divided by the number of men employed. Conversely, women's relative share of industrial employment measures the relative importance of industry as a source of employment for women versus men. If women increase their labour force participation, but most women enter the service sector, women's relative share of industrial employment will decline as women's relative (total) employment increases. This could leave the simple ratio of women to men employed in industry the same. The reason we take relative shares for the industry measure is to incorporate the dynamics of declines in the importance of industrial employment to women's employment growth over the past couple of decades.

Table 3.2 shows higher total employment for women relative to men in all regions with lower labour shares, though the relationships are stronger in Africa and Latin America and the Caribbean than in Asia. For the developing country group as a whole, where women's employment relative to men increased an average of 8.9 percentage points, the elasticity of the labour share was -0.30 per cent. The increase in women's relative employment could explain as much as 95.5 per cent of the decline in the labour share. The greater responsiveness and much larger magnitudes for Africa and Latin America and the Caribbean compared to Asia partly reflect the much larger increases in women's employment in the first two regions. As more women have moved into the labour market in contexts where productivity growth has been low and many women are concentrated in low-paying service sector jobs where they have little bargaining power, there is downward pressure on labour shares.

This dynamic illustrates how the relationship between women's employment and the labour share may be negative. If women's wages are systematically lower than men's, or if women have less power than men to bargain with capital over wages, then as more women enter the labour force, labour's share of income will be depressed.[47] There could also be more indirect bargaining power types of effects that have to do with how stratification between women and men in the labour market manifests in terms of labour's bargaining power overall. As more women enter the labour market, to the extent that they are integrated on inferior terms, employers can use this to undermine terms and conditions for men.[48] Simply expanding the labour supply, even or especially among more marginalized workers when jobs are scarce, can suppress wage demands.

Care must be taken in interpreting the equality implications of women's increasing labour force participation. On the one hand, an increase in women's relative employment can be understood as an improvement in gender equality as more women have access to independent sources of income. But the impact on larger economic systems and the consequent feedback effects for inequality are contextual. If women are integrated into labour markets on terms that are systematically inferior to men, capital tends to benefit by taking higher shares of revenues as profits, and wage shares get suppressed, ultimately worsening labour market outcomes for both women and men.

This is the contrast that we hope to illustrate by calculating the same results for a different measure of women's participation in paid labour markets – the importance of industrial employment as a source of paid work for women relative to men. The reason for focusing on industry goes back to the role of industrialization as a source of productivity-enhancing structural change, growth and development, as presented in Section 2. Shifting labour resources from low-productivity work in traditional agriculture and services to industry is a key link in the causal chain. This shift raises aggregate productivity and its growth, and provides broader access to higher incomes that both directly improve well-being and provide new sources of domestic aggregate demand.

For developing countries, industrial work is much less likely than agriculture or services to be informal work, or what the ILO terms "vulnerable employment", which refers to work on one's own account or contributing family work.[50] Workers in vulnerable employment face greater economic risk; they are less likely to have formal work arrangements and access to social insurance, while earning less income and facing more income volatility overall. Industrial sector jobs tend to be associated with higher productivity and paid formal sector work than agriculture or traditional services.[51]

We hypothesize that the greater women's relative access to this sort of work, the greater is labour's bargaining power relative to capital. Table 3.2 confirms this relationship. A 1 per cent increase in women's relative share of industrial employment is associated with a 0.07 per cent increase in the labour share for the developing regions as a whole. And the decline in women's relative share of industrial employment correlates with as much as half of the decline in the labour share since the early 1990s. The regional results are also positive and large, except in Asia. In that region, the transition to high value added services has substantially progressed in many countries. Further, the decline in the importance of industrial sector work is not about the failure of industrialization, but rather its success.[52] Clearly, for developing countries undergoing industrialization, to the extent that industrial employment is a more important source of employment for women relative to men, the terms of women's integration into the labour market are also likely to be better, as reflected in higher labour shares.

4. INDUSTRIALIZATION, INCLUSION AND GROWTH

Drawing together the points made above, this section presents a taxonomy for understanding industrialization, inclusion and growth from a gender-aware perspective. The taxonomy is focused on the production aspects of gender-equitable inclusive growth, highlighting issues of income and consumption as well as the conditions of paid work. It is designed to address the situation of countries in which industrialization has yet to substantially proceed.

Table 3.3 illustrates how our analysis of class equality and gender inclusion maps onto issues of demand, distribution and accumulation as discussed in Section 2. Gender inclusion refers to including women in the employment benefits of industrialization. Its pairing with class equality captures the positive association between including women in industrialization and the labour share of income. We differentiate between economies where inclusion is low versus those where it is high.

In low-inclusion economies, globalization is extensive and hypercompetitive, wages become disconnected from productivity growth, and the power of globalized capital is increasingly dominant. Labour shares of income face downward pressure, and slow wage growth constrains domestic aggregate demand, making the economy more dependent on external demand to maintain and grow production. Without public (or industrial) policies to guide investment, these dynamics may discourage investments in human capital as they constrain incomes and the returns to education. Similarly, the extent of competition and insufficient demand (both external and internal) discourage investments in physical and technological capital in favour of the higher returns of financial activities.[53] The consequent scarcity of better jobs is associated with women's increasing exclusion from decent (or better) work, even as their labour force participation increases. In our framework, one of the manifestations of this pattern is that women's share of industrial employment relative to men's declines, even where industrialization has yet to substantially proceed.

The dynamics in high-inclusion economies, where women's inclusion in the employment benefits of industrialization is positively associated with the labour share of income, run the opposite way. Increasing global integration of trade and investment is associated with growing wages and incomes. As a consequence, labour shares of income are sustained or may even grow, boosting domestic aggregate demand and creating the conditions for increased capital investments, both physical and human. With buoyant domestic aggregate demand and investment, the supply of better jobs expands, and, in inclusive economies, this is also reflected in women's access to industrial sector or high-productivity work.

Table 3.4 details how different sorts of industrialization and structural transformation affect the nature and speed of productivity growth, again building on the frameworks introduced in Section 1, and the empirical analyses of Sections 2 and 3. It begins with the impact of international trade and investment on domestic firms and the consequences of technological change. In the slow industrialization and productivity growth case, opening to trade and investment is primarily associated with domestic firms facing increasing competition, both from imports and in meeting the demands of exporting in globally competitive markets. The technological changes and competitive pressures associated with opening lower the labour intensity of production, which in the slow case results in declining labour demand in the industrial sector. Economies of scale and scope tend to be concentrated among only a few firms directly engaged in trade (i.e., the export enclave), and thus learning and innovation links throughout the economy are limited and weak. To the extent that there is employment growth, it tends to be concentrated in low-productivity services, not in the modernizing industrial sector. These are the dynamics that characterize stalled industrialization or premature de-industrialization. In these cases, the structural changes that do occur, in particular the movement of labour and resources to low-productivity services, slow aggregate productivity growth – even when there are pockets of competitiveness and innovation in industry and high value added services.

Conversely, in the rapid industrialization and productivity growth case, opening to international trade and investment results in increasing demand for manufactures, which also supports opportunities for technological upgrading of domestic production. These in turn generate domestically dynamic economies of scale and scope with lots of learning and innovation linkages throughout the economy, whether firms and workers are directly engaged in globally connected industrial activities or not. The result is lots of high-productivity employment growth, especially in industry. This is further reflected in increases in industrial value added as a share of GDP accompanied by increasing industrial employment as a share of total employment. The structural change that occurs, in particular the shift of labour and resources to higher productivity activities, supports rapid productivity growth.

Table 3.5 combines the varying dynamics of production and distribution to give different growth regimes; it builds on and engenders a framework originally developed by Rodrik (2018). Production refers to the nature and pace of industrialization and structural transformation – the slow versus rapid productivity growth of Table 3.4. Distribution refers to both gender and class – the low versus high inclusion framework of Table 3.3. When the pace of industrialization and structural transformation is slow, there is not much growth regardless of the level of inclusion. If wage growth is constrained and women are excluded from industrialization, as in the low-inclusion case, the lack of domestic aggregate demand serves as a substantial drag on growth, and there is little to no growth. Even where inclusion is high, however, the slow pace of industrialization and structural transformation – and hence productivity growth – undermines the potentially growth-enhancing effects of domestic aggregate demand, and growth is still slow. Many low-income countries find themselves in this sort of poverty trap, despite higher labour shares or efforts to improve gender equality or human capabilities.

When industrialization and structural transformation are rapid, growth will be episodic unless it is also inclusive. This is because even when an expansion of industrial activity spurs rapid productivity growth, unless it is accompanied by sustained and widely shared improvements in the quality and rewards of employment, the benefits will remain concentrated in narrow industrial sectors or among owners of large firms. Occasional successes will be structurally constrained from getting very far. This is the sort of scenario faced by many middle-income countries that find industrialization stalled, the so-called "middle income trap." Increasing women's access to high-productivity work – and its positive association with the labour share – can help counter such limiting tendencies.

CONCLUSION

The key message of Table 3.5 is that industrialization and structural transformation must be inclusive to generate sustained and successful catch-up development. Inclusion is not about merely involving women in markets or encouraging their participation in global value chains. Inclusion refers to the creation of fundamentally decent work, with good wages, working conditions and labour rights, so that the benefits of industrialization and growth are shared. These elements not only support greater gender equality, but hey also sustain increased investments in labour and the growth of domestic aggregate demand, spurring and supporting further productivity growth.

The question then of how to conduct gender-inclusive industrial policy is one that very much overlaps with how to conduct development-inducing industrial policy in general. This is a policy challenge that has been most effectively considered in an ongoing way in UNCTAD's *Trade and Development Report* series. The closing chapter of the 2016 report, "Industrial Policy Redux",[54] is an excellent summary, echoing a number of the main points made in this chapter. In the broadest of brush strokes, it emphasizes how the global trade and investment regime – both its restrictive and capital-empowering rules and deflationary economic conditions – need reform to better facilitate development. Global economic rules and norms that limit national policy space to a one-size-fits-all market-centered approach to global integration and development, one that effectively erases a role for developmental states, close off just about the only pathway that has resulted in sustained (and sustainable) development in the modern era. Related national policy failures among developed countries have a role to play as well. Stagnant wage growth and the economic conditions that drive it, ongoing commitment to austerity-type approaches to fiscal policy, and monetary and financial policies that are more about managing global capital flows than supporting productive investment and full employment limit global aggregate demand and increase competitive pressures, and contribute to the short-term profit-seeking associated with financialization.

Still, even the most successful implementations of industrial policy – where these have been connected to greater income equality and investments in human capabilities, such as in the East Asian newly industrializing countries in the 1960s and 1970s – have a much more mixed record when it comes to attenuating gender inequality.[55] There has to be a gender-aware intentionality around designing industrial policy, something that is decidedly new. Specific policies will be as varied as the national social and economic contexts to which they are applied, but three guiding principles or themes should be universally considered: segregation, standards and service work.

Segregation refers to women tending to be segregated in the lowest paid, most labour-intensive industrial sectors. As industrialization proceeds, however, and production gets more capital or technologically intensive, women tend to lose access to these better jobs. Gender-inclusive industrial policies can help ensure that women maintain access to these jobs as they get better, on both the demand and supply sides. On the demand side, such interventions would create incentives for upgrading firms to employ women or support women's leadership and voice in industry. On the supply side, ensuring women's inclusion in efforts to enhance learning and capabilities in industrial sector activities is key.

Standards refer to labour standards that directly address the challenge of generating decent work, particularly in women's traditional industries and in the context of prevailing race-to-the-bottom pressures in today's hypercompetitive global economy. A key part of labour standards involves protecting labour's bargaining power and right to engage in collective action, a realm where women tend to be marginalized by both class position and gender, as evidenced by our findings on labour share.

The last principle, ***service work***, calls for making women's traditional service sector work more like industrial sector work in terms of rewards and conditions of employment. Part of this call is about acknowledging the employment-dampening effects of technological change in industry, something that will continue to affect developing countries undergoing industrialization even if global aggregate demand expands. Unless and until the work that women (and men) actually do is transformed into decent work, even the fastest pace of industrially driven productivity growth will not be enough to deliver development when it is disconnected from labour's livelihoods.

TABLES

Table 3.1
The responsiveness of employment to manufacturing exports and industrial growth by developing region, 1991-2014 (percentage)

		Total employment	Women's employment	Men's employment	Median annual growth	
Africa						
Elasticity of:	**With respect to:**					
All employment	Manufacturing exports	0.18	0.20	0.18	Manufacturing exports	6.2
Industrial employment	Industrial output	0.51	0.27	0.59	Industrial output	3.3
Industrial employment	Manufacturing exports	0.22	0.12	0.25	Productivity	1.2
Services employment	Manufacturing exports	0.24	0.34	0.19		
Asia						
Elasticity of:	**With respect to:**					
All employment	Manufacturing exports	0.22	0.27	0.20	Manufacturing exports	8.6
Industrial employment	Industrial output	0.42	0.29	0.44	Industrial output	6.2
Industrial employment	Manufacturing exports	0.23	0.13	0.26	Productivity	3.6
Services employment	Manufacturing exports	0.40	0.44	0.35		
Latin America and the Caribbean						
Elasticity of:	**With respect to:**					
All employment	Manufacturing exports	0.21	0.29	0.17	Manufacturing exports	7.3
Industrial employment	Industrial output	0.36	0.38	0.35	Industrial output	3.1
Industrial employment	Manufacturing exports	0.14	0.14	0.14	Productivity	1.1
Services employment	Manufacturing exports	0.22	0.29	0.17		

Sources & notes: Employment figured from employment-to-population ratios among people aged 15 years and older (ILO estimates), and sectoral distribution of employment by gender from the World Development Indicators, combined with data on population by age structure from United Nations population statistics. Trade data from Comtrade and national accounts data from the United Nations Statistics Division are both in real terms ($ 2005). Labour productivity growth is based on combining data on real value added from the United Nations Statistics Division with World Development Indicators data on employment.

Elasticities are based on the following regression model with country fixed effects: $logEmpit=\alpha+\beta logXit+\mu i+\varepsilon it$, where $logEmpit$ and $logXit$ refer to the logs of employment and the production variables respectively in country *i* and year *t*, and μi is the country fixed effect. All results are statistically significant at the 1 per cent level except for the two in italics; country samples are consistent for all within group regressions.

Table 3.2
The responsiveness of the labour share by developing region, 1991-2014

	Mean (percentage)	**Percentage point change, early 1990s to 2010s**	**Elasticity of the labour share**	**Contribution to decline in labour share (percentage)**
	(1)	*(2)*	*(3)*	*(4)*
		Labour share		
All developing countries	50.7	-3.7		
Africa	51.5	-4.1		
Asia	48.4	-3.1		
Latin America and the Caribbean	50.4	-3.2		
		Exports of manufactures as a share of GDP		
All developing countries	12.9	0.9	-0.01	0.2
Africa	5.6	-0.5	*0.00*	0.0
Asia	39.3	5.0	-0.08	12.7
Latin America and the Caribbean	6.1	2.2	-0.02	1.4
		Imports of manufactures as a share of GDP		
All developing countries	22.4	2.3	-0.08	4.9
Africa	17.5	3.1	-0.09	6.8
Asia	39.5	-0.6	*-0.03*	-0.6
Latin America and the Caribbean	18.4	4.4	-0.10	13.8
		Trade as a share of GDP		
All developing countries	79.2	13.7	-0.17	62.8
Africa	66.8	14.7	-0.11	39.4
Asia	120.6	31.4	-0.12	120.0
Latin America and the Caribbean	66.2	11.2	-0.22	77.8

	Mean (percentage)	Percentage point change, early 1990s to 2010s	Elasticity of the labour share	Contribution to decline in labour share (percentage)
	(1)	*(2)*	*(3)*	*(4)*
		Inward foreign direct investment as a share of investment		
All developing countries	17.1	12.8	-0.02	6.9
Africa	15.9	11.5	-0.02	5.6
Asia	18.5	18.9	-0.03	18.1
Latin America and the Caribbean	17.8	10.9	*-0.01*	3.4
		Women's relative employment		
All developing countries	59.1	8.9	-0.30	95.5
Africa	57.7	12.2	-0.65	192.8
Asia	63.9	2.5	-0.15	11.8
Latin America and the Caribbean	57.0	11.4	-0.29	103.5
		Women's relative share of industrial employment		
All developing countries	61.1	-19.5	0.07	49.2
Africa	60.7	-40.2	0.10	98.0
Asia	72.8	-24.3	*0.00*	0.0
Latin America and the Caribbean	54.7	-10.5	0.09	29.8

Sources & notes: See notes to Table 3.1 on data sources and the elasticity estimation method. The labour share of income comes from the Penn World Tables 9.0. Means are not weighted by population. Women's relative employment equals women's employment-to-population ratio divided by men's employment-to-population ratio. Women's relative share of industrial employment equals the proportion of women's total employment taken up by industrial employment divided by the same number for men. All elasticity estimates in column (3) are statistically significant at the 1 per cent level except for the those in italics; country samples are consistent for all within group regressions. Column (4) is calculated by multiplying columns (2) and (3), and then dividing this product by the region-specific percentage point change in the labour share listed in column (2).

Table 3.3
Demand, distribution and inclusion

Class equality and gender inclusion	
Low	*High*
Globalization constrains wage growth	Global integration boosts wage growth
Declining labour share of income	Sustained or increasing labour share of income
Low domestic aggregate demand	Domestic aggregate demand growth
Low investment in physical capital and human capabilities	Increasing investment in physical capital and human capabilities
Increasing scarcity of better jobs and decent work	Growth of better jobs and decent work
Women excluded from better work, even as their labour force participation increases	Women gain increasing access to better work
Women's relative share of industrial jobs declining	Women's relative share of industrial jobs keeps up with their increasing labour force participation

Table 3.4
Industrialization and structural transformation

The pace of productivity growth	
Slow	*Rapid*
International trade and investment primarily associated with increased domestic competition and technological changes that lower the labour intensity of production	International trade and investment associated with increased demand for manufactures and opportunities for technological upgrading
Failure to generate domestically dynamic economies of scale and scope	Generate domestically dynamic economies of scale and scope
Thin learning and innovation linkages	Thick learning and innovation linkages
Low-productivity employment growth	High-productivity employment growth
Stalled industrialization or premature de-industrialization	Industrialization
Structural change slows aggregate productivity growth	Structural change supports aggregate productivity growth

Table 3.5
Inclusion, industrialization, and growth

		Industrialization and structural transformation	
		Slow	*Rapid*
Inclusion	*Low*	Little to no growth	Episodic growth
	High	Slow growth	Rapid and sustained growth

Note: Inspiration for this table is drawn from the analytical framework presented in Rodrik (2018), which uses “human capabilities” or “fundamentals” instead of inclusion.

NOTES

1. UNCTAD 2003.
2. Palma 2005.
3. Ocampo 2005.
4. Kaldor 1966.
5. Storm 2015.
6. Ibid.
7. Rodrik 2018.
8. This section draws from work the author contributed to UNCTAD's 2016 *Trade and Development Report* (UNCTAD 2016).
9. This insight is related to Adam Smith's oft-cited sentiment that the division of labour is limited by the extent of the market and that external markets can act as a "vent for surplus" (Myint 1977).
10. Bernard et al. 2007; Melitz and Trefler 2012.
11. Wade 1990; Chang 2002.
12. Amsden 2001.
13. Harrison and Rodríguez-Clare 2009; McMillan and Rodrik 2011; Melitz and Trefler 2012.
14. Hausmann et al. 2007.
15. McMillan and Rodrik 2011.
16. Some might be brought along with foreign direct investment, but not automatically. Intentional and broad-based industrial and technology transfer policies are necessary to reap the potential rewards.
17. Lederman and Maloney 2012.
18. Amsden 2010.
19. This is Jagdish Bhagwati's (1958) story about immiserizing growth.
20. Prebisch 1950; Singer 1950.
21. UNCTAD 2002; Sarkar and Singer 1991.
22. Moser 1993.
23. Elson 1999.
24. This section draws from Braunstein 2012, and Braunstein and Houston 2016.
25. UNCTAD 2010.
26. Barrientos et al. 2011; Locke 2013.
27. Felipe et al. 2014; Goldberg and Pavcnik 2007.
28. Seguino and Grown 2006; UNCTAD 2014a.
29. Elson and Pearson 1981.
30. Fontana 2007; UNCTAD 2013a, 2014b; UNCTAD and EIF 2014.
31. Adhikari and Yamamoto 2006; Seguino and Grown 2006.
32. See Braunstein 2012 for a review of these contradictory findings.
33. Kucera and Tejani 2014; Ghosh 2007; Tejani and Milberg 2010.
34. Kongar 2007; Kucera and Milberg 2007.
35. Seguino 2000.
36. Samarasinghe 1998; Seguino 2010.
37. Women's employment elasticities tend to be higher than men's in general, partly because women's employment participation is lower, so when the pattern presents as opposite (that is, when men's exceeds women's), it is a strong result.

38. The outsourcing of activities previously done in manufacturing into services could be a potential driver of the higher responsiveness of services employment. Tregenna (2010) does a close analysis of this question for South Africa for the period from 1997 to 2007, and finds services employment growth was driven by cleaners and security guards, and the outsourcing of these activities from manufacturing and the public sector to private services. Tregenna notes that this means the service sector is less dynamic than previously thought, and that there is a natural limit to this growth once the jobs have been fully outsourced. Furthermore, the pay is lower in private services than for the same jobs in manufacturing or the public sector, indicating a loss in job quality.
39. Bacchetta et al. 2009.
40. For example, Acosta and Montes-Rojas 2014; Reinecke 2010.
41. UNCTAD 2014a.
42. ILO et al. 2015.
43. OECD 2015.
44. Ocampo 2017.
45. World Bank 2012.
46. Ibid.
47. This interpretation is consistent with empirical work finding that declines in the labour share in emerging economies are associated with the weakening of labour's ability to bargain with capital (Goschanski and Onaran 2017).
48. Seguino and Braunstein 2019.
49. ILO 2018.
50. ILO 2009.
51. Seguino and Braunstein 2019.
52. Dropping high middle-income countries from the Asia region gives a labour share elasticity of 0.05 per cent.
53. UNCTAD 2017.
54. UNCTAD 2016.
55. Seguino 2002.

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CHAPTER 4

PUBLIC INVESTMENTS AND HUMAN INVESTMENTS: RETHINKING MACROECONOMIC RELATIONSHIPS FROM A GENDER PERSPECTIVE

James Heintz

INTRODUCTION

Investment maintains and expands the productive capacity of an economy. It helps ensure that there are adequate opportunities for paid employment and supports sustained increases in living standards over time. For these reasons, maintaining adequate levels of investment is a core objective of macroeconomic policy and has a direct impact on an economy's growth path. Although macroeconomic theory frequently associates investment only with private businesses, the public sector and household sector are critical to maintaining an economy's productive capacity in the long run. Routinely ignoring these contributions impoverishes options for macroeconomic policy.

The mix of investments undertaken shapes the nature of growth in an economy and the distribution of the benefits of that growth. Therefore, investment policy has an important influence over the degree to which growth is inclusive. Investments, including public investments, improve productive capacity and productivity, but these benefits are not shared equally between men and women. If one goal of macroeconomic policy is to pursue gender-equitable inclusive growth – in which the benefits of growth are shared between men and women in ways that reduce gender inequality, as discussed in Chapter 1 – then there is a need to rethink how investment policy is formulated.

This chapter takes a fresh look at investment, focusing on public investment and investments in human capacities. In doing so, it challenges a number of common macroeconomic assumptions, such as the idea that public spending will automatically crowd out private investment or that all meaningful additions to an economy's productive capacity take place within the private business sector. This requires rethinking basic concepts and measurements, in particular redefining what constitutes investment and consumption. By recognizing non-market production involving unpaid household labour that contributes to social reproduction, the chapter draws on important feminist insights into how public investments can reduce gender inequalities. More broadly, it looks at the distributive implications of public investment from a gender perspective, dynamics that should be taken into account when formulating macroeconomic policies. The chapter concludes by considering how gender-equitable public investments can be financed.

1. PUBLIC INVESTMENT AND INVESTMENTS IN HUMAN CAPACITIES

When we think of public investments, we often think of investments in physical infrastructure that has, at least to some degree, some characteristics of public goods. Because of the public goods nature of such assets, these investments would be undersupplied if their provision were left up to private markets. Therefore, there is a role for policy to ensure adequate public spending on infrastructure such as roads, transportation systems, water and sanitation services, and electrical grids.

Public investments in infrastructure are not the only category of spending that raises productivity within an economy. Certain expenditures of time, money and economic resources should be considered investments, although most macroeconomic measurements treat them as a type of consumption or fail to recognize them at all. These include investments made in human beings – formal categories of expenditure like education, emotional development and health care. They also include certain non-market, unpaid care services, often provided within the household. Human investments jointly produce the physical organisms we call people and the capacities those people have to do things with their lives.

Why should these services be classified as investments? Physical investments in capital goods, such as machines, computers, equipment, roads, power infrastructure, etc., increase the productivity and productive capacity of an economy. An investment made now yields returns, in terms of greater productivity, in the future. Along similar lines, public investments in infrastructure have the ability to enhance the productivity of businesses and households. Like public and private investments in physical capital, investments in human beings help sustain and improve their future productivity. The major difference is that human investments are less tangible and often involve services rather than goods.

Economics has a long history of focusing primarily on material production. Much economic theory sees the driving force of economic growth to be the accumulation of physical, productive goods. Because services are intangible, they have received less attention. Services are ephemeral. They only last for a specific duration, and they cannot be accumulated the same way that physical products can. Because of this, economic theory often assumes that the provision of services cannot constitute investments.

This is a mistake. Although services themselves are intangible and fleeting, the effects of consuming them can be long-lasting and affect future productivity. A training programme that builds productive skills only lasts a set amount of time. The services themselves are perishable. But the skills acquired have a much longer lifespan.

There is one category of intangible investments that economists have long recognized: education. Investments in skills, knowledge and know-how, grouped under the heading "human capital", have been seen as complementary to investments in physical capital.[1] The accumulation of knowledge and skills enhances people's productive contribution. At the individual level, greater productivity justifies paying highly educated people additional money for their labour. At the macroeconomic level, investments that raise formal educational attainment or build new skills support economic growth.

The idea that education represents a type of investment has generated a great deal of literature that attempts to understand the returns to this investment. Investment in physical capital raises future productivity and, as a result, generates returns on that investment in the form of more production and additional earnings. Along the same lines, investments in education should generate similar returns if such investments enhance future productivity. The evidence seems to suggest that this is the case. A review of over 1,100 studies across a range of countries (139 in total) found that the global average of the returns to an extra year of schooling were approximately 9 per cent. In other words, having one more year of schooling would raise future lifetime earnings by 9 per cent.[2] As long as the cost of that extra year of education is less than the total present value of the increase in earnings, investing in more education makes economic sense, in the narrow sense of valuing education solely in terms of its effects on a person's earning power.

Most estimates of the returns to education only look at private returns. Private returns represent the money value of higher individual earnings associated with additional education. But education also generates social returns. We all benefit, to some degree, by being part of a more educated community. Working alongside someone with special skills could have knock-on effects, as other, less-skilled employees pick up knowledge from their colleagues. Innovations arising out of more educational investments can benefit everyone. Social returns are not adequately captured by the standard measures of returns to education. Currently, our understanding of these social returns is limited. There have been some efforts to measure at least some aspects of the social returns to education. This research tends to show that social returns exceed private returns.[3]

Although private decisions to invest in human capacities will be based on private returns to education, health or other intangible investments, government decisions should take into account the social returns. If social returns are greater than private returns, net positive externalities exist. This suggests that, similar to the provision of public goods, private human investments will fall short of the socially desirable level of investment. Under these circumstances, there is a role for the public sector in supporting investments in human capabilities that generate social benefits beyond the private returns. The economic logic of implementing public policy to increase investment when the social returns exceed private returns is impeccable, yet, from a practical standpoint, it is often difficult to estimate with any precision the social benefits associated with human investments.

The idea that education represents a kind of intangible capital investment that raises productivity and generates future returns has found its way into macroeconomic growth theories.[4] These theories typically only include measurements of formal educational attainment as an indicator of human capital. Other types of human investments are usually not considered as contributing to human capital. For instance, certain health services have the potential to raise productivity in the long run by allowing people to live longer, healthier and therefore more productive lives.[5] Yet even if formal health services were integrated into macroeconomic models, this would represent an incomplete accounting of human investments.

This is because investments in human capital are often narrowly defined to include activities that take place within the market economy or in the public sector. In other words, only those activities that would be included in the traditional definition and measurement of GDP are considered to contribute to human capital formation. But many contributions made to health and education take place outside of the market economy and involve unpaid care work. What we miss when we focus only on formal health and educational services measured in the system of national accounts are all of the human investments associated with non-market production.

To demonstrate this point, it helps to provide an example. One important area of human investment in which non-market production plays a substantial role is early childhood development. Numerous research studies show that investments in early childhood development affect cognitive development, educational achievement later in life and health outcomes. All of these outcomes have important consequences for overall economic performance.[6] Unpaid care work is central to investment in early childhood development, although its contribution and the importance of gender roles are not always recognized. Direct interactions between children and caregivers – including speech, gestures, facial expressions, physical contact and body movements – provide the stimulation necessary for children's cognitive development.[7] This kind of direct care represents a critical component of non-market human investments that have implications for the long-run health of an economy.

Because of the unequal burden of unpaid care work, challenges arise in designing policies that support positive outcomes for children as well as for gender equality. Care work is necessary to the investment in human beings required to maintain the productive capacity of the economy. The current distribution of this work between women and men is highly unequal, however, and entrenches women's unequal position in the economy. To incorporate unpaid care work into the formulation of macroeconomic policies in ways that reduce gender inequalities, policies need to be designed to reduce and redistribute the burden of this work.

Public investment, crowding out and gender equality

One of the hotly debated questions in macroeconomics is to what extent do increases in public spending cause a reduction in private investment? At one extreme is the pure crowding-out position that contends that that any increase in public spending triggers a one-for-one reduction in private investment. Imagine that an economy is fully utilizing its resources and that productive capacity is fixed. Under these conditions, the size of the economic "pie" to be divided up between businesses, households and government does not change. If this is the case, any increase in the portion of the economic pie dedicated to public expenditures must come through a reduction in expenditures elsewhere in the economy. According to the crowding-out theory, this usually occurs through price changes. For instance, higher government spending would push up interest rates and discourage private investment. When this happens, public spending crowds out private investment.

There are a number of reasons why pure crowding out would not happen. One possibility is that the economy could be operating below capacity. A portion of the workforce might be unemployed or capital equipment underutilized. When this happens, an increase in public expenditures would put this excess capacity to work producing goods or services. Instead of drawing resources away from the private sector, government spending would raise the overall level of employment. This stimulus could have knock-on effects on private investment. Lower levels of unemployment would be associated with higher levels of demand in the economy, which could, in turn, stimulate private investment. Public spending would “crowd in” rather than crowding out private expenditures.

Even if the economy were operating at or near full employment, the crowding-out argument may not always hold. If public spending raises the productivity of private investments, then the size of the economic pie will no longer be fixed. Specifically, research studies suggest that when public assets raise the return on private capital, public investment spending will not crowd out private activities, but may instead encourage private growth and investment.[8] Enhanced productivity makes it possible for the economy to accommodate more public spending without compromising private investment. If the productivity of private capital increases, returns to capital would also rise in the form of greater profitability, potentially encouraging additional investment.

Public infrastructure not only increases the productivity of capital invested in private businesses, but can also raise the productivity of economic activities within households. This has important implications for gender equality. Non-market household production is critical for sustaining families and maintaining the quality of their lives. Such production includes direct care of other people, preparing meals, household maintenance, and fetching water and fuel. Women’s unpaid labour produces the majority of these non-market services and goods. Therefore, public investments that raise the productivity of this labour have the potential to contribute to greater gender equality by reducing the time burden of unpaid work. Research studies have demonstrated this link between physical infrastructure investments and women’s unpaid care burden.[9] For instance, providing water taps in communities drastically reduces the time women spend carrying water.

Public investments also impact women’s access to labour markets and their earnings from remunerative employment. For instance, safe, reliable transportation infrastructure can improve women’s participation in labour markets. Electrification has the potential to raise the productivity of women’s informal self-employment, including income-earning activities performed within the home such as tailoring or preparing food for sale. Women’s improved access to income has further welfare effects. It can result in more resources being invested in children’s human development. This is due to women’s propensity to spend a larger share of their income on children than men do.[10] These links imply that physical infrastructure investments to reduce women’s care burden and improve their well-being have long-term economic benefits.[11]

The indirect effects of public investments in infrastructure on gender equality should also be taken into consideration. Spending on traditional infrastructure projects often creates jobs, but job creation tends to be concentrated in sectors, such as construction, that primarily employ men. [12]This raises two additional concerns about the effect of public spending on gender equality. The gender segregation of the labour market, with women concentrated in certain jobs and men in others, produces unequal employment outcomes associated with increased public investment. Therefore, efforts to reduce the extent of segregation are important for reducing gender inequalities. In addition, more attention needs to be paid to less tangible investments in human capacities that also have the potential to raise productivity in the long run. As demonstrated earlier, these human investments will enhance economic performance and generate employment opportunities that are more accessible to women.

2. REVAMPING MACROECONOMIC ACCOUNTING: A NEW LOOK AT SAVINGS AND INVESTMENT

A country's GDP represents one of the most important indicators in macroeconomics. It is used to measure economic growth, to calculate average standards of living, and to draw conclusions about a population's well-being. In addition, the system of national accounts is the foundation for describing a critical macroeconomic identity – the relationship between investment and savings. Not all production that takes place within the economy is included in GDP calculations, however.

One critical exclusion is non-market household services produced with unpaid labour. In the system of national accounts, goods produced with unpaid labour for use within the household (i.e., not exchanged) are, at least theoretically, included in the calculation of GDP. Arbitrarily, services produced with unpaid labour, such as non-market childcare, are excluded. Much of the unpaid work women do involves the production of non-market services. A more complete reckoning of economic activity would include non-market services produced with unpaid labour. To see how the inclusion of non-market production would change macroeconomics, it is good to begin with the basic accounting expressions used to calculate GDP.

The most common way of computing GDP is to sum up the market value of expenditures on the production of final goods and services. For the purposes of illustration, we restrict our attention to a closed economy and ignore international transactions, just to keep the example simple. Domestic expenditures are separated into three categories: private consumption expenditures, private investment expenditures, and government expenditures on goods and services. As found in most introductory textbooks, the iconic macroeconomic equation that captures this approach to measuring GDP is:

$$(1) \quad GDP = Y = C + I + G$$

Here the variable Y represents GDP as a measure of the total income produced in an economy, C represents household consumption, I business investment and G all government spending. The equation expresses the idea that, at the macroeconomic level, the total market income generated in an economy is equal to the total amount spent on goods and services, and this also equals the total value of market production.

This version of the expenditure approach only focuses on market exchanges and government spending. To make this clear, we add a subscript 'M' to signal market values.

(2) $GDP = Y_M = C_M + I_M + G$

Private expenditures are broken down into consumption and investment. But government spending is often lumped together. Governments invest as well as consume. This includes investments in physical infrastructure and other types of public spending on intangible productive capacities. Separating government spending into public consumption and an expanded concept of public investment gives us a more nuanced representation of GDP.

(3) $GDP = Y_M = C_M + I_M + G_C + G_I$

Governments are not the only ones that invest in building the capacities of human beings. Private expenditures also go towards maintaining and enhancing human resources, through education, health and similar services. Moreover, in the standard GDP equation, private consumption is defined as being equivalent to all household expenditures on goods and services. But we have argued that households do not just consume, they also produce. Some goods that a household buys are used when producing household services. A washing machine is a capital investment used to produce laundry services. If we recognize that a lot of production takes place in the household, many types of consumer durables should be classified as investment rather than consumption. Taking these points into account, we can modify the GDP expression further.

(4) $GDP = Y_M = (C_M - I_{CD}) + I_M + I_{CD} + G_C + G_I$

What does this mean? $(C_M - I_{CD})$ represents total household spending less purchases of consumer durables that are, in reality, investments in household production. It indicates the amount that households spend on direct consumption. I_M and G_I represent private and public investment expenditures, respectively, but are now interpreted to include investments in human capacities (i.e., expenditures on people that yield future returns).

We have arrived at a modified definition of the components of GDP. But GDP still excludes non-market production, particularly of household and community services produced with unpaid labour. Non-market production contributes to direct consumption (e.g., eating a home-cooked meal) and human investments (e.g., face-to-face interactions with small children that expand cognitive capacities). Therefore, non-market production can also be categorized as consumption or investment. Although non-market services do not represent household purchases, they can substitute for market expenditures, and in a very real sense supplement market-based consumption and investment.

(5) $NMP = C_{NM} + I_{NM}$

We use the subscript ‘NM’ to indicate non-market forms of production. If we add in non-market production, we are changing the definition of GDP and need to come up with a new term. For the purposes of this discussion, we will call the combination of market and non-market production of goods and services the expanded domestic product or EDP.

(6) $EDP = GDP + NMP = (C_M - I_{CD} + C_{NM} + G_c) + (I_M + G_I + I_{CD} + I_{NM})$

The first term in parentheses represents total consumption in the economy – the sum of household market expenditures on consumption (net of consumer durables), government consumption and non-market contributions to household consumption. Investment includes private market expenditures on investments, public investments, spending on consumer durables and non-market investments in human beings.

When households, businesses and governments spend money buying goods and services in markets, someone gets paid. These expenditures on production generate income that gets distributed in different ways, for example, as wages or profits. Therefore, the total value of production bought and sold should equal total expenditures, which, in turn, should equal the total market income generated.

There is one complicating issue – depreciation. Suppose a company buys a piece of equipment that lasts for 10 years. The initial purchase of the equipment counts as an investment expenditure and appears in GDP. Each year that piece of equipment wears out little by little, however. The “using up” of the equipment represents an input into production that, like other intermediate inputs, is incorporated into the value of the final product. But unlike purchases of raw materials, the depreciation of fixed assets, such as equipment and buildings, does not generate a stream of income beyond the initial investment. Only when the time comes to replace a worn-out piece of capital are new expenditures undertaken.

Therefore, the total income generated in an economy should equal GDP less the estimated depreciation (D) of capital used in the production of goods and services. In a closed economy, without transfers of income to and from other countries, the difference between GDP and depreciation is referred to as national income.

(7) $GDP - D =$ national income

National income is distributed in various ways. Wages and salaries are paid to employees who supply labour used in the production of goods and services. Profits represent the earnings of businesses, such as corporations and proprietorships, when they sell goods and services. Rents are payments made for the use of existing resources, such as the rent paid by the owner of a retail business to use space in a building. And interest payments represent income earned when households, governments and companies lend money to each other. If we add up all these sources of income – wages, profits, rents and interest – and then adjust for depreciation, we should end up with the same measure of GDP, allowing for a few statistical discrepancies, that we would get if we applied the expenditure or production approach.

But families rely on more than the income earned through market exchanges. Non-market production underpins the ability of households to transform market transactions, such as buying groceries, into the things that they can use, such as a prepared meal. The purchase of goods and services, take-away meals or paid childcare, substitute, perhaps imperfectly, for non-market production at home. This means that household production, by generating real value added, raises living standards, and should be counted in indicators of macroeconomic activity and material well-being.

Non-market income (NMI) can be calculated using the same technique used to arrive at national income. Non-market income equals the imputed value of non-market production less depreciation. Consumer durables represent a type of investment that is used in non-market household production. It makes sense to adjust non-market production by the amount of depreciation of consumer durables (D_{CD}) to yield non-market income, just as national income equals GDP less depreciation of fixed assets.

(8) $NMI = NMP - D_{CD}$

The last step would be to combine market income and non-market income to get a measure of expanded national income. But there is a final consideration. Durable goods, whether they are fixed capital equipment or consumer durables, are not the only productive resources that depreciate. Investments in human beings are also subject to depreciation. For the purposes of macroeconomic accounting, what we are concerned with here is any depreciation of human investments that occurs in the process of market and non-market production. People occasionally become injured or fall ill when engaged in productive activities. This represents a form of depreciation. New investments, e.g., medical services, are needed to restore a person's productive capacities. Just as pieces of equipment can become obsolete, so can skills and, over time, aspects of the human capital people have acquired in the course of their lives need updating. Again – investment is needed to restore people's productive capacities. Therefore, we must adjust expanded national income to take into account the depreciation of human investments, D_{HI}.

The expression for expanded national income therefore becomes:

(9) $ENI = EDP - D - D_{CD} - D_{HI}$ = wages + profits + rents + interest + NMI

The income generated in the economy is put to various uses. Some is spent on consumption (C), some is saved (S), and some is transferred to the government in the form of taxes (T). Turning back to the expenditure approach and putting aside the question of government consumption for a moment, we see that total private consumption is equal to $C_M - I_{CD} + C_{NM}$ (Equation 6). That is, private consumption equals market consumption net of consumer durables plus that part of non-market production that supplements household consumption. Private savings also comes from the market economy and is equal to the portion of household income not spent on consumption and profits that are reinvested in a business. But there is also a non-market component of savings. After all, savings is simply the portion of income not consumed. So the portion of non-market income that does not supplement direct consumption, i.e., the portion of non-market production that represents investments in human beings, is equal to non-market savings.

This suggests that expanded national income, what we are calling ENI, should equal total consumption (market and non-market), total savings (market and non-market) and taxes transferred to the government.

(10) $ENI = EDP - D - D_{CD} - D_{HI} = C_M - I_{CD} + C_{NM} + S_M + S_{NM} + T$

Substituting the expression for EDP from the expenditure approach (Equation 6) gives us:

(11) $(C_M - I_{CD} + C_{NM} + G_c) + (I_M + G_I + I_{CD} + I_{NM}) - D - D_{CD} - D_{HI} = C_M - I_{CD} + C_{NM} + S_M + S_{NM} + T$

A number of terms appear on both sides of Equation 11. The expression can be simplified.

(12) $(I_M + G_I + I_{NM} - D - D_{HI}) + (I_{CD} - D_{CD}) = S_M + S_{NM} + (T - G_C)$

What does Equation 12 signify? The expression $(I_M + G_I + I_{NM} - D - D_{HI})$ is simply private market investment, public investment and non-market investment less the value of the capital and human investments that have depreciated. This is an expanded definition of net investment, i.e., the amount of investment above that needed to replace capital that has worn out and the human investments that have depreciated. Along the same lines, the expression $(I_{CD} - D_{CD})$ is simply net investment in consumer durables. The entire left side of Equation 12 represents total net investment in the economy. In contrast, the right-hand side indicates the total amount of savings – market savings, non-market savings and government savings. Government savings is just the amount of government revenue (T) that is not spent on publicly financed consumption (G_C).

Equation 12 is a new representation of the familiar macroeconomic identity that equates aggregate investment with aggregate savings. So, what is new? Unlike traditional approaches to investment/savings relations, this expression redefines what is meant by investment and includes non-market production. This changes how we analyse and understand macroeconomics. To see this, we can return to the more traditional approach by excluding non-market production, treating all government expenditure the same, and including spending on consumer durables as part of consumption, not investment. Making these adjustments turns Equation 12 into a textbook expression of the investment/savings relationship.

(13) $(I_M - D) = S_M + (T - G)$

Although seemingly innocuous, this expression lies at the heart of the crowding-out debate. It states that net private investment equals private savings plus government savings, the difference between taxes and spending. The crowding-out interpretation of this identity holds that increases in government spending (G) will reduce the right-hand side of the identity and cause net private investment to fall.

The point here is not to resolve the investment/savings debate, but rather to demonstrate that the ways in which macroeconomic variables and relationships are defined have huge implications for understanding how economies work and the implications for policy. Seemingly minor changes such as incorporating non-market production into these variables and redefining what counts as investment change macroeconomic thinking. To see this, we return to the expanded investment/savings relationship.

$$(14) \quad (I_M + G_I - D) + (I_{CD} - D_{CD}) + I_{NM} = S_M + S_{NM} + (T - G_C)$$

One implication of this expanded approach to investment and saving is that non-market household production can support private fixed capital investment in the market economy. Suppose that there is an increase in non-market production. This can have two effects. It may raise the amount of non-market savings that support investments in human beings through unpaid care labour. In addition, it may raise the amount of non-market consumption. If non-market consumption substitutes for at least a portion of market consumption, a rise in non-market consumption may reduce expenditures on market consumption and raise household savings. This frees up resources that can be used for private fixed investment.

We can use this same expanded identity to look at a second example, one that explores the possible effects of a rise in women's labour force participation, i.e., participation in paid employment, on macroeconomic outcomes. A common argument is that increases in women's labour force participation will raise GDP and help support growth. What this argument fails to acknowledge, however, is that this will be true almost by definition. If women spend less time in non-market production, which is not counted as part of GDP, and spend more time in market production, which is, GDP will almost certainly rise. But the more comprehensive picture is less clear. Does the increase in the value produced by paid labour fully offset the loss of non-market income? In other words, how does expanded national product (EDP) change?

There are many possible answers. One scenario is that the decline in non-market production reduces non-market savings, while the increase in market income raises overall market-based consumption. The result could be lower net investment and less savings. Of course, higher market consumption may, in the medium term, encourage more investment in the market economy and help to offset the initial fall in non-market investment. Much depends on the use of the market income women earn when they enter the workforce or increase their hours of paid work. It may be used to purchase substitutes for non-market investments, such as paid childcare. It may also be used to purchase consumer durables that increase the productivity of the unpaid labour used in non-market production.

Most importantly, this exercise involving accounting identities demonstrates how redefining what we mean by investment – to include public investment, investments in human capacities and non-market forms of investment – fundamentally changes macroeconomic analysis. These changes are based on observations long made by feminist economists. Human beings and their capacities are produced as part of the functioning of any economy, and this process must be reflected in macroeconomic policies, specifically those involving efforts to boost investments to improve an economy's long-run prospects.

3. FINANCING PUBLIC INVESTMENTS IN INFRASTRUCTURE AND HUMAN CAPACITIES

This chapter has argued that public expenditures, particularly those that increase the private productivity of households and firms, will not necessarily crowd out private spending and can actually enhance economic growth and living standards. This includes spending on physical investments (e.g., infrastructure) and intangible, human investments. Non-market production, which primarily uses women's unpaid labour, complements public investments in human capacities. A good example of this is the non-market investment made in early childhood development and subsequent achievements with respect to formal educational attainment. The impact on gender inequality is mixed. Certain investments reduce the burden of unpaid work (e.g., installing a water tap to reduce time spent carrying water), while others currently rely on non-market production (e.g., unpaid childcare for preschool children). One way of addressing this latter source of gender inequality is to move care provision from the non-market sector to the public sector through government-sponsored childcare programmes.

If the goal is to increase public investment, tangible and intangible, to support the long-run health of the economy while reducing gender inequalities, the question arises of how to pay for such investment. One obvious answer is to finance additional public expenditures by mobilizing tax revenues. Increasing total tax revenues, in the short run, involves a transfer of resources from the private sector (households and businesses) to the public sector. If this were the only effect of such spending, we would expect private expenditures to fall – less household consumption, lower levels of business investment or a combination of the two. But such investments raise productivity and lead to higher aggregate incomes. The increase in incomes could entirely offset the initial transfer of resources to the public sector. In other words, crowding out does not occur, and the investments are effectively self-financing.[13]

Even if private returns, measured with respect to the growth of future incomes, are not high enough to provide full monetary compensation to households and businesses for the taxes required for an increase in public investment, such an increase may still be justified. This would be the case if the social returns to investment were sufficiently high to provide other benefits, possibly non-monetary, that households and businesses value.

Another possible way to finance more public investment is through government borrowing. Borrowing creates a claim on future budgets, since debt has to be serviced and repaid. In deciding whether public debt should be used to finance investment expenditures, broadly defined, it is critical to consider whether the debt-financed resources are being allocated in a way that raises future productivity. As discussed at length, borrowing to finance public investments can crowd in private investment, leading to higher rates of growth. Faster growth generates additional economic resources that support higher tax revenues and allow governments to repay the debt. For these reasons, debt-financed fiscal expansions are more likely to be sustainable when the additional spending is concentrated in productivity-enhancing areas. As long as the returns to public investment, as measured by their contribution to future revenue growth, are greater than prevailing interest rates, debt-financed public investment will be fiscally sustainable – i.e., the growth in revenues would cover debt-servicing costs and allow repayment of the debt over time.

Whether financed through transfers from the private sector (i.e., taxes) or through debt, public investments have the potential to be self-financing without reducing, over time, average private consumption or investment expenditures. This is a significant departure from the standard crowding-out story. It also underscores the importance of redefining critical macroeconomic variables – what constitutes savings and what counts as investment.

CONCLUSION

An approach to investment policy that is consistent with gender-equitable inclusive growth would broaden the definition of investment to include intangible investments in human capacities, investments in capital goods used in non-market production and forms of infrastructure that raise the productivity of unpaid labour. The mix of public investment would be evaluated with regard to the long-run social returns on those investments, taking into account non-market production, and the distribution of benefits between women and men. Investments in maintaining and improving human capacities would need to be gender equitable – e.g., improvements in health-care services or educational programmes must be comparable for women and men, and work to close existing gender gaps. Women's burden of unpaid work should be reduced by investing in appropriate infrastructure. Along similar lines, with regard to forms of investment in human capacities that rely on unpaid care work, such as early childhood development, public provisioning of services such as childcare would reduce the time burden on women.

All of this requires a reformulation of macroeconomic analysis. Traditional approaches to macroeconomics give disproportionate weight to capital investments made by private businesses. They ignore the role of public and human investments in supporting the long-run productivity of market and non-market activities within the economy. This leads to problematic policy conclusions, such as the need to slash public spending to encourage private business investment for the long-run health of the economy. It also contributes to gender inequality by stressing forms of investment that benefit men more than women, and by ignoring women's contributions to maintaining productivity in the long run. This chapter has advanced arguments showing how expanding the definition of what constitutes investment can change macroeconomic analysis and policymaking. By taking these issues on board, and reformulating the basic relationships that underpin macroeconomic analysis, a new approach to investment emerges that can be used to both reduce gender inequality and make our economies more vibrant in the future.

NOTES

1. Becker 1994.
2. Psacharopoulos and Patrinos 2018.
3. See, for example, Acemoglu and Angrist 1999.
4. Barro 2001; Mankiw et al. 1992.
5. Agénor et al. 2010.
6. Heckman 1999, 2013; Alderman 2011.
7. Bornstein et al. 2008.
8. Heintz 2010; Bayraktar and Moreno-Dodson 2010; Romp and de Haan 2007; Aschauer 1989a, 1989b; Munnell 1990a, 1990b.
9. For example, Fontana and Natali 2008.
10. Doss 2013.
11. For example, Agénor et al. 2010.
12. See, for example, Ilkkaracan et al. 2015
13. Roy and Heuty 2009; Chapter 2 in this volume.

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CHAPTER 5

HOW HUMAN RIGHTS CAN STRENGTHEN PROSPECTS FOR GENDER-EQUITABLE INCLUSIVE GROWTH

Radhika Balakrishnan

INTRODUCTION

Extreme levels of inequality, widespread joblessness and insecurity, large-scale environmental disasters, and the rise of right-wing movements and governments all over the world indicate the urgency of rethinking economics and economic policy. Yet dominant approaches to economic policy have focused on a handful of narrow goals, such as the growth of GDP. The 2030 Agenda for Sustainable Developmenthas brought a focus on inclusive growth rather than growth for its own sake.

The Declaration of the 2030 Agenda states: "We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities."[1] Chapter 1 of this volume defines gender-equitable inclusive growth as:

> ... a pattern and process of growth that ensures prosperity is shared between men and women in ways that reduce gender inequality through changes in the three spheres of the economy: production, social reproduction and finance. Prosperity is understood in multidimensional terms, not only as income and consumption, but also as meaningful and satisfying paid and unpaid work, and time free from paid and unpaid work, on an equal basis for women and men.[2]

This chapter argues that gender-equitable inclusive growth is more likely to be achieved if a human rights framework is employed. This provides a powerful language that frames policies and outcomes in terms of violations of obligations and rights, and offers procedures through which policy may be challenged nationally and internationally. The chapter will examine the ways in which human rights norms and principles provide a yardstick to assess the extent of shared prosperity and the adherence of economic growth policies to human rights obligations. It will indicate how a human rights approach can help secure changes in the patterns and processes of growth, and show how the adoption of these norms and principles can help safeguard against many forms of harmful inclusion.

The chapter will also highlight the ways in which the human rights perspective calls for less technocratic, more transparent and accountable policy processes, in which deprived and unequally treated people can claim their rights. A human rights framework addresses the question of whether policy processes are themselves inclusive and how policy processes need to change. These issues will be illustrated with respect to the regulation of the ownership, control and use of natural resources, which is currently failing in many cases to ensure that the benefits of natural resource development are shared fairly and in ways that reduce gender inequality.

1. HOW HUMAN RIGHTS NORMS SUPPORT GENDER-EQUITABLE INCLUSIVE GROWTH

The Universal Declaration of Human Rights,[3] accepted by all United Nations Member States, covers a range of rights, including the following economic and social rights. These give specificity to the idea of shared prosperity, as in Article 23 on the right to work:

> (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
>
> (2) Everyone, without any discrimination, has the right to equal pay for equal work.
>
> (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
>
> (4) Everyone has the right to form and to join trade unions for the protection of his interests.[4]

Applying the right to work, and looking at just and favourable conditions of work in terms of gender equality, requires greater access to employment and productive resources, reduced job segregation, macroeconomic policies that promote full employment and reductions in women's disproportionate unpaid care burden. Gender-equitable inclusive growth implies that the quality of employment is critical and therefore requires work that pays a living wage and provides economic security with limited volatility in income flows.[5]

Article 24 of the Universal Declaration of Human Rights notes:

> Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.[6]

This right has important implications for unpaid care work. It suggests that shared prosperity must go beyond just providing pathways to paid employment and access to income, and is particularly important for women in paid employment who also spend long hours on unpaid work at home with insufficient time for rest and leisure. This right also indicates where public investment must be concentrated. As Heintz states in Chapter 4, public investments that raise the productivity of labour involved in unpaid work can lead to greater gender equality by reducing the time burden of unpaid work.[7]

Article 25 of the Universal Declaration of Human Rights stipulates the right to an adequate standard of living:

> (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.[8]

The idea of an adequate standard of living expands the notion of prosperity beyond the ability to buy. These rights call for the kinds of macro policies broadly geared towards improving living standards, taking into account not only price stability, but also wages, employment, access to credit and ownership of productive assets.[9]

According to Article 26 on the right to education:

> (1) Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit. [10]

The argument for investment in human capacities as being essential for inclusive growth is backed by the universal right to education. [11]

Article 26 further states:

> (2) Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations, racial or religious groups, and shall further the activities of the United Nations for the maintenance of peace. [12]

Evidence has shown that increased investment in education increases future lifetime earnings. Early childhood development affects cognitive development, educational achievement later in life and health outcomes. The recognition of the role of unpaid care work is central to early childhood development, yet the importance of gender roles is not always recognized in discussions of investing in education.[13]

The Universal Declaration of Human Rights was followed by a series of international treaties that detail the human rights all human beings can claim and the obligations of governments to realize these rights. A few important ones for examining inclusive growth from a feminist perspective are the 1965 Convention on the Elimination of All Forms of Racial Discrimination; the 1966 International Covenant on Economic, Social and Cultural Rights; and the 1979 Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The framework set out in the Maastricht Guidelines on Violations of Economic, Social and Cultural Rights is particularly useful.

States have accepted obligations for human rights, but human rights are not usually factored into the design and implementation of economic policy. Rights are considered the purview of the ministry of justice and not the ministry of finance. Even when human rights are incorporated in economic policy issues, they are generally only applied to issues easily contained within the boundaries of a specific nation State. Inclusive growth is an international issue, however, with implications stretching beyond national boundaries. A human rights framework requires acknowledgement of extraterritorial obligations and the consequences of economic policymaking for gender-inclusive equitable growth in other countries, such as in trade and investment policies.[14]

2. HOW HUMAN RIGHTS REFRAMES ECONOMIC AND SOCIAL POLICY

2.1 The Maastricht Guidelines on the Violation of Economic and Social Rights

These principles were adopted in 1997 to elaborate on the Limburg Principles on the Implementation of the International Covenant on Economic, Social and Cultural Rights. They apply to the nature and scope of violations of economic, social and cultural rights, and appropriate responses and remedies, in particular through monitoring and adjudicating bodies at the national, regional and international levels.[15]

The Maastricht Guidelines provide a yardstick to assess economic policymaking. What follows are some key components to define the extent to which growth policies are inclusive and gender equitable.

The obligation to respect rights.

The obligation to respect rights requires States to refrain from interfering with the enjoyment of economic and social rights, with particular attention to the rights of groups facing discrimination, such as women and minorities. Separate from the notion of progressive realization, this implies an immediate prohibition upon States from engaging in activities that deprive people of their economic, social and cultural rights. Some violations that can be used to assess inclusive growth are abolishing minimum wage laws, restricting the activities of trade unions or supporting multinational corporations that violate work rights. [16]

The obligation to protect rights.

The obligation to protect rights requires States to prevent violations of such rights by third parties. Therefore, a State's failure to ensure that private employers comply with basic labour standards may amount to a failure to meet its obligations to protect the right to work or the right to just and favourable conditions of work. States must guarantee that essential goods and services such as health care and education, which may be provided by private actors but are essential to the fulfilment of economic, social and cultural rights, are available to everyone. States are obliged to take all necessary legislative and juridical steps to end discrimination based on income, gender, race, ethnicity, religion and political opinion. Further, as stated in Chapter 1, inclusion needs to be conceptualized so that harmful, injurious, impoverished, precarious and segregated inclusion does not take place.[17]

A violation of this obligation will be, for example, if a State allows: private enterprises to deny their employees rights at work, industries to pollute water and land resources with subsequent harm to health, businesses to discriminate against a racial or ethnic group by paying them less or refusing to hire them, or third parties to demolish houses and render people homeless.[18] A failure to protect also covers changes in the legal framework that allow the interests of the financial sector to dominate in ways that create more volatility, give rise to economic crisis, reduce growth, and increase inequality and deprivation.

The obligation to fulfil rights.

The obligation to fulfil rights is generally recognized as comprising three elements – to facilitate, provide and promote rights. It requires States to take appropriate legislative, administrative, budgetary, judicial and other measures towards the full realization of such rights. This obligation is tied to the notion of progressive realization and maximum available resources, as explained below. It is the burden of the State to prove that they have used the resources at their disposal, to the greatest extent and in the most efficient and fair manner, to ensure the fulfilment of the economic, social and cultural rights of individuals within their jurisdiction.

Fulfilment of this obligation means that states have to create and approve legislation that promotes and protects economic, social and cultural rights, while allocating all necessary resources for the achievement of these rights. This is a way to look at national budgets and see what is being prioritized, and whether priorities include funding investments that will support gender-equitable inclusive growth. States must also ensure that people have the proper means to complain and obtain remedies in cases of the violation of their rights. When growth is not inclusive in terms of providing an adequate standard of living to everyone, States must provide direct subsidies or assistance to the poor to obtain essential goods and services.

This implies a very radical shift in the way economic policy is conducted and what is prioritized in macroeconomic policymaking.[19] As discussed in earlier chapters, particular kinds of fiscal, monetary and industrial policies need to be applied to secure gender-equitable inclusive growth. Not introducing these measures is not only a policy failure, it is also a violation of human rights obligations.

2.2 Obligation of conduct and result

Each of the above obligations has two dimensions – one of conduct, which means that the State has to show ways in which they are fulfilling their obligations; and one of result, which means that the State must show that its conduct is resulting in positive outcomes. The obligation of conduct means that a government is obliged to behave in a way that reasonably can be expected to realize the enjoyment of a particular right. On the other hand, the obligation of result requires that a government is obliged to achieve outcomes that enhance the enjoyment of a specific right or rights.

The Maastricht Guidelines state:

> In the case of the right to health, for example, the obligation of conduct could involve the adoption and implementation of a plan of action to reduce maternal mortality. The obligation of result requires States to achieve specific targets to satisfy a detailed substantive standard. With respect to the right to health, for example, the obligation of result requires the reduction of maternal mortality to levels agreed at the 1994 Cairo International Conference on Population and Development and the 1995 Beijing Fourth World Conference on Women. [20]

The obligation of both conduct and result can also be used to assess targets on inclusive growth in the 2030 Agenda or set targets based on other United Nations commitments.

2.3 Progressive realization

Article 2 of the International Covenant on Economic, Social and Cultural Rights specifies that States Parties have the obligation of "achieving progressively the full realization of the rights recognized in the present Covenant to the maximum of available resources."[21] The obligation is premised on the understanding that States do not have access to unlimited resources. But they are nevertheless obliged to move as expeditiously and effectively as possible towards full realization of rights. Measures towards that end should be deliberate, concrete and targeted as clearly as possible in order to meet the obligations of States Parties.[22] The obligation towards progressive realization has clear implications for examining how budgets are allocated over time has it increased or decreased spending on economic and social rights. One could also look at what percentage of the budget has gone to fulfil rights versus other things such as the military, and lastly one could compare budget allocation with those of other countries of similar size.[23] The obligation of result requires evidence of improvements in the enjoyment of rights. It requires policies that are not showing such results to be changed. Policies supportive of progressive realization include the fiscal and monetary policies that Seguino suggests in Chapter 2, and the industrial and public investment policies outlined by Braunstein and Heintz in Chapters 3 and 4, respectively.[24]

2.4 Non-retrogression

In 1990, the United Nations Committee on Economic, Social and Cultural Rights stated in General Comment 3, paragraph 9, that actions by governments that use deliberately retrogressive measures need to be fully justified and carefully considered, paying regard to the full use of maximum available resources.[25] Cuts to spending on public services and social protection at the same time as reductions in taxes on the rich would not be in compliance with non-retrogression. Many of the austerity measures introduced by some countries after the 2008 financial crisis (and being imposed on others by international financial institutions) are a clear violation of this principle.[26]

2.5 Maximum available resources

The definition of the "maximum available resources" that governments should use for "progressive realization" of human rights has not yet been fully elaborated by the Committee on Economic, Social and Cultural Rights. In 2007, the Committee clarified that the definition referred to both domestic resources and international assistance. To further develop this concept, maximum available resources should be examined in terms of five types of policy: government expenditure, government revenue, development assistance (both official development assistance and private resource flows), debt and deficit financing, and monetary policy and financial regulation.[27]

Many aspects of maximum available resources correspond to what some economists refer to as the "fiscal space diamond",[28] where the four points of the diamond are expenditure reprioritization and efficiency, domestic resource mobilization through taxation and other revenue-raising measures, foreign aid grants (official development assistance), and deficit financing.[29] Including monetary policy and financial regulation provides instruments for directing financial resources towards uses that support the realization of human rights and can safeguard against financial crisis. Chapter 2 proposes the kinds of macro policies required for a State to make maximum use of available resources.

Evaluating maximum use goes far beyond simply looking at budgets to see where money is spent. It includes decisions regarding debt and deficit financing, and whether countercyclical policies are used during downturns to increase demand and employment. Richer countries are more able to borrow to support such policies, but poorer countries have less latitude to adopt countercyclical policies. Institutions such as the IMF have pushed for reductions in public sector spending via the conditionalities they impose on countries that must borrow from them. This limits the ability of some governments to adopt policies that support realization of economic and social rights, and can be viewed as a violation of the obligation to use maximum available resources.[30]

2.6 Minimum core obligations

The obligation to ensure that people enjoy a minimum essential level (or minimum core) of economic and social rights is an immediate obligation. It includes and specifies that the duty of the State is to prioritize the needs of the poorest and most vulnerable. This obligation has been used to question the impact of trade policy and intellectual property rights regimes that limit the availability of medicines required to provide the minimum core of the right to health.[31] Unpaid care work is another aspect that needs to be considered when defining the minimum core. Recent academic work on time poverty and the role of unpaid care work needs to be taken into consideration in a gender-equitable understanding of the minimum core. [32]

2.7 Non-discrimination and equality

Non-discrimination and equality is an immediate obligation and has important policy implications for gender equality. Any programmes set forth in an inclusive growth agenda that are shown to be discriminatory need to be immediately rectified. The other chapters in this book indicate an array of macroeconomic, public investment and trade policies that should be re-examined to ensure they are gender equitable.[33]

The Universal Declaration of Human Rights states in Article 2 that: "Everyone is entitled to all the rights and freedoms set forth in this Declaration without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status."[34]

CEDAW prohibits discrimination against women in all its forms and obligates States to take steps by all appropriate means and without delay to pursue a policy of eliminating discrimination (Article 2). The Convention not only requires the absence of a discriminatory legal framework, but also mandates that policies must not be discriminatory in effect. States must achieve both substantive and formal equality.[35]

Formal and substantive equality are different but interconnected concepts. Formal equality generally prohibits disadvantageous distinctions[36] between men and women in law and policy. Substantive equality goes one important step further by looking at the impacts of laws, policies and practices on women. The substantive equality model implies that even laws and policies that formally treat men and women equally are nevertheless considered discriminatory if they have a disproportionately negative impact on women. The substantive equality model therefor requires government to achieve quantitative and/or qualitative equality of results.[37]

The implications for gender-equitable inclusive growth are many. As Elson notes:

> Aggregate expenditure and revenue must be managed in ways that create adequate fiscal resources for the elimination of discrimination and the full development and advancement of women. Cuts in expenditure should not be designed in ways that add to the amount of unpaid work that women have to do in families and communities. Sufficient tax revenue should be raised to provide adequate funding for the measures that are necessary to implement CEDAW. Debt repayments must not be allowed to crowd out funding for services essential for the realization of CEDAW. The rich countries must

take up their obligations to assist the poorer countries by providing resource flows to sustain adequate fiscal resources for CEDAW realization. [38]

Article 2 of the International Convention for the Elimination of All forms of Racial Discrimination requires that States Parties condemn racial discrimination and pursue a policy of eliminating racial discrimination in all its forms by all appropriate means and without delay. As in CEDAW, the obligation is immediate, and the State is obliged to take special and concrete measures to ensure the adequate development and protection of certain racial groups or individuals belonging to them in order to guarantee the full and equal enjoyment of human rights and fundamental freedoms.[39]

2.8 Accountability, participation and transparency

Accountability, participation and transparency mean that governments are obliged to provide mechanisms through which people can hold the State accountable, can participate in policymaking and can access the information required to do so. This requires all economic policy measures to be transparent, to involve public participation and to be accountable to the public for the realization of economic, social and cultural rights. Polices set with no consultation or participation and through which only a few people benefit violate these principles. With the influence of people with money over the State increasing all over the world, these principles can provide a powerful check on the concentration of power and decision-making. Meaningful democratic participation requires the protection of the basic rights of all people.

The dominant approach in economics tends to focus on technical evaluations of outcomes to determine which are the "best" in terms of maximization of benefits and minimization of costs, judged in terms of a financial calculus. A focus on accountability, participation and transparency, however, calls for well-informed democratic processes to evaluate policy options. A human rights approach implies that "there is no technocratic answer" – which we can sum up with the acronym TINTA.

Public dialogue and democratic deliberations must be informed by knowledge of alternative economic policies that depart from the dominant paradigms, and of human rights and the obligations of government to realize these rights. Without the knowledge and understanding of alternative economic models suggested in this volume, deliberations may result in the adoption of policies that are no better, in terms of fulfilling rights, than those representing the interests of small but powerful constituencies, such as the financial sector.[40]

How civil society organizations are using the human rights framework is explained in a manual developed to help realize grass-roots demands related to land. Case studies include the struggle by the Movement for the Survival of the Ogoni People in the Niger Delta in defense of their rights to their land and against oil extraction and resulting pollution, and the use of human rights by the Nairobi Peoples Settlement Network to raise awareness among, organize and mobilize residents of the city's informal settlements. Another case explores the experience of the Platforma DhESCA (Platform for Economic, Social, Cultural and Environmental Rights) in Brazil in collaborating with national rapporteurs, a mechanism modeled on the United Nations Special Rapporteurs. The case focuses on the work of the National Rapporteur on the Right to Land, Territory and Adequate Food. A final case analyses the development and eventual adoption of the UN Declaration on the Rights of Indigenous Peoples. [41]

3. INTERNATIONAL RESPONSIBILITIES FOR INCLUSIVE GROWTH AND THE RIGHT TO DEVELOPMENT

3.1 Unequal power among countries

While States are the duty bearers for human rights norms, the current structure of the global economy creates a situation in which different States have significantly different policy options available to them. Some face many more constraints on their policy autonomy than others.[42] This can reinforce existing inequalities that limit the realization of economic and social rights. Addressing both unequal distribution of resources and inequalities with regard to policy space requires coordination and cooperation between countries. It raises challenging questions of how to develop a framework, consistent with human rights principles and obligations, that supports the realization of rights globally.

One human rights instrument that addresses inequalities between countries is the Declaration on the Right to Development, adopted in 1986. The Declaration emerged from demands from post-colonial countries for a framework that supports a more just system of international economic governance.[43] It stipulates the need for joint international action to address the human rights consequences of current global economic arrangements.[44] The question of how to define duty bearers and rights holders, however, remains unresolved.

The Declaration conceives of development as a collective process, rather than focusing exclusively on a set of individual rights. It emphasizes rights at the national and individual levels. Its preamble states:

> [D]evelopment is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom...the right to development is an inalienable human right and that equality of opportunity for development is a prerogative both of nations and of individuals who make up nations[.][45]

Distribution is a central concern of the Declaration, which attempts to address global inequality among countries and the processes that produced it. In considering the distribution of the benefits of development, the Declaration stipulates the rights of peoples to self-determination and full sovereignty over their natural wealth and resources. It states that there is a need "to promote a new international economic order based on sovereign equality, interdependence, mutual interest and cooperation among all States, as well as to encourage the observance and realization of human rights."[46] But what exactly should this international order look like? And how are issues of sovereignty reconciled with greater interdependence and cooperation?

The idea of extraterritorial obligations is one approach to addressing these challenges. The 2011 Maastricht Principles on Extraterritorial Obligations of States in the Area of Economic, Social and Cultural Rights constitute an international expert opinion, restating human rights law on extraterritorial obligations and not purporting to establish new elements of human rights law. The principles address issues of unequal power and international coordination.[47]

Extraterritorial obligations refer to acts and omissions of a Government that affect the enjoyment of rights outside the State's own territory.[48] Given current levels of global inequality and structural inequalities reflected in the process of globalization, the question of extraterritorial obligations is central to understanding the barriers to realizing human rights.

Early reference to extraterritorial obligations can be found in the International Covenant on Economic, Social, and Cultural Rights. It recognizes that a country has obligations with regard to the realization of economic and social rights beyond its borders. Article 2(1) states that governments should:

> [T]ake steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means.[49]

International law implies a commitment to international cooperation. The nature and extent of this cooperation with regard to economic and social rights has not yet been clearly spelled out, however.[50] While international coordination of economic policies, including financial policies and regulations, has been broadly recognized, there is a need to examine in much greater detail how policy choices made by one country affect the realization of rights elsewhere.[51] In addition, the obligations of States as members of international organizations that influence the policies adopted by governments, such as the IMF and the World Bank, are an area of concern.[52]

Treaty bodies have elaborated extraterritorial obligations with regard to human rights in a number of cases. For instance, General Comment 12 of the Committee on Economic, Social, and Cultural Rights focuses on the right to food and explicitly recognizes the importance of international cooperation to address issues of food security, hunger, famine and lack of basic nutrition.[53] Similarly, in the General Comment 14 on the Right to Health the Committee recognizes a collective responsibility to address the risks associated with diseases that can be transmitted across international borders.[54] Although the General Comment is about global public health challenges, there are important parallels to economic governance, such as the need to prevent the spread of financial crises from one country to another. The ability to realize the right to food is undermined by many issues, such as volatility in the prices of food because of the role of the international financial sector, and implies the need to look at the extraterritorial obligations of countries in global economic policymaking.

Civil society organizations have used extraterritorial obligations in organizing against certain excessive and unsustainable kinds of development. A clear example is the work done by Pratirodh Sangram Samiti (the Anti-POSCO People's Movement), which formed in 2005 to contest a partnership between the POSCO corporation, based in the Republic of Korea, and the government of the north-eastern Indian state of Odisha. The Movement fought to retain members' lands and continue their sustainable framing practices. Members of the Economic Social and Cultural Rights Network (ESCR-Net) across India, the Republic of Korea, the United States and the European Union undertook collective advocacy based on the existing human rights obligations of the Indian Government, the human rights responsibilities of the POSCO corporation and the extraterritorial human rights obligations of the Government of the Republic of Korea. Their advocacy ended with the cancellation of the project and became a key example of activists using existing human rights obligations to chart a sustainable development agenda.[55]

The realization of human rights in this context will involve, among other steps, appropriate investigation into and remedies for past human rights violations, measures to create an enabling environment for the regeneration and pursuit of livelihoods, the adoption of participatory and sustainable agrarian approaches, and a shift in policy and practice so that all foreign direct investment negotiations or agreements recognize the social and cultural functions of land and natural resources, as well as the primacy of States' human rights obligations over corporate interests.

The extraterritorial obligations of States with regard to economic governance are not limited to the regulation of corporate behaviour, but include the policy choices governments make.[56] Actions by one country in the conduct of economic policy, particularly one with a large and influential economy, can affect the economic environment of other countries in ways that potentially undermine the realization of economic and social rights. There is growing recognition – for example, as reflected in the SDGs – that inequality is a problem. Steps need to be taken to address the negative consequences of the extreme polarization evident in the global economy.

The human rights framework provides an important yet evolving entry point to address the structural issues behind existing inequalities, the role for international cooperation and the need for global redistribution. Human rights instruments and principles, such as those contained in the Declaration on the Right to Development and particularly with regard to the Maastricht Principles, provide a firm foundation for moving forward and addressing historic inequality in development due to colonialism and current inequities in the global economic system.

More needs to be done to apply the human rights approach to the pressing challenge of global inequality. Though SDG 10 addresses inequality between countries, it does not really suggest a mechanism to address such inequalities. As Fukuda-Parr and McNeill (forthcoming) point out, the SDG targets and indicators focus more on the exclusion of marginalized groups from socio-economic and political opportunities to escape poverty, rather than issues of inequality and the concentration of income and wealth at the top. Thus, targets and indicators are not aligned with the aspiration of the goal, which is to address inequality within and between countries, rather than simply to reduce poverty.[57] The targets do address the need to regulate the financial sector by pointing to improved regulation and monitoring of global financial markets and institutions, and strengthened implementation of such regulations.[58] The IMF, however, is left to come up with solutions to the weaknesses of regulation that have increased volatility globally and decreased the ability of governments to pursue truly inclusive and gender-equitable growth models.[59]

4. REGULATION OF THE OWNERSHIP, CONTROL AND USE OF NATURAL RESOURCES

4.1 The limits and hazards of reliance on growth

The idea of inclusive growth presumes that growth is the one and only answer to equality. All we need to do is to make sure is that growth is inclusive, and growth can be structured to make sure that everyone benefits from it. One of the serious problems with this assumption is that there are major environmental limits to growth. Indeed, environmental destruction is one possible result of continued growth. Whether inclusive or not, growth in and of itself can create not only negative externalities such as pollution, land degradation and climate change, but also has unequal distributive outcomes when the environment is destroyed. One of the basic tenants of the Declaration of the Right to Development is the rights of peoples to self-determination and full sovereignty over their natural wealth and resources. Development models based on unequal power and access to resources limit abilities to exercise rights over natural resources. The enjoyment of human rights to food, water and housing are all shaped by the pattern of growth.

Macroeconomic policy choices have an impact on the environment. Macroeconomic policies imposed by institutions such as the IMF and the World Bank promote the use of natural resources for export-led growth as part of stabilization and structural adjustment programmes. Yet studies show these do not move countries to more sustainable development paths for two basic reasons. First, although price changes improve economic efficiency in financial terms, higher production levels increase aggregate environmental impacts. Economic reforms do not account for environmental and social costs.[60] Second, the use of natural resources for export-led growth favours large agrobusiness over small farmers, and pushes small farmers to adopt unsustainable modes of agricultural production. Where agricultural development has encouraged small farmers to shift from low-risk, low-input subsistence crops to high-risk, high-cost export crops, they face volatile international prices and high costs of credit. If they become increasingly indebted, they are particularly vulnerable to loss of land.[61] The use of natural resources in export-led growth has serious environmental costs that lead to a retrogression in the rights of people to food, housing, water and sanitation to name a few. [62]

Climate change has increasingly created conditions where severe weather events are more likely to occur, further threatening human rights and prospects for shared prosperity. The devastating floods in Kerala, India in 2018 are just one example of the consequences of limitless and destructive growth. Deforestation for timber, used in constructing houses where rice was once grown, was one reason for the level of destruction caused by the floods. [63]

The consequences of climate change disproportionately impact the poor and vulnerable, and widen inequalities. Agricultural output will be affected, productivity will be lower, investment will decline and health will be poorer. Domestic policies alone cannot fully insulate low-income countries from the consequences of climate change. Some projects to tackle climate change have had detrimental impacts on poor and disadvantaged social groups, and have been captured by more powerful interests.[64]

The Declaration on the Right to Development provides a framework that can be used to question the reliance on limitless growth as a form of development. It enumerates a number of elements of the right to development, including the following.

People-centred development: The Declaration identifies "the human person" as the central subject, participant and beneficiary of development. The Declaration specifically requires that development be carried out in a manner "in which all human rights and fundamental freedoms can be fully realized". [65]

Participation: The Declaration calls for the "active, free and meaningful participation" of people in development.[66]

Equity: The Declaration underlines the need for "the fair distribution of the benefits" of development. [67]

Non-discrimination: The Declaration permits no "distinction as to race, sex, language or religion".[68]

Self-determination: The Declaration integrates self-determination, including full sovereignty over natural resources, as a constituent element of the right to development.[69]

All of the above criteria can be used to evaluate if growth is truly inclusive and gender equitable, and to imagine a whole new conception of growth and inclusivity. Re-examining the ecological limits of growth needs to go beyond looking at the negative consequences of pollution to radically shifting conceptions of prosperity. Recent studies have found that overall the world has shown improvement across an aggregate of 51 indicators of social progress, but widespread deterioration in rights and inclusion measures.[70] A new model of development should assign the State a major role in making sure that people's rights are protected, respected and fulfilled.

CONCLUSION

The OECD's Inclusive Growth Framework includes a measure of "multidimensional living standards" designed to track societal welfare and analyse the extent to which growth – in a given country and over a given period – translates into improvements across the range of outcomes that matter most in people's lives. Although there is work on non-income measures of inclusivity, the use of the human rights framework, in terms of the fulfilment of rights such as the right to health, education, an adequate standard of living and work, will provide a new way to examine whether economic policies are promoting shared prosperity.

Over the past three decades, economic policy has been geared towards achieving economic growth, underwritten by assumptions about the virtues of the market. Efficiency rather than ethics has been the concern. When attention has been paid to human rights, economic policymaking has proceeded with the assertion that economic growth, no matter how skewed in favour of a few, will ultimately benefit all by providing resources for the realization of human rights. Yet the means to achieve economic growth have all too often been responsible for undermining goals in the domain of human rights. [71]

Human rights represent a normative and evaluative framework that stresses a broad range of objectives that go beyond the notion of inclusion in growth to emphasize the substantive freedoms and choices people enjoy in their lives. In terms of gender equality, the human rights framework recognizes the need for substantive equality, and that all aspects of people's lives need to be taken into consideration when ensuring that everyone in practice enjoys the same rights and freedoms. These rights include the right to food, the right to work, the right to health, the right to an adequate standard of living, the right to housing and the right to education, among others. The obligation to fulfil and realize these rights is borne by the State.[72]

The human rights framework allows us to move beyond a narrow focus on GDP or income when evaluating economic outcomes. Instead, it stresses the progressive realization of economic and social rights over time. The idea of progressive realization replaces GDP growth as the measure of social progress, and provides a new understanding of prosperity. Advances in social justice and sharing of prosperity are achieved when the enjoyment of rights to an adequate standard of living, education, health, work and social security, among others, improves over time.

Although the human rights framework gives us an alternative to GDP for evaluating outcomes, it does not provide a calculus through which to rank policy alternatives. Instead, the human rights approach offers guidance in the process of prioritizing alternatives. For example, rights should be progressively realized, and steps should be taken to prevent any movement backward in the enjoyment of any particular right. Similarly, the principles of non-discrimination and equality are a powerful safeguard against policies with biased outcomes. Another important aspect is that human rights has a collective as well as an individual dimension. Individual rights need to be realized, but that has to be done with collective action to articulate and claim rights, and collective provision through the public sector to ensure that each individual can enjoy their rights.[73]

The SDGs promote inclusive growth with very little articulation of what it actually means. Goal 8 states, "Promote sustained, inclusive and sustainable economic growth, full and productive work for all."[74] Human rights can be used to spell out what shared prosperity should look like.

The human rights system provides resources and important arenas for social struggles to change existing patterns of growth. Simply reminding governments that they have human rights obligations will not change existing policies – social mobilization is required. Human rights offer an important resource for such mobilization, providing not only an ethical vision and an international legal framework, but also a powerful language through which those pushed behind can see themselves as claiming rights rather than begging for charity. [75]

NOTES

1. United Nations General Assembly 2015, para. 3.
2. See Chapter 1 in this volume.
3. United Nations General Assembly 1948.
4. Ibid.
5. See Chapter 2 in this volume.
6. United Nations General Assembly 1948.
7. See Chapter 4 in this volume.
8. United Nations General Assembly 1948.
9. See Chapter 2 in this volume.
10. United Nations General Assembly 1948.
11. See Chapter 4 in this volume.
12. United Nations General Assembly 1948.
13. Ibid.
14. See Chapter 3 in this volume.
15. ICJ 1997
16. Ibid.
17. See Chapter 1 in this volume.
18. ICJ 1997
19. Ibid.
20. Ibid.
21. Office of the High Commissioner for Human Rights 1966.
22. United Nations Committee on Economic, Social and Cultural Rights 1990, para. 9; Balakrishnan et al. 2016.
23. Balakrishnan and Elson 2008.
24. See Chapters 2, 3 and 4 in this volume.
25. United Nations Committee on Economic, Social and Cultural Rights 1990, para. 9.
26. Ibid.
27. Balakrishnan et al. 2011.
28. UNDP 2010.
29. Ibid.
30. See Chapter 2 in this volume.
31. Fukuda-Parr 2018.
32. Zacharias 2017.
33. See Chapters 2, 3 and 4 in this volume.
34. United Nations General Assembly 1948.
35. United Nations Committee on the Elimination of Discrimination against Women 2004a, para. 8.
36. Distinctions are allowed if their purpose is to redress inequality. For instance, CEDAW permits temporary special measures such as quotas to redress inequality in political representation.
37. Elson 2006.
38. Ibid.
39. Balakrishnan et al. 2016.
40. Ibid.
41. See ESCR-Net 2013.
42. Ocampo and Vos 2008.

43. Fukuda-Parr 2012.
44. Ibid.
45. United Nations General Assembly 1986.
46. Ibid.
47. ICJ 2012.
48. Ibid.
49. Office of the High Commissioner for Human Rights 1966, article 2, para. 1.
50. Coomans and Kamminga 2004.
51. Salomon 2007.
52. Ibid.
53. United Nations Committee on Economic, Social and Cultural Rights 1999; Künnemann 2004.
54. United Nations Committee on Economic, Social and Cultural Rights 2000; Coomans 2011.
55. ESCR-Net 2017.
56. ICJ 1997.
57. Fukuda-Parr and McNeill (forthcoming).
58. United Nations General Assembly 2015.
59. Ibid.
60. Reed 1997.
61. Elson 2018.
62. Greenberg 1997.
63. For more information, consult the People's Archive of Rural India. https://ruralindiaonline.org/.
64. Elson 2018.
65. United Nations General Assembly 1986, article 1, para. 1.
66. Ibid., para. 2.
67. Ibid., article 2, para. 3.
68. Ibid., article 6, para. 1.
69. Pillay 2013; United Nations General Assembly 1986, article 1, para. 2.
70. Cunningham 2018. The 2018 Social Progress Index ranks 146 countries on social performance from 2014 to 2018. It uses 51 indicators covering nutrition, shelter, safety, education, health, rights and inclusiveness.
71. Balakrishnan and Elson 2011.
72. Balakrishnan et al. 2016.
73. Ibid.
74. See Chapter 1 in this volume.
75. Elson 2018.

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“We believe this book is an important and original contribution to the work on gender-inclusive growth and that will be very useful to us and to many partners around the world. We are very grateful for UN Women’s effort in generating knowledge and awareness on this topic.”

Hedda Öhlberger-Femundsenden and Priyanka Teeluck

“The authors persuasively show that the SDGs’ focus on inclusive growth is fragmented and does not provide a coherent vision of a gender-equitable sustainable development. The analysis presented in this book makes the public and policymakers aware that inclusive growth is merely a ‘tool’ or ‘means’, rather than the end. And as with any tool, it can bring harm, or it can be used for the (common) good. How then can inclusive growth be beneficial for the well-being of all women? This is the central question posed by the book.”

Maria S. Floro

“This book includes a new and valuable contribution of macroeconomic policy goals and tools for gender-equitable inclusive growth, including the relevance of macroprudential and monetary policy. This is a relatively less-explored aspect in the gender and macroeconomics debate.”

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