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Macroeconomics and Gender Inequality

Introduction

Gender inequality is a global issue, pervasive in almost every society. Gender discrimination has an impact on much of life, including health, education, and the economy. This problem not only has an impact on the economy in the sense that women are more vulnerable to poverty and unemployment but also in the sense that gender inequality has negative impacts on the economy as a whole. As stated by the United Nations Development Programme (UNDP), "Women's empowerment helps raise economic productivity and reduce infant mortality. It contributes to improved health and nutrition. It increases the chances of education for the next generation" (Kristof, 2009, pg. 8).

The macro economy, however, can have a negative impact on the growth of gender equality. Globalization and exclusive economic policies can lead to increased gender wage gaps and decreased labor access for women. Policymakers must be conscious about prioritizing gender equality in growing economies, in order to ensure that an increase in inequality will not negatively affect the economy in the long run. Promoting gender equality can positively influence many areas of society, including and especially the macro economy, which can be shown through the lenses of various world economies.

Background Theory

The idea behind the positive economic influence of gender equality is based on increasing human capital for women and girls. If girls are given equal access to education, food, health, and other important services, they are more equipped for jobs. Women with more education also tend to have less children, giving them more opportunities to work and less to spend their wages on (Cuberes, 2011). Studies suggest that women take less risks with their money than men, save more, and are more likely to invest income into their family, particularly their children (Cagatay, 2004). Equal access to all economic sectors is also important; women are needed in agriculture, industry, and service sectors of society, especially if education rates are low. Additionally, gender wage gaps can also negatively impact the economy (Cassells, 2009).

Researchers have determined that in most circumstances, decreasing gender inequality in all areas of life can boost the economy and greatly influence the macro economy. This is often referred to as “smart economics.” Women cannot only increase GDP, but they can help reduce poverty. They invest in the future generations, especially in the areas of education and health care. In order for these smart economics to take place, women need increased access to education, the labor market, and general society. Giving women choice about the government, their families, and their own lives can help empower them. Experts pushing for smart economics point to various developed economies, which typically have anti-discriminatory policies (Buvinic, 2007). We will look at the implications of gender discrimination in education, health, labor, and other areas in the context of the macroeconomics of Pakistan, Brazil, the European Union, East Asia, Sub-Saharan Africa, and the United States.

Pakistan

Pakistan remains one of the primary examples of the negative impacts that gender inequality can have on the economy, particularly as a result of discrimination in education. Children’s education is an important factor in gaining human capital and investing in future income. Education in Pakistan is not adequate for either gender or any age group, but girls fare far worse. In 2012, only 44 percent of primary-school-aged girls were receiving education, although this number has increased significantly over the years (World Bank, 2014). From 2002 to 2012, the mean years of schooling was around 3 years for girls and about 6 years for boys, and the estimated Gross National Income (GNI) per capita was $6,000 less for women (UNDP, 2013). While education is important for gaining human capital, which will lead to better work and wages, studies have determined Pakistan’s education system is not adequate enough to have a significant relationship between increased education for girls and future income except at higher levels of education (Akram, 2011). Regardless, inequality at lower levels of education impacts the educational foundation and can increase inequality at higher levels of schooling.

Labor force participation for females in Pakistan stands at just 24 percent, leaving out a large amount of potential workforce (World Bank, 2014). Women who are not working have more children, have less control of the family income, and eventually use more social services from the government; however, women who are working are often still expected to take care of the home and children, meaning they often work less or in lower-paying jobs. Low amounts of education also put the 24 percent of women in the workforce at a disadvantage. They cannot take skilled jobs that pay higher wages and typically work in factories or fields where they earn less pay and are at risk for exploitation at even lower pay, if any. The cycle of non-investment in girls continues, as incomes in homes where gender inequality exists are less likely to go towards the health and education of daughters. While overall development in Pakistan is one piece to economic growth for the country, gender development is another essential piece. Researchers have used Solow’s growth model, along with a variable for gender equality, to show that growth of gender equality in both education and work force participation can lead to macroeconomic growth in Pakistan (Akram, 2011).

Brazil

Brazil is in the process of discovering the effect of investing in women on the greater economy. Inequality is high in general in Brazil, but gaps between women and men have been decreasing, especially in the last two decades (Canuto, 2013). Brazil has seen large economic growth in recent years, becoming one of the top economies in the world; however, many other factors have played into this growth outside of gender equality, such as Brazil's mining and foresting industries. Education opportunities for girls have grown, but labor participation by women falls at just around 60 percent (World Bank, 2014). While labor participation has increased, Brazil still has progress to make in the area of gender equality.

Brazil has tried to decrease the gender gaps through several initiatives, such as delivering land titles to rural women and decreasing wage gaps in comparable positions and careers (Center for Women's Global Leadership, 2011). Although gender inequalities still persist, the country recognizes the need to continue to work to increase economic opportunities for women, further reduce the wage gap, and generally change attitudes about women's roles in society in order to affect long-term positive impacts on the country's economy.

It can also be argued that Brazil's large economic growth has positively impacted gender equality. With increases in GDP and the country's industries, a growing workforce is needed. Improved education has also meant improved access for girls. Additionally, the growing knowledge and globalization of Brazil's economy has led to external actors pressuring the government to make efforts to address the obvious gaps between genders in the workplace, stating the implications of gender equality on Brazil's future economic growth (Lemmon, 2013).

European Union

With a focus on increasing productivity and competitiveness, many argue that the EU should focus more on eliminating wage gaps and discrimination in the labor market based on gender. Although the economic recession left unemployment rates almost balanced for men and women, wage inequality is still a major issue within EU countries. In general, the economic crisis ad a more negative effect on women, especially those in sub groups, such as minority groups and the elderly (Lombardo, 2013). Additionally, gaps between employment of mothers versus non-mothers are also growing, albeit slowly (Villa, 2009). The current economic situation in the EU has had adverse effects on gender equality, but it can also be improved by reducing gender equality, particularly within the labor market.

Spain is an especially prominent case of the effects of wage discrimination on the macro economy. While no statistically significant relationship can be drawn between the discrimination and the effects on female unemployment and participation rate, other related studies have shown that it does have an impact. Spain's gender discrimination has not decreased in some areas of the country, and many of those areas have also shown a steady decline in productivity. This, researchers argue, is due to the loss of productive female workers in the labor force (Fernandez, 2010). Spain is one of the main examples of the negative impact of not making gender equality a priority within the EU.

Experts continue to recommend that the EU prioritize eliminating discrimination in the labor market in order to increase productivity and competitiveness throughout the member countries. They also emphasize the importance of ensuring that EU member countries macroeconomic policies and policy changes do not negatively affect women. "Gender mainstreaming" is being pushed for, in order to promote existing gender-equality policies and to ensure that the issue is made a priority. A look at the EU's existing economic governance methods shows how the "gender-blind" policies will actually undermine efforts to increase gender equality. No emphasis is put on increasing women's employment or their representation in bureaucratic positions that impact these macroeconomic changes. Proposed budget cuts for social services and public sector jobs will also inevitably affect women more negatively than men (Klatzer, 2014). Consideration of gender equality issues in the EU macroeconomic policies is needed in order to prevent long-term, negative economic effects. In the long run, implementing gender mainstreaming policies and prioritizing gender equality can help the EU achieve their broader economic goals (Lombardo, 2013).

East Asia

East Asia presents a unique situation; despite continuing economic growth, these countries still have high gender inequality through the past 15 years, especially in regard to the labor market. Economists, however, contribute their early growth to a relative increase in gender equality—while women might face high amounts of discrimination, they are better off than they were several decades ago, particularly in terms of health care and education access. Many researchers believe that increased labor force participation by women, along with their high productivity rates, contributed a large part to the birth of the East Asian Tiger phenomenon (Braunstein, 2007). This increase in women receiving income also positively impacted investment and savings within these countries. These economists also maintain that even with much of the economic growth in these countries being attributed to exports, these industries were largely fueled by women working in the industrial sector (Braunstein, 2007). They also argue that the high rates of productivity for women in the nonmarket labor contributed to the overall growth of the economy.

These arguments are in contrast to others stating that the presence of gender inequality actually helped the East Asian economies grow. Some economists believe that the gender-based wage gaps, especially in the industrial sector, led to increased competitiveness in the global market (Berik, 2012); many, however, disagree, saying that wage gaps may be able to increase price competition, but they risk losing productivity that women offer to the labor force. While gender inequality might have short-term, positive effects on an economy, it will leave heavy, negative effects in the long run. As found in Pakistan, increased discrimination against women in education and the labor force can leave high fertility rates and low savings rates, which combined will eventually put a country in economic danger (Van der Meulen Rodgers, 2012).

The export-heavy economies have had a generally positive impact on gender equality, providing jobs for women that were not previously available, wage gaps aside. Open trade and foreign direct investments (FDI) have furthered this impact. The problem, though, exists when these industries exploit the women who find jobs there, paying them dismal wages and keeping them in harsh, unsafe work conditions with very little freedom otherwise (Van der Meulen Rodgers, 2012). East Asia presents a unique situation because of the varied effects of gender inequality on the economy. Overall, though, increased equality has led to economic growth and can continue to do so in the future.

Sub-Saharan Africa

Sub-Saharan African countries present a difficult situation in terms of increasing both gender equality and economic growth. Some groups, such as the African Development Bank Group, have suggested that promoting gender equality can lead towards greater economic growth. These countries present another case of using current economic growth to promote women and girls, which will greater increase economic growth. The main problem is the overall development, compounded by gender inequalities. Girls often do not attend school, in order to work and help with household chores. Because of a lack of skills and traditional gender roles in many of these countries, women cannot typically find formal work in the labor market. Instead, they are left to tend to the house and children or find other informal means of obtaining income. Women have less access to health care, what little exists, which means that even women who obtain jobs are typically not as productive as men tend to be (African Development Bank Group, 2014).

All of these factors come together to make gender equality a hard goal to foresee in the near future. Poverty is not only more prevalent in sub-Saharan Africa, but it also affects women more deeply. Sub-Saharan Africa, however, has made progress in terms of labor force participation for women, increasing to around 60 percent by 2009. Wage gaps, education, health care, and vulnerability are all issues that these women continue to face (African Development Bank Group, 2014).

Similar to East Asia’s situation, sub-Saharan African countries often grow their export industries out of low wages for women workers in the industrial sector, encouraging governments to ignore the gender discrimination for the sake of trade. In the case of other countries, though, the reliance of women on subsistence farming leaves them with low access to paid labor as well as access to credit and other important economic sectors. In all, economists theorize that raising women’s wages and investing in their farming will lead to an eventual positive effect on the macro economy (Seguino, 2013).

United States

While gender equality is not as prevalent of an issue in the United States as it is in many other countries, discrimination and gaps still exist in terms of women and the economy. The most prominent problems are gender wage gaps, which have decreased throughout the past century but still exist. Researchers have discovered that in US history, productivity grew 0.27 percent post-World War II, which they speculate as being a result of women flooding the workforce. They also believe that the reduced wage gap in America plays a large role in the high output per capita that exists in the country, in comparison to other countries; if the US had the same wage gaps as a country such as Egypt, the output per capita would decrease by about 43 percent (Cavalcanti, 2007).

Throughout the past century, the implications of women in the workforce have been pivotal to US economic growth. Research discovered that just eliminating the women portion of the labor market form 1985 on would cause a four to five percent loss in welfare, relative to the benchmark economy used (Heathcote, 2008). Other economists have estimated that even in the US, where women's labor force participation is relatively high, raising the female labor force participation could increase US GDP by up to five percent (Elborgh-Woytek, 2013). Similar to many EU countries, the US experienced shrinking gender gaps in unemployment at the first onset of the recession, but these gaps widened later on, as women continued to lose jobs and some men were able to find employment again (Elborgh-Woytek, 2013). Other important gender-related issues that face America are providing social services for mothers, which can help decrease some of the gender discrimination in the US labor market.

The US is an example of how increasing female labor force participation can boost an economy, particularly GDP and production, but it also serves as one example of lost opportunities by continued existence of wage gaps and other forms of discrimination in the workforce. The US has made much progress in terms of progressing gender equality and, in turn, growing its economy, but improvements can still be made.

Conclusion & Final Implications

Each of these world economies provides examples of how the macro economy both affects and is affected by gender inequality. While each case has unique aspects, similar ideas run through each example; the macro economy can negatively impact gender equality efforts unless it specifically targets these efforts, and gender equality can help improve productivity and GDP for countries, especially in the long run. Knowing this, we can prioritize equal education, greater access to health care, and greater access to work and equal wages for women. All of these aspects are important in promoting gender equality and affecting the greater economy. Women must not only be able to obtain the needed skills for the workforce but also be able to be hired and earn adequate wages. Health care plays an important role in that it keeps women healthy enough to continue education and work, increasing their productivity.

Although gender wage discrimination can, in the short term, increase competitiveness and therefore GDP of a country, it can be harmful to the economy in the long term, especially because of the implications of women controlling income within their households. When women have access to household incomes, they invest in the future of their families, including girls' education and health care, which can lead to greater labor force participation. They are also more likely to save and less likely to make risky decisions with their money.

The impact of gender equality on the macro economy is unmistakable, but we must remember that economic incentives alone are not enough to ensure sustainable, effective, and intentional efforts to eliminate gender discrimination. While the economic impact can begin to push policymakers and government leaders in the direction of gender equality, promoting the well-being of women and girls is important for many more reasons outside of the economy. Providing education, health care, and decent work for women promotes a country's economy, but is also promotes human dignity. The relationship between macroeconomics and gender equality are important to consider for the development of both the economy and society.

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