Investing in the Care economy to boost employment and gender equality

*A briefing from the **UK Women's Budget Group** on a gender analysis of employment stimulus in seven OECD countries*

Key findings

- *Government should rescind damaging austerity policies and invest in social infrastructure. It would provide employment, address the current crisis in care, and reduce gender inequalities in both paid and unpaid work*
- *In total, up to 1.5 million jobs could be created in the UK if 2% of GDP were invested in care industries, compared to 750,000 for an equivalent investment in construction.*
- *Simulation results from seven OECD countries showed that investing 2% of GDP in public services of care would create almost as many jobs for men as investing in construction industries in the UK, US, Germany and Australia but would create up to four times as many jobs for women*
- *Women's employment rate would rise by up to 8 points in the US and more than 5 points in the UK, Germany, Australia and Japan, reducing the gender employment gap by up to 50% in the US and a quarter in the UK*
- *Compared to business-as-usual austerity policies, significant public investment boost would have larger positive effects on economic growth and debt reduction in the mid-term (by 2030)*

A new report by the UK Women's Budget Group for the International Trade Union Confederation (ITUC) shows that investing public funds in childcare and elder care services is a worthwhile investment that is more effective in reducing public deficits and debt than austerity policies:[1] it would boost employment, earnings, economic growth and fosters gender equality. The report shows that an investment of 2% GDP in the caring industries would generate up to 1 million jobs in Italy, 1.5 million in the UK, 2 million in Germany and 13 million in the USA.

Despite years of austerity, severe cuts in public sector services and declining living standards for working people, economic growth prospects are worsening across major economies. For the G7 countries, the prospects for 2016 and 2017 are poor, despite low interest rates and low oil prices. Investment is low, trade is weak, commodity prices are falling, wages are stagnant and there are steep declines in global equity markets.[2] In short, the recipe for recovery based on a combination of 'quantitative easing' that is expanding

[1] See De Henau, J., Himmelweit, S. Łapniewska, Z. And Perrons, D. (2016). Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries. Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels, March. (http://bit.ly/1VVYj1O)

[2] See Catherine L. Mann, OECD Chief Economist about latest OECD Interim Economic Outlook (Feb 2016) (http://bit.ly/1eOZKQ2)

the money supply available to investors while cutting back on public expenditure, has failed to stimulate growth, just as feminist economists and those on the political left predicted.

At last, this failure has been recognised by the international institutions. Launching their 2016 Interim Economic Outlook, Christine Mann, chief economist at OECD argues for 'a greater use of fiscal (that is public expenditure) and pro-growth structural policies' given that governments can borrow for long periods at very low interest rates without jeopardising public finances.[3] Thus the OECD argues that governments should create the missing demand by investing directly in the economy themselves – the same recipe that John Maynard Keynes proposed in response to the Great Depression of the 1930s and one long advocated by feminists and those on the political left.

Making the case for public investment

Public investment not only creates jobs directly in the sector where the investment takes place (for example in building houses) but also generates knock-on or 'multiplier' effects on other sectors as jobs will be created in the industries that supply the necessary raw materials and services for the initial investment (known as the indirect employment effect). In addition because of this new employment household incomes will expand so boosting demand for all the goods and services that enter household consumption, such as food, clothing, and entertainment (known as the induced employment effect). In this way government investment expenditure will have an expansionary impact on overall demand, help lift economies out of recession and create jobs for working people so enhancing overall well being.

The advantage of this strategy is that in time the initial investment should pay for itself by generating benefits worth far more to society than it costs, so justifying the initial increase in the public deficit. The key question then is where should this investment take place?

Infrastructure is generally taken to be physical infrastructure such as roads, bridges and telecommunications which is durable and yields returns into the future.[4] However, investment in the care sector also yields returns to the economy and society well into the future in the form of a better educated, healthier and better cared for population. This is why this form of expenditure is termed investment in social infrastructure.

Yet this form of expenditure is rarely considered as a suitable form of investment when policy makers are looking for effective forms of employment generation in recessionary times. In fact the opposite has happened and public expenditure on education, health, childcare and social care services has been cut in many countries as part of their deficit reduction strategies.

This neglect of social infrastructure projects reflects a gender bias in economic thinking and may derive from the gender division of labour and gender employment segregation, with women being over represented in caring work, and men over represented in construction. Male unemployment is often seen to be a more urgent problem as men are assumed to be breadwinners, despite the fact that increasingly many

[3] Ibid.

[4] Investment in physical infrastructure (including construction workers' wages) is considered to be capital investment and good for economies so the European Union for example, allows the usual restrictions on permissible levels of public debt to be exceeded for this but not for the wages of care workers which are regarded as current expenditure.

multiple or dual person households rely on more than one income.

Employment effects on investing in care services

This study shows that such bias is unwarranted. For similar amounts of investment in the construction and caring industries (child care and elder care) while both forms of investment would generate increases in employment and add to growth, investment in the caring sector creates more jobs overall (even on a full time equivalent measure) with a higher proportion going to women. Our findings are consistent across seven high income countries: Australia, Denmark, Germany, Italy, Japan, UK and USA, though the extent of difference varies between countries.

Table 1a: Total employment effect of investing 2% of GDP in care industries

	Headcount (000s jobs)			% pts rise in empl. rate	
	Men	Women	All	All	Women
AUS	210	404	614	4.0	5.3
DEN	36	81	117	3.2	4.5
GER	654	1,366	2,020	3.7	5.1
ITA	280	666	946	2.4	3.3
JPN	1,412	2,058	3,470	4.3	5.1
UK	476	1,072	1,548	3.7	5.1
USA	4,231	8,681	12,912	6.1	8.2

Source: De Henau et al. (2016) ITUC report

Comparing Tables 1a and 1b shows that overall (total direct, indirect and induced effects), employment would increase more if 2% of GDP was invested in the caring industry than in construction, up to twice as many in the UK and Germany.

Overall employment rates would rise by between 2.4 percentage points in Italy to 6.1 percentage points in the US. It would raise women's employment rates by much more than that, given their greater concentration in the care industry, between 3.3 percentage points in Italy and 8.2 points in the US.

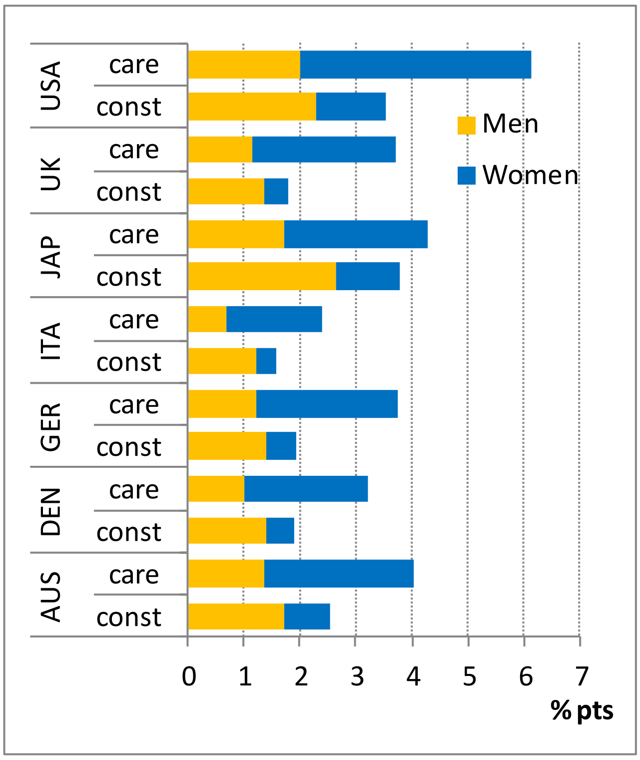
Table 1b: Total employment effect of investing 2% of GDP in construction industries

	Headcount (000s jobs)			% pts rise in empl. rate	
	Men	Women	All	All	Women
AUS	261	127	387	2.5	1.7
DEN	50	18	68	1.9	1.0
GER	750	290	1,040	1.9	1.1
ITA	489	132	621	1.6	0.7
JPN	2,156	937	3,093	3.8	2.3
UK	563	182	745	1.8	0.9
USA	4,815	2,632	7,446	3.5	2.5

Source: De Henau et al. (2016) ITUC report

Men's employment would rise more than women's if the investment took place in construction industries. However, men's employment would increase by almost as much with investment in care because of the larger overall employment effect, at least in the US, Australia, Germany and the UK.

Figure 1: Contribution of men's and women's employment to the rise in employment rates by industry and country



Source: De Henau et al. (2016) ITUC report

It is not because of differences in average wage levels that investment in care industries creates more jobs than equivalent amounts invested in construction industries. Wage levels are similar in both sectors in all countries except the US and the UK. Rather it is because care industries are more labour intensive: they employ more people per unit of output produced, and they need fewer machines. They also generate more employment locally because care services require fewer imports than construction projects.

Reducing gender inequalities

While investment in construction increases the gender employment gap, investment in care decreases it substantially while increasing both women's and men's employment rates. The relative reduction is strongest in the US (almost half) and Denmark (almost a third) where existing employment gaps are the lowest whereas the gaps are least reduced in Italy and Japan where they are the largest of the seven countries studied.

Reducing the employment gap is not the only gender inequality that could be improved through investment in care. Wages and working conditions in the care industry would have to improve considerably if such an investment were to be successful, given existing retention and recruitment problems in the industry. Such investment would therefore have to entail training and professionalization, which would be of benefit not only to care workers but to the people that they care for. Achieving high quality care is a gender issue in its own right, since women predominate among one significant section of care recipients, the elderly.

Table 2: Effects of investment on overall gender employment gaps by industry

	Existing gender empl. gap (% pts)	% points change in empl. gap if investment is in:	
		Care	Constr.
AUS	12.2	-2.6	1.8
DEN	6.5	-2.5	1.7
GER	9.4	-2.7	1.7
ITA	21.1	-1.9	1.8
JPN	23.1	-1.6	2.9
UK	9.9	-2.8	1.8
USA	8.7	-4.2	2.1

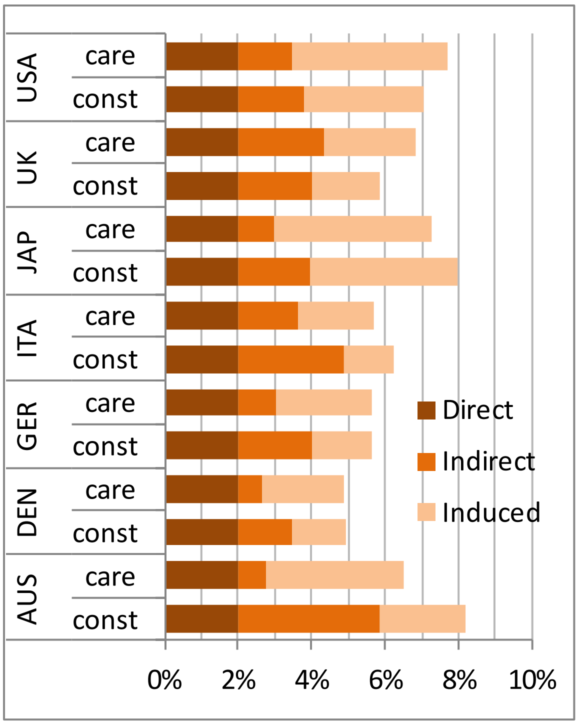
Source: De Henau et al. (2016) ITUC report

Once basic needs are met, investment in care may result in more jobs being created to extend coverage in terms of hours of care, raise staff/client ratios and improve training. Better training would also result in wages being increased, which should also improve care standards, particularly for those with particular types of care needs.

Effects on GDP growth and debt reduction

Effects of the investment in care or construction can also be analysed with respect to output and GDP growth. Figure 2 shows the effect on output (GDP) of the same investment equal to 2% of GDP in each of those two industries. In this case the direct effect is just that initial 2% from the initial injection in the economy. Indirect and induced output effects vary between countries: in Australia and Japan, total effects are larger for investment in the construction than in the care industry, but it is the other way around in the UK and the US. In Germany and Denmark, effects are similar in both cases, although the investment in care produces a larger impact on household incomes and the consumption sector (i.e. the induced consumption effect).

Figure 2: Contribution of direct, indirect and induced effects to GDP growth



Source: De Henau et al. (2016) ITUC report

Also discussed in the report is another set of macroeconomic simulations that looked at the mid to long-term effects of boosting public and private investment as opposed to business as usual of fiscal consolidation. It showed that by 2030, the investment scenario would boost employment more than the business as usual scenario, especially if targeted on female employment. Teh business as usual scenario assumes government policies remain as they are at present. Moreover, it would help reduce public deficits and debt more effectively than austerity policies.

In the UK, an investment boost scenario would increase GDP by a quarter more than it would be under a business as usual scenario by 2030. In addition the public debt would be reduced to 59% of GDP as opposed to 75% in the business as usual scenario.

Conclusion

This analysis has shown that policies that are effective in promoting economic growth and employment are likely to be those that include public investment in infrastructure rather than austerity and public spending cuts. However, it is necessary to see infrastructure from a broader point of view than usually portrayed in accounts of Keynesian intervention plans. Social infrastructure, the activities that provide health care, education, childcare and adult long-term care needs to be considered as well. These are vital to maintaining and growing the productive capacity of an economy, as well as being essential ways of developing people's quality of life.

This analysis does not show that investment in construction is not worthwhile. Rather it seeks to highlight the significance of social infrastructure investment as well. The employment and growth impacts from investing in the caring industries are just as great if not greater and there is the added bonus of increasing gender equality.

In the end, the argument must be that investing in a caring economy reaches beyond economic and employment benefits, as does investing in sustainable and environmentally-friendly physical infrastructure. Providing high quality care that people need is a sign of a civilised and healthy society and that in itself is a sufficient condition to advocate for public investment in high quality care services. Moreover, both investing in care services and in construction projects satisfying renewable and environmentally-friendly criteria are vital steps in enabling societies to become sustainable. The two types of investment should be considered together. However the urgent need to solve the care crisis and address gender inequalities makes investment in the social infrastructure a priority.

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The UK Women's Budget Group is an independent, voluntary organization made up of individuals from academia, NGOs and trade unions. See www.wbg.org.uk

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