GENDERING MACROECONOMIC ANALYSIS AND DEVELOPMENT POLICY: A THEORETICAL MODEL FOR GENDER EQUITABLE DEVELOPMENT

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POLICY HIGHLIGHTS

- **Public investment in social infrastructure** like education, childcare, healthcare and social care **reduces women's unpaid domestic care work** while increasing their labor supply, enabling them to spend **more time in paid work**

- A wage increase in the **public social sector** is expected to have a substantially **higher effect on output** than a similar wage increase in other sectors **since it is more labor intensive** than the rest of the economy.

- If the economy is **wage-led**, then **increasing the progressivity** of the tax regime (i.e. increasing taxes on capital and decreasing taxes on labor) results in **stronger positive impacts** on output. However, if the economy is **profit-led**, this would lead to **negative effects** on output and employment.

The CWE-GAM team presents an engendered macroeconomic model as a tool to analyze the role of gender equality and fiscal policy on growth and development. The model incorporates realistic structural features of a market economy – i.e. excess production capacity and involuntary unemployment – and incorporates an unpaid reproductive sector along with the physical and social sectors in the public and private market economy. The addition of the unpaid reproductive sector explicitly incorporates provision of domestic care, establishing a more holistic representation of how the workforce is kept fed, healthy, and able to work. This brief provides a general overview of the model and example policy analyses.

The three-sector model is designed to serve as a tool for policy analysis and gender-responsive budgeting to develop a policy mix targeted toward more gender-equitable development. Gender equality positively relates with macroeconomic growth in numerous ways. Greater public spending in services that reduce the care burden of women has been shown to empower them in multiple dimensions, ensuring higher labor force participation in the short-term and higher productivity, better workforce quality, and shifting gender stereotypes in the long-term.

Yet average hourly male wage rates often are significantly higher than their female counterparts. Women also tend to constitute the majority in the social sector while being underrepresented in the rest of the economy, as can be seen in Figure 1. Such inequalities are critical for analysis purposes in order to develop policies targeted towards gender-equitable and sustainable macroeconomic development as emphasized in this model.

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THEORIZED EFFECTS

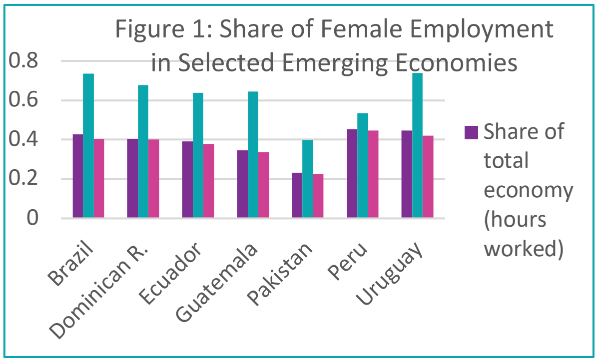
The model can be used to evaluate how a variety of policy scenarios may influence macroeconomic outcomes. This section describes two such scenarios – both of which cause an increase in the share of public social expenditures in GDP – and describes some of the macroeconomic effects derived from the model.

1. THE EFFECTS OF INCREASING SOCIAL EXPENDITURES IN GDP- INCREASING EMPLOYMENT

Generating new employment in the social sector leads to increases in total output in the model. Based on the female employment shares in Figure 1, this effect likely will be greater for female employment in the social sector. New employment and income stimulate consumption in the rest of the economy. However, the demand effect within the social sector is ambiguous since the rise in public social expenditure could also reduce households' needs for social expenditures.

In the short-run, the increase in public social expenditures has a positive effect on all types of public investments. However, it also may increase the public debt/GDP ratio, which in turn may partially crowd-out (suppress) private investment. But as private investment also responds positively to the increase in output, the overall effect may be positive if the latter effect dominates.

In the long-run, labor productivity in the rest of the economy is shown to increase, as is households' total consumption (both social and non-social) and possibly private investment, and consequently output and employment.



Notes: Authors' own calculations based on ILO (2018)'s Global Wage Database. Latest available observations are reported. Data for Brazil, Ecuador, Peru, Guatemala, and Uruguay are from 2014, data for the Dominican Republic are from 2015; data for Pakistan are from 2016.

2. EFFECTS OF INCREASING SOCIAL EXPENDITURES IN GDP – CLOSING THE GENDER-WAGE GAP

An increase in public social expenditures as a share of GDP could also result from closing the gender-wage gap in the social sector. Many of the implications derived from the model are quite similar to the earlier case with additional employment in the public social sector, especially in the short-run.

CONCLUSION

The primary aim of this brief is to introduce a gendered macroeconomic model to evaluate the impact of public spending, changes in wages and gender-pay gap on the economy at large. Overall, the model can be utilized to analyze a specific economy and develop a policy mix designed to achieve gender equitable development based on its given characteristics.

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