

## **The impact of gender-blind economic reforms and austerity measures on women's human rights<sup>1</sup>**

Macroeconomic policy is often thought of as “gender neutral”. However, economic policies affect women and men differently due to their different positions and roles in the economy, both market (paid) and non-market (unpaid). Thus, if policymakers do not consider this, the macroeconomic policies promoted will not be “gender neutral”, but male-biased, as they often contribute to worsening gender inequality. Austerity measures, for instance, disproportionately affect women through many mechanisms.

To this purpose, it is important to recall that non-discrimination and equality constitute a fundamental aspect of states' human rights obligations. According to Balakrishnan et al. (2016), the Committee on Economic, Social and Cultural Right has expressed that the recognition that realization of human rights will be “progressive” does not provide states with an excuse for accepting discrimination. On the contrary, non-discrimination must always be a priority in the realization of economic, social and cultural rights in both policy and effect, as states have both obligations of conduct, and obligations of result. Thus, non-discrimination is an immediate obligation for governments.

### **Introduction**

Care activities, in particular those performed within the households and based in kinship, are usually overlooked in most economic analysis. However, care is crucial for understanding the economic system, as it is not only important for the reproduction of people in abstract: it is crucial for the reproduction of people as workers. Moreover, the existence of unpaid care work within a social reproduction sphere is crucial for the reproduction of the capitalist labor force, that is, in its specific and historical form.

How care is organized and supplied in societies is dynamic and changes substantially over time and across countries, switching the hierarchies among four main actors: markets, states, communities (also called the ‘non-for-profit’ sector) and households. Nevertheless, not every one of these institutions has or should have the same entity and/or responsibilities in the provision of care. According to Razavi (2007): “... the role of the state in the welfare architecture

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<sup>1</sup> This is the contribution from the Center for Women's Global Leadership (Rutgers, the State University of New Jersey) to the Independent Expert on foreign debt and human rights, Mr Juan Pablo Bohoslavsky, for his report to the UN General Assembly, 73<sup>rd</sup> session.

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is of a qualitatively different kind, compared to, say, families or markets, because the state is not just a provider of welfare, but also a significant decision maker about the responsibilities to be assumed by the other three sets of institutions.” In particular, when governments implementing austerity measures contract their expenditure on public care provision, the burden shifts to households ultimately, as commodification is only available for those who can afford it. In the words of Magdalena Sepúlveda Carmona, former Special Rapporteur on extreme poverty and human rights “When the State fails to adequately regulate, fund or provide care, the burden shifts to families who have to make their own arrangements. Owing to gender stereotypes related to family and work (...) this generally means that women assume the bulk of the work, to the detriment of their human rights enjoyment.” Studies show that women are still responsible for 75% of all the unpaid care work done worldwide (McKinsey 2015). Additionally, the contraction in public care services does not affect all women in the same way. As women and girls in poor households spend more time in unpaid care work than those in non-poor households, the first group is disproportionately disadvantaged. This also challenges the non-discrimination and equality principles. Furthermore, not only women living in poverty perform a higher share of unpaid care work, they stay poor because they do so, as it limits their time to engage in other activities such as paid work or educational training (Sepúlveda Carmona 2013).

This provides a new and important point of view for assessing the current economic policies that are being implemented worldwide. In the following pages, we will further discuss the impact of gender-blind economic reforms, and how austerity measures affect the realization of women’s human rights.

## **Debt policy and human rights<sup>2</sup>**

When government spending exceeds total government revenue there is a budget deficit and governments must borrow to make up the difference. They can borrow by taking loans from other governments, commercial banks, and international financial institutions like the International Monetary Fund (IMF) or the World Bank (WB). Governments may also borrow by issuing bonds to investors. The public debt resulting from these operations represents a claim on future budgets, as interest has to be paid, which can constrain fiscal space in subsequent periods.

However, borrowing per se is not bad. Since borrowing expands the resources available to government in order to finance the realization of human rights, it raises the threshold on the maximum level of resources the government has at its disposal in the current period. Resources are critical to the realization of economic, social and cultural rights. And, although there is not yet a fully elaborated definition of “maximum available resources” by the Committee on Economic, Social and Cultural Rights, it has been stated that it refers to “both the resources existing within a state as well as those available from the international community through international

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<sup>2</sup> Some of these lines were taken from Chapter 5: Mobilizing resources to realize rights: Debt, aid, and monetary policy; included in the book “Rethinking Economic Policy for Social Justice: The radical potential of human rights” (2016), written by Radhika Balakrishnan, James Heintz and Diane Elson.

cooperation and assistance". Thus, debt policy can play a major role in terms of mobilizing resources for realizing human rights with either positive or negative results.

In deciding whether borrowing can contribute to or hinder the realization of human rights, it is critical to consider whether the government is using the debt to finance investments that will help in the realization of economic and social rights. These kinds of investments can also raise the productivity of private investments; they complement, rather than compete with private investment. Enhanced productivity supports faster growth and higher income that, in turn, increases tax revenues and allows governments to pay back the initial borrowing over time. In particular, public investments in education, health, and infrastructure also attract more private investment and may be decisive in investment decisions. These investments support long-run growth and generate the resources needed to meet future debt obligations, as well as supporting the realization of human rights, especially women's human rights. Stephanie Seguino (2016), for instance, points out that research identifies strong linkages between spending on physical infrastructure and women's unpaid care burden, as targeted investments can reduce women's unpaid care work, freeing up time to spend in paid labor activities, educational training and leisure. For instance, in low-income economies, improved water and sanitation facilities contribute substantially to a decrease in the time necessary for fetching water, which is considered a "female" activity (UN Women 2014).

Investment in public care services is also extremely crucial for gender equality, as women undertake most of the care work, both paid and unpaid. Thus, when states increase the amount allocated to public care services, there are two main positive results. First, there is a boost in female employment due to the job creation in fields dominated by women (such as Health Care, Education, etc.). And second, there is a shift in the burden of unpaid care work as governments take charge of a share of the care activities that were performed within the household. On the contrary, when governments implement austerity measures and cut expenditure in care services, women are disproportionately affected, as they are not only the majority of workers but also the majority of the users of these services. According to Magdalena Sepúlveda (2013) "...unpaid care provision by women and girls is still treated as an infinite, cost-free resource that fills the gaps when public services are not available or accessible." Concretely, how social reproduction is organized determines the weight of unpaid care work in the economic system (Rodríguez Enríquez, 2015).

A further consideration when assessing debt policies is the overall state of the economy. Borrowing in a recession and borrowing in good times are very different. During a downturn, government spending represents an important policy instrument to stimulate economic activity and get the economy going again. Deficit financing plays a central role in allowing governments to increase expenditures in recessions, because government revenues fall during recessions. Without the ability to borrow, governments may have to cut spending in response to declining revenues, making the downturn worse. During periods of stable growth, these deficits can be repaid when government revenues recover. The use of deficit financing to support government spending during downturns, and then paying back this borrowing when growth has recovered, is referred to as "counter-cyclical fiscal policy." Thus, borrowing in recessions in order to maintain

government expenditure levels constitutes a strategy to comply with the maximum available resources principle.

Public borrowing may also have consequences for the distribution of income. Interest payments on the debt go to those who own the bonds or issue loans. The ownership of public debt is often highly concentrated; therefore, debt servicing payments may represent a transfer of income to wealthier segments of the global economy. Committing to large debt payments involves future transfers from the government to wealth holders. If the government has to tax low-income and middle-class households to pay this interest, then there is redistribution from the poor to the rich. This dynamic has gender implications that need to be acknowledged as well, as women are overrepresented among the low-income population and underrepresented among capital and financial assets owners (Seguino, 2016). These regressive and gendered impacts need to be brought into the analysis and might suggest the need for alternative policies, such as progressive and gender-responsive taxation.

In addition, the sustainability of debt also very much depends on the creditors. Views and expectations of creditors can be volatile, especially in times of economic crisis. Austerity measures that some governments have undertaken are an attempt to restore the confidence of bondholders in order to convince them to continue to hold the bonds. Nevertheless, bondholders have been demanding higher rates of return in exchange for agreeing to hold the debt of some governments. This raises the payments governments must make to service the debt. In the context of an economic downturn, when government revenues are already under pressure, higher debt-serving payments squeeze other areas of spending. There is a danger that obligations to creditors can overwhelm the obligation to protect and progressively realize human rights.

Furthermore, creditors may demand policy changes as a condition of extending additional borrowing, as typified by the Structural Adjustment Programs (SAPs) of the World Bank and the International Monetary Fund in the 1980s and the 1990s. These policy conditionalities include tax cuts that limit government spending, which have implications for the principles of maximum available resources, and equality and non-discrimination. Numerous United Nations bodies and human rights mechanisms have identified that the financial crisis and the austerity measures implemented in response have threatened government expenditure on social welfare services. In many countries, privatization of public services and the introduction of user fees complemented these cuts. These implications, as discussed before, are gendered and contradict the Guiding Principles on Foreign Debt and Human Rights, that state:

*International financial organizations and private corporations have an obligation to respect international human rights. This implies a duty to refrain from formulating, adopting, funding and implementing policies and programmes which directly or indirectly contravene the enjoyment of human rights.*

(2012; Principle 9)

Although these kinds of measures have been highly criticized for their negative social outcomes, austerity was the primary response to the last financial crises. The sovereign debt

crisis in the European Union, a direct result of the 2008 global financial crisis, illustrates these dynamics. The debt crisis results from the inability of smaller Eurozone countries to finance their public debt, specifically Greece, Ireland, and Portugal. Rising debt-servicing costs created a situation in which public debt in the European crisis countries was no longer sustainable (Blundell-Wignall and Slovik 2011). Rescue packages were organized to stabilize the situation. The rescue packages included emergency loans and agreements to restructure the debts to make the debt-servicing payments affordable. However, the rescue packages also included conditionalities requiring larger cuts to government spending. The cost of adjusting to the financial crisis therefore reduced the ability of these governments to mobilize the maximum resources to realize human rights.

In this scenario, it is important to keep in mind that non-discrimination and equality are also core principles of international human rights law that require immediate interventions by states. This includes not only any action but also omission that disproportionately affects members of a particular group, and States are responsible for considering this when designing and implementing policies. This is particularly relevant in a context where many international organizations are publicly acknowledging the need for ‘women empowerment’ while pushing countries to implement austerity measures. These austerity measures imply a downsizing of public care services that affect women (and especially poor women) disproportionately without an explicit acknowledgement, let alone remedies.

## **Final thoughts and policy recommendations**

This report has explored various mechanisms that connect macroeconomic policy and human rights, using a gender lens that acknowledges the role of unpaid care work both in the economic systems and in women’s lives. Grounded on this analysis, we recommend that states:

### **i. General**

- Use a human rights framework to audit economic policies –including debt policies- and distinguish between obligations of conduct and obligations of result.
- Prioritize non-discrimination and equality principles as immediate obligations when implementing macroeconomic policies.
- Evaluate debt policy in the light of the principle of maximum available resources<sup>3</sup>.

### **ii. Unpaid care work**

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<sup>3</sup> For further information regarding the obligation to use maximum available resources please refer to the Center of Women’s Global Leadership analytical report [“Maximum Available Resources and Human Rights”](#) (2011), written by Radhika Balakrishnan, Diane Elson, James Heintz and Nicolas Lusiani.

- Recognize unpaid care work as part of the economic system when formulating and implementing macroeconomic policies. This requires gathering sufficient information through time use surveys in order to fully assess the impact of economic policies.
- Reduce private care burdens through public provision, especially during economic recessions.
- Contribute to the redistribution of unpaid care work within the households through progressive measures such as establishing paid care leave on an equal basis to mothers and fathers. Care policies should also acknowledge the existence and provide solutions for different family structures (e.g. single parent families, same-sex couples, etc.).

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