Gendered austerity in the COVID-19 era: A survey of fiscal consolidation in Ecuador and Pakistan

Bhumika Muchhala, Vanessa Daza Castillo and Andrea Guillem

Austerity is gendered in that the power relations that shape the distribution of resources and wealth as well as the labour of care and reproduction turn women and girls into involuntary “shock absorbers” of fiscal consolidation measures. While low-income communities as an aggregate endure the brunt of austerity’s harmful impacts, a feminist political economy lens situates an intersectional understanding of the social reproductive sector at the centre, illustrating how social reproduction buffers communities from the economic, social and physical effects of crises by taking on additional caring labour both paid and unpaid, inside and outside the household, including the informal sector. The effects of austerity measures, such as public expenditure contraction, regressive taxation, labour flexibilization and privatization, on women’s human rights, poverty and inequality occur through multiple channels. These include diminished access to essential services, loss of livelihoods, and increased unpaid work and time poverty. Budget cuts by the state often reduce or eliminate the very programmes and services which primarily benefit women. Reductions, eliminations or freezes to the public wage bill, social protection transfers and welfare benefits such as unemployment insurance, housing benefits, child benefits, disability benefits and fuel subsidies create heightened economic insecurities for women.

Social protection programmes, a critical source of financial resources for low-income women due in large part to the enduring gender pay gap and other factors which concentrate women more heavily in lower income deciles, are often the first services to be reduced, even in countries that suffer extreme poverty. Fiscal contraction displaces women into unemployment and precarious work, often in the informal economy, with long-term damage to their income and assets. For example, women in the female-dominated public education sector in many developing countries take on additional jobs to accumulate sufficient wages to live on, due to reductions in pensions and income. The resulting time poverty that women experience demonstrates that work alone does not mean the eradication of poverty, as increased quantities of labour by women, when it is of a low-wage and precarious nature, have repercussions in reduced consumption as a result of insufficient time and production in the social reproductive sphere. As such, it is decent work with living wages that can create equity for women, not simply additional work if it is of an exploitative nature.
This paper examines the dynamics and implications of gendered austerity in Ecuador and Pakistan in the context of the fiscal consolidation framework recommended by the International Monetary Fund (IMF) Extended Fund Facility (EFF) loan programme. In the case of Ecuador, the first channel through which austerity impacts women is that of the public health sector and the experiences of women public health workers. Second, that of unpaid care work and significant augmentations in home-based healthcare of family members as well as education support. And third, increases in consumer debt incurred by women through extractive short-term lenders. In the case of Pakistan, a combination of regressive taxation and commodity price increases took a toll on women’s lives through four channels: economic loss, increased unpaid care labour and time poverty, diminished physical and mental health, and depletion of vital social and community networks. To illustrate the lived experiences of women, interviews and focus group surveys were conducted. For the Ecuador portion, an interview was conducted with a leader of a nurses’ union in the capital city of Quito and results collected from external published focus group surveys with women engaged in unpaid and paid care work as well as in community savings organizations. For the Pakistan section, interviews were conducted with three working women in Islamabad.

Two key theoretical frameworks are employed within feminist political economy. First, the social provisioning approach, where economic activity encompasses unpaid and paid work, human well-being is the yardstick of economic success, and power inequities, agency and economic outcomes are shaped by gender. Second, the literature on gender, care work and macroeconomics which articulates a reorientation of fiscal policy from expenditure control to investment in publicly funded social services in order to achieve gender equality, protect women’s human rights as well as create fiscal space.

In Ecuador, 60% of workers in the health sector, and 85% of those in the nursing profession, are women. The “triple jeopardy of austerity” creates structural obstacles for women at the intersections of vulnerabilities on three levels: as public sector workers, as public service users and as recipients of social protection. In its first loan review, the IMF deemed the public payroll, which supports the wages of all public employees, administrators and civil servants, an impediment to debt sustainability and equated wage bill cuts to a “progressive income tax” justified on the grounds that public sector employees earned above the median income. In this rationale, the practice of controlling the supply of money as the chief method of stabilizing the economy takes an abstract priority over ensuring that public systems and services are financially supported to ensure that all people can realize their economic and social rights in health, food, housing and livelihood. Public spending with gender equality as a core objective has the quality of an investment with multiplier effects, in that spending on public systems and services can narrow gender gaps, increase women’s access to decent work opportunities, stimulate equitable growth and create fiscal space in the medium term.

The nature of care in Ecuador is contingent and linked to public services, social policies and social infrastructure, encompassing health, education, social protection, labour market laws, as well as care-related infrastructure like water and sanitation. Time poverty arising out of the multiple forms of low-wage paid labour and unpaid labour affects seven out of every 10 women in Ecuador. As household income falls, the scale of unpaid labour increases sharply, turning into a “double burden” of paid and unpaid work. When economies support care work through public expenditure on services and infrastructure, a reduction and redistribution of unpaid care work can generate strengthened human capacities and higher wages and market participation for women. Such a transformative tenor of care-centred economic policy has a manifold ripple effect of not only raising current and future productivity and aggregate demand on the economic dimension, but also fulfilling the economic and social human rights of women, in particular women in poverty, leading to enhanced education and decent work opportunities, long-term health, including reproductive and maternal health, well-being, resilience as well as governance, accountability and engaged participation of women in economy and society.

One of the consequences of reduced public health sector financing is that consumer debt to finance healthcare costs during the pandemic surged, while the inability to repay the loans rose by 3 percentage points from 2019. An effective response to consumer debt would involve, for example, creating universal social protection
systems, particularly a universal basic income or other types of universal and unconditional cash transfers to which access is not mediated by income or employment measures, and which are financed with a progressive income tax policy framework.

Shifting our analysis to Pakistan, one of the IMF’s most chronic and large-scale country borrowers, we focus on its most recent EFF, a 39-month extended arrangement for an amount of $6 billion approved in July 2019. With the objective of mobilizing 4-5% of gross domestic product (GDP) in revenues, the EFF for Pakistan is contingent upon a fiscal consolidation strategy that includes a series of regressive taxation measures: 1) removing tax exemptions and preferential treatments on items such as sugar and edible oil and on the steel and medium and large retail sectors to bring them to the 17% General Sales Tax (GST) regime; 2) increasing the levy on petroleum products; and 3) increasing tariffs on electricity and gas. The effect of these measures, adopted within a context of steep commodity price hikes and inflation, is a staggering rise in the cost of living. Between 2018 and 2021, the price of petrol in Pakistan went up by 79%, diesel by 78%, and liquefied petroleum gas (LPG) cylinders, used for cooking and heating in areas where piped gas is not available, by 92%. In the same period, the price of wheat flour (atta), a dietary staple for Pakistanis, increased by 39%; rice by 38%; cooking oil by 33%; sugar by 55%; and vegetables by 22%.

Soaring food, fuel and electricity prices take a significant toll on women’s lives. Firstly, urban and rural female-headed households tend to experience higher welfare losses than male-headed households due to regressive taxation and food price increases. Because women tend to earn less income than men and they spend more of their budget on taxed essential goods and services, price hikes put more pressure on their budgets. Furthermore, women tend to face more restrictions to access and control of resources and assets, which shrinks their capacity to cope with soaring costs of living. Women also buffer the shock of increasing commodity prices by increasing their paid and unpaid care labour, which in turn increases their time poverty. Losing purchasing power pushes women in low-income countries and households to multiply both their paid and unpaid labour to increase their total income and compensate for increased costs of living. Women who had worked exclusively as care providers at home are forced to take waged jobs in addition to their care responsibilities. Women who already had waged jobs are forced to diversify their sources of income, often accepting low-paid, at times even “low-status”, physically demanding and risky jobs in the informal sector. As a result, both their paid and unpaid labour burden augment a situation that forces women into a state of being overworked, exhausted, stressed and in material poverty.

Furthermore, rising food, fuel and electricity prices affect women’s physical and mental health in a context of unaffordable, inaccessible or substandard public health systems. Women are more likely to deprive themselves of nourishment and nutrition to ensure enough food for their families; are more acutely exposed to air pollution from alternative, cheaper yet contaminating fuels; and experience the deterioration of their mental health due to the stress of not being able to make ends meet. In addition, women face an impact of relational rupture and social loss that has been a blind spot in the literature: the depletion of family and community bonds. Stretching their ever more restricted budgets to keep up with price hikes, women across the board sacrifice the time they used to spend fostering and nurturing family and community bonds in order to be able to ensure the basic items for their mere survival. Families and communities are key support systems that sustain people’s life quality, particularly in moments of economic and social distress.

The way forward: Recommendations for transforming fiscal policy and debt sustainability assessments

This survey paper has examined how fiscal austerity measures, and specifically public expenditure reductions for public services recommended in the IMF loan framework, generate disproportionate harm for women in Ecuador and Pakistan. In the case of Ecuador, women are affected as employees within and users of the public health system, as care workers in the unpaid and paid care economy, and as debtors of informal and private providers of credit. In Pakistan, women bear the impact of the untenable rise in the cost of living through declines in material well-being, increases in time poverty and labour, adverse health effects, and an erosion in social and community relations. The inadequacy of public services as well as social protection systems has significant implications for gender inequality. As a result, women’s economic and social rights to decent work, health, education and social protection, among other public goods and services, are violated.
Gendered austerity in Ecuador and Pakistan: Snapshot overview

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<th>IMF loan programme and conditions</th>
<th>Ecuador</th>
<th>Pakistan</th>
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<td>Key conditions include public expenditure cuts, particularly in the public wage bill (to be reduced from 9.1% of GDP in 2021 to 8.2% by 2025), procurement (to be reduced from 4% of GDP in 2021 to 3% in 2025), and public investment (to be reduced from 7.3% of GDP in 2021 to 6.1% in 2025). Furthermore, Ecuador is to roll back the one-off expenditures incurred in 2021 to address the public health crisis due to the COVID-19 pandemic.</td>
<td>27-month extended arrangement under the Extended Fund Facility for an amount of $6.5 billion, approved on 30 September 2020.</td>
<td>39-month extended arrangement under the Extended Fund Facility for an amount of $6 billion, approved on 3 July 2019.</td>
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<td><strong>Gendered implications of austerity</strong></td>
<td>• Austerity in public health overburdened public sector workers, who are mostly women, and restricted access to sexual and reproductive health services.</td>
<td>• Income loss, as poor female-headed households spend proportionally more on essential goods and services.</td>
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<td>• Care work and time poverty increased, as women filled the gap left by an underfunded public health system.</td>
<td>• Time poverty increases as a function of increased diversification of income sources.</td>
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<td>• Gendered consumer indebtedness, to access public services through the private market while lacking social protection measures to fall back on.</td>
<td>• Health implications via nutrition deficit, air pollution, and mental health pressures.</td>
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<td>• Depletion of social and community life, since increasingly restricted budgets are spent only on essentials.</td>
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Meanwhile, women turn into involuntary shock absorbers of austerity measures and become de facto care providers, compensating for services the state has the responsibility to provide.

Some critics argue that public financing is retrenched under the implicit assumption that women at the intersections of marginalization will compensate for the lack of services through carrying out physical, mental and emotional labour to compensate for the gaps created by the state. The inability or unwillingness of the state to provide services and goods to secure the economic and social rights of marginalized women creates chronic insecurity and vulnerability. As a result, women face a lack of viable choices, leading, for example, to extractive consumer loans that generate cyclical debt and precarity. In most developing countries, the share of women employed by the public sector exceeds their share in total employment, meaning that public wage bill reductions and freezes disproportionately affect women’s paid employment. Meanwhile, the abdication of the state in service provision opens space for the private market to fill the gaps, often resulting in higher costs of access, and displacing the role of the state in establishing regulations and principles by which markets are to operate in order to protect human rights to access basic needs.
Reformulating fiscal policy design

Reformulating fiscal policy rules and shifting them away from the objectives and models of neoclassical economics to that of economic and social rights as well as women’s rights and gender equality involves a reorientation of public spending from being categorized as “consumption” to “investment”. Under current fiscal discipline rules, public expenditure in social sectors is largely categorized as consumption, and therefore discretionary and short-term. This fails to consider the regenerative interaction, or feedback loop, between public investment in public services, social protection systems and social infrastructure, on the one hand, and labour productivity, rights-based economic and social development and social equity on the other hand.

By redefining public social and care spending as priority investment on a medium- to long-term basis, both fiscal policy goals and accounting models can be recalibrated. Consequently, fiscal policy objectives can integrate gender equity and economic and social rights to essential social and care services, while fiscal accounting can incorporate the expansion of productivity, employment, wages as well as tax revenues. In turn, an economic expansion underpinned by greater degrees of social equity can, in a medium- to long-term time frame, finance the debt or deficit created by the investment while preventing social inequalities and economic downturns. While rich countries can undertake such a fiscal shift towards equality and social development with far more policy space and choice, developing countries are bound by debt distress. In the case of Ecuador, where the IMF is recommending public expenditure cuts amounting to 4.2% of GDP between 2022 and 2025 in order to achieve “debt sustainability”, such a fiscal shift is only possible if fiscal policy space is created through international coordination with Ecuador’s creditors to restructure its foreign debt. Similarly, Pakistan also requires viable debt solutions in order to direct its public financial resources towards the needs of its people rather than to external debt repayments.

A range of assumptions in neoliberal macro-policy needs to be questioned in order to shift both perception and calculation of public expenditure as indispensable investment. For example, the traditional macroeconomic target of full employment, which narrowly focuses on market economies and paid labour markets, needs to integrate the unpaid economy and its productive services and goods. The standard “crowding out” argument, which stipulates that both government and individual spending reduce the resources available for private business investment, assumes that spending implies solely consumption, whereas evidence illustrates how public spending yields long-run benefits and boosts to equitable distribution and access to services and resources. Importantly, non-discrimination and equality, upheld by Article 2 of the Universal Declaration of Human Rights, is at the core of a fiscal governance model that protects and supports all people at the intersectional inequalities along lines of race, caste, disability, age and sexual orientation. Distributional equity is also foundational to fiscal policy frameworks in that it accounts for the structural gaps between capital and labour, underpinned by the asymmetry of power and resources between the largely male, profit-led, financial and speculative economy and the largely female, paid and unpaid, productive and caring real economy.

From regressive to progressive taxation for gender equality

Designing, adopting and implementing a gender-just taxation system is, first and foremost, a human rights obligation under the Convention on the Elimination of All Forms of Discrimination Against Women. As stated above, regressive taxation systems lacking any preferential treatment or exemption regime for essential goods and services produce a disproportionate burden on women that impairs the enjoyment of their social and economic rights. As such, even if neutral on the face of it, these policies may fall under the definition of discrimination enshrined in Article 1 of the Convention, which state parties have obliged themselves to eradicate.

Tax systems should be designed to protect and fulfil women’s human rights. Tax and fiscal policies must seek to reduce the disproportionate burdens they place upon the shoulders of women, especially low-income and marginalized groups of women, by turning away from the policy choice of regressive indirect taxes without exemption regimes and steering towards direct taxes on wealth and income, particularly income from capital, profits, financial assets, property and land. Such progressive taxes entail focusing on high-net-
worth individuals and ensuring that multinational corporations pay their share in order to reduce extractive reliance on flat value-added and other consumption taxes. The tax revenues need to be intentionally and explicitly directed into public investments in gender-transformative, high-quality, democratically controlled, accountable public services, social protection and infrastructure, based on the principle of universality that actively promotes gender equality.

Revenues raised through fiscal policies and taxation should follow gender-sensitive budgeting principles that combat inequality and promote women’s rights. That is, they should be devoted to strengthening social services infrastructure and target the extant disparate distribution of unpaid care work among men and women, seeking to “recognize, represent, reduce and redistribute” the responsibilities for care provision across households and societies. Importantly, gender-responsive budgeting determines which types of public expenditure tax revenues should be invested in, in alignment with the fundamental human rights principle that states must utilize all possible resources to realize human rights, including women’s rights. Women’s rights organizations and feminist economists should lead gender budgeting processes. Last but certainly not least, progressive taxation requires the establishment of an inclusive intergovernmental body in the form of a UN global tax convention. Such a convention has the potential to deliver an international feminist tax system which finances women’s human rights and substantive gender equality and where all countries have a seat at the table and equal say in determining international tax rules.

• Debt restructuring and reassessing the assessment of debt sustainability

One of the most significant developments within international political economy since the 2007-08 global financial crisis has been the surging rise of sovereign debt across developing countries. Debt payments by developing countries have doubled since 2010, with the pandemic playing a key role in exacerbating debt distress. Payment to creditors increased from 6.8% of government revenue in 2010 to 14.3% in 2021; while in 2020, 62 developing countries spent more repaying debt than they did on healthcare during a pandemic. The political economy of global debt creates serious risks for those countries, especially developing countries, that dare to repudiate or default on their external debt. The risks include being cut off from access to external financing, credit rating downgrades, worsening of borrowing terms and/or capital outflows. Such events could instigate, for example, depreciation of the national currency or increases in domestic interest rates, which exacerbate debt distress and payments made in foreign exchange. This context is a key part of what drives the need for a binding debt workout mechanism within a multilateral framework for debt crisis resolution, a call made by developing countries within the UN General Assembly, global movements for social and economic justice, and the international human rights community. Global justice movements call for such a mechanism to address unsustainable and illegitimate debt, and provide systematic, timely and fair restructuring of sovereign debt, including debt cancellation, in a process convening all – bilateral, multilateral and private – creditors.

To address the myriad ways in which external debt forecloses fiscal policy space, the critical matter of debt sustainability assessments (DSAs) needs to be addressed. As many advocates and academics have urged over the years, DSAs should incorporate assessments of gender equality, human rights and climate-change-related commitments as well as the feedback loops between public sector investments and economic growth. Cuts to public expenditure may reduce budget deficits and borrowing requirements, but they also tend to depress economic growth. Broadening the ambit of DSAs to incorporate social equality widens the methodology of DSAs from narrow economic considerations of a country’s ability to pay its creditors without accounting for how servicing debt may undermine its ability to meet the needs of its people and international human rights obligations. In 2020, the IMF assessed 76 of 80 countries that received its emergency financing to have “sustainable” debt levels. Such assessments relied on countries implementing severe austerity measures over the coming years. This raised the alarm among certain UN agencies as well as global civil society organizations which warned that under the current DSA methodology, and without additional financial support and substantial debt relief, attempts to stabilize debt levels in alignment with national DSAs will result in countries having to abandon the pursuit of the 2030 Sustainable Development Goals, international human rights obligations, the Beijing Declaration on gender equality and the commitments of the Paris Agreement on climate change. Ultimately, the international financial and economic architecture must recognize that the health and well-being of people, in particular women, is a precondition for “debt sustainability”.
Fiscal space can be created by deliberate policy mechanisms. Two examples are those of using central bank foreign exchange reserves and reallocating public expenditures. The former involves drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for public service and redistribution needs. The latter involves adjusting budget priorities and/or replacing high-cost, low-impact investments with those with larger socio-economic impacts.

In light of the COVID-19-era reality where most developing countries do not possess adequate foreign exchange reserves and where reallocating public expenditures often requires complex or lengthy political processes, fiscal space can be created through Special Drawing Rights (SDRs). The SDR is an international reserve asset created by the IMF in 1969 to supplement its member countries’ official reserves. In August 2021, following persistent calls from a wide range of actors globally for the issuance of SDRs to provide developing countries with some fiscal breathing room, the IMF allocated $650 billion. SDRs received, without conditions and additional debt burdens, soon became the most impactful tool developing countries effectively accessed amidst insufficient support for crisis response. From vaccine purchases to investments in health and social protection, to providing much-needed stimulus in fiscally constrained economies, SDRs continue to prove their value as a lifeline to alleviate pandemic crisis effects. At least 99 low- and middle-income countries have used $104 billion in SDRs since the August 2021 allocation. Many of these countries rushed to use some or all of their SDRs within weeks of the allocation. However, because of the rules governing their distribution, more than $400 billion in SDRs went to advanced economies that do not need them. This inequity requires a rechannelling from rich countries to developing countries in ways that do not create new debt or reduce aid as a result.

SDR issuances in developing countries undertaking fiscal consolidation should be able to relieve some pressure on budget reductions and regressive taxation measures, particularly those that are doing harm to gender equality and the safeguarding of economic and social rights. Thus far, there is no evidence that the IMF adjusted the fiscal targets in borrowing-country policy recommendations in the wake of a significant SDR issuance. In Ecuador, the Fund’s recommendation to establish more independence for the central bank undermined the ability of the government to use its SDR issuance for national needs. While the Fund has published views on central bank independence as key to avoiding “political interference” when governments nudge central banks to lower interest rates, advocates for fairer economic governance see it as another binding constraint on the capacity of countries to use available policy space to pursue developmental policies towards equality. Lower interest rates, argue many advocates, facilitate local businesses to borrow and expand, thereby creating employment. The ability of governments to shape the policy agenda of their central banks also creates the opportunity for central banks to fund national public spending in times of need. Gender equality is supported when boosting employment via interest rate adjustment creates more formal sector decent work opportunities for women, or when financing domestic spending allows for essential public services to be supported.

Economic justice and gender equality movement building

Ultimately, policy choices have historically been facilitated by expanding the political feasibility for change. This requires citizen awareness of their rights and entitlements on both national and global levels, as well as movement mobilization for demands to be voiced, on a persistent and scaled basis, by a critical mass of people. The interests and strategies of vested groups of national and international elites need to be in national public dialogue with people’s movements. For such national public dialogues to take place, a range of diverse constituencies must unite and formulate collective positions and platforms. A broader process of economic and social justice organizing must be supported and enlivened by activist leaders and advocates who centre the humbling and crucial task of unmasking the technical encasing of economic policies and revealing the lived experiences of the most vulnerable, in particular women, who are at the frontlines of not only every crisis but also of macro-policy paradigms at large.
Acknowledgments

The above is the summary of a longer paper (including references) of the same title, which is available at https://www.twn.my/title2/books/pdf/GenderedAusterity.pdf

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The project which resulted in the full-length paper and this briefing involved six months of research, collaboration, conversation, interviews, exchanges and analysis. It is dedicated to the women on the frontlines of the COVID-19 and economic crises in both Pakistan and Ecuador who allowed us the privilege of interviewing them for their narratives and testimonies. The experiences and narratives of these women, as well as women across the Global South, reveal how they endure violations to their economic and social rights as a result of economic austerity ideology and policy. Yet, they continue to resist, organize, agitate, speak up and seek to create a feminist future of justice, dignity and agency.

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