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Fiscal adjustment and gender inequalities in the face of the COVID-19 pandemic: what is the "new normal" about?[2]

During the last decade, Latin America has been coping with a new scenario characterized by a reborn of fiscal adjustment discourses. By 2020, the COVID-19 pandemic has deepened this policy orientation that seems to stand as central to the response to the economic crisis.

This paper argued that fiscal adjustments catalyzed by the COVID-19 pandemic have highlighted gender gaps, making women poorer in terms of incomes and time. Expenditure cuts triggered by constraints in fiscal revenues have a disproportionate effect on women and children. Women are more dependent on social policies because they are over-represented in poverty rates, informal work, and lower-income sectors. Likewise, women are employed in sectors that have been severely affected by the health and economic crisis.

In addition, women still spend more than three times on unpaid domestic and care work as men. The pandemic has exacerbated the care burden on families. Therefore, in this context, when social and care services are reduced, women have

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to bear the brunt of the lack of services by increasing the time they spend on unpaid work.

The paper goes as follows. First, the reasons for the resurgence of discourses aimed at fiscal austerity are described. Then, the paper goes into more detail on the effects of these policies on gender equality. Finally, it concludes with possible fiscal scenarios for gender equality in Latin America.

The path that brought us here: explaining the changing trends in social protection

During the 1990s, the hegemonic thinking of the Washington Consensus finished laying the foundation of the neoliberalism in developing countries. Neoliberal ideas became popular in Latin America in the 1990s, triggered by hyperinflation, political instability, and the generalized economic crisis of the 1980s (Tussie, 2011: 318). The milestone of the neoliberalism in that region was the so-called Washington Consensus (Williamson 1994)[3].

Some of the typical policies implemented throughout Latin America in this context included trade liberalization, privatization of state-owned enterprises, cuts in social spending, fiscal austerity, amongst others.

However, the economic and political context of Latin America changed significantly with the new millennium. After a twenty-five year decline starting in the 1980s, commodity prices grew in the 2000s (Erten and Ocampo, 2013). The increase in China's demand, the speculative movements linked to excess liquidity and the lack of solid and tangible financial assets, led to a price increase of commodities (mainly metals and agriculture) since 2002 and especially since the USA crisis in 2008 (Idem). Likewise, foreign debt levels as a percentage of GDP halved from almost 40% in 1999 to 19% in 2011, and foreign direct investment

[3] The reference to "consensus" meant that this list was premised on the ideas shared at the time by power circles in Washington and international institutions such as the IMF and the World Bank, besides several of think tanks and influential economists. The recommendations identified by economist John Williamson in 1989 were in concrete: 1) fiscal discipline; 2) redirecting public expenditure; 3) tax reform; 4) financial liberalization; 5) adoption of a single, competitive exchange rate; 6) trade liberalization; 7) elimination of barriers to foreign direct investment; 8) privatization of state owned enterprises; 9) deregulation of market entry and competition; and 10) secure property rights.

levels more than doubled in the same period from US$72 billion in 2000 to US$153 billion in 2011 (CEPALSTAT, 2018). Increasing commodity prices led to improved account balances and promoted large foreign capital inflows. As a consequence, real exchange rates appreciated but countries were able to reach a sizeable accumulation of foreign reserves and a marked reduction in foreign indebtedness (Bacha & Fishlow, 2011: 395).

At the same time, at the beginning of the new century, the political scenario of Latin America had changed after the arrival of the center-left and left political parties to the governments, in the majority of cases for the first time. In 1998 Hugo Chávez was elected president of Venezuela. Later, ex-metalworker and Workers' Party (PT) leader Luiz Inácio "Lula" da Silva became president of one of the biggest countries in the world (2003). "Lula" was followed by left Peronist Néstor Kirchner in Argentina (2003); Tabaré Vázquez of the leftist Broad Front (FA) in Uruguay (2004); coca growers' union leader with Aymara heritage Evo Morales (2005), a socialist and former prisoner of the dictatorship Michael Bachelet (2006) and left economist Rafael Correa (2006). Later, incumbent leaders or its parties were subsequently reelected in most countries, including ex-political prisoner Dilma Rousseff (2011) in Brazil, Cristina Fernández de Kirchner (2011) in Argentina, and former guerrilla leader José "Pepe" Mujica (2010) in Uruguay.

Thus, based on an extractivist model sustained by the high price of commodities, the Latin American governments displaced the discourse of fiscal austerity from the 1990s. Instead, the pink tide increased public spending and especially public social spending (Gómez Sabaini et al., 2017).

In this context, left-wing governments implemented a variety of social programs to cover the most vulnerable people in a variety of areas such as health, education, labor, and social security. As a consequence, in 2012, thanks to the increase in labor salaries and to a large extent due to the increase in public social expenditure (Gómez Sabaini et al., 2017), the Gini coefficient was lower than 0.5 for the first time while the poverty (28%) and extreme poverty rates (11%) were reduced dramatically (ECLAC, 2019). In fact, just before the pandemic hit, 30.8% of the population lived in poverty in comparison with 45.4% registered in 2002 (ECLAC, 2020 c).

However, it should be noted that even though poverty and unemployment rates improved for society as a whole, including women, gender gaps remained stable. For example, the increase in women's labor participation contributed to the decrease in the proportion of women without their own income compared to the values of the late 1990s. However, in 2017 this proportion still reached a regional average of 29.4%, while for men the figure was 10.7% (CEPALSTAT, 2018).

By 2013, the economic scenario started to change. Indeed, many of the conditions that produced a sharp bounce back in developing countries after 2010 are no longer present anymore or a good deal weaker. There was a considerable decrease in China's demand and the monetary and trade policies of the USA, which drove US dollar value, contributed to downward price pressure on commodities (Erten and Ocampo, 2013).

Economic changes led to a gradual shift in the political role of public spending and the idea of austerity. As a consequence, austerity has become the "new normal." Politically, that "new normal" associated with expenditure cuts, the new ways of privatization, and the increase in public-private partnership alliances; have had three major discursive drivers in Latin American countries.

On the one hand, fear of corruption and misuse of public money has paved the way for the growth of these trends. Recent political trends in a large number of developing countries, particularly in Latin America, have further contributed to this discourse. In particular, the cases of corruption that have been blamed for much of Latin America's pink tide have revitalized the need to move towards "efficiency" and "transparency" supposedly provided by the private sector. Indeed, while between 2003 and 2012 most Latin American countries were under leftist government, by 2019, former presidents of Brazil, Argentina, Ecuador, and Bolivia had been accused and tried for corruption and the rest of them lost the government largely because they were accused of bad spending or at best inefficient spending of the public budget.

The new governments that emerged from these crises were characterized by a clear shift to the political right. Having strongly criticized the spending policies of progressive governments, the new right-wing governments elected in the region privileged a discourse of austerity.

On the other hand, the decrease in public income due to the financial restrictions of recent years caused by changes in the global economy has had very significant impacts on the Latin American countries. Also, most developing countries are experiencing a rising debt servicing costs since 2012, and they are already coping a wall of repayments due on foreign currency denominated public debt over this year and the next (UNCTAD, 2020). The impact of the pandemic on developing countries includes a dramatic reversal of capital outflows, triggering large currency depreciations (UNCTAD, 2020). In countries that already had high foreign debt levels, the recent outflows are putting enormous pressure on their debt sustainability by undermining future access to refinancing while driving up their value in foreign currency (Idem).

In addition, Latin American countries have seen an increased penetration of their markets by non-resident investors, foreign banks, and other financial institutions, as well as allowing their own residents to invest more freely abroad. The process of Financing for Development (FfD) was introduced as a shift from the traditional mechanism of overseas aid (Official Development Assistance or ODA), to a greater emphasis on the use of finance made available through private sector investment. The private sector has been alleged to be more suitable than the public sector so this would seem to be a better policy in the current context.

In this line, public-private partnerships have increased their penetration in developing countries in the last decades. At the outset, these models were based on public work concessions for highway construction; they were then extended to railroads, ports, hospitals, prisons and public buildings, amongst many others. What is interesting to note here is that these processes have intensified with the economic slowdown and the growing debt associated with the covid19 pandemic (Villegas, 2020).

Finally, the spread of COVID-19 has represented not just a public health crisis, but also an economic crisis. By 2020, Latin America and the Caribbean countries are experiencing its worst economic crisis in a century, with an estimated contraction of its regional gross domestic product (GDP) of -9.1% (ECLAC, 2020 b: 91).

While developed economies have greater fiscal space to finance stimulus packages that are necessary in the current context, developing countries have seen their fiscal space shrink even further than it used to be because of falling fiscal revenues. Thus, developing countries are coping with a lack of revenues together with alarming rate of unemployment and increasing rates of poverty (UNCTAD, 2020). In this context, austerity measures have been gained a momentum in most Latin American countries, probably more than ever before.

How this new trend is affecting gender inequality?

First, prior to the onset of the COVID-19 crisis, large numbers of women continued to be excluded from the labour market. Before the pandemic, more than half of the 126 million women in Latin America worked in informal conditions. This means that they had no labor rights, no social protection, and that they work in conditions of constant instability (ECLAC-UNWOMEN, 2020 d: 11).

The coronavirus pandemic could push about 49 million people into extreme poverty in 2020. Before the crisis, women were already overrepresented among the unemployed and amongst the population with the highest levels of poverty (ECLAC-UN WOMEN, 2020 a). Given the structural inequality that put women under more poverty risk, most of them are trapped in the locked in the so-called poverty trap (See Kabeer, 2011).

Women's global labour force participation rate declined over recent decades from 50.3 per cent in 2005 to an estimated 47.2 per cent in 2019 resulting in a gender gap in the participation rate of around 27 percentage points (ILO, 2020).

According to the latest ECLAC-ILO data, there will be 21 million unemployed women in 2020, 8 million more than in 2019. More than half of employed women are in sectors severely impacted by the crisis, estimated at 9.1 by 2020 in the region (ECLAC, 2020 a). For instance, almost 60% of workers in accommodation and food activities in Latin America and 61% in the Caribbean are women (ECLAC, 2020 a: 39).

Second, lockdown measures are especially affecting domestic workers, which remain a highly feminized sector. In fact, 80 per cent of all domestic workers are women (ILO, 2020). At present, domestic workers often face very low wages, excessively long hours, have no guaranteed weekly day of rest and at times are vulnerable to physical, mental and sexual abuse (ILO, 2020 b).

Third, women are on the front lines of the pandemic, but they are employed in worse jobs and with less favorable working conditions than men. Around 70% of health sector workers worldwide are women making them thereby more exposed to the pandemic. Figures from the World Health Organization (WHO) show that in Latin America 86 per cent of nurses are female and only 14 per cent are male. Also, on average women in the health sector earn 28 per cent less than men (Boniol et al., 2019).

Fourth, expenditure cuts triggered by constrains in fiscal revenues have a disproportionate effect on women and children (See for instance Ortiz & Cummins, 2013). Women tend to be more dependent on social policies because they undertake a big part of childcare and usually have lower salaries as well as less stable labor trajectories. As consequence, the lack of child care services affects women in a much deeper way than men. In Latin America, women still spend more than three times on unpaid domestic and care work as men. These differences are even greater for lower-income women who spend an average of 46 hours per week in unpaid work (ECLAC-UNWOMEN, 2020 d).

Likewise, when social services such as health, child education, and care services are cut, women have to bear the brunt of the lack of services by increasing the time they spend on unpaid work. In addition, it should be noticed that there is a close relationship between time spent on unpaid work and other non-monetary deprivation. For example, in households without clean water, the negative health effects and opportunity costs of spending time carrying water particularly affect women, who are often the main careers (ECLACUNWOMEN, 2020 d).

In addition, there are certain characteristics relating to the city's infrastructure (paved roads, basic infrastructure) and transport that can affect everyone, but which affect women most (Villegas, 2020). Women are the ones who depend most on public transport and non-motorised means (bicycle and walking) and who generally move around with packages, purchases, cars and children, so the negative effects of these barriers are more noticeable for them. Similarly, dependent people are also among those who are most affected (CEPAL, 2017).

Also, the pandemic has triggered a shift of public resources toward the public health emergency, which could put women in a more risky situation regarding sexual, reproductive and maternal rights, especially where health systems' resources are highly constrained.

Finally, lockdown situations exacerbate women lack of rights by increasing risks of violence, exploitation, abuse or harassment against women due to high barriers when attempting to leave the household or even calling the emergency hotlines in the presence of their abusers.

From the "new normal" towards a more social justice future

Socioeconomic and health crises are not gender blinded. The paradigm of austerity that seems to have risen strongly in recent years will increase gender inequalities even more than before. Since regional fiscal constraint is a fact, it seems necessary to think about new gendered revenue and expenditure schemes towards a more just model of society.

One question that emerges in this context refers to how far could Latin American states implement social recovery policies? That is, how will these countries mitigate poverty, unemployment, and inequalities in an unprecedented economic crisis? Of course, these are questions that imbricate strong power struggles between powerful economic and social sectors, but also mobilizations and protests from the sectors from below.

Currently, that region is experiencing an intense process of political struggle in the middle of an unprecedented health situation. Chile has just approved a constitutional reform after an intense process of social mobilization during 2019. Bolivia witnessed strong confrontations after the coup to the government of Evo Morales in 2019. Brazil is subject to intense mobilizations for social, economic, and environmental rights that demand justice and action from the government of Jair Bolsonaro. In Uruguay, after 15 years, the political right won the elections by 20,000 votes and is aspiring to modify the social protection system in that country. In Peru, there is once again a political crisis, and Venezuela continues a path of intense political, economic, and social crisis that began several years ago. In Colombia, the mobilizations occurred in 2019 against the government have reached high levels of confrontation.

Even though it is true that work must be done to improve the equity of public income and expenditure, this is even truer in the case of goods that guarantee basic rights. In that line, some options must be closed. We should not accept solutions like those of the 2008 economic crisis in developed countries that benefited the wealthiest sectors while were promoting austerity plans that included cuts in public spending with regressive effects (Oxfam, 2016: 9). Instead, we should value life, care, and those policies that promote equality in all its forms.

The progressive orientation of public spending of some social policies implemented during the pink tide contributed to improving the living conditions of the population, but it was not enough. These policies did not close the gender gaps, even though those governments had substantially higher tax revenues than our countries would have in the following years (Gomez Sabaini et al., 2017).

This implies thinking differently not only about expenditure but also about fiscal revenues. Latin America and the Caribbean need to increase their tax revenues. It should be noted that the region's collection levels average 23.1% of GDP, compared to 34.3% for the Organization for Economic Cooperation and Development (OECD) (ECLAC, 2020 b). Furthermore, it is central to avoid illicit financial flows that undermine the necessary incomes to create and maintain solid public services. In fact, elusion and evasion reached 6.3% of the gross domestic product (GDP) in 2017 (ECLAC, 2019 b).

In addition, measures related to a more progressive tax system from a gender perspective become central. This implies having more progressive and less indirect tax-focused structures that tend to put more pressure on women's backs (Stotsky, 1997).

We need to highlight the priorities related to daily tasks linked to the support of life and reproduction, which has been historically neglected within the framework of capitalism/patriarchy. In this line, an allocation of expenditure could be a possible solution to review priorities, deciding which public services should be promoted, and how this affects inequalities.

If we want to have a more just society, the future of our region must be feminist, and no policy of fiscal austerity will ever be compatible with that.

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