GENDER AND MONETARY POLICY

September 2023

WOMEN'S BUDGET GROUP

Executive Summary

Decisions by central banks can reinforce or challenge existing gender inequalities because of the different positions women and men occupy in the economy.

While we recognise that high rates of inflation result in a cost-of-living crisis that harms the well-being of women, we question whether raising interest rates and calling for pay restraint are the best ways to reduce inflation that primarily stems from international rises in prices of energy and food, and corporate profiteering.

By analysing the different ways monetary policy impacts gender inequality, we propose alternative ways monetary policy can contribute to a caring and gender-equal economy.

Impacts on gender inequality

The distributional impacts of monetary policy are complex and context-specific. Monetary policy has an impact on gender inequality through the following channels:

Impact on unemployment. Evidence of unequal impacts on unemployment is mixed. An analysis in developing countries[1] found that women tend to lose more jobs than men when unemployment rises following an increase in interest rates in order to tackle inflation. However, an analysis of nine OECD countries[2] found weak evidence of gender-based employment disparities due to tighter monetary policy.

Impact on wages. The gender pay gap seems to be impacted by changes in interest rates. In Japan,[3] lower interest rates reduced the gender pay gap by 3.7% by boosting low-income employment for women. Conversely, higher interest rates during contractionary policy increased the gender pay gap by 0.8% in the UK due to weaker wage bargaining for women.[4] But further research is needed to understand these dynamics in the current monetary policy environment.

Impact on savings and debts. Interest rate changes affect borrowers and lenders differently. Women are more likely to be net borrowers[5] than men, meaning they borrow more, especially to cover daily essentials, than they can save. Therefore, when interest rates increase, more women will be negatively impacted than men.

Impact on financial assets. Quantitative Easing increased the price of financial assets, primarily benefiting those who already hold such assets, who are generally men. A study of 15 eurozone countries[6] also found that financial asset ownership is concentrated in men's hands, so QE would increase men's wealth proportionally more.

[1] E Braunstein & J Heintz (2008) Gender bias and central bank policy: employment and inflation reduction, International Review of Applied Economics, 22:2, 173-186
[2] Y Takhtamanova & E Sierminska (2009) Gender, Monetary Policy, and Employment: The Case of Nine OECD Countries, Feminist Economics, 15:3, 323-353
[3] K-F Israel & S Latsos (2020) The impact of (un)conventional expansionary monetary policy on income inequality – lessons from Japan, Applied Economics, 52:40, 4403-4420
[4] N Apergi et al (2019) Monetary policy and the gender pay gap: evidence from UK households, Applied Economics Letters, 26:21, 1807-1810
[5] N. Aguila (2023) Feminist Perspectives on Monetary Policy, Women's Budget Group
[6] M Metzger & B Young (2020) No gender please, we're central bankers: Distributional impacts of quantitative easing. Working Paper Hochschule Für Wirtschaft Und Recht Berlin, 136.; B Young (2018) Financialization, unconventional monetary policy and gender inequality. In J. Elias & A. Roberts (Eds.), Handbook on the International Political Economy of Gender (241–251). Edward Elgar.

Impact on policy space. Higher interest rates raise borrowing costs for the government. If the government is committed to reducing public debt, this tends to result in austerity measures that disproportionately affect women.[7]

A FEMINIST MONETARY POLICY AGENDA

The Bank of England should be asked to adopt policies that are consistent with no increase in inequalities, or more ambitiously with a reduction in inequalities. As a public body, the BoE is subject to the Public Sector Equality Duty (PSED), so its mandate from the UK government should incorporate this responsibility.

How could monetary policy pay more attention to gender equality? For the Bank of England to comply with the PSED, representation of women within the BoE and gendered data collection should increase. For a truly transformational approach, the BoE and the Treasury should work together to support a gender-equal economy.

Increase the BoE's awareness of the gender impacts of monetary policy.
Women's voice in monetary policymaking. A minimum set of criteria should be established to promote greater diversity across various demographics, including gender, race, class, disability and so on, and disciplinary background, within the governance bodies of the Bank of England, particularly in senior positions and public engagement foruns. Additionally, there should be an effort to gather feedback on the equalities implications of monetary policy.

Use of gender-sensitive data and research. More research is required into how gender discrimination in labour and credit markets impacts the transmission mechanisms of monetary policy. A necessary condition is to have appropriate data disaggregated by sex and other protected characteristics. Ex-ante impact assessments should be made of the gendered and other inequalities impacts of proposed monetary policy. There is room to leverage the BoE's obligations under the PSED to require such impact assessments.

Accountability for gender equality impact. The BoE should be required to regularly report to the Treasury Committee and the Women and Equalities Committee on its assessment of monetary policy's gendered impacts, highlighting measures, including those that might need to be taken by the government, to avoid adverse impacts and/or mitigate them.

Monetary and fiscal policy coordination. Our transformational approach would see a monetary policy that supports more public investment in services that are vital for gender equality. One way this could be done is through the Bank of England buying bonds directly from the Treasury to fund public investment in social infrastructure.

A more effective coordination between monetary and fiscal policies is also key to bringing inflation down without adverse impacts on gender equality. Current inflation is not the result of too much demand created by unreasonable wages and government borrowing, but of shortages of supply and increased profits from big companies. Monetary policy should accommodate the fiscal and regulatory policies needed in the short run to reduce key prices facing women; and in the medium run to improve the supply capacity of the UK economy not only through investment in the green economy but also in the care economy.

[7] Women's Budget Group and Runnymede Trust (2017) Intersecting Inequalities: The impact of austerity on Black and Minority Ethnic women in the UK

ACKNOWLEDGEMENTS

This briefing is a summary of the main ideas from the papers by Nicolas Aguila and Jeff Powell on feminist perspectives on monetary policy, commissioned by the Women's Budget Group in 2023. It also incorporates WBG's proposals for a monetary policy consistent with no increase in gender inequalities, or, more ambitiously, with a reduction in gender inequalities.

We would like to thank the paper authors mentioned above as well as those who participated in the roundtables and provided their feedback during the process: Diane Elson, Sue Cohen, Hannah Bargawi, Beti Baraki, Hilary Land, Sue Himmelweit, Özlem Onaran, Caroline Bentham, Jerome de Henau, Jasmin Lukasz, Ewa Karwowski, Jennifer Churchill, Simon Youel, Dominic Caddick, Lukasz Krebel, Mary-Ann Stephenson, Emma Thackray, Erin Mansell, Zubaida Haque and Sara Reis.

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A FEMINIST PERSPECTIVE ON MONETARY POLICY

Feminist economists have long argued that the economy works unequally for men and women, with structures that perpetuate gender inequalities. The paid economy is underpinned by the unpaid domestic and care work that women usually do to a much greater extent than men. The responsibility for day-to-day provisioning, such as putting food on the table and buying children's clothes, is borne disproportionately by women. This leads to inequalities in the labour market, such as the gender pay gap and the 'glass ceiling', with consequences for women's financial circumstances. Macroeconomic policies do not exist in a gender-neutral vacuum[8] and not considering these differences when making economic policy might make existing inequalities worse.

Macroeconomic policy typically involves fiscal policy, managed by the Ministry of Finance (in UK, the Treasury), and monetary policy, which is conducted by the central bank (in UK, the Bank of England). In most countries the central bank is independent of government although operating in a framework set by government. The key tools of monetary policy are the interest rate set by the central bank (the bank rate) and the purchase of financial assets by the central bank.

The Bank of England kept the bank rate low for a decade after the financial crisis but since December 2021 has raised it 14 times, so that in August 2023 it stands at 5.25%. It argues this is necessary to reduce price inflation which rose to 11.1% in October 2022, and in July 2023 is still at 6.8%. This policy has repercussions throughout the economy, making borrowing more expensive for households, businesses and governments. It has a direct effect on those with mortgages and other personal debts, raising the payments they must make; and an indirect effect by reducing investment and consumption, and thus tending to depress job creation and wage growth.

The Governor of the Bank of England, Andrew Bailey, has called for wage restraint to avoid fuelling inflation even further, a move that he acknowledged would be 'painful' for workers.[9] However, labour force data[10] shows that the pain has not been evenly spread: workers on low salaries have received modest increases, while people on high incomes have seen their salaries grow more than the average, covering the rise in prices.

Gender pay gaps could be exacerbated as the wages of female workers experience slower growth compared to male workers, primarily due to structural inequalities in the labour market that result in women having less bargaining power than men.[11]

This policy briefing delves into the intricate relationship between gender equality and monetary policy, drawing on two papers commissioned by WBG.[12] We explore how decisions of central banks can reinforce or challenge existing gender disparities and ask what contribution monetary policy can make to the realisation of a caring and gender-equal

[8] See D Elson & N Cagatay (2000) The Social Content of Macroeconomic Policies. World Development, 28(7), 1347–1364
[9] BBC News (4 Feb 2022) Backlash after Bank boss says don't ask for big pay rise
[10] The Observer (25 Jun 2023) Union fury as figures show pay rises among top earners driving inflation; ONS (2023) EARN02: Average weekly earnings by sector
[11] World Economic Forum (12 Oct 2022) Inflation affects women more than men. Civil society can help
[12] Nicolas Aguila (2023) Feminist Perspectives on Monetary Policy – Paper 2; Jeff Powell (2023)) Feminist Perspectives on Monetary Policy – Paper 1

economy. We recognise that high rates of inflation result in a cost-of-living crisis that harms the well-being of the majority of women, but question whether raising interest rates and calling for pay restraint are the best ways to reduce inflation that primarily stems from international rises in prices of energy and food.

Monetary policy in the UK

The gender implications of monetary policies have not received as much attention as those of fiscal policies[13] (with a few important exceptions[14]). This might be due to the efforts to depoliticise central banking, and frame it as a purely technical form of economic management best left to so-called experts.[15] Monetary policy, particularly the use of interest rates and the purchase of financial assets, has significant distributional effects,[16] meaning there will be "winners and losers", which is ultimately a political decision. But central banks do not have a remit to pay attention to these effects.

The UK Government has given the Bank of England just one specific target, a rate of inflation of 2% a year. Other central banks have a similar target. Mainstream economic theory suggests that if inflation (the rate at which the level of prices rises) exceeds the target rate, interest rates in the economy are too low, resulting in excessive credit creation and a rise in the level of prices. Conversely, if inflation is below the target, interest rates are considered too high, leading to a decrease in credit creation and no rise in the level of prices, and a potential rise in unemployment.

The Bank of England, like other central banks, aims to influence interest rates charged by commercial banks and other private lenders to households and businesses through changes in the 'bank rate'. This is the interest rate that the BoE pays to commercial banks on the reserves of money that they are obliged by banking regulations to hold with the BoE to stabilise the financial system.

What is known as Conventional Monetary Policy (CMP) has two variants. Contractionary monetary policy involves raising the bank rate to try to reduce inflation, while expansionary monetary policy lowers the bank rate to try to encourage household consumption and business investment.

However, the 2% inflation target lacks robust empirical justification, as there is no evidence that supports this as a suitable target for all advanced economies across different economic cycles. Moreover, the belief that manipulating short-term interest rates is the most effective

[13] D Elson (2020) Macroeconomic Policy for a Gender Neutral Economy. Women's Budget Group.
[14] M Metzger and B Young (2020) 'No Gender, Please, We're Central Bankers: Distributional Impacts of Quantitative Easing'; B Young (2018) The Impact of Unconventional Monetary Policy on Gendered Wealth Inequality, *Papeles de Europa* 31(2): 175–86; E Braunstein & J Heintz (2008) Gender Bias and Central Bank Policy: Employment and Inflation Reduction; S Seguino & J Heintz (2012) Monetary Tightening and the Dynamics of US Race and Gender Stratification
[15] C Clarke & A Roberts (2016) Mark Carney and the Gendered Political Economy of British Central Banking. The British Journal of Politics and International Relations, 18(1), 49–71
[16] M Ampudia et al (2018) Monetary Policy and Household Inequality. ECB Discussion Papers, 2170; Y Dafermos & C Papatheodorou (2018) How does monetary policy affect income and wealth inequality? An agent-based stock-flow consistent analysis; L-P Rochon & M Seccareccia (2021) A primer on monetary policy and its effect on income distribution: A heterodox perspective. Ensayos Económicos, 76(1), 5–25.

means to achieve inflation targets also lacks empirical backing, as there is no robust link between interest rate changes and household consumption or business investment.[17]

Following the 2008 global financial crisis, once the financial system was stabilised, many central banks, including the BoE, took a different approach introducing so-called Unconventional Monetary Policy (UMP), particularly Quantitative Easing (QE), to avoid a deep recession with large falls in employment and output. They did this because they were unable to reduce interest rates any further using Conventional Monetary Policy. QE, as used by the BoE, involves purchasing government bonds and corporate bonds that have already been issued and are held by private sector investors, such as pension funds and other asset managers.[18] This pushes up the price of bonds which in turn reduces long-term borrowing costs for governments and private entities.

In total, the BoE bought £895 billion worth of bonds between 2009 and 2020.[19] Most of those (£875 billion) were UK government bonds bought in the secondary market, not directly form the Treasury. The remaining £20 billion were UK corporate bonds. The BoE did that using money it had created digitally. The last time the BoE announced an increase in the amount of QE was in November 2020. After that, the BoE began to sell the bonds it had purchased, an operation called Quantitative Tightening. The next section presents some of the gendered impacts of QE and other monetary policy tools.

IMPACTS ON GENDER INEQUALITY

The distributional impacts of monetary policy are complex and context-specific, influenced by institutional characteristics, type of monetary policy, and the fiscal framework of a particular country at a particular point in time.[20] There is quite a lot of empirical evidence on the impact of monetary policy on household inequality in income and wealth, but there is less evidence on the impact on gender inequality.

Researchers have identified the following channels through which monetary policy has an impact on inequality: impacts on employment; wages; savings and debts; financial assets; and on the fiscal space which permits or restricts public expenditure. Here we concentrate on evidence on gender impacts, while acknowledging that gender and other structures of inequality like race, class and disability intersect. The issues of symmetry and timing are of particular importance when assessing distributional impacts along the dimensions of gender and race. Metzger & Young[21] argued that "during economic downturns and periods of policy restriction, the most vulnerable groups in society are hit hardest. Unfortunately, these groups don't fully recover their pre-crisis status even during periods of economic expansion."

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[17] Z Barry et al (eds) (2013) *After the Great Recession: The Struggle for Economic Recovery and Growth* (Cambridge: Cambridge University Press); S Sharpe & G Suarez (2015)'[Why Isn't Investment More Sensitive to Interest Rates: Evidence from Surveys]', *Finance and Economics Discussion Series*; E Kopp et al (2019) 'U.S. Investment Since the Tax Cuts and Jobs Act of 2017', *IMF Working Paper* no. 2019/120
[18] Bank of England (2023) What is quantitative easing?
[19] Ibid.
[20] L Furceri et al (2016) 'The Effects of Monetary Policy Shocks on Inequality'. IMF Working Paper no. 2016/245
[21] M Metzger and B Young (2020) 'No Gender, Please, We're Central Bankers: Distributional Impacts of Quantitative Easing'

Impact on unemployment

Braunstein & Heintz[22] conducted one of the earliest studies exploring how contractionary monetary policy affects women and men differently. They found that for a sample of developing countries, when inflation is reduced along with an increase in unemployment, women tend to lose a higher percentage of jobs compared to men.

However, a study of OECD countries did not find a strongly gendered impact. Takhtamanova & Sierminska[23] looked at sectorally-disaggregated (agriculture, industry and services) impacts of monetary policy on male and female employment in nine OECD countries between 1980 and 2004. They found "only weak evidence that the employment costs of tighter monetary policy are inequitably distributed across genders".

Monetary policy operates on unemployment with a time lag, so it is too soon to say if there is a gendered impact of current interest rate rises in the UK on unemployment. Such impacts will depend on the sectoral distribution of women's and men's employment, and the way different sectors respond to interest rate rises.

Impact on wages

Empirical work has begun to examine how monetary policy affects the gender pay gap. For example, Israel & Latsos[24] studied Japan from 2003 to 2014 and found that a 1% fall in interest rates was associated with a reduction in the gender pay gap of 3.7%. They attribute this to an increase of low-income employment in female dominated sectors, women working longer hours, and as a result, catching up with men in earnings. This aligns with Apergis et al[25] findings for the UK from 1991 to 2015, which found that contractionary monetary policy was followed by an increase in gender pay gap: specifically a 1% increase in interest rate shocks raised the gender pay gap by 0.8 percentage points. This is likely to reflect women's weaker wage bargaining power when there is downward pressure on wages. We need more research to establish whether the same process is at work in the current period of contractionary monetary policy.

Impact on savings and debts

Interest rate changes affect borrowers and lenders differently. When interest rates fall, this benefits those who have borrowed more than they have saved (net borrowers) and reduces returns for those who have saved more than they have borrowed (net savers). When interest rates increase, borrowers face higher payments, while lenders experience increased interest income. The gender impact will depend on the extent to which women are more likely to be net borrowers than men, and the extent to which women have a higher level of personal debt than do men.

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[22] E Braunstein & J Heintz (2008) Gender bias and central bank policy: employment and inflation reduction, International Review of Applied Economics, 22:2, 173-186
[23] Y Takhtamanova & E Sierminska (2009) Gender, Monetary Policy, and Employment: The Case of Nine OECD Countries, Feminist Economics, 15:3, 323-353
[24] K-F Israel & S Latsos (2020) The impact of (un)conventional expansionary monetary policy on income inequality – lessons from Japan, Applied Economics, 52:40, 4403-4420
[25] N Apergi et al (2019) Monetary policy and the gender pay gap: evidence from UK households, Applied Economics Letters, 26:21, 1807-1810

The commercial banks in the UK have been quick to pass on recent interest rate rises to borrowers but have not passed on interest rises to savers to the same degree. This delay boosts bank profitability because they charge higher interest on loans without giving that higher interest to people who have savings in the bank.[26]

Gender-specific data on borrowing and lending is not easily accessible, but available data combining individual and joint borrowing indicates that a larger number of women in the UK are borrowers compared to men.[27] Thus, when interest rates rise, there could be a bigger negative impact on the financial situation of women, especially if they have lower incomes. Some indication of gender difference is provided by the gender disparity in the gap in filing for debt relief. In the past, men in England & Wales experienced higher rates of insolvency compared to women. In 2012, the female rate of insolvency per 10,000 adults in England and Wales was 23.8, while for men it was 25.4, a gender gap of -1.6. However, this trend has reversed. By 2022, the female rate had risen to 27.4 while the male rate had fallen to 22.3, a gender gap of +5.[28]

Taking on debt for consumption is very different from taking on debt for investment, such as a mortgage to buy a house. [29] A mortgage will usually contribute to an eventual increase to the borrower's wealth, while borrowing to pay for essentials does not. Moreover, in the UK most mortgages are held jointly, while borrowing to pay for rising cost of essentials is more likely to be individual, and to be undertaken by women.

A small-scale study conducted by the Women's National Consortium[30] in Northern Ireland during 2021 is indicative of the debt problems faced by low-income women, who were borrowing to cover for essential items, with 56% of them holding debt over £1,000. Almost two in three of the participants declared having difficulties or not being able to repay the debt. 30% borrowed money via credit or store card, which typically have high interest rates. Rise in food and energy prices were identified as the main reason for taking on debt. The subsequent increase in interest rates, following increase in bank rate will make servicing this debt more difficult. The charity StepChange that advises people who have problem debts reports that in June 2023, 63% of their new clients were women.[31]

Impact on financial assets

Quantitative Easing increases the price of financial assets, primarily benefiting those who already hold such assets, which are generally men. In the UK, official data shows that on average in period April 2018-March 2020, the median individual wealth, including pension wealth, of men was £131,500, while for women it was £117,200.[32] A study of 15 eurozone countries also found that financial asset ownership is concentrated in the hands of men, so that QE would increase men's wealth proportionally more.[33] In this way, QE will have

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[26] New Economy Brief (2023) In Focus: Should there be a windfall tax on banks?
[27] N. Aguila (2023) Feminist Perspectives on Monetary Policy – Paper 2
[28] The Insolvency Agency (2022) Individual Insolvencies by Age and Gender England and Wales, 2012 to 2022. Table 1a.
[29] J. Montgomerie, S. Stevano and M. Davies (2020). Household debt and gender. WBG pre-budget briefing.
[30] Women's National Consortium (2022) Women living with debt
[31] StepChange (2023) Monthly client data report: June 2023
[32] ONS (2022) Individual wealth: wealth in Great Britain
[33] M Metzger & B Young (2020) No gender please, we're central bankers: Distributional impacts of quantitative easing. Working Paper Hochschule Für Wirtschaft Und Recht Berlin, 136.; B Young (2018) Financialization, unconventional monetary policy and gender inequality. In J. Elias & A. Roberts (Eds.), Handbook on the International Political Economy of Gender (241–251). Edward Elgar.

exacerbated existing inequalities in terms of wealth. It has been shown that this was the case with QE undertaken by the BoE in the UK too.[34]

Quantitative Tightening, other things being equal, would tend to reduce the price of financial assets and, in theory, reduce the gender gap in wealth, or at least slow the growth of the gap. However, other factors happening in parallel to QT, such as windfall profits for fossil fuel companies, and the ability of large corporations to increase their profit margins[35] at a time of rising prices tend to offset the impact of QT on private financial assets. Instead, the main impact of Quantitative Tightening is to raise the cost of borrowing for government.

Impact on fiscal policy space

Higher interest rates and Quantitative Tightening raise borrowing costs for the government. If government is committed to reducing public debt, this tends to result in the implementation of austerity measures, such as spending cuts in public services and social security. Women will be disproportionately affected through three channels: (1) reduced access to public services, as women use these more than men because of their caring responsibilities; (2) freezes or cuts to public sector employment and wages, because the public sector accounts for more of women's paid work than of men's; (3) freezes and cuts to social security, since because of women's lower earnings, they are more reliant on social security.[36]

A FEMINIST MONETARY POLICY AGENDA

A BROADER MANDATE FOR THE BANK OF ENGLAND TO INCLUDE EQUALITY

Currently, the mandate of the Bank of England does not include attention to inequality, including gender inequality. On the contrary, the policies of the BoE since 2010 are likely to have increased some forms of gender inequality. For instance, Unconventional Monetary Policy, in the form of Quantitative Easing, has disproportionately increased the wealth of men but has not been effective in supporting investment in the real economy, in jobs and social infrastructure.

This should not be seen as an accident or something unavoidable. The way QE was implemented, via purchasing of bonds in secondary markets, had foreseeable effects: disappointing overall growth because banks prioritised balance sheet strength over economic recovery, and unequal growth due to price increases of financial assets. Indeed, the BoE could have done things differently, with direct purchase of government bonds from the Treasury and a commitment from the Treasury to invest those resources in the care economy.[37]

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[34] H Mumtaz & A Theophilopoulou (2017) The impact of monetary policy on inequality in the UK. An empirical analysis. European Economic Review, 98, 410–423
[35] IMF (2023) Europe's Inflation Outlook Depends on How Corporate Profits Absorb Wage Gains; C. Lagarde (2023) Speech by Christine Lagarde, President of the ECB, at the annual Economic Policy Symposium "Structural Shifts in the Global Economy"
[36] Women's Budget Group & Runnymede Trust (2017) Intersecting Inequalities. The impact of austerity on Black and Minority Ethnic Women in the UK
[37] Ö Onaran & C Oyvat (2023) 'Synthesizing Feminist and Post-Keynesian/Kaleckian Economics for a Purple Green Red Transition', *European Journal of Economics and Economic Policies*, no. forthcoming; M Lavoie & B Fiebiger (2018)

The return to Conventional Monetary Policy in the form of interest rate rises to try to deal with inflation is having an immediate negative impact on the costs of borrowing for women, who seem to be experiencing more debt distress than men. It is also, via raising the cost of government borrowing, exerting downward pressure on wages in the public sector where so many women work, and makes a further round of austerity much more likely.

The Bank of England is subject to the Public Sector Equality Duty (PSED) outlined in the Equality Act 2010.[38] This duty mandates public bodies to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. However, the remit for the Monetary Policy Committee, defined by the government, does not mention Equality Impact Assessments or any other action to fulfil the PSED.

At present, the Bank of England has a primary target of price stability and a secondary mandate of supporting the economic policy of the government. Moreover, it is now required to take environmental issues into account. In March 2021, the UK government updated the remit of the Monetary Policy Committee to include growth that "…is also environmentally sustainable and consistent with the transition to a net zero economy"[39].

Following that line, the BoE and the Monetary Policy Committee should be asked to comply with the Equality Act and adopt policies that are consistent with no increase in gender and other inequalities, or more ambitiously pursue policies that contribute to a reduction in gender and other inequalities. A commitment to supporting full employment could be part of this expanded mandate.

The next sections set out proposals for how monetary policy could pay more attention to gender equality, beginning with institutional and procedural changes that can be adopted without challenging the presumption that the BoE should be guided by "market neutrality" (meaning that it should not aim for a different outcome to that which would be generated by the market). These have more chance of being adopted in current economic and political circumstances. It is nevertheless important to try to change the narrative about what a central bank can and should do, pointing out that 'market neutrality' does not mean 'gender neutrality'. Therefore, we also propose more transformational changes that would enable monetary policy to support a more gender-equal economy.

INCREASE THE BOE'S AWARENESS OF THE GENDER IMPACTS OF MONETARY POLICY

The Bank of England could move towards a gender-aware monetary policy within the framework of "market neutrality". This would mean increasing the BoE's awareness of the gender impacts of monetary policy so as to comply with the Public Sector Equality Duty and the Equality Act. Possible means include ensuring more women's voices are represented in the Bank's policymaking, collecting sex-disaggregated data and conducting gender-sensitive research to inform decision-making, and ensuring that the accountability of the BoE to

'Unconventional Monetary Policies, with a Focus on Quantitative Easing', *European Journal of Economics and Economic Policies* 15(2): 139–46

[38] Schedule 19 (Equality Act 2010)

[39] HM Treasury (2021) Remit for the Monetary Policy Committee

parliament includes a gender equality dimension. These actions would enable the BoE to comply with the mandate to promote equality.

Women's voice in monetary policymaking

Despite the nomination of some women to senior positions in central banks worldwide, these institutions remain predominantly male-dominated.[40] While there has been slow progress in increasing the overall representation of women in senior roles,[41] the improvements have been uneven. For instance, at the Bank of England, women constitute half of the Executive Directors but hold only 12 out of 34 senior policy committee positions. The Governor and Deputy Governor positions are all held by men, with only three women having served as Deputy Governors throughout the Bank's history. The Monetary Policy Committee, a panel of external experts appointed by the Bank, has had several women members, but they are always a small minority. Only one-third of the current Committee are women.[42]

Of course, the presence of more women in these positions doesn't automatically mean improvements in gender equality. For instance, they may be convinced of the merits of Conventional Monetary Policy and unwilling to consider alternatives. Diversity of views on monetary policy is as vital as diversity along the lines of gender (and other demographics).

The Bank of England also operates a number of opinion-gathering exercises, such as the Agents' Summary of Business Conditions and the Decision Makers' Panel Survey[43] but does not report data on respondents' gender or other demographic indicators that matter for economic inequality, like race or disability.

Some central banks, like the US Federal Reserve, have created bodies to connect with a broader range of stakeholders. The 15-member Community Advisory Council (CAC), established in 2015, comprises mainly women and individuals from diverse racial backgrounds. The CAC provides insights into economic circumstances and financial services needs, focusing on low- and moderate-income populations. They organised "Fed Listens" events to gather community input on the central bank's objectives. However, the "Fed Listens" report scarcely mentions "gender" and mentions "women" only three times in 140 pages. The Bank of England introduced Community Forums in 2017 and Citizens' Forums in 2018, aiming for representativeness in region, income, and age, though gender and race composition is unclear. Citizens' Forum participants recently discussed the cost-of-living squeeze, noting higher energy prices and other factors driving inflation.[44] However, the influence of these forums on the Bank of England's decision-making processes is uncertain.

[40] G Vallet (2020) 'Gender diversity as a tool to make central banks progressive institutions: the case of the Central Bank of Ecuador', in *The political economy of Central banking in Emerging countries*, ed. M Yağci (Routledge, UK), 151-167; B Young (2023) 'Covid-19 and the Gender Dilemma: Blind Spots in Both Macroeconomics and Feminist Economics', in *Handbook on Critical International Political Economy and Public Policy*, ed. C Scherrer et al (Cheltenham, UK: Edward Elgar), 65–79.
[41] D Masciandaro et al (2020) 'Do Women Matter in Monetary Policy Boards?', *BAFFI-CAREFIN Centre Research Paper*, no. 148
[42] Bank of England (Aug 2023) Monetary Policy Committee
[43] The BoE's ASBC involves quarterly discussions with over 700 businesses. The DMPS was established in 2016 with ESRC funding. Quarterly surveys are sent to CFOs of small, medium and large UK companies representative of the population of UK businesses. Over 10,000 businesses took part in the panel as of February 2023.
[44] Bank of England (1 Mar 2023) 'The Cost of Living Squeeze: Insights from the Bank of England's Outreach Programmes'

Use of gender-sensitive data and research

Decision making needs to be informed by data that is disaggregated by sex (and other relevant demographics), including employment, earnings, expenditure, personal debt and wealth. Monetary policy should be no exception.

More research is required into how gender discrimination in labour and credit markets impacts the transmission mechanisms of monetary policy.[45] There may be lessons to be learned from the Opportunity and Inclusive Growth Institute at the Federal Reserve Bank of Minneapolis, established in January 2017 with the goal of conducting research that will "increase economic opportunity and inclusive growth for all Americans and help the Federal Reserve achieve its maximum employment mandate." Ex-ante impact assessments should be made of the gender and other inequalities impacts of proposed monetary policy. There is room to leverage the BoE's obligations under the Public Sector Equality Duty to introduce a requirement for such impact assessment.

The lack of information on banks' allocation of funds towards initiatives benefiting women creates an obstacle for the central bank in distinguishing between banks that prioritise such projects and those that do not. To address this, improving data collection and availability is essential because it would allow the BoE to elaborate impact assessments. These should consider not only sex but other protected characteristics as well, such as age, disability, and race.

To advance women's situation, democratic discussions should determine standards for data reporting rather than leaving it to firms, banks, or the central bank. One example of such measures is the Women's Empowerment Principles (WEPs) developed by the UN Global Compact and UN Women. Firms can adopt these principles as signatories and report relevant indicators, including workforce gender composition, representation in senior management and on boards, gender pay ratios, and measures to address violence and harassment.[46]

Accountability for gender equality impact

The Bank of England should be required to regularly report to the Treasury Committee and the Women and Equalities Committee on its assessment of monetary policy's gendered distributional impacts, highlighting measures, including those that might need to be taken by the government, to avoid adverse impacts and/or to mitigate them.

While regular reporting to the committees would enhance accountability, it is also important for feminists to maintain external pressure and public engagement with the Bank during critical moments of attention to monetary policy. These could include key events such as Monetary Policy Committee meetings, the Governor's reports to the Treasury Select Committee, crisis interventions, and official policy review episodes. Public comments during these moments can foster a broader dialogue and ensure that gender equality concerns are adequately addressed within the framework of monetary policy.

[45] For example U Neyer & D Stempel (2021) 'Gender Discrimination, Inflation, and the Business Cycle', Journal of Macroeconomics 70: 103352
[46] UN Women and UN Global Compact, Women's Empowerment Principles

Finally, having a member of the BoE's Court of Directors responsible for equality would make accountability straightforward and ensure that the necessary attention is given to the impacts of monetary policy across different groups, including women.

By combining these proposed measures, a comprehensive framework for monitoring and assessing the impact of monetary policy on gender equality can be established and compliance with the PSED achieved.

MONETARY AND FISCAL POLICY COORDINATION – A TRANSFORMATIONAL APPROACH

A truly transformational approach would go beyond monitoring the distributional impacts of monetary policy on equality and move into an effective coordination between Bank of England and Treasury to proactively support equality.

Coordination to fund public expenditure to support gender equality

The Bank of England could ensure that monetary policy is coordinated with fiscal policy to support gender equality. One option would be for the BoE to directly finance fiscal policies supportive of gender equality by buying bonds from the Treasury rather than through profit seeking-intermediaries in the secondary market. The Treasury could facilitate this by issuing "social infrastructure bonds" to finance public investment in that area (i.e. care services).

The government has already issued "green bonds": in 2021 it raised £16billion in this way (though mainly from the private sector) to invest in green projects.[47] Of course, with both social infrastructure bonds and green bonds, it is necessary to monitor how the government spend the funds to minimise "pinkwashing" and "greenwashing". There is likely to be resistance to this policy on grounds that it compromises the independence of the BoE, but it would be in line with its secondary mandate of supporting the economic policy of the government, if the economic policy of the government were to include creating a gender-equal economy.

Monetary and fiscal policy coordination to reduce inflation

The BoE is trying to reduce inflation by raising interest rates, but this increases the burden of personal debt, and puts downward pressure on job creation and wage increases in the public sector and many parts of the private sector. Both make achievement of gender equality harder. But high levels of inflation also jeopardise gender equality, given women's particular responsibilities for providing for their households. Better coordination of monetary and fiscal policy could bring down inflation in a less costly way and pave the way for a gender-equal economy.[48]

Current inflation is not the result of too much demand being created by unreasonable wage demands and government borrowing, but of shortages of supply, especially of energy and

[47] HM Treasury (2021) UK's first Green Gilt raises £10 billion for green projects, Second UK Green Gilt raises further £6 billion for green projects
[48] Ö. Onaran (2022) The political economy of the cost of living crisis in the UK: what is to be done?

food, created by conflicts, ecological crises, and supply chain failures. Too many large companies are using this as an opportunity to increase their profits. Monetary policy should accommodate the fiscal policies needed in the short run to directly put downward pressure onto key prices, and in the long run to invest in the care and green economy.

In the short run, as well as subsidies that reduce household's fuel bills, more regulation is needed of supply of essential foods and of rents, including tougher enforcement of anti-monopoly laws, and effective windfall taxes targeting the increase in profits of energy companies, banks, and big food companies. These measures would be less costly ways of reducing inflation.

In the medium term, to improve the supply capacity of the UK economy substantial amounts of public investment are required to reduce dependency on fossil fuel, i.e. in renewable energy, public transport, housing, energy efficiency, sustainable organic plant-based agriculture, forestry, recycling, and repair. The long-standing deficits in public care services are no less urgent and are now a key factor behind the labour shortages that the BoE is concerned about, as participation in the labour market has fallen for both women and men, with illness as a key reason.[49] The public provision of high quality universal free basic services in social care, health, childcare, and education is key to improving the productivity of the UK economy. These investments in the green and caring economy would do much to reduce gender and other inequalities, and also to keep inflation under control.

Neither the BoE nor the Treasury can bring down inflation in ways that support a gender-equal economy by acting alone. More effective coordination between them could. This will require a broadening of the BoE mandate to include attention to inequality and to recognise that market neutrality masks social bias, including gender bias.

OTHER POLICY ALTERNATIVES TO CONSIDER

IS THERE A CASE FOR MONETARY POLICY TO PROACTIVELY TARGET THE ACHIEVEMENT OF GENDER EQUALITY?

There is a strong belief among mainstream economists that central banks' actions should be only focused on macroeconomic targets, such as inflation. However, historically central banks have played a crucial role in guiding credit to the private sector. A clear example is the post-WWII period when central banks directed credit opportunities to reconstruction and industrial strategies.[50] More recently, the BoE introduced some targeted policies during the Covid-19 pandemic. And to address the climate crisis, they are "greening" the Corporate Bond Purchase Scheme (CBPS), among other measures. There is the mounting pressure

[49] ONS (2022) Half a million more people are out of the labour force because of long-term sickness; G. Li and C. Mulas-Granados (2023) The Recent Decline in United Kingdom Labor Force Participation: Causes and Potential Remedies. IMF
[50] L Krebel & F Van Lerven (2022) Green Credit Guidance. A green term funding scheme for a cooler future. New Economics Foundation

on the BoE to direct lending to address the ecological crisis.[51] Can the same approach be used to address gender equality?

Pros and cons of gender-equality targeted credit schemes

In 2016, the BoE created the Term Funding Scheme (TFS) program to provide low-cost loans to banks and building societies for up to four years. It aimed to help these financial institutions lend to businesses and households at lower interest rates.[52] The program closed in 2018 after distributing loans totalling £127 billion. It was brought back during the Covid-19 crisis in 2020 (and extended until October 2021) as the Term Funding Scheme with additional support for small and medium enterprises (TFSME).[53]

The BoE could reopen and make the TFS permanent, providing affordable funding for banks that lend to projects and businesses working towards reducing gender inequality. Since the TFSME already focused on granting credit based on banks' fund-use plans, it can in principle be adapted and implemented for this purpose.[54]

Promoting gender-targeted credit allocation measures involves encouraging banks to increase lending for projects supporting gender equality. This may include setting a minimum percentage of banks' portfolios to be allocated for such projects and offering incentives for charging such projects lower interest rates. Alternatively, the BoE could condition credit provision on meeting gender equality requirements or prohibit lending to non-compliant firms and projects.

However, it is notoriously difficult to identify suitable indicators that go beyond reducing gender gaps in employment and to avoid “pinkwashing” as businesses may claim to be supporting gender equality even though some of their activities undermine it.

An example is private provision of care services for a profit. Achievement of gender equality does require more investment in care services, but research by WBG and others[55] has shown the many problems with private provision of care services, in terms of poor pay and working conditions for the largely female workforce, low quality of care for recipients, and lack of affordability. What we really need is public investment in care services, and thus a monetary policy that makes this possible, rather than the Bank of England directing credit to private investment in care services.

Gender-equality targeted regulations

Central banks, including the Bank of England, oversee the financial sector through bodies such as the Financial Policy Committee and the Prudential Regulation Authority. Crucial among their regulatory tools are liquidity, reserve, and capital requirements for banks. It has

[51] See for example: Y Dafermos et al (2020) Decarbonising the Bank of England’s Pandemic QE. New Economics Foundation; Y Dafermos et al (2022) An Environmental Mandate, now what? Alternatives for Greening the Bank of England’s Corporate Bond Purchases; D Gabor et al (2019) Finance and Climate Change: A progressive green finance strategy for the UK
[52] G Nardi & Nwankwo (2018) The Term Funding Scheme: design, operation and impact
[53] Bank of England (17 Dec 2020) Extension of the Term Funding Scheme with additional incentives for SMEs (TFSME)
[54] L Krebel & F Van Lerven (2022) Green Credit Guidance. A green term funding scheme for a cooler future. New Economics Foundation
[55] Women’s Budget Group (2023) Social care and gender. Pre-budget briefing; New Economics Foundation & Women’s Budget Group (2022) Universal quality social care; N Cominetti (2023) Who cares? The experience of social care workers, and the enforcement of employment rights in the sector. Resolution Foundation.

been suggested that BoE could introduce requirements that consider the gender equality performance of banks. The requirements could be tougher for banks not meeting performance targets and less onerous for banks that do meet performance targets.[56]

However, relaxing capital requirements for banks with good gender equality performance may risk financial stability. Instead, increasing requirements as a penalty for non-compliance could be more prudent. Moreover, there are the difficulties noted above in specifying and enforcing gender equality targets.[57]

Feminist Quantitative Easing

If QE were to be reintroduced, then it could include "Feminist QE", with the BoE purchasing corporate bonds to finance projects aimed at reducing gender inequality and lowering borrowing costs for firms. For instance, the BoE could purchase "gender equality bonds" from financial institutions to fund projects with a positive gender impact.[58] However, the effect of these policies might be limited due to the small market size and the potential for "pinkwashing".

Moreover, a challenge in implementing Feminist QE is that the Bank of England, like other central banks, is guided by the principle of market neutrality, implying that it should not support certain activities more than others. For instance, the BoE's Corporate Bond Purchase Scheme has been criticised for being biased towards carbon-intensive sectors, thus financing them and lowering their borrowing costs. However, the Bank argued these purchases were merely reflecting the market structure and they did not have the mandate to discriminate against certain sectors and favour others. A feminist QE would need to abandon the market neutrality principle in favour of a gender equality one.

[56] M Nikolaidi (2022) Macrofinancial Policies for a Green and Caring Economy. Women's Budget Group
[57] D Elson (2020) Macroeconomic Policy for a Gender Neutral Economy. Women's Budget Group; M Nikolaidi (2022) Macrofinancial policies for a green and caring economy. Women's Budget Group
[58] D Elson (2020) Macroeconomic Policy for a Gender Neutral Economy. Women's Budget Group; ICMA, UN Women, & IFC. (2021) Bonds to Bridge the Gender Gap A Practitioner's Guide to Using Sustainable Debt for Gender Equality; Gender Smart, IISD & UK Aid (2022) Integrating Gender Considerations into Sustainable Bonds. A How-to-Guide.