



## **Fact Sheet: Understanding Macroeconomic Policies and their Impact on Women**

### **Background**

All governments across the world seek to guide their national economies into achieving various policy goals e.g. economic growth, full employment, price stability, balanced trade, equity and poverty reduction. However it is often difficult to achieve all these goals together resulting in some of them being sacrificed for the others. Efforts aimed at boosting economic growth sometimes end up increasing poverty among the marginalized groups, particularly women e.g. liberalization of economies through the Structural Adjustment Programme of the 1990s in Zimbabwe exposed many people, especially women and children to poverty and unemployment as most social provisions and government safety nets were removed.

Instruments that are often used to maximize economic growth, reduce unemployment and maintain price stability are called macroeconomic policies. It is against this background that UN agencies such as UNIFEM and other international NGOs have realized the need for governments to assess the impact of such policies on women.

### **Key Elements of Macroeconomic Policies**

Macroeconomic policies are top-down policies which affect all known sectors of an economy<sup>1</sup>.

The key goals of macroeconomic policy are<sup>2</sup>:

- *To maximize economic growth or national output:* Output refers to the total amount of goods and services a country produces, commonly known as the **gross domestic product (GDP)**. The calculated figure of the GDP is like a snapshot of the economy at a certain point in time and normally determines the health of the economy. However it is important to note that the GDP figure is affected by price increases of basic commodities, thus to get the

real GDP, the figure has to be adjusted for the price increases. A higher GDP figure (after adjusting for the rise in prices) normally indicates economic growth.

- *To reduce unemployment:* Unemployment is undesirable in any economy. The **unemployment rate** tells how many people from the available pool of work (the labor/work force) are unable to find work. Rising (real) GDP levels indicate rising national output or growth in the economy which would require more workers to keep up with the greater levels of production, leading to increased employment.
- *To maintain price stability (reduce inflation):* Inflation can essentially be defined as too much money chasing too few goods. The rate at which prices rise is called the **inflation rate**. It is important to keep the inflation rate at reasonable levels for the good health of the economy.

To achieve these goals, a government sets the following policies to influence the direction of the economy particularly in the ability to spend:

- *Monetary Policy:* This is the responsibility of the reserve or central bank in any country. The policy is dependant upon the reserve bank controlling; money supply or availability of money in the economy, the cost of borrowing (interest rates), in order to increase investment and net exports and ultimately achieve economic growth, reduce unemployment and push inflation levels down. The policy also affects the foreign currency exchange market as changes in money supply would lead to changes in the value of a national currency compared to other foreign currencies (which would affect the attractiveness of exports to other countries). N.B. In principle, when a country A's currency is devalued that country's exported goods become cheaper to other countries hence stimulating the demand for country A's exported goods.
- *Fiscal Policy:* The fiscal policy is often announced in the form of the national budget, often the responsibility of the finance ministry/department of the government. This involves the government controlling levels of taxes (income, sales, V.A.T), and government spending to achieve economic growth. Taxes provide revenue for the government's use in the public sector.

## **The Woman Entrepreneur and Macroeconomic Policy**

Women entrepreneurs are both consumers and business owners (producers). Knowing and understanding the basics of macroeconomic issues is vital to the success of their enterprises.

- As a consumer she would want to know how much it will cost to buy goods and services in the market (in other words the inflation rate).
- As a business owner, she would assess the macroeconomic policy to determine if expanding production will be welcomed by the market: i.e. will consumers have enough money to buy her products, or will the products sit on shelves and collect dust (in other words will inflation and taxes affect the consumer's buying power)? She would also want to know how easy it will be to find workers (unemployment level), or how much it may cost to borrow money from financial institutions (interest rates)<sup>3</sup>.

### **Macroeconomic Policy and Women: The Facts**

- It is generally acknowledged that macroeconomic policies have had a negative impact on women in developing regions of the world (including Southern Africa), who often have limited education, lack control over decision making processes and have limited access to resources (especially land).
- Most of the macroeconomic policies are not gender sensitive or do not target institutions that discriminate against women.
- Women's contributions to economies are not measured or valued and thus are not included in the macroeconomic policy e.g. unpaid care work such as child rearing and caring for the sick.
- Rapid and dramatic changes to macroeconomic policies often do not consider the repercussions on women who are vulnerable to any negative outcomes such as inflation and unemployment.
- Much of the leadership involved in setting macroeconomic policy consists of mostly men. There are fewer women economists and much fewer of them in leadership positions<sup>4</sup>.
- Macroeconomic policy determines the cost and terms of borrowing (interest rates) which in turn affects women's access to financial loans.

### **Policy Makers should do the following**

- Involve more women economists in macroeconomic policy formulation.
- Adopt gender budgeting which will

1. Focus on gender awareness and mainstreaming in national budget formulation,
  2. Monitor and evaluate government expenditure from a gender perspective.
- Institute policy reforms aimed at empowering women so they may also benefit from the economy and therefore achieve MDG goal number three. An example of such reform would be to develop a policy strategy that does not discriminate against women in accessing loans and exporting.
  - Ensure regular monitoring and evaluation of macroeconomic policies with respect to women.

## References

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<sup>1</sup> [www.economist.com](http://www.economist.com)

<sup>2</sup> [www.investopedia.com](http://www.investopedia.com), <http://www.tutor2u.net>

<sup>3</sup> [www.investopedia.com](http://www.investopedia.com), <http://www.tutor2u.net>

<sup>4</sup> UNIFEM Southern African Regional Office. 2005. *Gender Perspectives in Macroeconomics*. UNIFEM, Harare.