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PANEL IV

Gender perspectives in macroeconomics

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Gender Perspectives in Macroeconomics¹

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It is an honor to have been invited to address the distinguished audience and panel on *gender perspectives in macroeconomics* at the United Nations today. I propose to focus my remarks on the region that engages us at the Inter-American Development Bank (IDB), i.e., Latin America and the Caribbean, in short, LAC. I will focus on selected macroeconomic trends and human development achievements in the context of the Millennium Development Goals (MDGs), concluding with observations regarding policy implications and the role of the IDB.

I should note that I am humbled by the complexities of the interrelationship between gender issues and aggregate economic trends. To understand the relationships it is necessary to link aggregate phenomena such as growth, volatility, a financial crisis, adjustment, and so on to microeconomic decisions and outcomes and to the markets in which individual agents buy and sell. This requires models, gender-disaggregated data, and sound empirical work. The latter, however, is relatively rare.

Macroeconomic trends and women's human development achievements in LAC

Speaking of economic trends in LAC, perhaps the most important development to note is a change in the approach to, and the evolution of, economic thought during the past decade—from “paradigms” to pragmatism and the “political economy of the possible”, as it has been called.² Progress has been achieved in critical areas, most notably inflation, which fell to historically low levels as the notion of fiscal responsibility gained ground (Figure 1). Growth, on the other hand is volatile to this day and nearly stagnant in average per capita terms (Figure 2), while inequality remains high by international comparison and at levels that are believed to hinder growth (Figure 3).³

The data on gender equality in this context point to notable, positive developments, coupled with continuing challenges, as one would expect. Women's political participation in LAC is on the rise, on average and in particular in countries where quotas are in effect (Figure 4). The gender gap in education has been closed (Figure 5), although there remain severe gaps in the quality of education for all as well as the educational attainment among the indigenous population that affect women the most. In health, where inequities persist and progress in reducing maternal mortality is lagging (Figure 6),

¹ Presentation at the CSW Panel on *Integration of Gender Perspectives in Macroeconomics* at the United Nations in New York on March 10, 2005. The analysis and opinions in this presentation are personal and do not necessarily engage the Inter-American Development Bank or its Board of Executive Directors. I thank Mayra Buvinic, Eduardo Lora, Claudia Piras, and Gabriela Vega for their help in producing the presentation.

² J. Santiso, *América Latina: La economía política de lo posible*, Presentation to the IDB's Board of Executive Directors, March 2005.

³ IDB, *Facing up to inequality in Latin America*, Economic and Social Progress Report 1998-1999, p. 23.

overall fertility rates are going down rapidly (Figure 7), although adolescent fertility remains comparatively high. The female labor force is growing fast and the gender wage gap is narrowing in LAC (Figures 8 and 9), but unemployment is more pronounced among women, and inequities in the labor market imply that indigenous and afro-descendant women have the lowest-paid jobs. Women's earnings vary more than men's, for example in the context of macroeconomic shocks.⁴ Education has been found to be key in reducing women's vulnerability in the labor market,⁵ while at the same time generating externalities beyond the private benefits that it conveys (Figure 10).

Women's participation in the labor force has played a role in terms of poverty reduction in LAC in recent years. Household survey data for 18 countries indicate that at the end of the 1990s women were contributing, on average, 35% of household labor income in the region—a figure that is expected to rise as female labor force participation increases and gender wage gaps are reduced.⁶ Women's earnings are especially important for the growing number of female-headed households. According to calculations by ECLAC based on household surveys, without the income contribution of female spouses, the number of two-parent households below the poverty line would have been 14% higher in the region than it was at the end of the last decade (Figure 11).⁷

At the same time, since women's participation and productivity in the workforce varies strongly with education, the difference in participation rates between women with little and high levels of education exacerbates income inequality. Women with post secondary schooling have participation rates above 80% compared with only 50% for those with primary education or lower. This results in more educated women joining the labor markets in higher proportions, adding to their husband's (usually higher) incomes and raising their families toward the richer end of the income distribution. The contrary effect is at work with less educated women: they tend to participate less, and if they do, they have a high probability of working in the informal sector, where wages are lower.

Increasing education levels of low-income women will have a direct effect in reducing income inequality by increasing their labor force participation. It will also have an indirect impact through reductions in fertility and higher investments in the education and health of their children.⁸

Owing to women's educational and labor market attainments, considerable strides are being made toward the achievement of gender equality in some respects. According to the respective Human Development Reports, the composite gender equality index for LAC shifted from .645 in 1995 to .763 in 2003. New opportunities arise from the circumstance that Latin American countries are entering a period that offers a window of demographic opportunity (Figure 12): as dependency ratios decrease because families have fewer children and are less burdened with older people (because of the larger

⁴ IDB 1998-1999, cited above.

⁵ IDB 1998-1999, cited above.

⁶ IDB calculations based on household surveys.

⁷ ECLAC, Women and Development Unit, based on tabulations from household surveys.

⁸ Piras, C., ed., *Women at work: challenges for Latin America*, IDB, Washington DC, 2004.

average family size in the past), there are opportunities for more work, greater savings and more education that (if taken advantage of) could help attenuate the factors that condition income inequality and poverty in the long term.⁹

The trend towards gender equality in some respects in LAC should not divert the observer's attention from the problems that persist. The major challenge is to reduce poverty in LAC (Figure 13). While economic growth has been resuming in the region last year, poverty and inequality persist. On its traditional path, because of its high incidence of poverty for its income, LAC will not reach the poverty MDG. The changes of the 1990s, including globalization and economic policies have, if anything, further skewed the distribution of income and opportunities. Growth during the 1990s tended to benefit workers with high skills, while workers with little education saw their wages stagnate or decline in real terms. This happened for both women and men. While women with high levels of education improved their standing in the labor market, low-income women, and indigenous and afro-descendant women with their low average educational levels, were left behind.

Policy implications and the role of the IDB

The policy challenges arising from the above refer to the need to narrow the growing gaps among women in LAC, improve the conditions and terms of labor market insertion, raise access to working capital, technology and other support on the part of poor women, and improve health indicators, including maternal mortality and (although not discussed above) control of the increasingly feminized HIV/AIDS epidemic.

The measures that need to be taken are both macroeconomic and microeconomic in nature. Sustained growth of the pro-poor variety is needed as a precondition for which LAC's macroeconomic volatility and vulnerability to shocks must be reduced.¹⁰

At the microeconomic level, vulnerable segments of society must be protected and assisted so that their opportunities can be expanded while the conditions for entrepreneurship, investment, and the creation of jobs are being improved. A key area of reform is public finance. LAC's public finances and, more specifically, the region's fiscal weakness figures high on the list of items to be addressed with a view to strengthening both the social panorama and growth, the savings and investment performance, and the levels and quality of development spending. Reforms in public finance and *fiscalidad* are a priority if greater cohesion and progress in other measures of development and growth are the goal. Tax reform and social spending should become more progressive, the quality of social spending should improve, and transfer payments need to be made more efficient.

The IDB is fully engaged in this agenda. The vision of gender equity of the IDB is one in which Latin American and Caribbean societies offer men and women equality in

⁹ IDB 1998-1999, cited above, p. 116.

¹⁰ IDB, *Good jobs wanted: labor markets in Latin America*, Economic and Social Progress Report 2004.

capabilities, access to resources and opportunities, and capacity to influence and contribute to positive developmental results.

The Bank's lending program reflects a development strategy that includes the objectives of poverty reduction and sustainable economic growth, as well as four areas of priority attention: competitiveness, modernization of the state, social development, and regional integration. All of these areas are key for gender equality and, conversely, a focus on this equality is key to their advancement.

The Bank is also committed to supporting governments in LAC to achieving the MDGs. Gender equality is not only a goal in its own right, but is important for reducing poverty and hunger, ensuring education for all, reducing child mortality, promoting maternal health, combating HIV/AIDS, malaria and other diseases, and ensuring environmental sustainability. The Bank considers that Goal 3, on achieving gender equality and women's empowerment, is best served by actions directed to empower women in their capabilities and opportunities. Between 1998 and 2004, the Bank funded almost US\$12 billion in loans, or 30% of all Bank lending, for programs that, together with other objectives, seek to improve women's capabilities through strengthening social protection and social investment; promoting women's health and education; fostering women's economic empowerment in labor markets through training and the provision of micro finance; increasing women's and their families' access to critical services and resources in urban areas; and providing support to rural women's productivity and their access to local natural resources and markets. The prevention of domestic violence is an area in which the Bank is increasingly engaged. Enhancing women's rights through judicial reform and including women's voices through enhanced political participation are further goals that the Bank pursues.

In the priority areas of the Beijing Platform for Action, the Bank has made significant investments. For instance, between 1998 and 2004 the Bank approved loans to assist issues of reproductive health, among other health objectives. US\$12 million were committed during the same period to the objective of improving the economic insertion of the young, addressing issues of gender equality in labor markets, and supporting vocational and other forms of training.

The Bank is aware of the need not only to mainstream the gender perspective in its lending operations, but also to engage governments and other actors in this regard. In 2003 the Bank approved an IDB Gender Mainstreaming Action Plan that sets out goals and indicators of progress while calling for periodic updates and reviews. In 2005, a medium-term Strategy and an Operational Policy on gender issues will be produced to guide the Bank's efforts going forward. It is hoped that the women's movement on the occasion of the 10th Anniversary of the Beijing Platform for Action will serve as a venue for consultation of the drafts towards the end of the year.

FIGURE 1

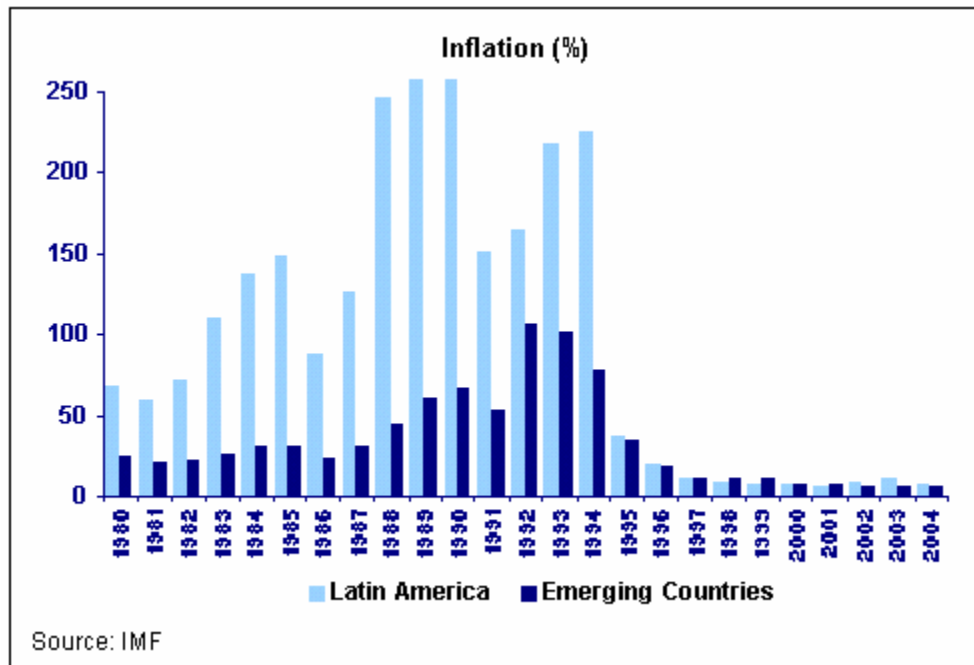


FIGURE 2

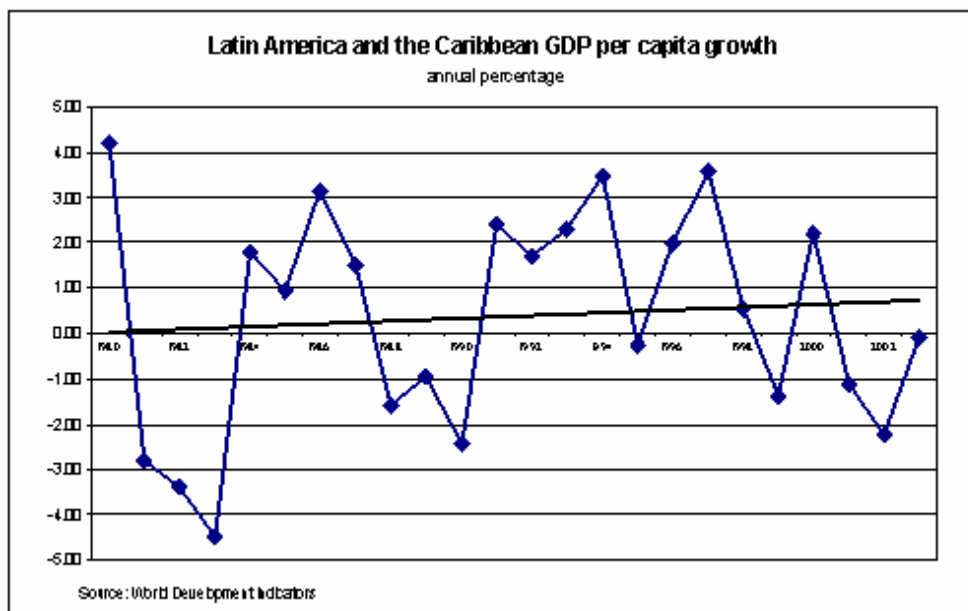


FIGURE 3

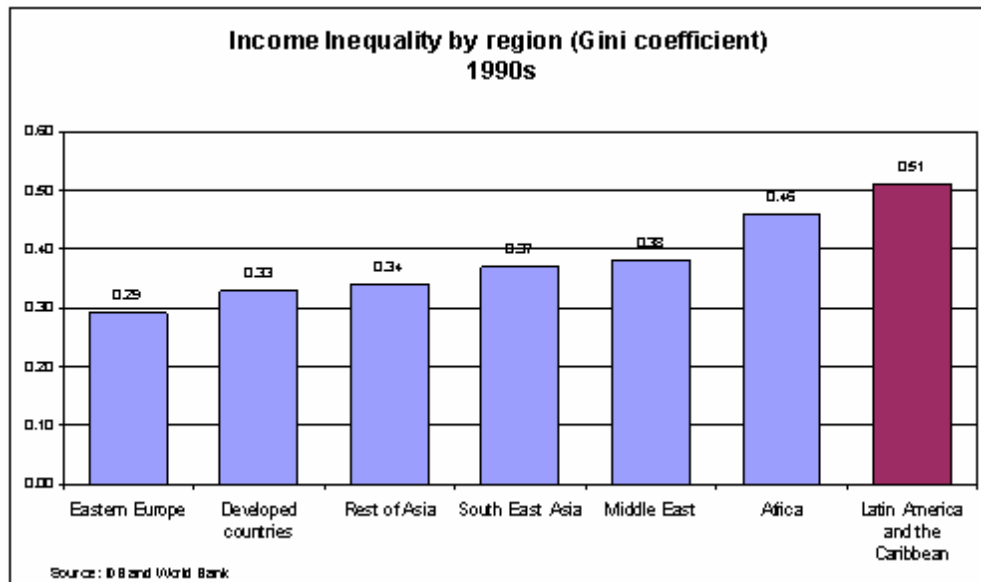
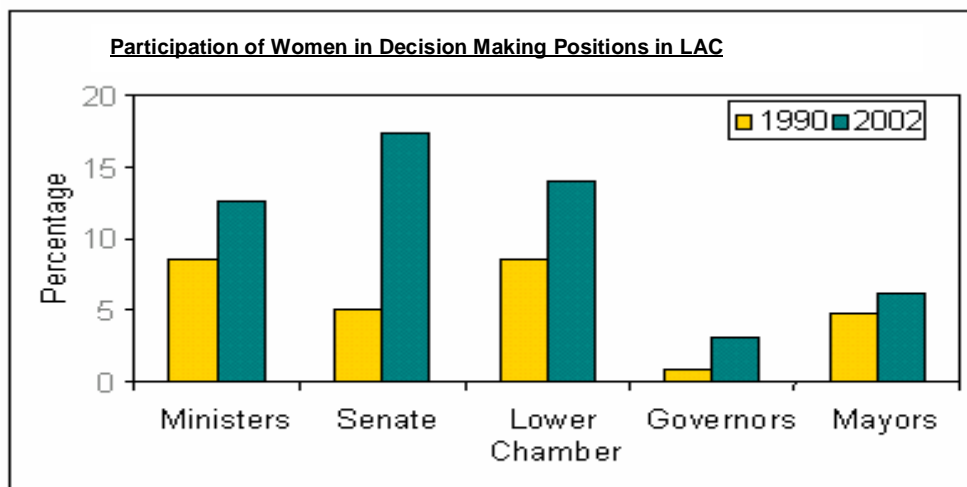


FIGURE 4

Area of Progress: Political Participation

Women are entering high level positions



Sources: Inter-Parliamentary Union. *Women and Power in the Americas: A Report Card*. Washington, DC: *Inter-American Dialogue*. April 2001. *Mujeres Latinoamericanas en Cifras*. Chile: FLASCO, 1995. CFEMEA. Brazil, 2003

FIGURE 5
Area of Progress: Education
 Women have closed the gender gap in education

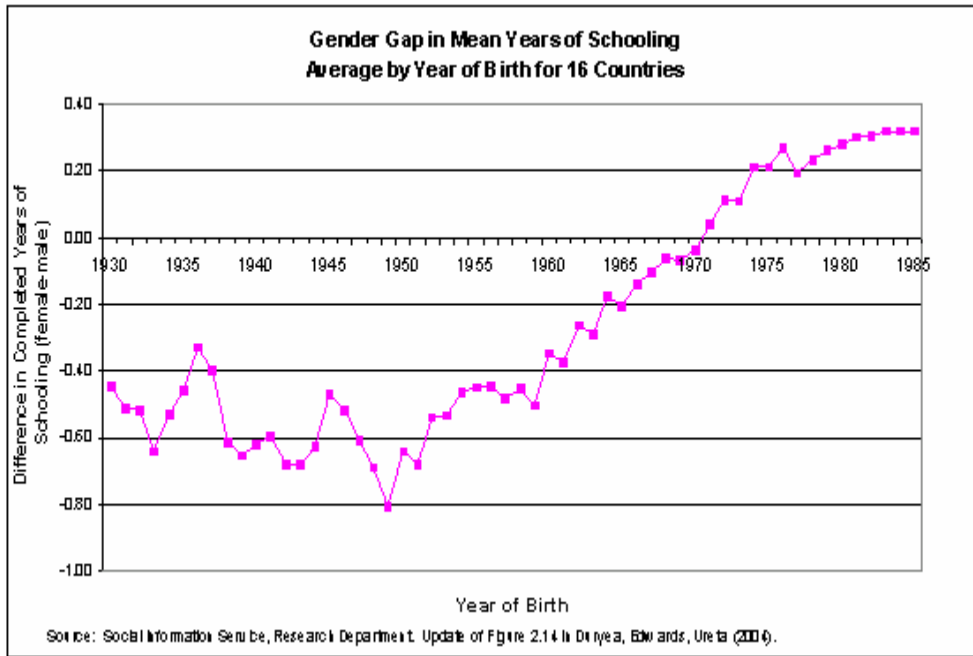


FIGURE 6
Challenges: Health
 Progress in reducing maternal mortality in LAC is lagging behind other regions of the world

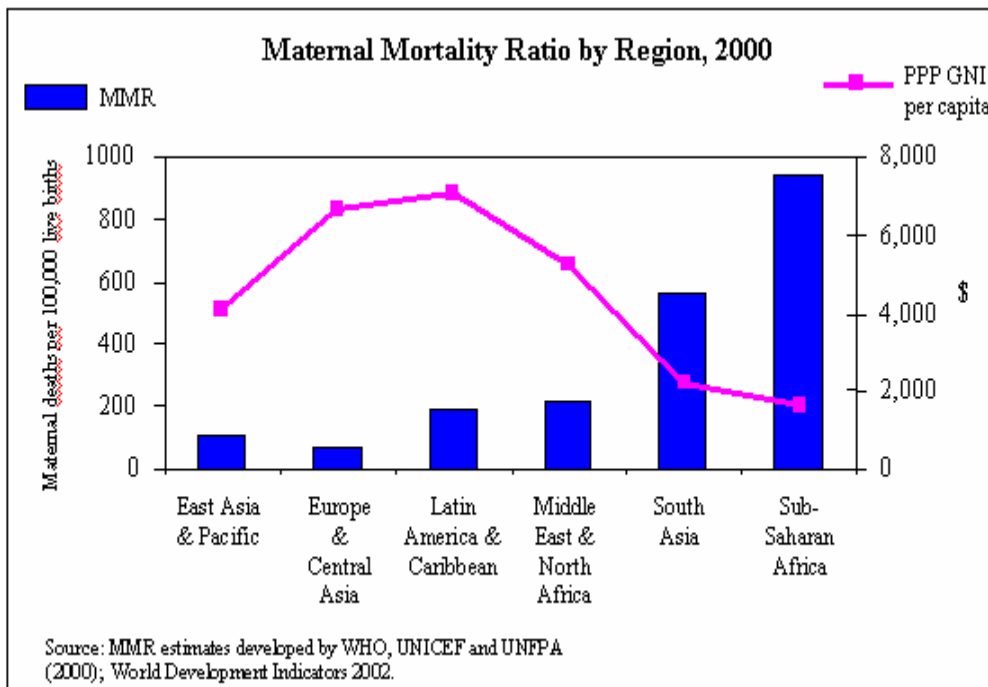
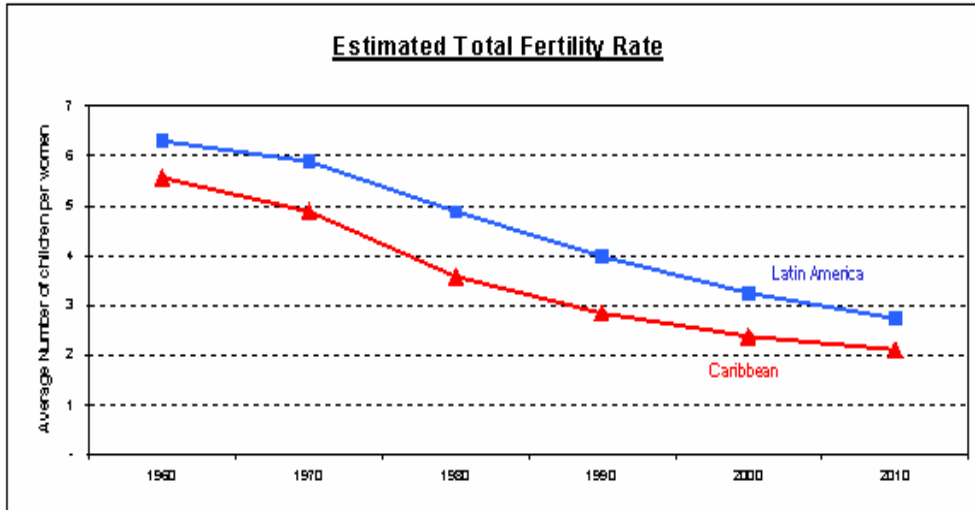


FIGURE 7
 Area of Progress: Health
 Fertility rates are decreasing



Source: CEPAL /CELADE Centro Latino Americano y Caribeño de Demografía - División de Población, Boletín demográfico NO. 73

FIGURE 8
 Area of Progress: Labor Markets
 Latin American and Caribbean Women are entering the Labor Markets in record numbers

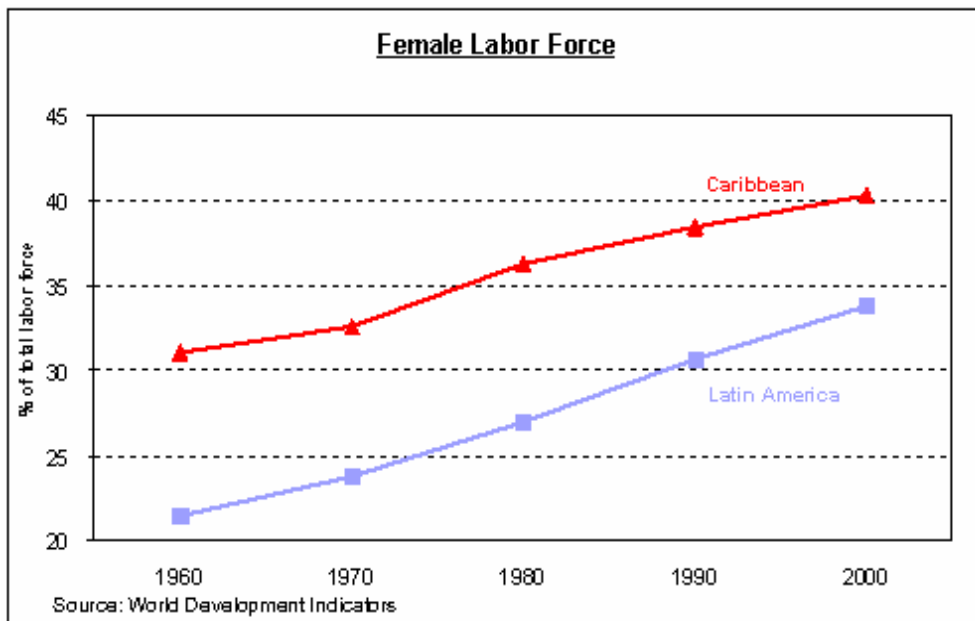


FIGURE 9
 Area of Progress: Labor Markets
 The gender income gap is narrowing

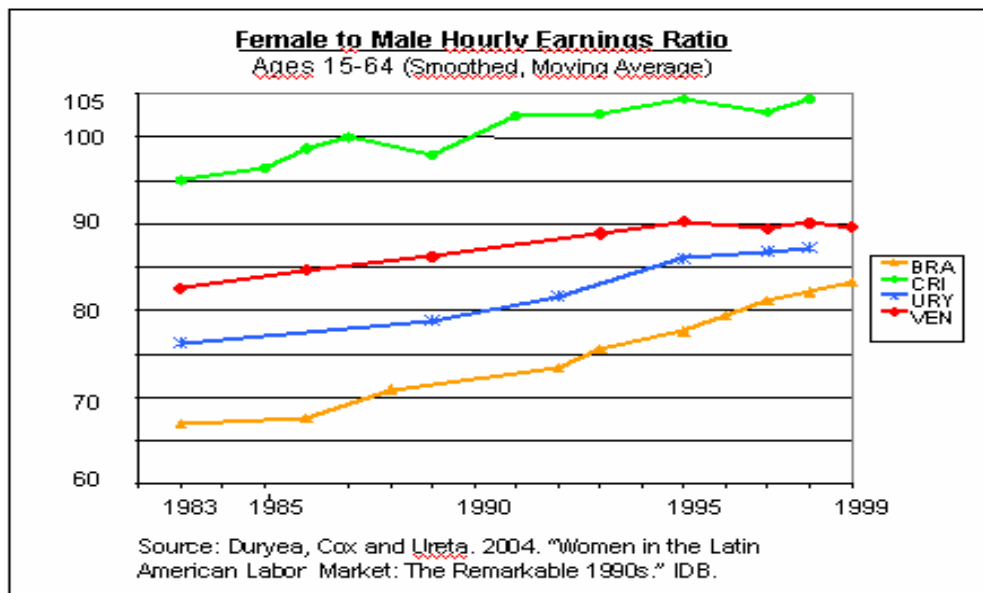


FIGURE 10
 Beneficial effects of educating women

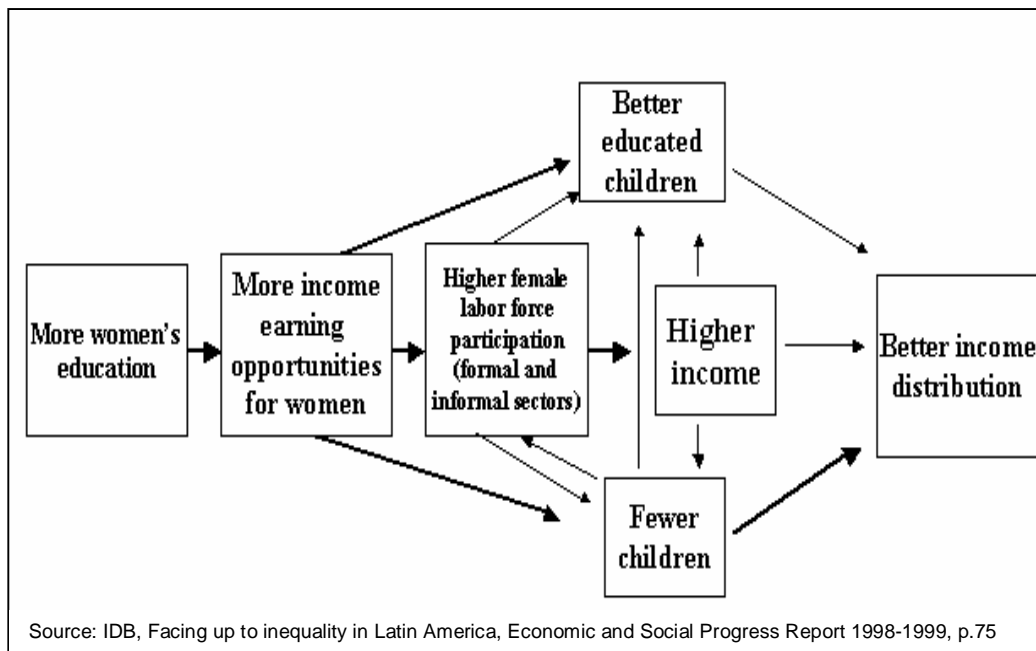


FIGURE 11

Poverty in Two-Parent Households

With and without female spouse's contribution to household income, 2002

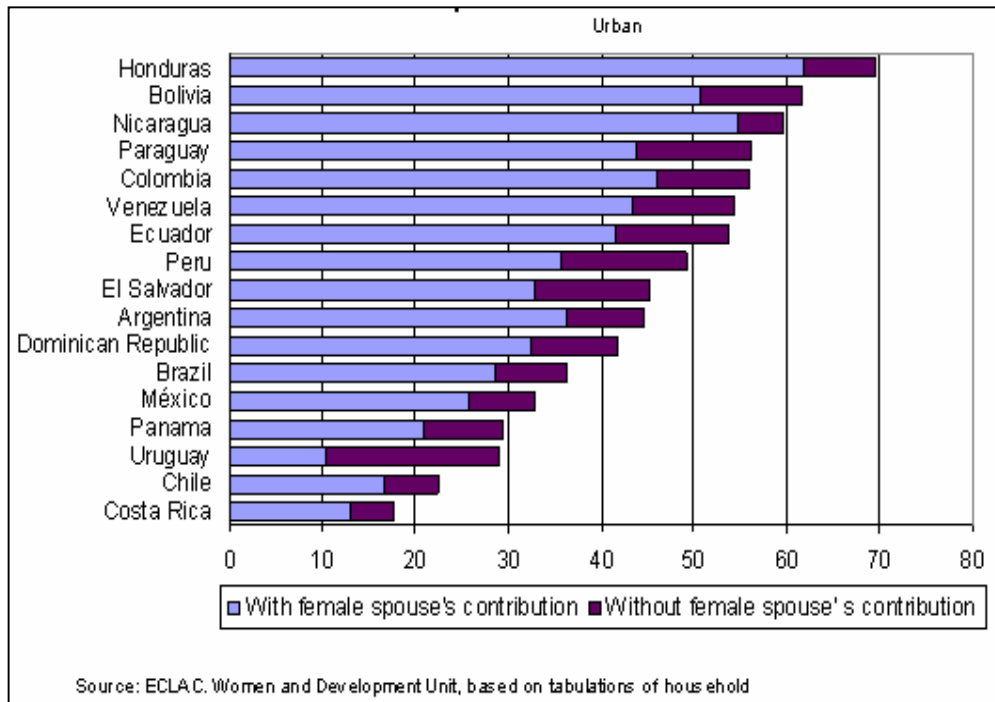


FIGURE 12

Latin America has a demographic opportunity to address these challenges

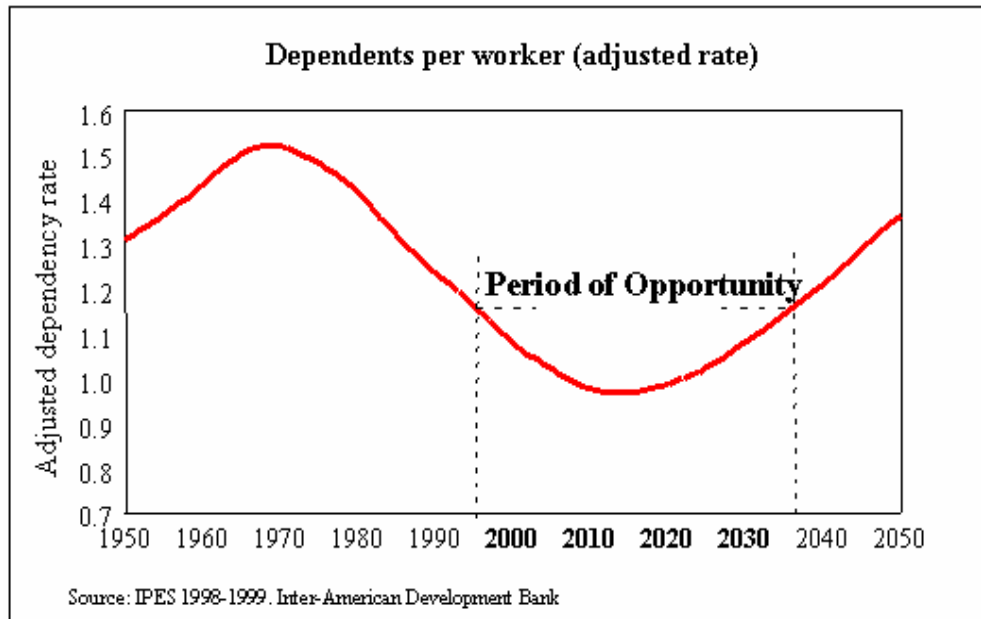


FIGURE 13

There has been little progress in poverty reduction for its income level

