



## PUBLIC FINANCE OF LITHUANIA: GENDER PERSPECTIVE

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**Abstract.** The paper presents the analysis of Lithuania's economic growth, tax policy, state budget and municipality budgets, using of the EU structural funds support from a gender perspective. Gender asymmetry is examined not only at the microeconomic level, but also at the level of macroeconomics, therefore solutions of gender problems have to be relevant and adopted in view of macroeconomic criteria.

**Keywords:** gender economics, gender analysis of finance, gender responsive budget, gender asymmetry.

### 1. Introduction

At present, Lithuania's economy is increasingly more often analyzed from a gender perspective, and that is especially obvious at the level of microeconomics, i.e. in the fields of employment and labour market, standard of living of households, wages and income of the population, small and medium businesses, and investments into human resources – education, health care, culture and law. However, macroeconomic research in Lithuania still lacks gender aspect.

Meanwhile in the world and the European Union the gender approach was already widely used at the end of the last century and has gained special significance in recent years.

There is every reason to claim that the latest modern approach to shaping state economic policy is based on gender equality analysis (Rakauskiene, O., 2006). A new science has emerged – gender economics and its constituents: gender macroeconomics that includes public finances, i.e. drawing up a state budget, foreign trade aspects, analysis of monetary policy, gender aspects of the population's income, and gender mi-

croeconomics that includes implementation of equal opportunities of men and women in the fields of jobs and employment, job pay and income policy, small and medium business development, regional policy, banking, etc. (Bakker, I., 1994; Elson, D., Cagatay, N. 1999; Neuhold, B., 2002; Shirin, M. R., 2002). The developed countries also design a state strategy of economic policy on gender mainstreaming.

Civilized market economies seek full implementation of gender mainstreaming, which is defined as a policy aimed at integration of gender aspects into “all fields of politics, at all levels and all stages” (Gender mainstreaming, 2004).

Bringing the aspect of gender equality constitutes a new approach, a new methodology in the strategy of social and economic development of the developed countries, which is paid special attention in the EU strategic documents. Equal opportunities are envisaged in the Lisbon Strategy of the EU and implementation of its objectives through the EU structural funds – the Single Programming Document for 2004–2006 and the EU structural fund support for 2007–2013. Gender equality is one of the main commit-

ments, highlighted in the New Social Cohesion Strategy (31 March 2004).

**Gender analysis** is one of the rapidly developing trends of women's associations, the so called "ethnic analysis" – a new tool used in corporate and government monitoring. For the first time public budget income and expenditure were analyzed from a gender perspective in 1996 in Australia, later – in Canada, the UK, the USA and in the EU states.

**Gender responsive budget** considers the influence of the structure of state income and expenditure on men's and women's social and economic situation which is reflected in budget commitments. These commitments are closely connected with the governmental and municipal measures for implementation of gender equality (Elson, D., 1999, 2001; Cagatay, N. et al., 2000; Budlender, D., 2000, 2001).

It is noteworthy, that gender responsive budget is not a budget drawn up separately for men and women. Gender responsive budget includes:

- analysis of economic resources distribution from a gender perspective;
- analysis of the budgeted expenditure structure by gender in all branches and sectors of economy;
- analysis of tax system from a gender perspective.

Analysis of the financial system also deals with the tax burden carried by men and women and with the distribution of state budget income by gender. It enables to reveal gender asymmetry in the structure of state income and expenditure and in the fields of consumption and investment.

Furthermore, gender analysis reveals reasons of public budget inefficiency related to gender discrimination. It facilitates more effective distribution of expenditure and often highlights possibilities to increase public income in strategic perspective.

## 2. The outcome of the women's movement in the context of the global finance system

At present the global women's movement has reached unprecedented level of global integration. The four conferences held by the United Nations Organization on the women's issues – in Mexico (1975), Copenhagen (1980), Nairobi (1985) and Beijing (1995) and the special session of the United Nations General Assembly in New York (2000) could be viewed as important stages of integration.

The action platform adopted at the Beijing confer-

ence, approved by 189 states, gave a strong impulse to the global women's movement. What is important, gender problems expanded beyond international and national borders and such global organizations as the World Bank and International Monetary Fund joined in and started taking measures to solve gender problems.

The action platform of the Beijing conference paid significant attention to the economic state of women (UN, 1996). As of extreme importance, the following problems were highlighted:

- women's discrimination in the labour market;
- insufficient evaluation of women's labour contribution to the economy;
- limited women's access to the economic resources.

During this period several global organizations on gender issues have been established, e.g. American women's organization WEDO (Women's Environmental and Development Organization), set up in 1990, which made a huge contribution by analyzing activity of the International Monetary Fund (IMF), the World Bank, WTO and transnational corporations. WEDO has shown that the process of fight for gender equality is affected by economic globalization and "women are those who absorb the consequences of the shock caused by structural changes".

Another women's organization operating in Europe is WIDE (Women in Development Europe), set up in 1993, which safeguards women's interests in the European Union and its divisions – European Commission and European Parliament. WIDE also designs training programmes in the field of gender economy.

In 1990, partially as a result of the development of global information technologies, several women alliances in Northern and Southern countries were established. One of such alliances is Global Alliance for Economic Justice, set up in 1992. Currently, this alliance includes as members WEDO, WIDE, American network *Alternative Women in Development* (AltWID), *Women in Development* (WTD), *The Canadian Research Institute for the Advancement of Women* (CRIAOW), Canadian organization *National Action Committee* (NAC), American *Center for Women's Global Leadership* and a group *European Solidarity towards Equal Participation of People* (EU-ROSTEP).

All women's associations - at local, national, regional and global levels – deal with financial problems from a gender perspective in four directions:

- support by providing with information and training programmes;

- protection of women's rights;
- offering financial credits;
- gender analysis of finance.

Gender analysis reveals reasons of state budget inefficiency related to gender discrimination. (Budlender, D. et al., 2001).

Applying gender analysis in the field of macroeconomic policy, researchers argue with the neoclassical theory of mainstreaming, according to which macroeconomic policy is neutral from a gender perspective (Bakker, I., 1994; Jacobsen, J., 1994).

The main conclusions at which the global women's movement arrived and which were considered by the World Bank and International Monetary Fund read as follows:

- Gender distortions (asymmetry) is deeply rooted at the global, national and local (municipal) levels. Actions aimed at solving economic problems related to gender discrimination can not be limited to the field of microeconomics only. **Gender asymmetry is observed at the level of macroeconomics; therefore solutions of gender problems have to be relevant and adopted in view of macroeconomic criteria.**
- **Seeking to eliminate gender asymmetry, it is essential to design a programme of measures in the public finance policy.** To achieve this, actions should be taken in various directions: to raise gender awareness and understanding of gender-related problems, initiate relevant legislation and develop gender competence.
- **It is necessary to adjust "monopolistic policy" pursued by IMF by providing recommendations on the aspects of gender equality.** Women must take active part in the discussion on IMF reforming. Otherwise, they will lose a unique opportunity to participate in creation of gender sensitive international finance architecture.
- The World Bank and regional reconstruction and development banks **must review their policy of crediting human resources development, taking in view gender aspect.** For this purpose the banks may use such indicators as Gender and Development Index and Gender Empowerment Index, suggested by United Nations Development programme.

The Gender and Development Index incorporates aspects of gender asymmetry into Human Development Index. Gender Empowerment Index measures

influence of women's decisions on economy and politics.

UNIFEM (2000) also provided indicators to be used to measure changes in women's situation. It is believed that a turn from the policy of crediting to the policy of grants (a way of support) would show that the status of such values as education and health care has received recognition in the global context.

Minimization of gender gap would allow to increase return on investment into human capital. So, one of major aspects is that corrections made by women's movement in the economic policy are observed not only at microeconomic level, but also at macroeconomic level. Finance is a major constituent field of globalization and attempts to solve gender problems can not be limited to the level of teaching-training and financing programmes.

Some leaders of women's movement suggest that analysis of international finance institutions from a gender perspective should be introduced. For instance, "Women Watch" dialogue participants suggested conducting gender analysis of the projects of international development banks, such as European Reconstruction and Development Bank, Asian Reconstruction and Development Bank, etc. and also suggested creating a gender strategy for analyzing operation of ministries of finance. Following this suggestion, effective use of state finances should be guided by differentiated approach to men's and women's life quality indicators, household indicators, indicators of domestic economy, indicators of men's and women's function separation and updated indicators of women's contribution to GDP growth.

Gender researches are initiated and actively supported by the World Bank, International Monetary Fund, United Nations, International Development Research Centre (IDRC), United Nations Development Programme (UNDP) and United Nations Development Fund for Women (UNFEM) in the United States of America; in Canada – Canadian International Development Agency (CIDA); well-known global women's organizations, such as Women in Development (WID) and Women in Development Europe (WIDE), as well as other similar organizations, Women's Budget Initiative (WBI). The World bank, for example, has introduced gender component as one of major and necessary conditions that has to be taken into account while designing Structural Adjustment Programs, aimed at stabilizing major macroeconomic indicators in developing countries creating market economy.

There are also some world-wide famous gender economy research centers set up in various countries, for

instance, in the UK – in Sussex International Development Research institute, Cambridge and Oxford universities and London School of Economics and Political Sciences; in the USA – in Harvard University and International Development Institute; in Germany – in Hanover International Women’s University, in Sweden – in Stockholm and Uppsala Universities.

Lithuania, seeking to integrate into the global and EU space, should start work in this direction without any delay, i.e. it has to take part in modern socio-economic research applying gender analysis methods in the field of macroeconomics and especially when planning state and municipal budgets.

### 3. Economic growth and gender

Recently both Lithuanian public and international organizations acknowledge Lithuania’s exceptionally successful economic growth. The International Monetary Fund and the World Bank refer to Lithuania as “a rising star of the Baltic region” or “a growing Baltic tiger”, recognizing Lithuania’s outstanding achievements, which enabled to overtake its neighbours and become one of the most attractive countries for investments (Rakauskiene, O., 2006).

How can one explain such impressive achievements of Lithuania? This is due to the following factors:

- GDP growth (2003 – 10,5 %, 2004 and 2005 – 7,0 % and 7,5 %);
- Exceptionally low inflation level (in 2003 deflation – 1,3 %; 2005 inflation – 2,7 %);
- Significantly decreased current account deficit

(from 12 % GDP in 1998 to 6,6 % GDP in 2005);

- Radically reduced tax burden for economy (from 40 % GDP in 1999 to 30 % GDP in 2005).

Such good economic results are accounted for tightening budget discipline, choosing “economic budget way” and following strict fiscal and expenditure policy that leads to economic growth.

However, a question arises how such rapid economic growth, based on tight fiscal and monetary policy, has affected the standard of living of all people of Lithuania and separate social groups, men and women?

Lithuania managed to achieve outstanding macroeconomic results, however social indicators reflecting rate of employment, income and consumption levels of the population are still lagging behind the growth rate of macroeconomic indicators (Table 1). Real consumption growth rate, for instance, is two times lower than GDP growth rate; real wage growth rate remains unstable, the unemployment rate is quite high – both for men and women, and women’s pay rate is considerably (by 1/5) lower than men’s pay rate.

After acceding to the EU, Lithuania faces a threat of emigration. In the period of 1990–2003, according to statistical data, 303 thousand persons abandoned Lithuania, whereas in 2004 and 2005 the numbers rocketed to 15,2 and 18,5 thousand persons respectively, i.e. last year the number grew by 3,3 thousand. Research shows that women account for 80 % of the emigrants, and many of them are with university degree.

**Table 1.** Lithuania’s macroeconomic and social indicators for 2000–2005

	2000	2001	2002	2003	2004	2005
<b>Real GDP, annual change %</b>	4,0	6,5	6,8	10,5	7,0	7,5
<b>Inflation, annual change %</b>	1,4	2,0	-1,0	-1,3	2,9	2,7
<b>Public sector budget deficit, % BVP</b>	2,8	2,1	1,3	1,2	1,4	0,5
<b>State debt, % GDP</b>	27,75	26,57	25,34	21,22	19,48	18,29
<b>Real consumption, annual change %</b>	5,9	3,0	4,2	4,5	4,7	4,8
<b>Real investment, annual change %</b>	-11,8	17,0	10,7	2,4	2,0	1,9
<b>Unemployment rate, %</b> (data of State Social Insurance Fund Board)	16,4	17,4	13,8	12,4	11,4	10,1
<b>Women</b>	13,9	14,7	12,9	12,2	11,8	10,2
<b>Men</b>	18,8	19,9	14,6	12,7	11,0	10,0
<b>Real wage, annual change %</b>	-5,1	-0,3	3,8	7,8	6,8	6,0
<b>Women's wages compared to men's wages, %</b>	81,7	81,4	81,2	81,0	81,4	83,1

Source: Department of Statistics of the Republic of Lithuania: [www.std.lt](http://www.std.lt), Lithuania’s Ministry of Finance: [www.finmin.lt](http://www.finmin.lt)

Until quite recently the dominating neoclassical framework (mainstreaming) viewed macroeconomics as gender-neutral. However, it fails to provide true picture of the situation. According to the modern gender theory, **firstly, gender asymmetry is observed in macroeconomics and macro-social policy in terms of implications of the implementation of equal opportunities for men and women.** In other words, there is gender asymmetry in fiscal, monetary and credit policy, foreign trade and foreign investment policy, especially in population's income policy (Rakauskienė, O., 2002).

**Secondly, gender asymmetry** and distortions taking place at the level of microeconomics (i.e. in the fields of occupation and employment, wages and income of the population) as well as at the meso-level (in the fields of privatizing, large, medium and small business, finance and production sector) **in its turn affect macroeconomics.**

This article looks at the following aspects of gender problems at the level of Lithuania's macroeconomic policy:

- the significance of gender aspect while forming the country's GDP;
- gender asymmetry threat to absorption of the EU structural funds;
- gender asymmetry in formation of Lithuania's state budget and municipality budgets.

It is well known that applying production method to GDP calculation, the biggest contribution to Lithua-

nia's GDP is made by the country's industry – 24 %, where women's participation rate is 48,7 %, which is almost half of all the employed in the field; trade and service production comprise 17,9 % (women employed in this field make up over 50 %), and then transport and communications – 12,8 % (where women make up only 25,3 % of all employees). The highest concentration of Lithuania's women is, of course, in such fields as education, health care, hotels and restaurants and municipal services. Women's employment rate in these fields is 62–84 % (Table 2).

Taking in view the world's experience and widely applied conceptions of gender economy, as well as Lithuania's statistical data, we may claim **that the structure of Lithuania's GDP does not reflect such important economic field as the so called reproductive economy, which is "responsible" for reproduction of the human potential. Costs of human capital and labour force are not reflected in the economy, reproductive work is not included into GDP; it is not accounted, not measured and not remunerated** (Римашевская, Н. М., 2003).

**There is no doubt that products of the domestic (household) economy, although unpaid, ensure quality of human life, growth of human resources quality, provide labour force for public and private sectors and thus comprise a major part of the country's national wealth** (Sue, H., 1997).

**Equipment of home, organizing family rest, nurturing family culture and traditions, giving birth**

**Table 2.** Structure of Lithuania's GDP and women's distribution by branches of the economy in 2004

	GDP structure by sectors (%)	Women's employment rate by sectors (%)
Agriculture	5,9	41,4
Industry	20,5	48,7
Electricity, gas and water supply	4,4	21,6
Construction	7,2	8,6
Wholesale and retail trade	17,9	50,9
Hotels and restaurants	1,5	80,3
Transport and communications	12,8	25,3
Financial services	2,2	69,5
Real estate	10,10	45,4
State management and country defence	5,3	41,9
Education	5,4	78,2
Health care	3,0	83,8
Municipal services	2,9	65
Activity of private households	0,1	41,4
Total	<b>100</b>	

Source: Women and men in Lithuania, Vilnius, Department of Statistics, 2005 m.

**to children and raising them, taking care of the old and grown-up family members – all this is typically women’s burden. Women’s reproductive economy or domestic economy constitutes a valuable and very important economic activity, a branch which, as well as other branches of the economy, creates value added and which makes a significant contribution into the country’s GDP. It is a branch, on which the quality of human resources and labour potential depends.**

Traditionally, the main burden in the field of the reproductive economy lies on women’s shoulders, as it is viewed as a natural aspect of women’s roles. At present, when we are seeking to create a knowledge society, the quality of human resources, of this “intangible capital”, is gaining increasing significance. The quality of human resources will determine to a large extent the country’s economic prosperity and its competitiveness.

All civilized world is now raising the question of the necessity to include women’s reproductive work into the GDP structure. It is important to note, that in the process of globalization the clear line between **productive work (in manufacture, market) and unproductive work (intellectual, reproductive) disappears. And such division becomes meaningless.**

It is not an easy task to assess the reproductive economy in the GDP structure, but the world already knows methods how to measure it by assigning a market value to different activities. Unpaid labour combines the following four elements:

- private domestic economy in agricultural sector;
- grey economy sector;
- subsistence economy (providing for family members);
- public and charitable activity.

All these elements should be documented and included into the System of National Accounts. The first two components are relatively easy to measure by using well-known methodologies even in Lithuania, whereas the latter two cause certain difficulties, both of technical and conceptual character.

#### **4. Gender asymmetry threat to the absorption of the European Union structural funds**

Another equally important aspect of gender analysis is different effect of the EU structural funds support on men and women.

Lithuania’s accession to the EU (1 May 2004) and further integration is closely connected with another very important issue – absorption of the support from the EU structural funds. Lithuania has to follow the route of strict orientation to macroeconomic stability. Global experience shows that strict fiscal and monetary policy has a negative influence on the poorest class of the population, and first of all women. It is well known in the world, that the problem of poverty is first of all women’s problem, as poverty strikes women harder than men (Simel, E., 2000; Beneria, L. et al., 1999).

Global experience in the field of gender economy shows that structural support to a country’s economy increases invisible load of social care necessary to reproduce and sustain labour force, which typically lies on women’s shoulders, and that is because of two reasons:

- Firstly, during the reorientation of the economy towards higher efficiency, women usually increase their contribution to both productive (real market sector) and reproductive (subsistence economy) sectors, so that to ensure normal functioning of their families. They often have to increase their work load by establishing informal and grey market relationships, they get employed by temporary work contracts, get part-time jobs, or very often combine these forms together, and consequently they often become victims of this (situation unstable, constant threat of losing the job(s), no social guarantees).
- Secondly, when family income starts growing smaller (i.e. when there is a rise in price of public utilities such as heating, electricity and hot water, also of petrol, medications, transport and personal services) women increase their load of unpaid work at home (subsistence economy), to compensate for declining standard of living.

Although liberalization of economic policy is conducted with a view to achieving macroeconomic stability and greater economic efficiency, the invisible and unpaid work in the domestic economy hides increasing gender asymmetry and inefficient use of the human potential.

The analysis of the situation that we have in Lithuania after the years of reforms aimed at higher economic efficiency and stability shows, that the rates of women’s active economic participation and employment are quite lower than those of men: women’s active participation is 65,3 %, whereas men’s is 72,7 %; employment rates are 57,8 % and 64,6 % respectively.

The number of women working full-time is lower than that of men (48,9 % and 51,1 % respectively); meanwhile the number of women working part-time exceeds that of men even by 12,2 percentage points (56 % and 44 % respectively).

In 2003, the official women's unemployment rate was lower than that of men by 1,7 percentage points; however, in 2004 there was a dramatic change in the situation and women's unemployment rate exceeded that of men's by 0,8 percentage points (11,8 % and 11,0 % respectively). What causes most concern is that the proportion of long-term unemployed women is much higher than that of men – by 2,1 percentage points. And what is more, there is a very high rate of unemployed women with higher education – 19,4 % (compared to 13,5 % of men) (Table 3).

**Thus, the conclusion can be drawn that the highest rate of unemployment in Lithuania is observed among educated women, as women with higher and special secondary education account for 50 % of the unemployed. So, the main feature of unemployment in Lithuania is that most of the unemployed are highly qualified women with higher education. That means, that, on the one hand, women with higher education are not able to fully realize themselves in Lithuania, and on the other hand, the state is unable to use human resources rationally.**

In 1998 Lithuania adopted the Law on men's and women's equal opportunities and that was the first step seeking to ensure women's equal opportunities in the field of employment, however, in real life nothing has changed. Laws by themselves do not guarantee essential changes in the market – a proof for that is still the remaining wage differentiation by gender, i.e. women still earn 20 % less than men.

Researches suggest that **transition to market economy strengthened women's discrimination in the economy**. And that was caused by two reasons:

**Firstly**, during the period of transition to market economy a steep decline in women's employment rate was observed; in 1990–2001 women accounted for two thirds (68 %) of the unemployed (i.e. 376 thousand people lost their jobs). During the first decade of Lithuania's independence, most of the women who had lost their jobs became housewives, i.e. economically inactive. According to the data of the research into the population's employment and 2001 census, women make up two thirds of the economically inactive population. That means that within the period of market economy women's role in Lithuania's labour market has decreased.

**Secondly**, there is an obvious vertical segregation of Lithuania's labour market and devaluation of women's labour. That encouraged rapid growth of women's unemployment rate in recent years – since 2002, when in general, unemployment rate started rapidly declining, women unemployment rate, on the contrary, started growing and in 2004 it overtook men's unemployment rate – women accounted for 60 % of the unemployed. According to the data of Lithuania's Labour Exchange Office, women's unemployment rate then was 10,9 %, and men's unemployment rate was 9,7 %.

Unfortunately, Lithuania still lacks research into and detailed analysis of such gender inequality. Speaking hypothetically, though, we may claim that orientation to economic stability and economic efficiency increased women's real workload greater than that of men. For instance, it is common knowledge, that in order to earn as much as a man, a woman often

**Table 3.** Employment rates of Lithuania's men and women, %

	Women			Men		
	2002	2003	2004	2002	2003	2004
<b>Activity rate</b>	65,7	66,5	65,6	73,2	73,1	72,7
<b>Employment rate</b>	57,1	58,4	57,8	62,3	63,7	64,6
Full-time employment	87,7	88,3	89,6	90,6	92,6	93,5
Part-time employment	12,3	11,7	10,5	9,4	7,4	6,5
<b>Unemployment rate</b>	12,9	12,2	11,8	14,6	12,7	11,0
Long-term unemployment (over 1 year)	54,5	51,4	54,3	55,4	49,1	52,2
<b>The unemployed:</b> with higher education; with special secondary education	15,0	15,6	19,4	9,6	11,5	13,5
	30,8	26,8	30,6	21,4	20,9	22,0

Source: Women and Men in Lithuania. Vilnius: Department of Statistics, 2004.

has to have several jobs, while a man can get the same wage from one job. According to the liberal conception, it is the stronger one who always wins in the economy, and that means – man. It is a provision of the American monetary model.

After liberalization of prices of municipal services in Lithuania, prices for public utilities like heating, electricity and water supply soared and in 2000–2002 they accounted for 15,6–16,2 % of all household expenditure; the highest growth of the prices was in towns, where in 2002 they accounted for up to 17,3 % (Table 4). Even today prices of public utilities remain the most influential factor determining the standard of living of the Lithuania's population.

In the domestic economy women are responsible for sustaining a usual level of family life. It is becoming increasingly more difficult to do that, as prices for public utilities, health services and education are rising, while at the same time social state support is growing smaller.

It is doubtful, however, that absorption of the EU structural funds will consider gender equality principles.

Analysis of gender economy suggests, that structural changes, which are unavoidable when seeking to get loans and structural support (i.e. when it is necessary to conform to strict stability criteria), have a stronger negative effect on women than on men. First of all,

in conditions of the market economy women have to increase the load of their productive labour (i.e. in the market), while this work does not provide any social security for the future, because fragmented employment does not guarantee stable wages at the current period and does not reflect in pension and other social benefits or allowances. Secondly, women have to increase the load of unpaid work, so as to compensate for the family's declining standard of living.

Speaking specifically about absorption of the EU funds, it must be claimed that Lithuania does not manage to fully exploit the possibilities provided by the EU financial support. In 2004 Lithuania managed to absorb only 1,5 % (!) of the support from the EU structural funds for 2004–2006.

Although Lithuania has not yet conducted research into absorption of the support from a gender perspective, hypothetically it can be claimed that women have less access to the support from the EU structural funds than men.

First of all, the majority of women typically have less information than men about the EU support possibilities.

Secondly, women have less potential to get financing from the EU funds due to very strict and complicated requirements to applications. Good ideas with great potential are often declined because of the formal attitude to the requirements; consulting agencies are

**Table 4.** Structure of household expenditure in Lithuania, %

	Total					In cities				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
Food products	37,7	35,7	34,1	39,0	38,0	36,9	34,9	33,2	30,8	30,6
Alcohol	2,6	2,5	2,3	2,2	3,9	2,4	2,2	2,1	2,5	2,5
Tobacco	1,9	1,9	1,9	1,5	1,5	1,7	1,6	1,7	1,6	1,6
Clothing and footwear	7,5	7,2	7,0	7,8	8,1	7,5	7,1	6,9	9,3	9,4
Public utilities	<b>15,6</b>	<b>15,8</b>	<b>16,2</b>	<b>12,6</b>	<b>12,2</b>	<b>15,9</b>	<b>16,7</b>	<b>17,3</b>	<b>15,1</b>	<b>14,3</b>
Equipment of home	4,5	5,6	5,2	4,5	4,8	4,4	5,4	5,1	4,6	4,7
Health care	4,8	5,0	5,3	4,2	4,5	4,5	4,8	5,1	4,2	4,3
Transport	8,7	8,3	7,8	9,6	10,0	8,7	8,0	7,5	9,3	10,0
Communication	4,2	5,2	6,0	5,9	5,6	4,2	5,3	6,0	6,0	5,8
Leisure and culture	4,1	4,3	4,6	5,0	5,1	4,4	4,6	4,9	5,5	5,6
Education	0,7	0,8	0,7	0,9	1,0	0,8	0,9	0,8	1,0	1,2
Hotels, restaurants, cafes	4,5	4,4	4,8	4,5	4,3	5,1	4,7	5,3	5,1	4,9
Other goods and services	3,2	3,7	4,0	4,9	5,1	3,4	3,8	4,1	5,0	5,3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Lithuania's statistical catalogue 2004. Vilnius: Department of Statistics, 2004.



happy to help overcome this obstacle, but their charge is beyond the possibilities of businesswomen.

Thirdly, the requirement of co-financing, i.e. requirement of a 2 % national contribution, is an obstacle for women rather than men preventing them from participation in the absorption of the EU structural funds.

With a view to all the above said, a conclusion is drawn that the EU funds are less accessible to women than to men.

## 5. Gender asymmetry in formation of Lithuania's state and municipality budgets

Gender aspect in state budget formation is of the greatest importance, as the field of state finance is the basis for and the main resource of the economic development. The 1995 Beijing conference platform states, that governments must use all possible tools to find out what benefit is received by women from the public sector and adjust budgets so that women had equal access rights to public finances. In view of that many states started drawing up gender responsive budgets.

In Lithuania, we are only beginning to raise the issue of the public finance analysis from a gender perspective, although gender responsive budget would be highly desirable in Lithuania, as at present the gender asymmetry in the state budget is obvious and can be seen with the naked eye.

**Analysis of the state budget expenditure allows to make an unexpected conclusion: the state budget is actually set on the principle of gender.**

As can be seen from the structure of state expenditure, the fields that receive most financing from the state budget are country's security and defence, state management and public order; then go export-oriented industries, such as oil and its products, followed by sectors of transport and energy supply, etc, which are typically dominated by men. Meanwhile sectors of education, culture, health care and social security, dominated by women, receive only what is left (Fig 1).

It is obvious, that fields in which men dominate receive much more financing than those dominated by women.

Comparison of changes in the state budget expenditure in 1999-2005 shows a tendency that allocations for "male" fields have been increasing, whereas allocations for "female" fields have been decreasing (Figs 2 and 3).

Comparison of changes in the state budget expenditure for the above-mentioned fields during the 5-year period up to accession to the EU (1999–2003) reveals very big differences. Financing for transport and communication sector grew most significantly (13 times), followed by sectors of extraction of mineral resources, industry and construction (185,5 %) and state defence (90,7 %), i.e. all those sectors which typically employ men. Meanwhile financing of traditionally "female" sectors grew insignificantly: allocations for education grew only by 38,5 %, for health care and culture by 26,4 % and for social security by 17,4 % (Table 5).

Unfortunately, national budgets for 2004 and 2005 remained gender-biased. Allocations from the 2005 budget, compared to the 2003 budget, decreased for nearly all social fields: for education it went down from 10,6 % to 9,1 %, for health care—down from 6,4 % to 1,6 % and for culture—down from 2,6 % to 2,2 %. In 2005–2006 the situation was as follows: while the absolute value of financing for all the fields went up, the value in percentage for the sector of education went down from 9,21 % in 2005 to 8,46 % in 2006; for social security—down from 7,24 % to 6,97 %; for culture—down from 2,54 % to 2,29 %. The only exception is health care, where financing from the state budget went up from 6,18 % to 6,22 %.

Allocations from the state budget for many social sectors set in the 2006 budget show that social sectors, which traditionally employ women, remain outside the focus of state financing.

**So, distribution of the state budget finances clearly shows gender asymmetry. The present practice of budget planning legitimatizes and encourages gender inequality.**

Such gender-biased distribution of public finances has a negative influence on the economy, especially on the state revenue. It can be stated therefore that one of the reasons of the decreasing state revenue in Lithuania before 2004 was the gender-biased state budget.

Experience of the dynamically developing countries shows, that investment into human resources and their quality is the most important factor that ensures high economic level and, at the same time, growth of the state revenue. And the quality of human resources is "responsibility" of the social sector and women's reproductive economy.

Priorities of Lithuania's state budget and fields of support are also reflected in the state investment pro-

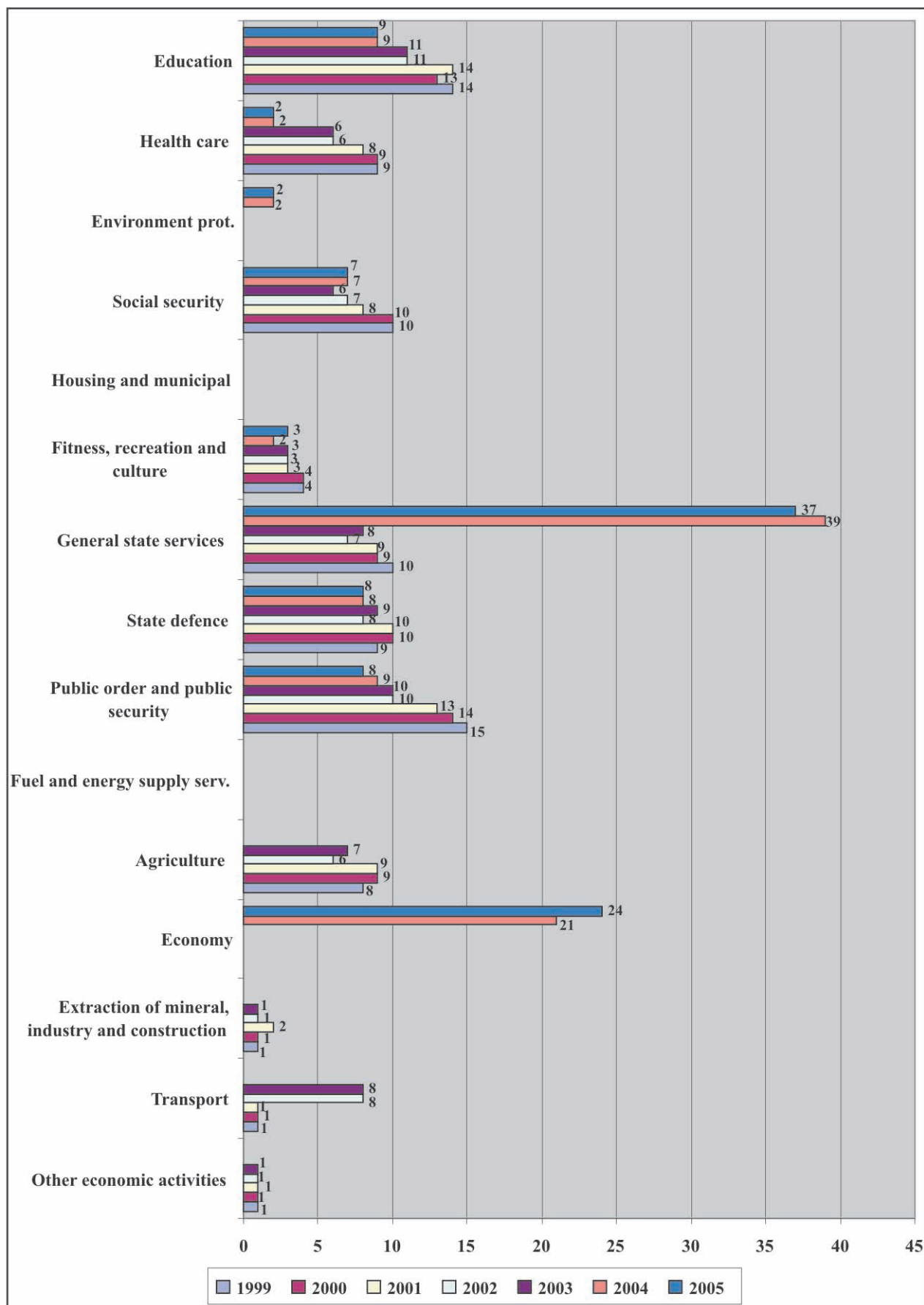


Fig 1. Lithuania's state budget expenditure by branches of the economy, %

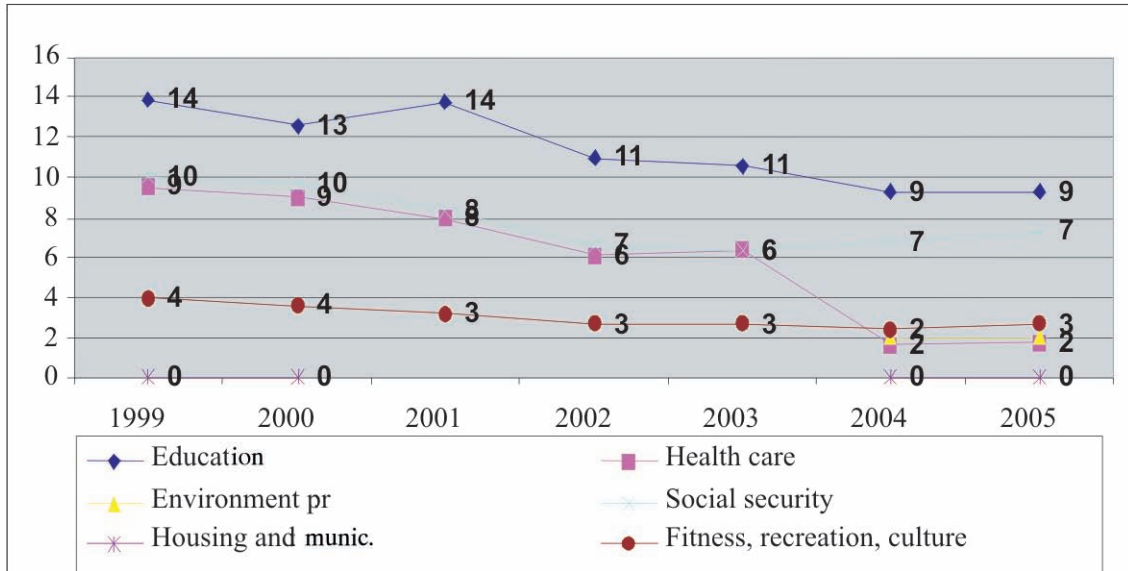


Fig 2. Lithuania's state budget expenditure for fields dominated by women, %

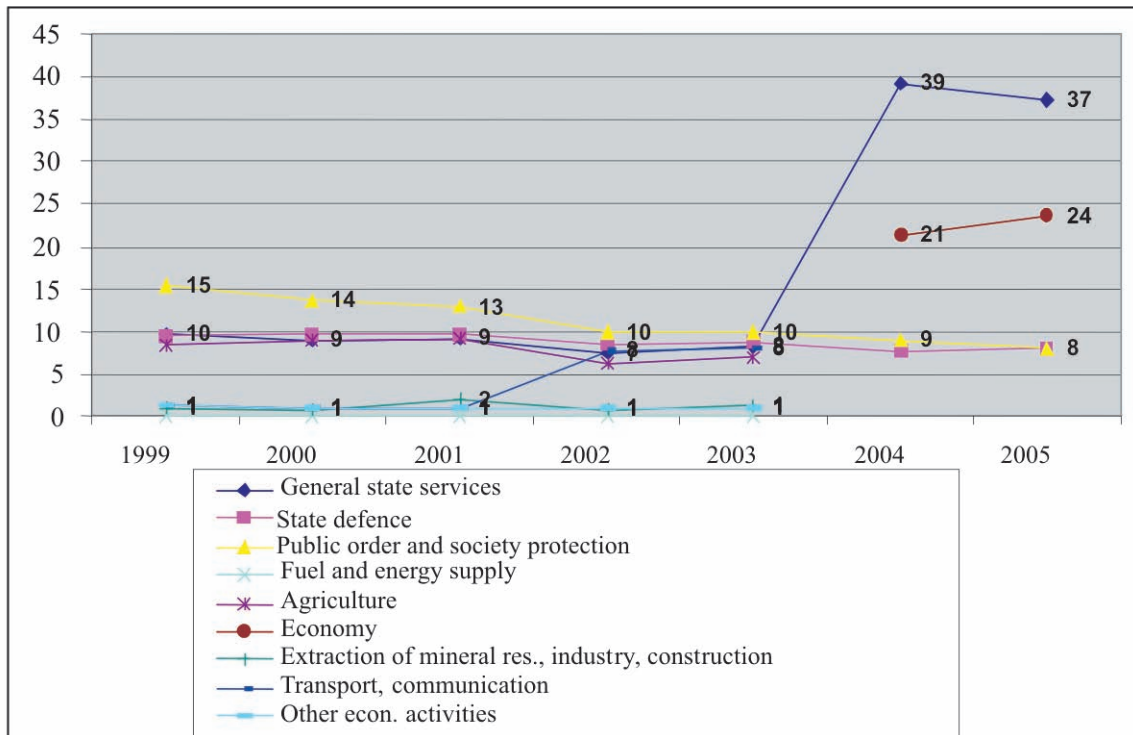


Fig 3. Lithuania's state budget expenditure for fields dominated by men, %

gramme for 2002–2004. The chart of changes in investment shows that the highest investment was in the sectors of state defence and transport and communications, i.e. for traditionally “male” activities, while investment into so-called “female” sectors like education, health care, social security and culture) was decreasing.

Such distribution of investments is gender-biased and, what is more, harmful to the country's economy, as the country allocates little finance to satisfy the basic needs of the society in such areas as health care, social care, education and culture. That makes women “compensate” for the lack of financing from the state by increasing their activity in the

**Table 5.** State budget expenditure by branches of the economy, annual change, %

	2000	2001	2002	2003	1999–2003	2004	2005
<b>Sectors dominated by men</b>							
General state services	–3,5	13,8	9,6	21,6	46,4	36,4	8,1
Country defence	23,6	14,2	21,0	11,5	90,7	12,0	17,1
Public order and society protection	–4,2	3,6	6,1	6,1	11,7	14,8	0,3
Fuel and energy services	–6,1	5,1	14,7	18,8	34,6	75,0	
Industry and construction	21,1	70,9	30,6	5,7	185,8		
Transport and communication	–27,3	–0,8	1439,5	21,1	1245,2	30,0	
<b>Sectors dominated by women</b>							
Education	–5,8	23,5	13,3	5,1	38,5	3,8	13,0
Health care	9,2	–2,6	4,8	13,5	26,4	–68,0	17,0
Social security	10,2	–5,6	5,2	7,3	17,4	29,2	22,4
Culture, fitness, recreation	–0,1	1,9	12,0	10,8	26,4	6,1	24,4

Source: data of Lithuania's Department of Statistics and Ministry of Finance.

subsistence economy. Thus, decrease in allocations from the state budget, cutting subsidies to food production and agriculture, cutting state allocations for social needs and health care have a worse effect on women than men.

Implications of macroeconomic policy lay as an additional burden on women's shoulders and that determines that **during periods of economic transition women constitute a socially vulnerable group**. Moreover, decrease in allocations for health care also increase women's burden, as they have additional responsibilities caring for the family. As a result, they lose ability to have paid work and their work efficiency decreases.

State investment efficiency may be increased by changing gender-biased expenditure distribution to make it more favourable for women, which would enable to make savings for the necessary social needs and invest favourably for women, e.g. into employment and education programmes, improvement of services for the elderly, etc. It is essential to understand, that for sustainable, well-balanced economic growth the social investments, such as into health care, education and other necessary services, may have extremely high social and economic costs, if left for market regulation.

Comparison of the expenditure structure of municipal and state budgets reveals quite interesting tendencies:

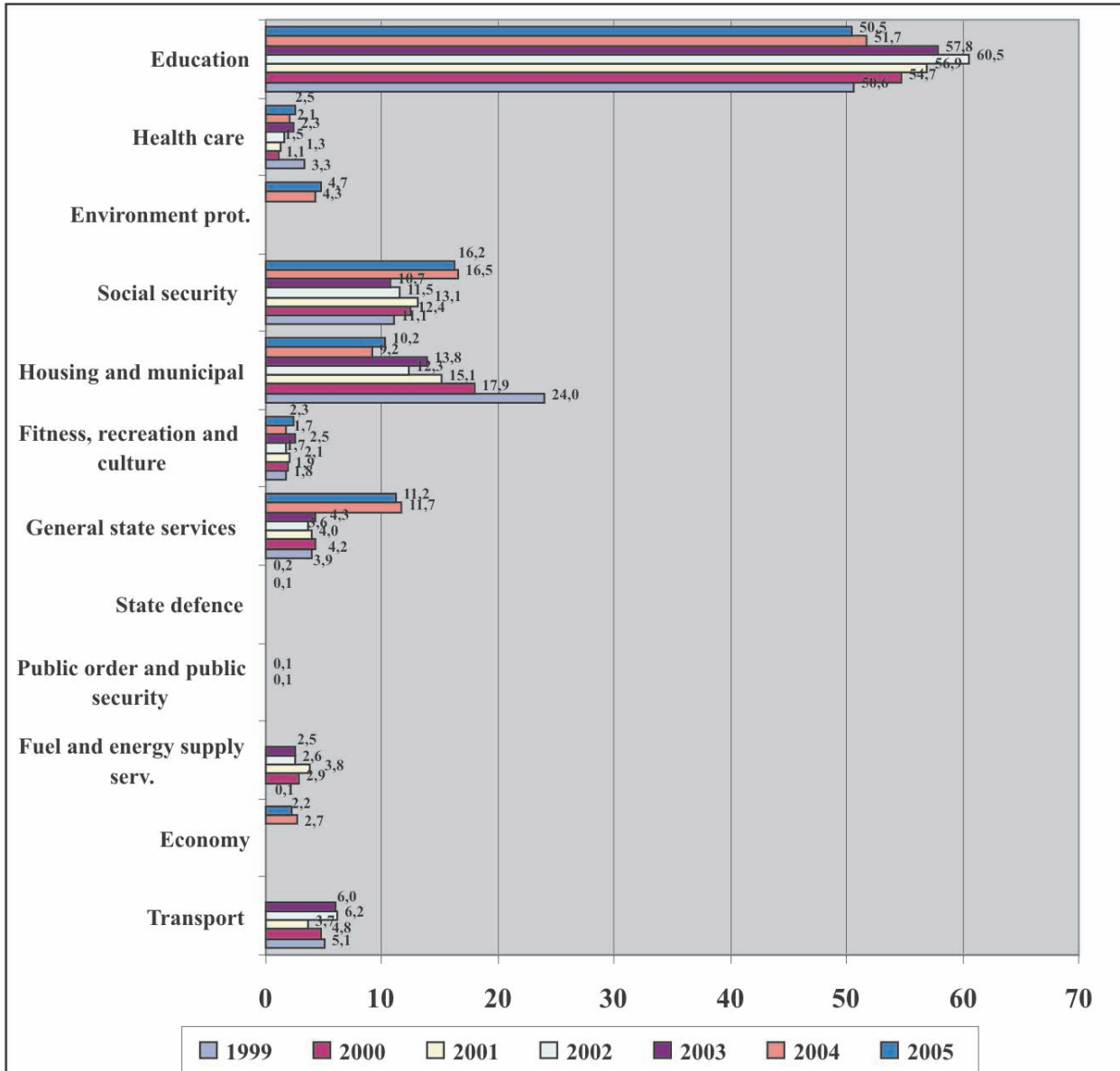
- as comparison of the expenditure structure of municipal and state budgets for 2002–2005

shows, the largest allocations from the budgets of municipalities go to education (55 %), social care (15 %), health care, culture, housing and communal economy (24 %), i.e. these fields are financed mainly from budgets of municipalities, while in the state budget these expenses are of lower comparative weight. As it was already said, traditionally these sectors employ women.

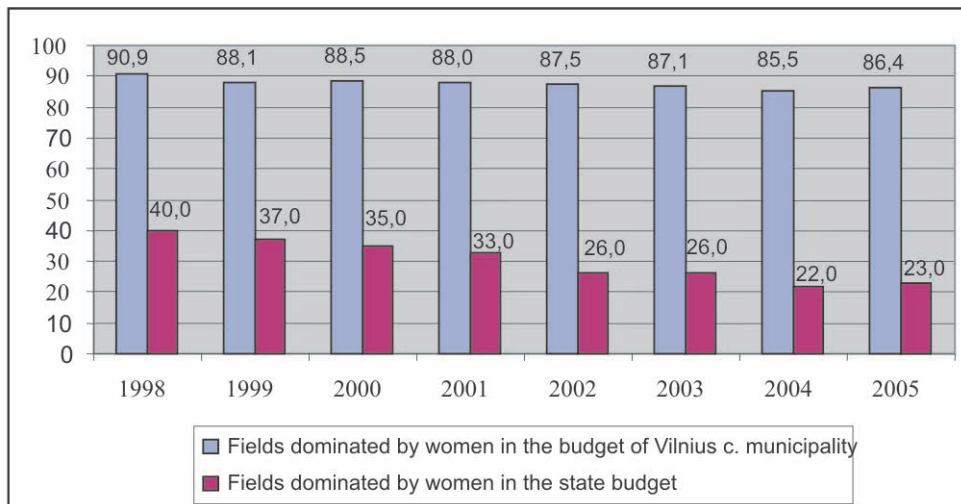
- Meanwhile expenditure for such sectors as country defence, transport and communications, fuel and energy, industry and construction comprise a meager part of municipality budgets (about 10 %). These sectors traditionally employ men and these sectors are financed mainly from the state budget (about 70 %).

It may be therefore concluded, that “male” sectors in Lithuania are financed mainly from the state budget, whereas “female” sectors receive the greatest part of financing from municipality budgets. In 1999–2005, Vilnius city municipality, for instance, allocated on average over 86 % of its budget to traditionally “female” sectors, while the share in the state budget comprised only 23 %; the share for “male” sectors in the state budget was 77 % of all expenditure, while in municipality budgets only 13,6 % of all expenditure (Figs 4 and 5).

Analysis of changes in the 1998–2005 budgets shows that allocations from both state and municipality budgets for “female” sectors are declining, while for “male” sectors are rapidly growing (Fig 6).



**Fig 4.** Expenditure from Vilnius city municipality budget for the sectors which employ more women or more men (%)  
 Source: Resolutions of the Council of Vilnius municipality on approval of the budget of Vilnius city municipality for 1999–2005.



**Fig 5.** Allocations to the “female” sectors from municipality and state budgets, 1998–2005, %

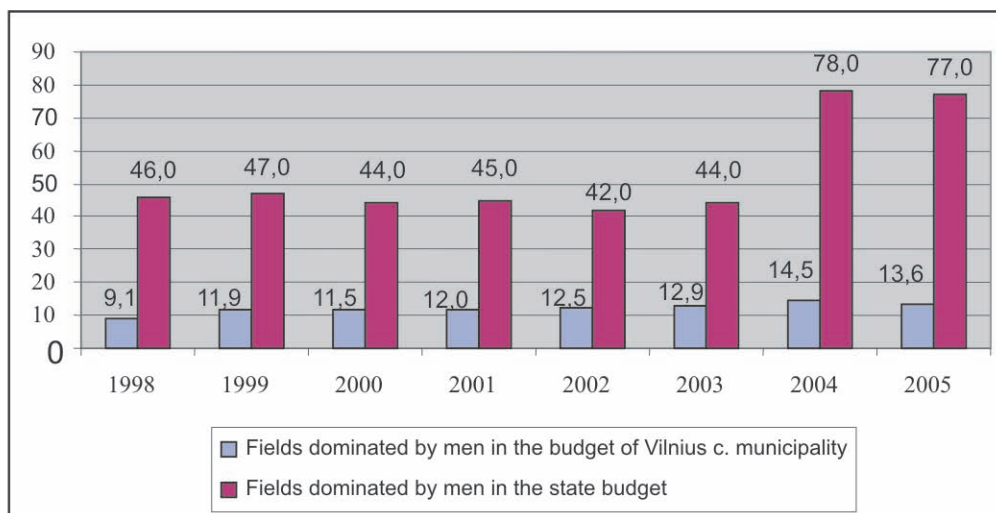


Fig 6. Allocations to the “male” sectors from municipality and state budgets, 1998–2005, %

That shows that state budget financing has its priorities – and those priorities are “male” sectors. Municipalities finance “female” sectors, and their financing is not a priority.

Thus, a characteristic feature of the structure of Lithuania’s municipality budgets is obvious gender asymmetry.

Municipality budgets in Lithuania mainly finance “female” sectors, such as education, social care, health care, housing and communal economy and culture. It is not a secret, though, that municipalities in Lithuania have limited financial resources, there is orientation to centralized financing of municipalities (compensations from the state budget), and they lack independence and autonomy. “Male” sectors, such as country defence, state management, economics, transport and communications and fuel and energy are financed mainly from the state budget and receive priority. Such practice of public finances legalizes gender inequality and transfers it into the following years’ budgets. It only confirms the common principle – financial resources concentrate in the fields dominated by men, whereas women are pushed into the fields of low financing, into which men show no interest. Such practice is evil, as it is harmful to the economy of the whole country – and a proof of that is the lowest among the EU states and not growing ratio between the Lithuania’s state revenue and GDP.

## 6. Conclusions

- At present gender analysis and gender studies are quite a common subject of university education and research, however, mainly from the point of view of social and

**sociological sciences** – as the implementation of equal opportunities of men and women, distribution of functions in the family, combination of professional career and functions in the family, abuse in the family, etc.

**Attempts have been made to apply gender analysis to economics, but only at the level of microeconomics:** there are studies of women’s employment and unemployment problems, segregation and discrimination in the labour market, the problem of women receiving lower pay for the same job than men, development of women’s small and medium business, investment into human resources – problems in the fields of education, health care, social security and legal problems.

Gender asymmetry, though, is deeply rooted in the economy not only at the structural level, but also at the state level. Problems related to gender discrimination must be solved not only at the microeconomic level. **Gender asymmetry and distortions find place at the macroeconomic level as well, and therefore gender inequality problem should be solved relevantly and in relation to the economic growth, monetary policy, state budget, international economic relations and population’s income policy.**

- Lithuania’s GDP structure does not reflect such an important branch of the economy as the so-called reproductive economy, which is “responsible” for reproduction of the human potential. Therefore costs of the human capital and labour force remain invisible in the economic analysis, reproductive work is not included into the GDP, it is not documented, not measured and not paid for.

Meanwhile such tasks as equipping home, organizing family's rest, nurturing family culture and traditions, bearing and rearing of children, caring for the old, the sick, the disabled and all others who cannot take care of themselves traditionally are viewed as a natural aspect of women's roles. It is obvious that the outcome of the domestic economy – where all the work is carried out on an unpaid basis – and which ensures continuation of human life, improvement of the human resources quality and provides labour force for public and private sectors, makes a valuable share of the national wealth.

Women's unpaid economy should be viewed as a full-fledged and very important economic activity, a branch which just like the other branches of the economy create value added and which makes a significant contribution into the country's GDP. It is a branch that bears responsibility for the quality of human resources and labour potential.

Underestimation of the domestic (reproductive) economy gives birth to gender asymmetry, which, in its turn, has negative implications.

- **Hypothetically speaking, decisions made in Lithuania's tax policy are also closely connected with gender effect, although the outcome is not obvious from the first sight.**

Firstly, it is common knowledge that tax burden for large business, where men prevail, is much smaller than that for small and medium business, where there is high concentration of female population. Sporadic research shows that in Lithuania the burden of taxes for large business is quite smaller than that for small and medium business. Thus, men hypothetically speaking carry a smaller burden of taxes than women.

Secondly, in Lithuania, the largest taxes are on labour – a 33 % income tax, a 34 % cumulative state social insurance tax; altogether – 67 %. Real estate, land and capital, though, are taxed quite less. Moreover, in Lithuania the largest flow of income into the state budget is from VAT and excises - about 53 % of all revenue; about 27 % of state revenue come from the population's income tax and only about 3 % of state revenue is made up by income from land, land rent and real estate. Traditionally, women possess quite less of real estate and capital than men.

Thirdly, women's wages in Lithuania make up only about 80 % of men's wage, so assumingly women's contribution into the country's budget is smaller than that of men. As no relevant research has been conducted in Lithuania, we can only look at practice of other countries. And studies conducted in other countries allow to draw the following conclusions:

- **Women traditionally are employed in less productive and less profitable branches of the economy, they earn less and possess less property, real estate and therefore their contribution into the country's GDP and national budget is smaller than it could be.**
- **Due to women's professional discrimination and segregation by gender the country's economy loses, by different estimates, from 15 % to 26 % of all income from taxes, the loss for the GDP accounts for 20 % of the country's product.**
- **It has been estimated that women and children, who make up about two thirds of the population, receive from the state only about one third of the expenditure, including paid out wages in the public sector, pensions and other social allowances.**
- **Privatization of social services and decreasing social support provided by the state, as the global practice shows, firstly strike women as, first of all, that directly affects income into household budgets which are primarily women's responsibility; secondly, when social support provided by the state decreases, social services (caring for others) become a burden on women's shoulders.** Those services include taking care of family members' health, raising, educating and otherwise caring for children. Moreover, growing prices of public utilities make women save on electricity, heating and hot water, quite often at the expense of their own health.

In this context state policy oriented to reducing social benefits makes the problem of women's unpaid work more acute, makes women more vulnerable in comparison to men and strengthens gender inequality.

**Firstly, due to the state policy that seeks to reduce state support, women's unpaid work in the reproductive economy is growing. Enforced increase of unpaid work is viewed as a form of violence against women at the macroeconomic level.**

**Secondly, social state benefits (transfer payments) are a form of compensation to women by the state for their "invisible" contribution into the GDP, reproductive work carried out in the domestic economy.**

- **As to the process of absorption of the EU structural funds, hypothetically speaking women have poorer access to the EU funds than men due to some objective reasons:**

- women have less access to the information about possibilities to receive the EU support and receive it later than men’
- highly formal and complicated procedure of application lessens women’s chances to receive support for potentially good projects in small and medium businesses; meanwhile men in large business use expensive services of consultancy agencies;
- the requirement for co-financing, i.e. the requirement to get state support that amounts to 20–30 % of the project value practically leave no chances for women to benefit from structural funds;
- women are less active at lobbying, forming clans and entering into corrupt deals, which is quite typical for men.

**In view of the above-mentioned, women should be given some exemptions to increase their chances of getting support from the EU structural funds.**

- **Analysis of Lithuania’s state budget allows to draw quite an unexpected conclusion - that state and municipality budgets are formed actually by the principle of gender.**
  - Sectors that receive most financing from the state budget are country defence, state management, public order, followed by export-oriented industries such as oil and its products, sector of energy, etc, in which men traditionally prevail. Meanwhile sectors such as education, culture, health care and social security, which traditionally employ many more women than men, receive from the budget only what is left.
  - Comparison of the expenditure structure of municipality and state budgets shows that “male” sectors are typically financed from the state sector, whereas “female” sectors are financed from municipality budgets (and it is common knowledge in Lithuania that municipalities receive only what is left in the budget after financing all other sectors and, consequently, municipalities are always short of money to finance all fields.). Furthermore, comparison of 1999–2004 budgets suggests that allocations from the budget for “male” sectors have been rapidly increasing, while for “female” sectors they have been decreasing. As to municipality budgets, allocations to “female” sectors have been decreasing and to “male” sectors – increasing.

All these conclusions suggest that there is **a clear gender asymmetry in Lithuania’s budget planning**

**and such practice legalizes and encourages gender inequality. The outcome of this is poor macroeconomic indicators: the ratio between the budget revenue and GDP is one of the lowest in the European Union (30 %) and showing no tendency for increase.**

- Lithuania urgently needs to start applying methods of gender analysis for state and municipality budget formation and it is essential to form gender competence and gender awareness in the society and public institutions/ public sector services. Experience of the Nordic countries, which have advanced theory and practice of setting gender responsive budget, could be of extreme help.

**In pursuance of the Lisbon strategy and the New Social Cohesion strategy of the Council of Europe as well as gender mainstreaming strategy, it would be advisable to conduct gender analysis of Lithuania’s state and municipality budgets.**

**Gender responsive budget is an important mechanism that would allow to ensure better compatibility of economic objectives and social commitments. Gender analysis would help to ground and more effectively distribute state expenditure, satisfy needs of special groups of the society and at the same time would have a positive long-term effect on formation of the state revenue.**

Gender-neutral budget would allow to define directions of the fiscal policy at the same time making it more transparent, visible and better assessed. Practice of other countries knows methods of gender analysis, which help to see clearly how and for what purposes the funds allocated for women and children are distributed. Moreover, gender responsive budget can provide social and economic policy makers with knowledge about women’s and men’s different priorities, showing what financial resources are needed to increase state revenue, achieve gender equality at the macroeconomic level and increase the rate of economic growth.

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