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Gender and Inequality: Austerity and Alternatives.

Gender quality policies aim to increase women's participation in the market economy but without always recognising 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. These issues are discussed in the second and third sections of this paper. I begin by outlining some of the problems with existing equalities policies and in the final section discuss the findings from the UK's Women's Budget Group recent research for the International Trade Union Congress which identifies a policy that potentially could 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 specific reference is made to the UK.

Current equalities 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 their Action Plan (2006) and subsequently in the World Development Report (2012) noting that that the 'gains in women's economic opportunities lag behind those in women's capabilities' so generating a series of inefficiencies with respect to economic growth and poverty reduction (World Bank 2006:1).[1] Parallel arguments are made by Christine Largarde CEO of the IMF,[2] and the European Commission, with increased labour force participation for women made a target in the Lisbon Growth Agenda and Europe 2020. More recently the McKinsey report (2016) report estimated that $12 trillion could be added to global GDP by 2025 by advancing women's equality, thereby highlighting the opportunity cost of non-equality.[3] McKinsey (2016) also found that more diverse organisations are 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 ILO estimating that at the current rate of change it will be 70 years before the gender pay gap is eliminated and more dismally the World Economic Forum, on a broader range of dimensions: economic, political, health and education, estimating that it will take 170 years before the global gender gap is closed.[4] 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 rather than recognising that the dominant market led neoliberal economic

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[1] World Bank, Gender Equality as Smart Economics: A World Bank Group Gender Action Plan (Fiscal years 2007–10), New York, 2006. World Bank (2012) World Development Report: Gender Equality and Development, New York, 2012.

[2] C. Lagarde, Empowerment—the Amartya Sen Lecture, By Christine Lagarde, Managing Director, International Monetary Fund, London School of Economics.

[3] 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 percent, in annual 2025 GDP. In a "full potential" scenario in which women play an identical role in labor markets to that of men, as much as $28 trillion, or 26 percent, could be added to global annual GDP by 2025. McKinsey Report, How advancing women's equality can add $12 trillion to global growth, 2016, Available on Line

[4] ILO, Women at Work Trends, Geneva, 2016 ILO. World Economic Forum, Global Gender Gap, Geneva, 2016.

policies of the last 3 decades reproduce gender inequalities, thereby making the task of equalities policies more difficult.

Interestingly, the World Bank (2012) recognises that gender inequality is due to the existence of market and institutional failures that require intervention to effect change. Similarly to the European Commission they recommend childcare and parental leave policies to tackle the uneven division of domestic labour. But, more radically, they propose 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.' These quotas should be monitored to 'track progress, and to sanction noncompliance' but also temporary to avoid inefficiency (World Bank 2012:301). 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; 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. Below some of the barriers are discussed, 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 appropriated by the top decile. Labours' share of value added has fallen with globalisation, 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 corresponding decline in the powers of trade unions.[5] Simultaneously the earnings of 'supermanagers' have increased significantly. According to Thomas Piketty (2014)[6] this increase is not due to increases in the pay of 'supermanagers' (managers of large corporations) but not because of increases in their productivity as the marginal productivity of labour theory would predict but because they have the 'power to set their own remuneration.' This power is constrained only by social norms which vary between countries. As Piketty (2014 332) 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' reflecting different 'beliefs about the contributions different individuals make to the firms output' and how it should be valued in comparison to others. As women and Black and minority ethnic people are under represented among supermanagers these large managerial salaries contribute to the gender pay gap.

While Piketty (2014: 333) rejects the efficacy of the marginal productivity of labour theory to explain these high salaries, he nonetheless maintains that this theory offers a 'plausible

[5] D. Perrons, A.Plomien, A. Why socio-economic inequalities increase? Facts and policy responses in Europe, Report for the European Commission, Brussels, 2010, EUR 24471 EN,
[6] T. Piketty: Capital in the Twenty-First Century, London, 2014, Belknap Press of Harvard University Press, London.

explanation for the long run evolution of the wage distribution' at least until a certain level. 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 careworkers is difficult to measure, in this case owing to the specific economic properties of carework.

Care is a composite good, simultaneously consisting of guarding, (preventing any harm), caring for identifiable bodily needs and nurturing;[7] involves direct human encounters and so possesses an inherently affective dimension that is difficult to assess or measure; and carework is technologically unprogressive, so productivity is difficult to increase without changing the quality of what is provided. These properties mean that care is subject to the 'cost disease,' that is, the costs are likely to rise overtime relative to sectors where productivity gains are possible, which in turn makes it difficult for care to be provided profitably. [8]

So despite the positive qualities of carework the cost pressures are often passed on to careworkers leading to low pay and the employment of people with labour market disadvantages such as women, migrants and Black and minority ethnic workers. Careworkers pay varies between 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 supermangers, and in the UK also considerably below the average wage. The low rewards 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.

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

[8] W. Baumol, The Macroeconomics of Unbalanced Growth, in: The American Economic Review, Vol. 57, No. 3. 1967, pp. 415-426.

Piketty (2014:505) proposes a more steeply progressive income tax to reduce earnings inequalities, but a better solution similar might be to tackle the gendered processes leading to this outcome. The OECD's (2008:116)[9] argued that the '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. So, 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, Prime Minister David Cameron announced his intention to end the gender pay gap in a generation.[10] Measures to implement this promise are expected to be made law in 2017 and include mandatory reporting by organisations with 250 employees or more of their: mean and median gender pay gap, the median gender bonus gap and the number of male and female employees in each pay quartile. [11]

The measures chosen represent an improvement over initial intensions because they approximate the gender pay gap rather than simply equal pay for work of equal value (which is already illegal) and 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, a growing phenomenon and 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 relate only to 8000 employers covering 11 million or

[9] OECD, Growing Unequal? Income Distribution and Poverty in OECD Countries, Paris, 2008, OECD.
[10] D. Cameron, My one nation government will close the gender pay gap, London, Gov.UK, Available on line.
[11]These more sophisticated measures of the gender pay gap are important as they better reflect inequality within an organisation and reflect the way the Government Equalities Office have listened to and acted on advice received through their consultations with feminist economists and others.

just over one third of the workforce,[12] 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 and gender-segregated employment together with the low value attached to sectors where women are over-represented discussed further below.

In 2015 the UK gender pay gap was above the EU average with the unadjusted median hourly gender pay gap for all workers being 19.2%. This figure can be disaggregated to provide greater insights into the factors responsible. For those working more than 16 hours a week it falls to 16% and if mothers are excluded from this group then it falls to 10% and for people with these characteristics aged between 22 and 35 years it falls further to 6%. [13] This data suggests that the gender pay gap is closely associated with the gender division of labour with respect to carework, as well as the high costs of care services (for example childcare costs take 40% of a couples income in the UK compared to an OECD average of 17%) which discourages women from working unless they are very highly paid. [14]

In addition the gender pay gap reflects occupational gender segregation and higher pay in occupations where men dominate. The gap is highest at the top of the pay distribution but women are under presented there – constituting 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 %[15] and for this reason the Government recommends that girls study STEM (science, technology, engineering and mathematics) subjects at school. However, the dynamic effect of women's entry into this sector is not considered and neither is the fact that the majority of women with STEM qualifications do not work in STEM sectors, which suggests that the

[12] See Gov.Uk (2016) https://www.gov.uk/government/news/new-website-reveals-gender-pay-gap-by-profession
[13] M. Costa, W. Elming, and R. Joyce, R. The Gender Pay Gap, IFS Briefing Note BN186, London, 2016, Institute of Fiscal Studies.
[14] OECD, Family database, Paris, 2015, Available at: www.oecd.org/social/family/database.
[15] ONS (2015) Annual Survey of Hours and Earnings, London, 2015, Office of national Statistics.

conditions of employment in this sector need to be examined more closely.[16] Moreover, other jobs such as caring still need to be done. Given that social norms play a role in pay determination then optimistically they can change, but unless there is some systematic review and strategy for revaluing wages 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.'[17]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 and the skills and competencies of the next generation and 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, increased provision of accessible, affordable and available child and elder care and to address the low pay in caring work. Otherwise increased flexibility would risk cementing the gender division of care labour and while it might contribute to lowering the gender pay gap on an hourly basis would not necessarily change the way that women have lower lifetime earnings than men and consequently are 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 reach retirement. Instead a comprehensive strategy is required consisting of policies and practices at 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; working time

[16] Royal Society of Edinburgh, Tapping all our Talents. Women in STEM, Edinburgh, 2012, The Royal Society
[17] Women and Equalities Committee, The Gender Pay Gap, Second Report of Session 2015–16 , House of Commons, 2016 HC 584, London, 2016, p.6. the Women and Equalities Committee is a Select Committee of MPs.

regulations and provision for child and elder care. At company level attention needs to be given to pay determination, promotion and recruitment methods and 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 towards or moving away from greater equality. They are also affected by the prevailing macroeconomic policies discussed below.

Macroeconomic policies and impact of austerity policies

European Union member states engaged in a coordinated counter-cyclical expansionary response to the deepest recession ever recorded in 2008 to prevent overall economic collapse and stimulate recovery via the European Economic Recovery Plan (EERP).[18] 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. As a consequence growth resumed albeit at a slower pace, but by 2010 sovereign debt escalated and many states exceeded the Stability and Growth Pact's conditions. This time simultaneously, but without coordination, states instigated austerity policies, although to different degrees.[19] Some states, including Greece and Ireland had to do so to comply with the loan conditions set by the 'Troika' the - European Commission, European Central Bank (ECB) and International Monetary Fund (IMF).

By contrast, the UK government pursued austerity largely as a matter of choice and until the post Brexit government of 2016 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 in the welfare budget. The 2016 government headed by Teresa May has postponed but not

[18] European Commission, Communication from The Commission to the European Council, A European Economic Recovery Plan, Brussels, 26.11.2008 COM(2008) 800 final, Brussels, 2008, European Commission.
[19] F. Bettio, M. Corsi, C. D'Ippoliti, A.Lyberaki, M. Lodovici, and A. Verashchagina, The impact of the economic crisis on the situation of women and men and on gender equality policies. Luxembourg, 2012,European Commission

abandoned this target until the early 2020s in order to make the economy more resilient to uncertainty associated with Brexit. In the November 2016 Autumn Financial Statement[20] the government announced its intention to expand government expenditure on physical infrastructure and made a very marginal reduction in the planned cuts in welfare expenditure.

This austere approach to public deficits and debt reflects neoliberal economic orthodoxy and is widely criticised by Keynesians, heterodox and feminist economists for being both economically ineffective in terms of restoring economic growth and reducing the deficit and because of their 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 Public Sector Equalities Duty (2010) 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[21] brought a case under this law in relation to the emergency Budget introduced by the Coalition Government in 2010 on the grounds that they had failed to carry out an equalities assessment of the planned cuts in public welfare expenditure. To make their case they drew on their own research together with that of the Women's Budget Group[22] (WBG) which showed that while many people would be adversely affected nearly 80% of these budget cuts would fall on women. There are three reasons for this that the Fawcett Society termed the triple jeopardy: women are more likely to be dependent on benefits than men given their more disadvantaged economic position and childcare responsibilities; are more likely to work in the public sector, so would be

[20] Gov.UK, Autumn Statement 2016, London, HM Treasury, 2016.
[21] See Fawcett's bid for a Judicial Review of the 2010 budget Available at: http://www.fawcettsociety.org.uk/2013/02/fawcetts-bid-for-a-judicial-review-of-the-2010-budget-2/
[22] WBG, A cumulative gender impact assessment of ten years of austerity policies, London, 2016, Women's Budget Group.

adversely affected by the public sector pay freeze and cuts in employment; and 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 the 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 women pensioners, will lose 20% of their incomes by 2020.[23] Moreover the government have yet to carry out adequate equalities assessments as they were instructed to by the courts, despite criticism from the House of Lords and the Women and Equalities Select Committee. [24]

Given these analyses which show that macroeconomic policies can have very negative and gendered impacts on living standards it is crucial that they 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 the economy and economic policies are purely 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 the Women's Budget Group's research shows expenditure on social infrastructure, meaning child and elder care, can be productive and contribute to employment creation and to resolving the care deficit and gender inequality, discussed further below.

Social Infrastructure Investment as an alternative strategy to austerity.

[23] WBG, New research shows that poverty, ethnicity and gender magnify the impact of austerity on BME women, London, 2016, WBG Available on Line.
[24] Women and Equalities Committee, Equalities analysis and the 2015 Spending Review and Autumn Statement, 4th Report paragraph 15 London, 2016, Her Majesty's Stationary Office.

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, directly through the investment itself but also indirectly owing to the multiplier effects on other sectors. In principle, this investment should pay for itself through increased tax revenues from the newly employees as well as savings in welfare payments that otherwise would have to be paid.

Keynes is renowned for saying that the 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 effects.[25] These gains arise because the public investment does not only boost the industries and employment where it initially takes place (the direct effects) but also has indirect effects on sectors of the economy that supply inputs to this industry and further gains are made in a much broader range of sectors that expand to supply the consumption goods of 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 running the schools, hospitals and nurseries (and so 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

[25] J. M. Keynes, The General Theory of Employment, Interest and Money, Book III, The Propensity to Consume, Chapter 10. The Marginal Propensity to Consume and the Multiplier.

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 2% of GDP in the construction and caring industries for 7 OECD countries, specifically, Denmark, Germany, Italy and the UK as well as Australia, Japan and the USA.[26] They estimated that the majority of jobs created (between 59% and 71% varying between countries) would be taken up by women but because of the impact of the multiplier effect there would also be an expansion in of jobs in a wide range of other sectors and so lead to increases in jobs for men too. Overall, the employment rate of women would increase by between 3.3 to 8.2% (1.4 to 4.0% for men) and the overall gender gap in employment would be reduced by between 1.6 to 4.2%, 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 overall, and as many as 4 times as many jobs for women in the case Germany, Australia, UK and USA , 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 industries, while for women it would be substantially lower. As a consequence the gender employment gap would be lowered. 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

[26] WBG, 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, London, 2016, Women's Budget Group, London. The full report is J. De Henau, S. Himmelweit, Z. Łapniewska, and 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, Brussels, 2016, ITUC.

fertility, demographic aging and continuing gender inequality given the way that inadequate provision 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 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 – of care and domestic work. Less attention has been given to the ways in which the market economy (or in some cases arguably the imperfect 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 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 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 statement. Only by thinking about how economic policy is gendered will resolutions to gender equality be found and contribute towards creating a more inclusive model of development as well as lifting economies out of recession.