Auditing the gender implications of recovery policies for the financial and economic crisis

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United Nations Educational, Scientific and Cultural Organization

Twinning and University Networks

UNESCO Chair in Gender Research

For meeting of European Platform of Women Scientists and European Commission
28 April 2009

AUDITING THE GENDER IMPLICATIONS OF RECOVERY POLICIES FOR THE FINANCIAL AND ECONOMIC CRISIS

INTRODUCTION

Recovery policies are gendered. Gender inequality is both cause and consequence of the financial and economic crisis. Embedding the project of increasing gender equality into the recovery policies would assist in the prevention of future crises, help to mitigate the effects of this crisis, and aid the building of a better economy for the future.

First, this paper sets out some of the major questions that need to be asked if the recovery policies are to be audited for their gender implications. All categories of the recovery policies are gendered: reform of the financial governance; supporting industrial sectors and companies; supporting labour markets; supporting investment; and supporting household purchasing power. The paper offers reasons why such questions matter for policies concerning both the development of a better economy and a more gender equitable society. Second, the paper provides an analysis of the proposals for the reform of financial governance in the European Union[1] and, third, an analysis of the recovery policies in the Member States of the European Union as reported by the European Commission[2].

The analysis in this paper draws upon a companion paper, which provides a fully documented review of the existing research on gender and the financial crisis[3].

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[1] De Larosière, Jacques (2009) *The High Level Group on Financial Supervision in the EU*. Chaired by Jacques de Larosière. http://ec.europa.eu/commission_barroso/president/pdf/statement_20090225_en.pdf

[2] Commission of the European Communities (CEC) (2009) *Driving European Recovery*. Volumes I and II. Communication for the Spring European Council. COM (2009) 114 final. Brussels.

[3] Sylvia Walby (2009) *Gender and the Financial Crisis*. UNESCO Chair in Gender Research, Lancaster University, UK. http://www.lancs.ac.uk/fass/doc_library/sociology/Gender_and_financial_%20crisis_Sylvia_Walby.pdf

AUDITING THE GENDER IMPLICATIONS OF RECOVERY POLICIES

Reform of financial governance

Audit questions

What is the gender composition of the decision-making committees? Are there targets and quotas for women?

Are gender equality principles embedded in the aims of the governance of financial markets? (EU Directives and values; human rights; CEDAW; MDG 3)

Why it matters

Democratic principle: those who bear the risk of financial decision making that has systemic effects have an entitlement to be included in their governance; this includes women, not only those within finance.

Women can be carriers of different political projects and priorities than men (such as support for human capital building public services of education and health); these need representation in such an important area of governance.

Including women breaks up the homogeneity of the masculine decision-making process, introducing space for fresh thinking rather than following the herd.

Decisions on investments and support for companies need to be gender equitable; all male committees may be easier for male lobbyists for male dominated industries to access than those that are gender-balanced.

Support for industrial sectors and companies

Audit questions

What is the gender composition of the employment in the industrial sectors and companies that are given financial support? Is it disproportionately male?

Why it matters

A support for the future of men's rather than women's employment increases rather than decreases gender inequality.

Supporting labour markets

Audit questions

Is training supportive of women's access to non-standard occupations, or does it reinforce existing patterns of occupational segregation?

Are any wage cuts gender equitable? For instance, if they are concentrated in the public sector rather than private sector then they will disproportionately affect women.

Why it matters

Reducing labour market rigidities (such as occupational segregation and discrimination) contributes to economic efficiency by facilitating the most effective allocation of labour for firm productivity.

Gender equality is a policy goal.

Supporting investment

Infrastructure

Audit questions

Does the definition of infrastructure include human capital as well as fixed capital? For example does it include education as well as transport and energy?

Why it matters

Creating the knowledge economy, rather than merely ICT, requires human capital as well as fixed capital.

Human capital has longer term effects than fixed capital, since it is relevant for a human lifetime.

Women are disproportionately employed in the production of human capital rather than fixed capital, so the gender balance in employment is affected.

Funds for the banks: does providing state finance to support banks have different effects on the rich and poor, men and women?

Supporting household purchasing power

Taxation

Audit questions

What are the gender redistributive effects of increases or decreases in taxes (e.g. income, sales, corporation; closing down tax havens)?

Why it matters

Tax is a gender equality issue. Reductions in taxes often disproportionately benefit men: since men have usually contributed more taxes since they earn more and are richer, and women's projects usually benefit from taxation since women disproportionately support public services such as education and health.

Credit

Audit questions

Have there been changes in the availability of credit, such as tighter criteria and harsher conditions? What are the gender implications of the changes for access to credit?

Why it matters

Access to credit is important for access to housing.

Unfavourable lending practices including discrimination against women in access to credit limits their access to housing.

GENDER ANALYSIS OF EUROPEAN UNION PLANS TO REFORM FINANCIAL GOVERNANCE

The European Commission has launched a process to reform financial governance. This has involved the report by the de Larosière Group[4] and proposals for reform on which the Commission has launched a consultation. The programme for financial market reform has five objectives: to develop the supervisory framework; to fill gaps in regulation; to ensure investors and SMES can be confident about savings, credit and financial products; to improve risk management and pay incentives in financial firms; and ensure more effective sanctions against market wrongdoing.

All the main objectives and recommendations of the de Larosière report are to be welcomed; but they would be more effective if they were further developed so as to take account of the gender dimension. They propose that 'the interests of European investors, consumers and SMES, must be at the centre of the reform'. While these are relevant actors, the range of actors named is too narrow. As Stiglitz[5] has argued, all those who may suffer from the regulatory failure of financial institutions have an interest in its reform. This includes women.

The governance of the financial architecture is gendered in the principles, aims, practices and knowledge base that underpin decisions; and in the composition of the governing bodies where there is a huge under-representation of women.

The aims and goals of institutions of financial governance are implicitly gendered. These goals have prioritised the requirements of finance capital at

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[4] De Larosière, Jacques (2009) *The High Level Group on Financial Supervision in the EU*. Chaired by Jacques de Larosière. http://ec.europa.eu/commission_barroso/president/pdf/statement_20090225_en.pdf

[5] Stiglitz, Joseph E. (2009) *Principles for a New Financial Architecture*. The Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System. http://www.un.org/ga/president/63/commission/newfinancialarchitecture.pdf

the expense of the paid and domestic economies, and in so doing have supported gender inequality. The goals of these organisations could include gender equality, making reference to binding EU commitments to the value of gender equality in its Treaties and Directives. Financial governance concerns more than financial stability; it is a set of governing institutions with systemic effects which could be mandated to support the overall goals of the EU for gender equality in its own rules of operation.

Women are under-represented in most financial decision-making[6]. The inclusion of women within the decision-making bodies of finance may be considered part of a democratic entitlement, in that, those affected by the risk of financial decision-making are stakeholders who are entitled to be included in its governance. Financial decisions that potentially affect the system as a whole are not appropriately confined to financiers. Women are one of the groups currently excluded from financial decision-making that are adversely affected by the risks. So there is a democratic argument for their inclusion.

There are further reasons for including women in financial decision-making. Women may have different priorities and practices in financial decision making, which may be advantageous to the social system as a whole as well as to women. One of these is their approach to risk taking (is there excessive risk-taking in financial decisions in a gendered culture, in which women are largely absent?). Others include their preferences for public service provision of education and health, which support not only gender equality but also long term development of human capital. Further, the inclusion of women may prevent the development of the 'herd' mentality, such as was found among financial decision-makers in the run up to the crisis by enforcing diversity. That to include women might mean including those who are not the most technically expert, is not necessarily a problem, as Stiglitz (2009: II, 9) notes: 'if those who are supposed to regulate the financial markets approach the

[6] Staveren, Irene van (2002) 'Global finance and gender' in Albrecht Schnabel and Jan Aart Scholte (eds) *Civil Society and Global Finance*. Pp. 228-246. London: Routledge.

problem from financial markets' perspectives, they will not provide an adequate check and balance.' The inclusion of women and gender concerns within financial decision making may alter strategic priorities in a way that benefits not only women and associated vulnerable groups, but the system as a whole.

The proposals for financial market reform neglect the gender dimension of the financial architecture and the commitments of the European Union to prevent gender discrimination and promote gender equality. The proposals could have included gender targets or quotas for the membership of the new committees for financial governance, as well as EU commitments to promote gender equality in their objectives. There are precedents for alternative forms of practices, as in the 40% quota on the inclusion of women in the Boards of Directors of companies.

The new European System of Financial Supervision, that de Larosière (2009) suggests (Recommendation 18) and the European Commission (CEC 2009) supports, could include both appropriate targets or quotas to ensure appropriate gender composition as well as the inclusion of the promotion of gender equality in its remit.

GENDER ANALYSIS OF EUROPEAN UNION RECOVERY PLANS

Introduction

The European Union has a programme to drive European recovery from the financial and economic crisis. This is composed of three parts: financial market reform, structural reform stimuli measures in the European Economic Recovery Programme (EERP), and Member States recovery measures[7] (CEC 2009: Volume 2).

These are analysed for their gender dimension. The gender dimension is almost entirely lacking in visibility in the Commission document. The analysis here attempts to make gender visible, so that its implications as cause and effect of the crisis can be subject to analysis. A fuller analysis would require access to more substantial data.

Structural reform stimuli measures in the European Economic Recovery Programme (EERP)

Policies implemented by Member States are grouped into four types: supporting industrial sectors and companies (31%); supporting labour markets (16%); supporting investment (32%); and supporting household purchasing power (21%). The EERP includes a fiscal stimulus; this has a positive effect on gender relations, although this is not noted.

Supporting industrial sectors and companies

In order to assess the gender implications of this support it is necessary to know which sectors and companies and the gender composition of the employment in each of them. The industries mentioned are cars, tourism and construction: if the majority of these workers are male, then support to these industries would be going disproportionately to men (but the data is not offered in the document).

[7] Commission of the European Communities (CEC) (2009) *Driving European Recovery*. Volumes I and II. Communication for the Spring European Council. COM (2009) 114 final. Brussels.

Measures supporting good functioning of labour markets

This includes supporting temporary working time reductions, training so as to ease labour market transitions, reduction of taxes on labour, targeted tax cuts, targeted changes in unemployment benefit systems, and changes in wages including cutting the public sector wage bill. It is likely that the tax cuts are gendered measures, redirecting funds from women to men, since men will be disproportionately paying less tax and women may suffer from less state expenditure. Cutting the public sector wage bill is likely to have a disproportionately detrimental effect on women, since women are usually more likely than men to work in the public sector. In order to assess the gender implications of the other measures it is necessary to know the gender composition of those involved with working time reductions and training. The provision of training potentially offers an opportunity to provide training in non-standard gendered employment skills, but this issue is not addressed.

Measures to support investment

This includes physical infrastructure including transport and renewable energy; energy efficiency; and research, development and innovation. It is perhaps surprising that the EU commitment to becoming the leading knowledge economy is not included in the discussion of these measures to support investment. Instead the infrastructure appears to be focused on fixed capital rather than human capital. It is likely that this narrowing of the interpretation of the knowledge economy to science and technology, and the narrowing of the interpretation of infrastructure to fixed rather than human capital, means the majority of this is investment in areas of the economy where men are disproportionately present. If the wider concept of knowledge economy were used women would have been equally represented; if human rather than fixed capital were the focus then women would have been equally represented.

Measures to support household purchasing power

These include tax reductions, adjustment in social security contributions and income support measures that target low income households. Tax reductions are likely to increase gender inequalities, as noted earlier. In order to know the gender effects of the other attempts to support income, it is necessary to know more detail about the schemes than is provided in the document. Gender equality is more likely to be promoted when the focus of purchasing power is on the individual rather than the household that appears to be the focus here; certainly information on gendered individuals is necessary if the gender implications are to be discovered. Further, income support that is provided to the mother in a household is more likely to be spent on children than if it is given to men.

Member States' Recovery Measures and Internal Market Rules

This final section of the Commission report addresses the implications of the internal market rules for the recovery plans, with a view to avoiding discrimination on grounds of nation. If discrimination on grounds of gender is also to be avoided, then Member States' recovery measures might have been considered in the wider context of EU Treaties, Directives and programmes on gender equality, not only the rules for the internal market.

Summary

The recovery measures involve considerable expenditure by the Member States of the European Union. If this expenditure is to conform to EU commitments to non-discrimination on grounds of gender and to the promotion of gender equality and gender mainstreaming, then gender issues need to be made visible and be addressed. Currently it appears as if EU gender commitments might have been side-lined in the development of the EERP, since gender is invisible in its policy documents.

CONCLUSIONS

Gender equality is both an important goal in its own right and a significant contributor to other goals including a more efficient economy, economic growth, human development, democracy and human rights. The value and objective of gender equality is a legally binding commitment in EU Treaties and Directives.

Many major policy developments in response to the financial and economic crisis appear to neglect the significance of integrating a concern for gender equality. Auditing these policies for their gender implications is a contribution to these wider goals.