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Diane Perrons

Gender and Inequality: Austerity and Alternatives

Gender equality policies aim to increase women's participation in the market economy, but they do not always recognise that market societies reproduce inequalities at micro and macro levels. At the micro level, labour markets are gendered institutions, and at the macro level, austerity policies have inherent biases and negative impacts that fall disproportionately on women. After outlining some of the problems with existing equality policies, I discuss these issues in depth in the second and third sections of this paper. In the final section, I discuss the findings from recent research by the UK's Women's Budget Group for the International Trade Union Congress, which identifies a policy that could potentially reduce the gender employment and pay gaps, contribute to economic growth, and help to resolve the social deficit with respect to elder and childcare. Some of the arguments made are theoretical and so apply in different ways to different parts of Europe, depending on the specific institutional contexts and prevailing social and economic policies; where more detailed issues are referred to, this is done with specific reference to the UK.

Current equality policies and rationale for change

Equal pay for work of equal value – a founding principle of the European Union – remains elusive despite five decades of gender equality policies. What is different about the present is that gender equality is considered to be “smart economics” and not simply a question of social justice, with the absence of equality thought to constitute an economic cost.

The World Bank made this argument in its Action Plan in 2006 and subsequently in the 2012 World Development Report, noting that that the “gains in women's economic opportunities lag behind those in women's capabilities”,¹ thus generating a series of inefficiencies with respect to economic growth and poverty reduction.² Parallel argu-

ments have been put forward by Christine Lagarde of the IMF,³ and the European Commission has made increased labour force participation for women a target in the Lisbon Growth Agenda and Europe 2020. More recently, a 2016 McKinsey report estimated that \$12 trillion could be added to global GDP by 2025 by advancing women's equality, thereby highlighting the opportunity cost of inequality.⁴ McKinsey also found that organisations that are more diverse are generally more profitable, which has generated considerable corporate interest – though focused mainly on raising the proportion of women in senior positions.

Owing to these estimated economic gains, gender equality – at one time a demand from the socially marginalised feminist movement – has become mainstream institutional policy. Yet despite some gains in labour force participation, gender equality remains a distant pipedream, with the International Labour Organization estimating that at the current rate of change it will be 70 years before the gender pay gap is eliminated. More dismally, the World Economic Forum, using a broader range of dimensions – economic, political, health and education – estimates that it will take 170 years before the global gender gap is closed.⁵ So how is this discontinuity between policy aspirations and policy achievements to be explained?

This paper argues that one of the main reasons why these potential gains from gender equality have not been realised is that institutional resolutions largely depend on greater integration within market economies, and that this integration, through the dominant market-led neoliberal economic policies of the last three decades, simply reproduces gender inequalities, thereby making the task of equality policies more difficult.

Interestingly, the World Bank recognises that gender inequality is due to the existence of market and institutional failures that require intervention to effect change.⁶ It rec-

1 World Bank: Gender Equality as Smart Economics: A World Bank Group Gender Action Plan (Fiscal years 2007-10), 2006, p. 2.

2 Ibid.; and World Bank: World Development Report 2012: Gender Equality and Development, 2012.

3 C. Lagarde: Empowerment – the Amartya Sen Lecture, London School of Economics and Political Science, 6 June 2014.

4 Specifically, the report estimated that if all countries matched the rate of improvement of the fastest-improving country in their region, it could add as much as \$12 trillion, or 11%, in annual 2025 GDP. In a “full potential” scenario in which women play an identical role in labour markets to that of men, as much as \$28 trillion, or 26%, could be added to global annual GDP by 2025. See McKinsey Global Institute: The Power of Parity: How advancing women's equality can add \$12 trillion to global growth, McKinsey & Company, 2015.

5 International Labour Organization: Women at Work: Trends 2016, 2016; World Economic Forum: Global Gender Gap Report 2016, 2016.

6 World Bank: World Development . . . , op. cit.

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ommends childcare and parental leave policies to tackle the uneven division of domestic labour. But, more radically, it proposes mandatory gender quotas in order to enhance efficiency by

reducing discrimination and correcting beliefs about women's potential as employees. And they can promote women's employment over time by providing role models, overcoming stereotypes and enhancing incentives for educational and other investments by women.⁷

These quotas should be monitored to “track progress, and to sanction noncompliance” but they should also be temporary to avoid inefficiency.⁸ These proposals are far more radical than any existing policies. Even where quotas have been introduced, they relate only to marginal phenomenon such as women on the boards of publicly listed companies, as in Norway and Belgium for example.

Quotas are often unpopular with both employers and employees, with the former fearing they may not get the best employees and the latter fearing that they are chosen for their identity rather than their skills. Nonetheless, given current inequalities, especially at senior levels, quotas may be the only way of redressing the market imperfections that so far have generated the over-representation of men.

The better strategy would be to rectify the processes generating inequality *ex ante*, but to date these have largely rested on supply-side measures focused on women's perceived deficiencies, such as mentoring and increasing women's skills rather than removing barriers such as structural constraints or demand-side failures linked to informal discrimination and unconscious bias. Some of the barriers are discussed below, beginning with the micro level and wage determination, followed by a discussion of constraints created by the current macroeconomic policies linked with economic stability and austerity.

Wage determination and social norms

The overall increase in inequality since the 1970s is linked to labour's falling share of value added and the rising share of income appropriated by the top decile. Labour's share of value added has fallen as globalisation has increased, due to the fragmentation of work on a global scale, increased competition, and new flexible and more precarious working practices, together with the deregulation of labour markets and the corresponding decline in

the powers of trade unions.⁹ Simultaneously, the earnings of “supermanagers” – managers of large corporations – have increased significantly. According to Thomas Piketty, this increase in pay is not due to the increases in productivity, as the marginal productivity of labour theory would predict, but because they have the “power to set their own remuneration”.¹⁰ This power is constrained only by social norms, which vary among countries. As Piketty explains:

Executive compensation of several million euros a year is still more shocking today in Sweden, Germany, France, Japan, and Italy than in the United States or Britain.¹¹

This reflects different “beliefs about the contributions different individuals make to the firm's output” and how it should be valued in comparison to others.¹² As women (and minorities) are under-represented among supermanagers, these large managerial salaries contribute to the widening of the gender pay gap.

While Piketty rejects the efficacy of the marginal productivity of labour theory to explain these high salaries, he nonetheless maintains that this theory offers a “plausible explanation for the long run evolution of the wage distribution”, at least until a certain level.¹³ However, as feminist economists argue, this view is questionable, as there are many sectors where it is very difficult to determine or increase individual productivity. Just like supermanagers, the output of individual care workers is difficult to measure, in this case owing to the specific economic properties of care work.

Care is a composite good, simultaneously consisting of guarding (preventing any harm), caring for identifiable bodily needs and nurturing.¹⁴ It involves direct human encounters and so possesses an inherently affective dimension that is difficult to assess or measure. Further, care work is technologically unprogressive, and therefore productivity is difficult to increase without changing the quality of what is provided. These properties mean that care is subject to the “cost disease”, where costs are likely to rise over time relative to sectors where productivity gains are possible,

⁷ Ibid., p. 301.

⁸ Ibid.

⁹ D. Perrons, A. Plomien: Why socio-economic inequalities increase? Facts and policy responses in Europe, Report for the European Commission, Luxembourg 2010, Publications Office of the European Union.

¹⁰ T. Piketty: Capital in the Twenty-First Century, London 2014, The Belknap Press of Harvard University Press, p. 24.

¹¹ Ibid., p. 333.

¹² Ibid., p. 332.

¹³ Ibid.

¹⁴ N. Folbre, J. Nelson: For Love or Money – Or Both?, in: The Journal of Economic Perspectives, Vol. 14, No. 4, 2000, pp. 123-140.

which in turn makes it difficult for care to be provided profitably.¹⁵

So despite the positive qualities of care work, the cost pressures are often passed on to care workers, leading to low pay and the employment of people with labour market disadvantages such as women, migrants and minorities. Care worker pay varies across countries, depending on the precise form of work done and the institutional framework (for example, whether care is provided privately or supported by the state through direct provision or subsidies), but even so, the majority of workers are paid only a fraction of that paid to supermanagers, and in the UK their earnings are often considerably below the average wage. The low rewards to care work are rooted in gendered perceptions that regard caring skills as women's "natural" talents, which are to be admired and treasured rather than valued and paid as material competencies.

Piketty proposes a more steeply progressive income tax to reduce earnings inequalities, but a better solution might be to tackle the gendered processes leading to this outcome.¹⁶ The OECD has argued that "the only sustainable way to reduce inequality is to stop the underlying widening of wages", owing to the lack of public support for redistribution policies.¹⁷ Thus, it is important to think about the processes leading to the gendering of work and how different forms of work could be revalued. In this respect, considerable attention has been given to the gender pay gap and how it might be closed. As the way in which this is addressed varies considerably between countries, the discussion below focuses on the UK.

In July 2015, the recently re-elected Prime Minister David Cameron announced his intention to end the gender pay gap within a generation.¹⁸ Measures to implement this promise are expected to be made law by the new post-Brexit government in 2017 and include mandatory reporting by organisations with 250 employees or more detailing such statistics as their mean and median gender pay gap, the median gender bonus gap, and the number of male and female employees in each pay quartile.

The choice of these more sophisticated measures of the gender pay gap represents an improvement over initial intentions, because they better approximate the gender pay

gap and are more accurate indicators than simply looking for violations of "equal pay for work of equal value" (which is already illegal). They reflect the advice received from feminist economists, amongst others, during the consultation process. But they are still limited, because they relate to a single employer and so fail to address the scale of the overall gender pay gap. Further, even for a single employer, the scale of the gap will be dampened by outsourcing, which is a growing phenomenon for an increasing range of tasks, as these workers are unlikely to enter the firm's gender pay gap calculations. Moreover, reporting the gender pay gap, a requirement that will affect only about 8,000 employers covering 11 million employees, or just over a third of the workforce,¹⁹ does not change the underlying processes generating pay differentials. These factors include the unequal gender division of labour with respect to care and domestic work, which restricts the employment options open to women, as well as gender-segregated employment, together with the low value attached to sectors where women are over-represented, discussed below.

In 2015 the UK gender pay gap was above the EU average, with an unadjusted median hourly gender pay gap for all workers of 19.2%.²⁰ This figure can be disaggregated to provide greater insights into the factors responsible. For those working more than 16 hours per week, it falls to 16%, and if mothers are excluded from this group, it falls to 10%. For non-mothers working more than 16 hours per week who are between 22 and 35 years old, it falls further to six per cent.²¹ This data suggests that the gender pay gap is closely associated with the gender division of labour with respect to care work, as well as the high costs of care services (for example, childcare costs take 40% of a couple's income in the UK, compared to an OECD average of 17%), all of which discourages women from working unless they are very highly paid.²²

In addition, the gender pay gap reflects occupational gender segregation and higher pay in occupations dominated by men. The gap is highest at the top of the pay distribution, but women are under-represented there – constituting just 40% of the highest quartile, compared to 60% of the lowest quartile. The gender pay gap is especially high in finance, at 39.4%. In science and engineering, it is lower, at 17.3%, and for this reason the UK government recommends that girls study STEM (science, technology, engi-

15 W. Baumol: The Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis, in: *The American Economic Review*, Vol. 57, No. 3, 1967, pp. 415-426.

16 T. Piketty, *op. cit.*, p. 505.

17 OECD: *Growing Unequal? Income Distribution and Poverty in OECD Countries*, Paris 2008, OECD, p. 116.

18 D. Cameron: Prime Minister: My one nation government will close the gender pay gap, Press release, Prime Minister's Office, 14 July 2015.

19 See Government Equalities Office: *New website reveals Gender Pay Gap by profession*, Press release, 9 December 2016.

20 M. Costa Dias, W. Elming, R. Joyce: *The Gender Pay Gap*, IFS Briefing Note BN186, The Institute for Fiscal Studies, 2016.

21 *Ibid.*

22 OECD: *Family Database*, Paris 2015, available at www.oecd.org/social/family/database.html.

neering and mathematics) subjects at school.²³ However, the dynamic effect of women's entry into this sector is not considered, nor is the fact that the majority of women with STEM qualifications do not work in STEM sectors, which suggests that the conditions of employment in this sector need to be examined more closely.²⁴ Moreover, other jobs such as caring still need to be done. Given that social norms play a role in pay determination then logically – albeit optimistically – they can change, but unless there is some systematic review and strategy for revaluing wages, then the gender pay gap is likely to remain for a long time.

The Women and Equalities Committee (WEC) recommended establishing industrial strategies “for low-paid highly feminised sectors to improve productivity and pay level”.²⁵ This measure could have a profound impact on the gender pay gap. However, in sectors such as care, it is difficult to increase productivity without undermining the quality of care provided. A more effective strategy would be to recognise that these jobs matter, their effective performance enhances well-being, as well as the skills and competencies of the next generation, and so they should be valued accordingly. The WEC also suggested making all jobs available on a flexible basis, but this would need to be combined with measures to increase the involvement of men in care; the increased provision of accessible, affordable, and available child and elder care; and with measures to address the low pay in caring work.²⁶ Increased flexibility alone would risk cementing the gender division of care labour, and while it might contribute to lowering the gender pay gap on an hourly basis, it would not necessarily change the way that women have lower lifetime earnings than men and are consequently over-represented among those at risk of poverty.

The current emphasis in the UK on naming and shaming firms with wide gender pay gaps and little indication of how to address these is unlikely to generate the scale of change needed to end the gender pay gap before the new generation of people entering the workforce reaches retirement. Instead, a comprehensive strategy is required, one consisting of policies and practices at the national, company and household levels. At the national level, attention needs to be given to pay determination, perhaps establishing maximum as well as minimum (living) wages,

23 Office for National Statistics: Annual Survey of Hours and Earnings, London 2015, Office for National Statistics.

24 The Royal Society of Edinburgh: Tapping all our Talents. Women in science, technology, engineering and mathematics: a strategy for Scotland, Edinburgh 2012, The Royal Society of Edinburgh.

25 Women and Equalities Committee: Gender Pay Gap, Second Report of Session 2015-16, House of Commons, HC 584, 22 March 2016, p. 6. The Women and Equalities Committee is a select committee of MPs.

26 Women and Equalities Committee, op. cit.

working time regulations, and provision for child and elder care. At the company level, attention needs to be given to pay determination, promotion and recruitment methods. At the household level, changes in the division of labour with respect to paid and unpaid work are needed. All these measures are likely to interact with each other in mutually reinforcing ways, moving towards or away from greater equality. They are also affected by the prevailing macroeconomic policies discussed below.

Macroeconomic policies and the impact of austerity policies

Following the 2008 financial crisis, European Union member states engaged in a coordinated countercyclical expansionary response to perhaps the deepest recession ever recorded in order to prevent overall economic collapse and stimulate recovery via the European Economic Recovery Plan.²⁷ There was particular concern about the loss of male jobs in construction and manufacturing, and many states invested in physical infrastructure and research and development to support these sectors. Growth resumed, albeit at a slower pace, but by 2010 sovereign debt levels had escalated, and many states had exceeded the Stability and Growth Pact's conditions. This time simultaneously, but without coordination, states implemented austerity policies, although to different degrees.²⁸ Some states, including Greece and Ireland, were compelled to do so to comply with the loan conditions set by the so-called troika, i.e. the European Commission, European Central Bank and International Monetary Fund.

By contrast, the UK government pursued austerity largely as a matter of choice, and until the post-Brexit government of 2016 assumed power, it sought to eliminate the deficit entirely and even produce a budget surplus by 2019-20. In the process, the government aimed to reduce public expenditure to only 30% of GDP – levels that existed prior to the establishment of the welfare state – largely through cuts to the welfare budget. The 2016 government headed by Theresa May has postponed – but not abandoned – this target until the early 2020s in order to make the economy more resilient to the uncertainty associated with Brexit. In the November 2016 Autumn Financial Statement, the government announced its intention to expand government expenditure on physical infrastructure

27 European Commission: Communication from the Commission to the European Council. A European Economic Recovery Plan, COM(2008) 800 final, 26 November 2008.

28 F. Bettio, M. Corsi, C. D'Ippoliti, A. Lyberaki, M. Lodovici, A. Verashchagina: The impact of the economic crisis on the situation of women and men and on gender equality policies, Synthesis report, Luxembourg 2013, Publications Office of the European Union.

and made a very marginal reduction in the planned cuts to welfare expenditure.²⁹

This austere approach to public deficits and debt reflects neoliberal economic orthodoxy and is widely criticised by Keynesian, heterodox and feminist economists for being both economically ineffective in terms of restoring economic growth and reducing the deficit and because of its highly negative impact on those least able to withstand economic hardship. In this paper, only the latter implications are discussed, focusing on the UK, where analyses of the uneven gender implications of government budgets have been carried out.

Under the 2010 Public Sector Equalities Duty, the UK government is supposed to ensure that all public sector bodies recognise the public duty to eliminate unlawful gender discrimination and contribute to promoting equality of opportunity between women and men. The Fawcett Society brought a case under this law in relation to the emergency budget introduced by the coalition government in 2010 on the grounds that it had failed to carry out an equalities assessment of the planned cuts in public welfare expenditure.³⁰ To make their case, they drew on their own research, together with that of the Women's Budget Group, which showed that while many people would be adversely affected, nearly 80% of these budget cuts would fall on women.³¹ There are three reasons for this, which the Fawcett Society termed "the triple jeopardy". First, women are more likely to be dependent on benefits than men, given their more disadvantaged economic position and childcare responsibilities. Second, women are more likely to work in the public sector, so they would be adversely affected by the public sector pay freeze and cuts in employment. Third, women are more likely than men to make up for the loss of services through unpaid care and domestic work.

Further analysis by the Women's Budget Group shows that the new government is still failing to carry out effective gender equality impact analyses, and that 86% of the costs of the continued cuts in services will fall on women – such that the real incomes of female-headed households, typically lone parents and single female pension-

ers, will lose 20% of their incomes by 2020.³² Moreover, the government has yet to carry out adequate equalities assessments, as it was instructed to by the courts, despite criticism from the House of Lords and the Women and Equalities Select Committee.³³

It is crucial that these analyses, which show that macro-economic policies can have very negative and gendered impacts on living standards, are recognised by those formulating both economic and gender equality policies. Otherwise, the strategies for gender equality will address mainly symptoms rather than their underlying causes. The implicit assumption that economic policies are purely aimed at creating wealth while social policies, including gender policies, are only redistributive needs to be challenged. The ideas that economic growth itself can be redistributive or that social policy can be economically productive are rarely, if ever, contemplated. Yet as research by the Women's Budget Group shows, expenditure on social infrastructure can be productive and can contribute to employment creation and to resolving the care deficit and gender inequality, which is discussed below.

Social infrastructure investment as an alternative strategy to austerity

Keynesian macroeconomic theory makes a case for public investment in times of recession to compensate for private investment, which is deterred by the lack of effective demand. State investment will boost employment and aid economic recovery, both directly through the investment itself as well as indirectly, owing to the multiplier effects on other sectors. In principle, this investment should pay for itself through increased tax revenues from the newly employed as well as through the savings in welfare payments that would otherwise have to be paid.

Keynes is renowned for saying that the specific kind of public investment does not matter; even if people were employed to dig holes and fill them in again, it would still have a beneficial effect on the economy as a consequence of the multiplier effect.³⁴ These gains arise because the public investment not only boosts the industries and em-

29 HM Treasury: Autumn Statement 2016, 23 November 2016.

30 See Fawcett Society: Fawcett's bid for a Judicial Review of the 2010 budget, 28 February 2013, available at <http://www.fawcett-society.org.uk/2013/02/fawcetts-bid-for-a-judicial-review-of-the-2010-budget-2/>.

31 Women's Budget Group: A cumulative gender impact assessment of ten years of austerity policies, 6 March 2016.

32 Women's Budget Group: New research shows that poverty, ethnicity and gender magnify the impact of austerity on BME women, 28 November 2016, available at <http://wbg.org.uk/news/new-research-shows-poverty-ethnicity-gender-magnify-impact-austerity-bme-women/>.

33 Women and Equalities Committee: Equalities analysis and the 2015 Spending Review and Autumn Statement, Fourth Report of Session 2016-17, House of Commons, HC 825, 18 November 2016, paragraph 15.

34 J.M. Keynes: *The General Theory of Employment, Interest and Money*, Book III: *The Propensity to Consume*, London 1936, Macmillan, pp. 102-118.

ployment where it initially takes place (the direct effects), but also has indirect effects on sectors of the economy that supply inputs to this industry. Further gains are made in a much broader range of sectors that expand to supply the goods consumed by the newly employed workers, termed the induced effects.

When governments take this route, as was partially the case in the European Economic Recovery Plan, they typically invest in physical infrastructure, such as roads and bridges. This investment, including the wages of the building workers, is regarded as capital investment because it generates long-term returns, and as a consequence, states are allowed to exceed the SGP public debt and deficit conditions. By contrast, funding for the running of schools, hospitals and nurseries (and thus the wages of teachers, nurses and childcare workers) would be counted as coming from current expenditure and so be restricted by the SGP conditions. This difference fails to recognise that investment in social infrastructure also produces long-term gains in the form of a better educated, healthier and better cared-for population and reflects a gender bias in economic thinking. It also overlooks recent research that shows similar, indeed higher, economic and social gains can be made by investing in social infrastructure, that is, in child and elder care.

The International Trade Union Congress funded the UK's Women's Budget Group to analyse the effect of investing in social infrastructure. Using input-output analysis, the Women's Budget Group investigated the impact of investing two per cent of GDP in the construction and caring industries for seven OECD countries, specifically Denmark, Germany, Italy and the UK in the EU, as well as Australia, Japan and the US.³⁵ The group estimated that the majority of jobs created – between 59% and 71%, varying among countries – would be taken up by women, but because of the impact of the multiplier effect, there would also be an expansion of jobs in a wide range of other sectors. This would lead to increases in jobs for men, too. Overall, the employment rate of women would increase by between 3.3 to 8.2 percentage points (1.4 to 4.0 percentage points for men), and the overall gender gap in employment would be reduced by between 1.6 to 4.2 percentage points, the precise amounts depending on the labour market characteristics of specific countries. Thus, both forms of investment would generate substantial increases in employment, but substantially more jobs would be created

³⁵ Women's Budget Group: Investing in the Care economy to boost employment and gender equality, March 2016. For the full report, see J. De Henau, S. Himmelweit, Z. Łapniewska, D. Perrons: 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, 2016.

overall – as many as four times as many jobs for women in Germany, Australia, the UK and the US – if the investment took place in social rather than physical infrastructure. What is particularly interesting is that the number of jobs generated for men would be almost the same if the investment took place in the construction sector, while for women it would be substantially lower. As a consequence, investing in social infrastructure would narrow the gender employment gap. Besides creating new jobs, investment in childcare and social care (for the elderly and infirm) would help resolve some of the central economic and social problems confronting contemporary societies: low economic growth, the care deficit, declining fertility, demographic ageing and continuing gender inequality, given the way that inadequate funding for care is one of the key reasons underlying women's lower employment.

Conclusion

The pursuit of gender equality has moved from the margins to mainstream policy-making in the last few decades, partly because it is estimated to increase economic growth. Despite the multitude of policies and strategies for promoting gender equality, significant inequalities remain, and estimations suggest that these will continue for many decades. Mainstream solutions depend on women's increasing integration into the formal market, the "productive" economy, rather than increasing men's involvement in the "reproductive" sector, i.e. care and domestic work. Less attention has been given to the ways in which the market economy reproduces gender inequality at both micro and macro levels – the former through the wage determination process, in which gendered social norms influence the monetary value of different forms of work, and through continuing structural barriers to increased labour market participation, owing to the continuing uneven division of domestic labour, and the latter through gender-insensitive macroeconomic policies. At the macro level, the ostensible justification for cutting the welfare state is to reduce public debt, but it has not yet been effective. Alternative solutions exist that are more likely to lead to economic growth, reduce debt, promote gender equality and help resolve the care deficit.

One aspect of such a solution would be to invest in social infrastructure. To recognise the value of this perspective, public policies need to be gender mainstreamed, and government budgets need to be accompanied by sophisticated gender and equalities impact statements. Only by thinking about how economic policy is gendered will resolutions to gender equality be found, which will contribute towards creating a more inclusive model of development, while at the same time lifting economies out of recession.