

# Gender and Inequality: Austerity and Alternatives.

“The bottom line is that women are underutilized, underpaid, under-appreciated—and over-exploited ..... This needs to change. Yes, it is a matter of justice, but it is also a matter of basic economics” (Christine Lagarde 2014)

Intereconomics Conference Brussels 2016



# Gender and Inequality: Austerity and Alternatives

Inequality, redistribution and pre-distribution

Micro and macro dimensions of pre-distribution

Gender Pay Gap and Gendered Poverty

Austerity Policies and Gender Impact

Alternative policies for sustainable and inclusive development

# Rising inequality and growing public concern

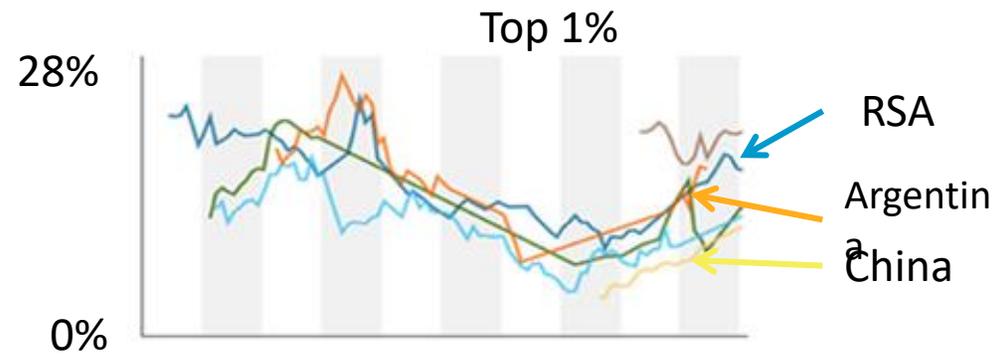
***‘the root of social evil’*** (Pope Francis)

***‘the defining challenge of our time.’*** (Barack Obama)

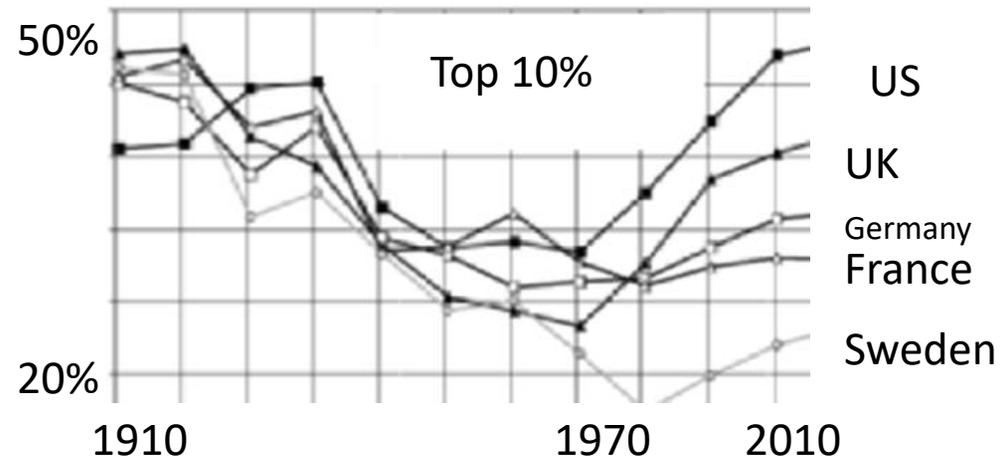
***‘the 85 richest people in the world,...., control as much wealth as the poorest half of the global population– that is 3.5 billion people’ and this casts a ‘dark shadow across the global economy.’*** (Christine Lagarde)

Thomas Piketty’s *Capital in the 21st Century* – US best seller

Emerging economies – income share

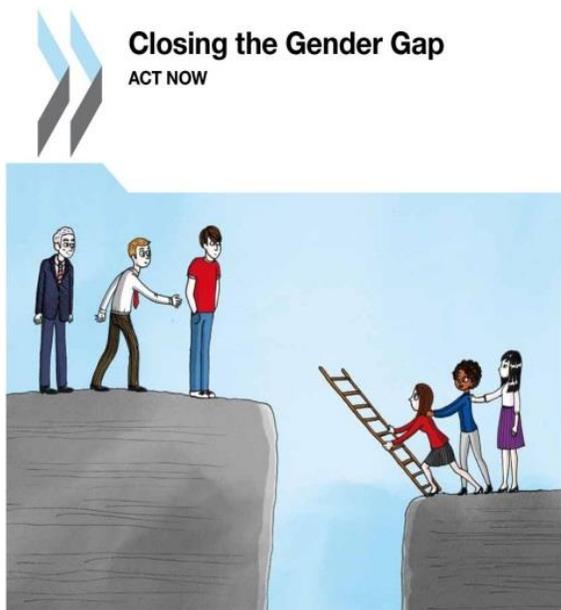


Europe and US – income share



# Resolutions : Institutional responses inclusive capitalism via the market?

Christine Lagarde –inclusive capitalism – oxymoron? - *‘trust, opportunity, rewards for all within a market economy.’* -effective tax policies, increasing women’s empowerment and agency.



Institutional interest but resolutions largely depend on greater integration with the market economy – rather than recognising that the market/ neoliberal economic policies reproduce gender inequalities and makes the task of equalities and social policies much more difficult.

## Resolutions: inclusive capitalism via the market?

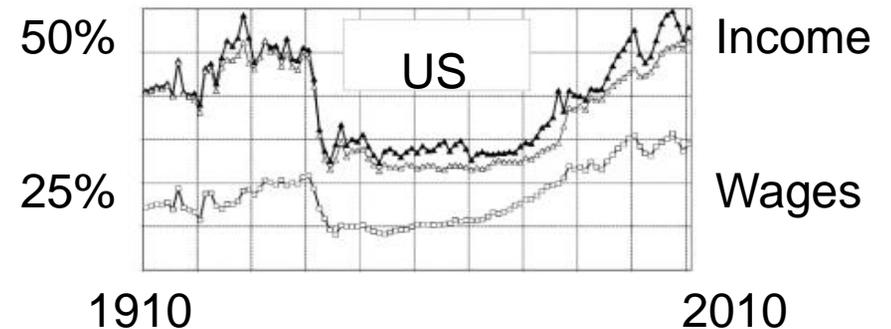
Thomas Piketty: a global wealth tax and more steeply progressive income tax

- Tax increases - relatively liberal method for reducing inequality, because *'free competition and private property are respected while private incentives are modified in potentially radical ways'* (Piketty 2014: 505).
- By contrast OECD argue that *'the only sustainable way to reduce inequality is to **stop** the underlying widening of wages.'* (OECD 2008:116).

# Post 1970s - 'explosion' of top wages

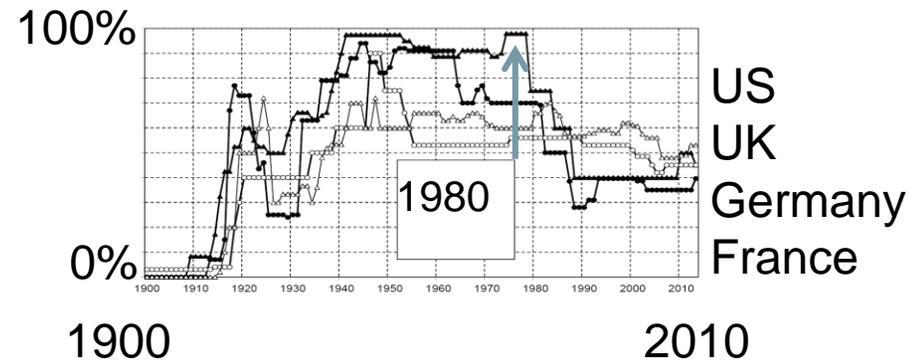
***'The rise of income inequality since the 1970s is largely due to the rise of wage inequality' and increasing share of the top decile (Piketty 2014:299)***

Rise of the Supermanager – Top decile share



***'The top marginal rate of tax on high incomes in the US fell from 70% in 1980 to 28% in 1988' (Piketty 2014:499)***

Top income tax rates

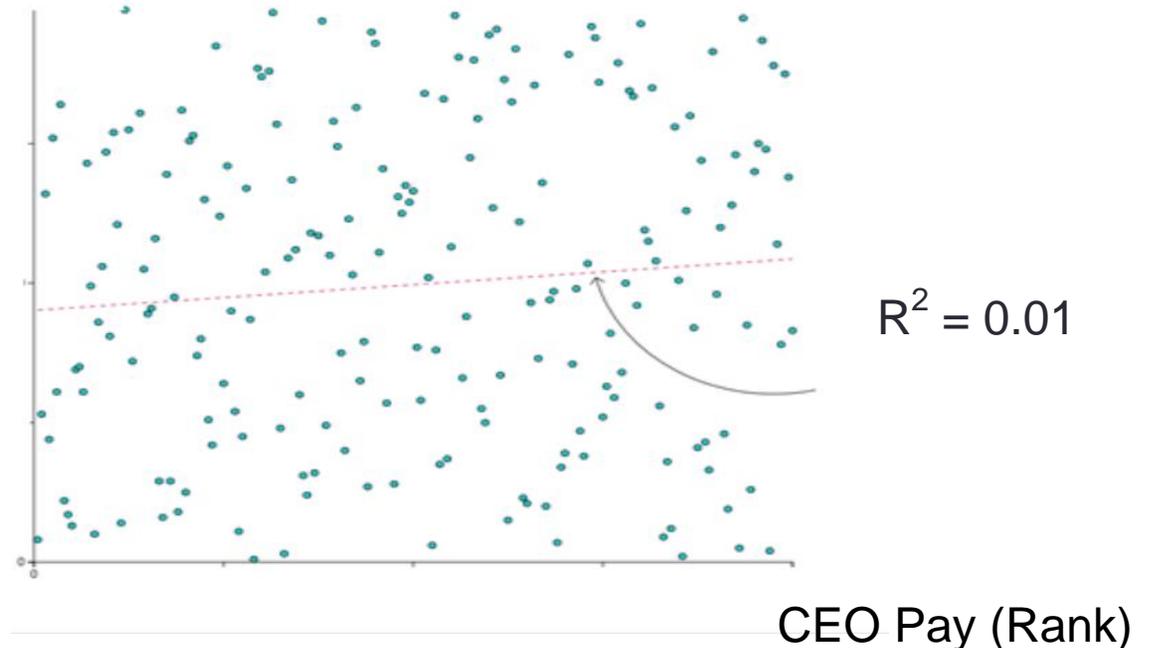


# Wage inequality

*rather than reflecting higher marginal productivity, the wealth of contemporary elites reflects their **'power to set their own remuneration'** – constrained only by **social norms*** (Piketty 2014:24)

Pay and performance top 200 US firms 2014

Stock market return  
(Rank)



Top incomes cannot be explained by superior company performances.

Source: Chemi and Giorgi, (2014)

# Gender inequality also enduring.

01



**Gender pay gap - social norms and wage determination**

02



**Austerity Policies uneven gender impacts. Recognition of the social content of macroeconomic policies and the idea of social as well as fiscal debt**



## Background on UK Gender Pay Gap

UK ranks 20<sup>th</sup> in relation to the EU (28) gender pay gap

The unadjusted median hourly gender pay gap all workers is 19.2%

For those working more than 16 hours a week – 16%

and if mothers are excluded then it is 10%

And if aged between 22 and 35 years GPG is 6%

When adjusted for education only the least well educated group have experienced any decline linked in part to the decline in male earnings in lower decile groups

For those more educated no evidence of any decline in the last 20 years (IFS 2016).

## Background on UK Gender Pay Gap continued

Overall the GPG reflects :

1) occupational gender segregation and higher pay in occupations where men dominate

Gender pay gap is highest at the top of the pay distribution but women are underrepresented – constituting 40% of the highest quartile compared to 60% of the lowest quartile.

## Background on UK Gender Pay Gap continued

Overall the GPG reflects :

2) gender differentiated employment between women and men in terms of part time or full time status

(86% of men work full time while 42.3% of women work part time) and the gender pay gap between full at part time workers is 45% per hour at the median

This reflects the gender division of domestic and care work in the context of very high cost child care (40% of a couples income compared to an OECD average of 17%).

These high costs discourage low paid women to take up work (despite the lower gender pay gap at this level).

# End the pay gap within a generation

- In July 2015, Prime Minister David Cameron announced his plans to “end the gender pay gap in a generation” and to build on this, the government is now pledging to:
  - force larger employers to publish information about their bonuses for men and women as part of their gender pay gap reporting

But at the same time the government was very critical of gender mainstreaming and gender impact assessments

# Government concern about lack of progress through voluntarily measures – hence legislation

Legislation to be passed originally late 2016 - now expected April 2017

Draft regulations open for consultation February 2016 - Proposals relate to Companies over 250 employees (for Public Sector draft regulations -August 2016)

Proposals require:

reporting of the mean and median gender pay gap across all employees,

gender distribution in different pay quartiles and

information relating to bonuses: the difference in amount of bonuses received and the difference in the proportion of women and men receiving bonuses (Gov.UK 2016) [https://consult.education.gov.uk/equality-framework-](https://consult.education.gov.uk/equality-framework-team/gender-pay-gap-reporting-public-sector)

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# Women and Equalities Unit – Reporting Insufficient More Action Required



Gender segregated employment, low value attached to work where women dominate and the unequal division of domestic labour – need to be addressed. They propose:



- **Making all jobs flexible** - employees judged on output rather than presentism – to allow people with caring responsibilities to work varied hours while realising their career potential.
- **Non transferable parental leave** between parents (recognising that the current policy of flexible parental leave ineffective owing to the gender pay gap)
- **\*\*Industrial strategy for low paid** highly feminised sectors to improve productivity and pay levels – not recognising that in some sectors e.g. care work it can be perverse to try and increase labour productivity.
- **Pathways to work** – for women returning to the workforce after a parental break



# Feminist NGOs

Feminist organisations such as the Fawcett Society and the Women's Budget Group are more concerned about **low pay in sectors where women and especially BME women are over represented and high costs of childcare.**

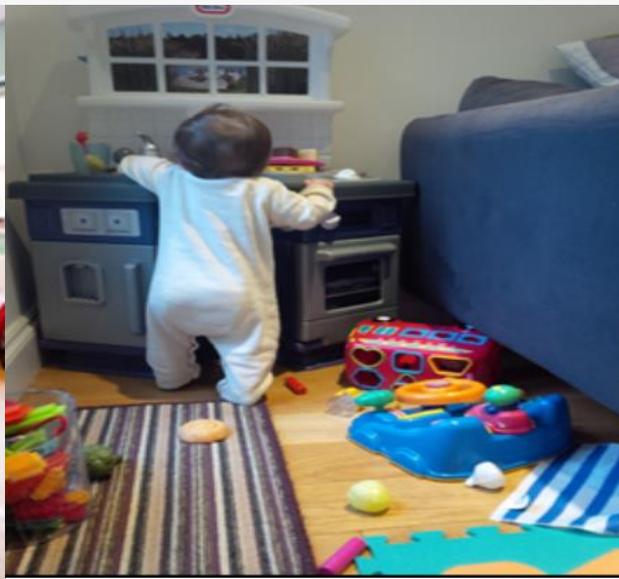
GPG high in UK and linked to the wide overall dispersion of earnings – general measures addressing low pay (such as real living wages for all)– and excessively high wages likely to be more effective – political commitment seems to be more towards women at the top – imp but will not resolve the GPG

A holistic strategy – that addresses care provision, employment segregation, low pay, working time regulations, gender stereotypes and gender bias (conscious and unconscious) is required rather than looking at the GPG in isolation.



## Social norms, wage determination and gender inequality

- Wider role of social norms in wage determination at all levels in the pay distribution and especially of care work - **social norms are gendered.**
- Childcare worker: average wage- £18,000 p.a. (with 20 years experience); Average UK worker - £26,000 p.a.  
CEOs in FTSE 100 firms earned on average £4.3m p.a.





## Social norms, wage determination and gender inequality

- intrinsic qualities of carework mean that it is not a 'Normal' good in orthodox economic analysis. - It is relational, rival and technologically unprogressive
- so difficult to increase productivity and make profit - except by intensifying work and employing a workforce with labour market disadvantage -
- migrants, women and ethnic and racial minorities and by outsourcing - global care chain
- there are alternatives - no necessary reason why the rising cost cannot be paid for - it's a question of distribution and given wages are determined by social norms - it could all be very different (Baumol 2012)



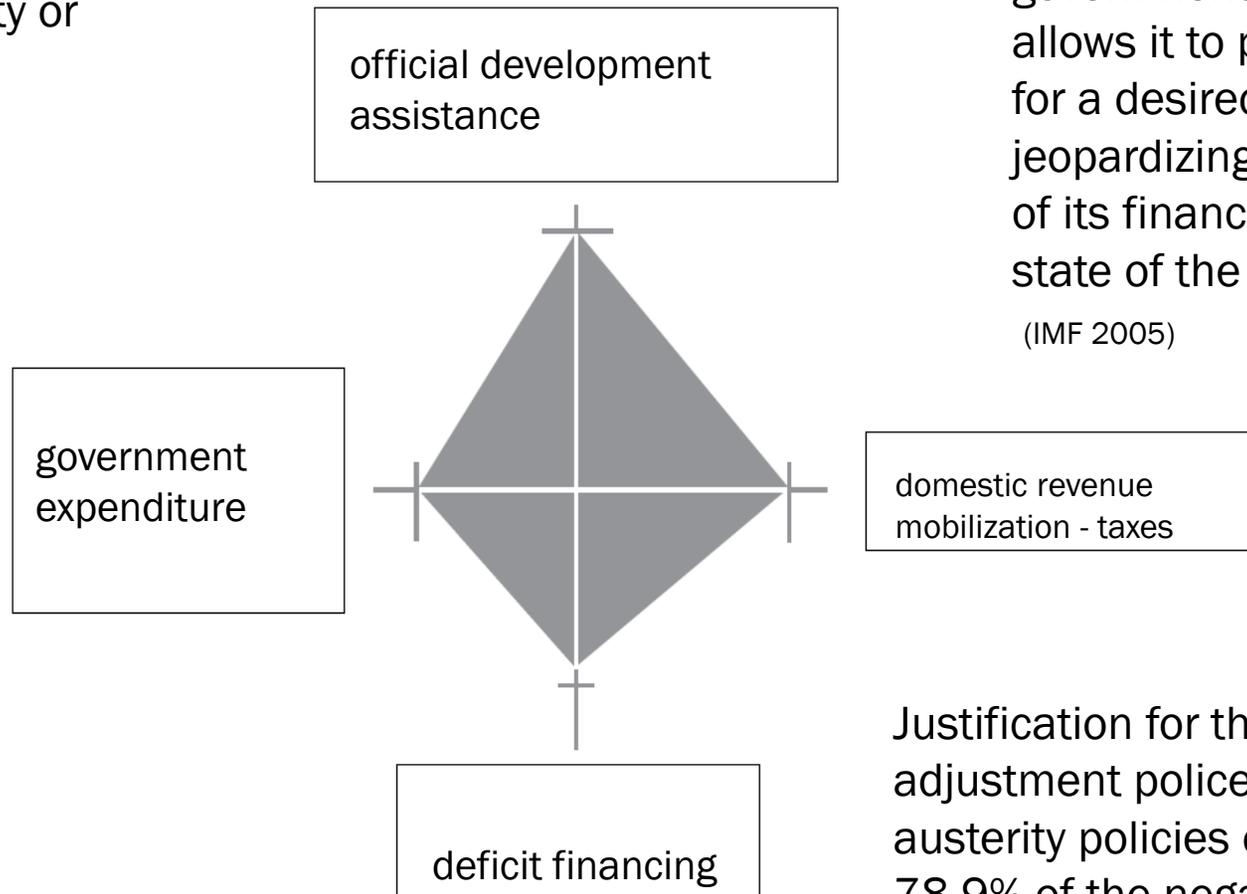
## Social content of macroeconomic policies

- 01 — The Politics Behind Fiscal Consolidation  
(the cuts in public expenditure)
- 02 — Unequal gendered outcomes – women –  
triple jeopardy (Fawcett Society)
- 03 — **THERE ARE ALTERNATIVES**



# Austerity: fiscal space and the cuts: necessity or choice?

Fiscal space and the need for cuts  
technical necessity or political choice ?



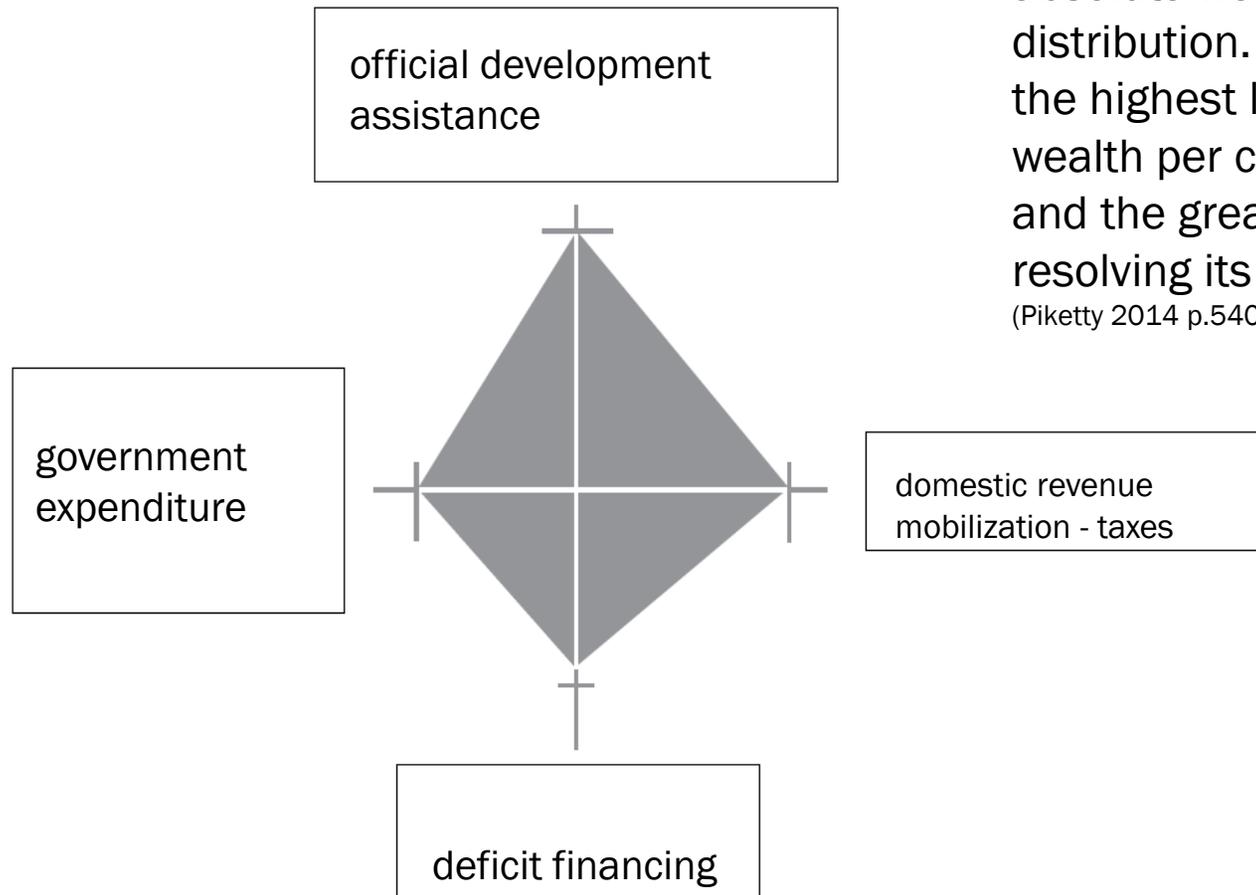
Fiscal space is 'room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the state of the economy'

(IMF 2005)

Justification for the structural adjustment policies of the past and austerity policies of the present – 78.9% of the negative impact of welfare cuts has fallen on women (House of Commons Library 2015). See also WBG.

# Alternative resolutions to debt - heterodox- political left

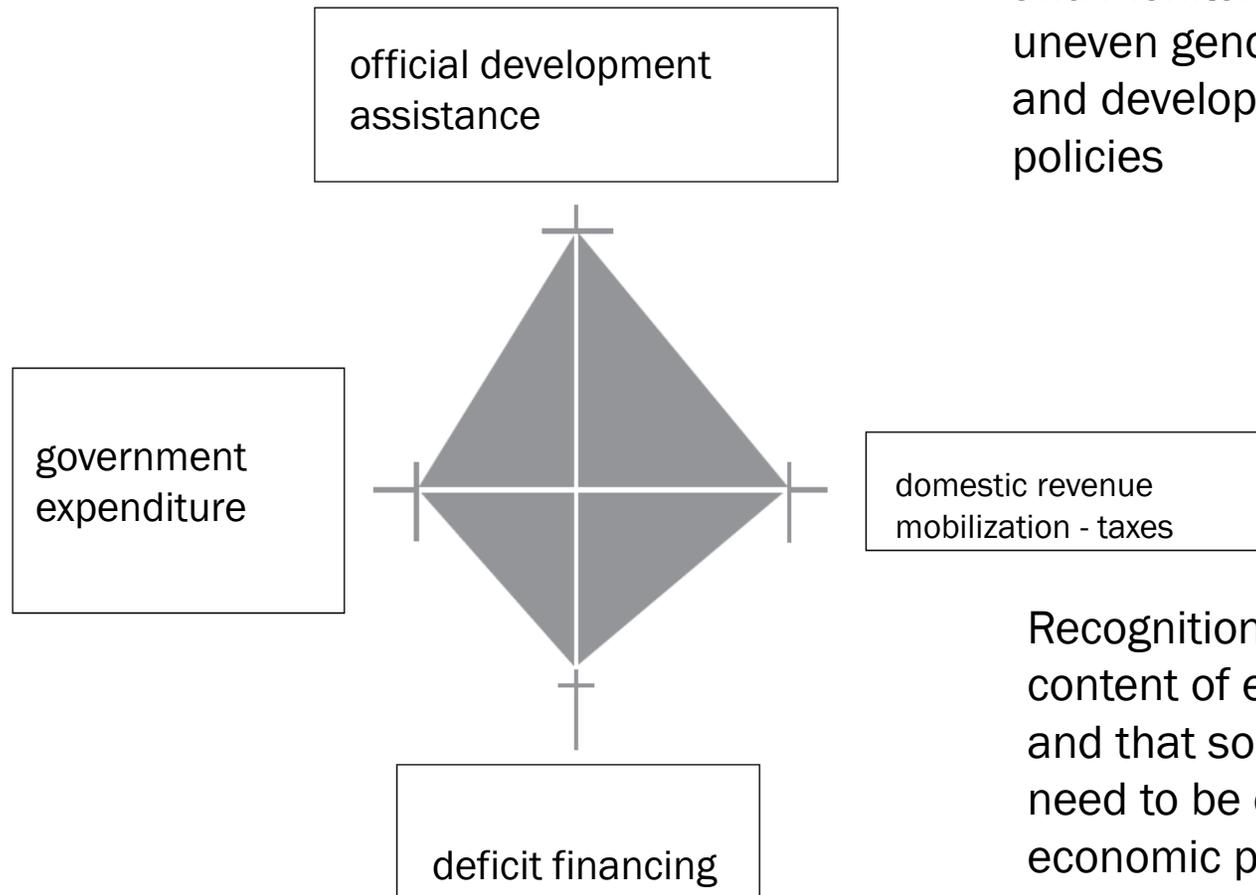
Possible resolutions to resolving public debt - privatisation of public assets, taxation, inflation or prolonged austerity - 'the worst solution in terms of both justice and efficiency' (Piketty 2014: 541).



debt - not a question of absolute wealth but distribution. 'Europe has both the highest level of private wealth per capita in the world and the greatest difficulty in resolving its public debt crisis' (Piketty 2014 p.540)

# Feminist analysis of fiscal space and alternatives

Fiscal space is the available financing, designated by policy objectives taking into account the specific needs of marginalized groups using race, gender and class impact analysis (Ida 2013)



Gender auditing budgeting and monitoring – identify the uneven gender impact of cuts and develop more inclusive policies

Recognition of the social content of economic policies and that social outcomes need to be embedded in economic policies –  
**Investment in social as well as Physical infrastructure**

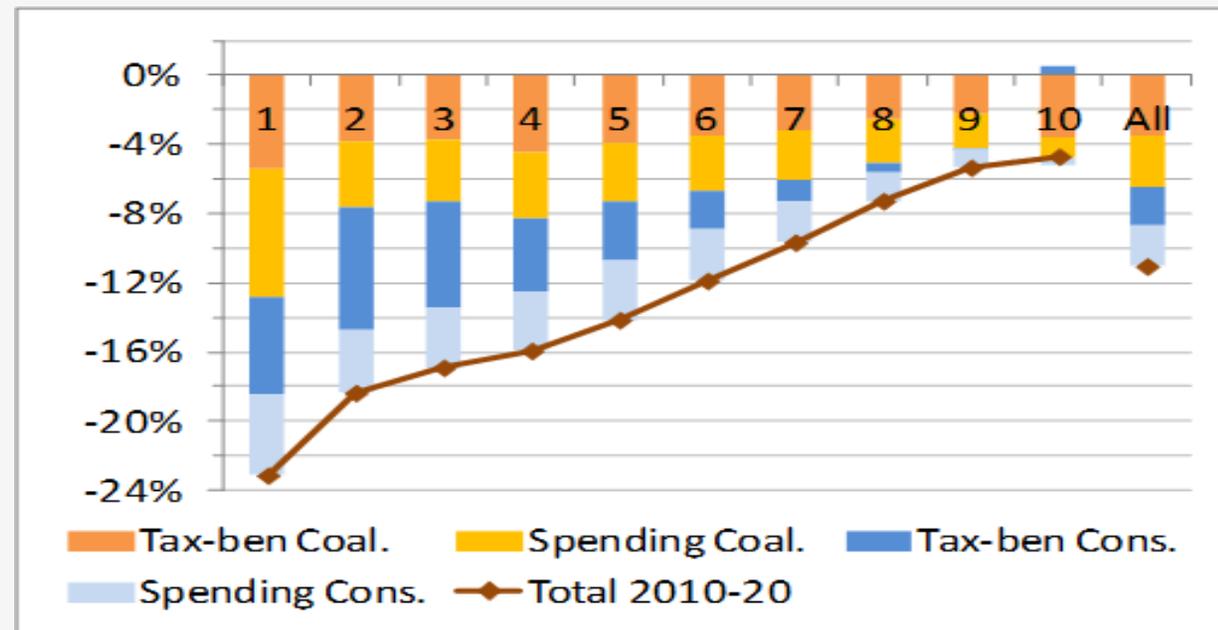
# UK Women's Budget Group: Gendered impact of austerity

'we're all in this together'



Source: Matt Buck 2010

Effects of spending cuts by income group as % of net income



(WBG Briefing paper –Jerome De Henau and Howard Reed (2016) [http://wbg.org.uk/wp-content/uploads/2016/03/De\\_HenauReed\\_WBG\\_GIAtaxben\\_briefing\\_2016\\_03\\_06.pdf](http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf))

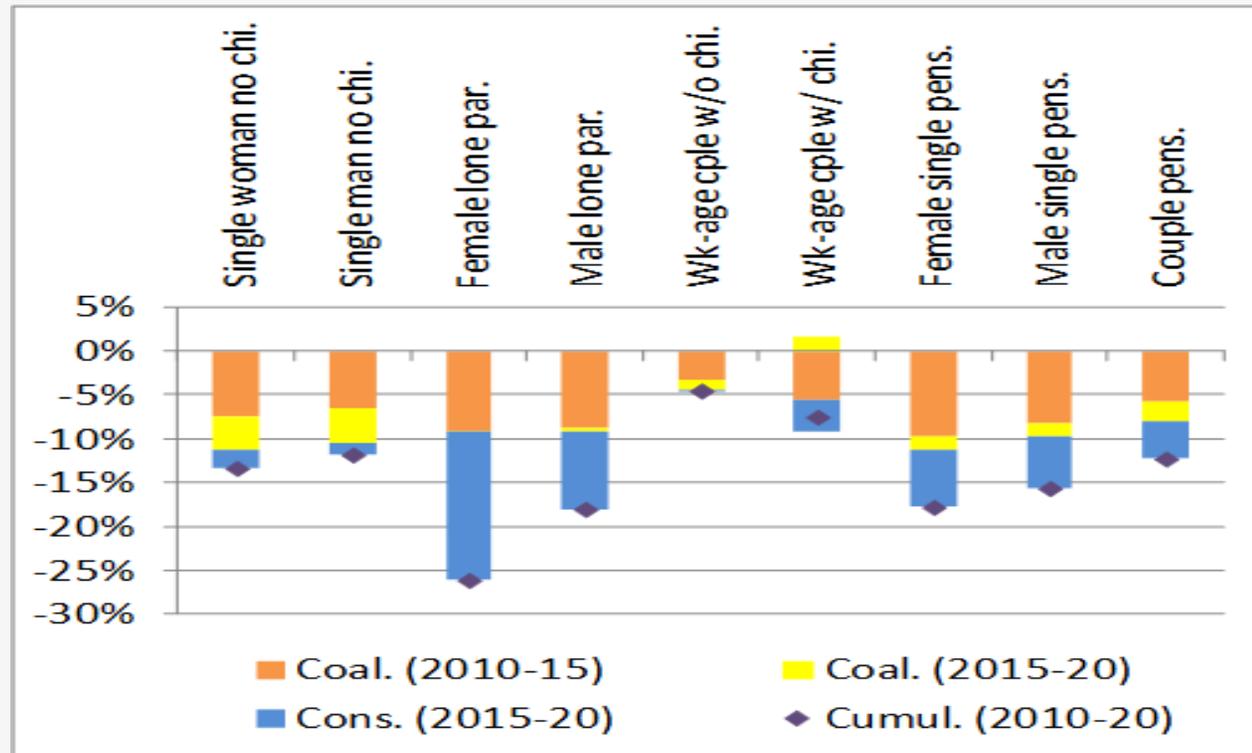
# UK Women's Budget Group: Gendered impact of austerity

'we're all in this together'



Source: Matt Buck 2010

Cumulative effects of spending cuts by family type as % of net income



(WBG Briefing paper - Jerome De Henau and Howard Reed (2016) [http://wbg.org.uk/wp-content/uploads/2016/03/De\\_HenauReed\\_WBG\\_GIAtaxben\\_briefing\\_2016\\_03\\_06.pdf](http://wbg.org.uk/wp-content/uploads/2016/03/De_HenauReed_WBG_GIAtaxben_briefing_2016_03_06.pdf))

Social groups most effected – lone parents and single pensioners – both disproportionately women

# Alternatives: – Investment in Social Infrastructure

## WBG- for ITUC

01



Investing in the Care Economy  
A gender analysis of employment  
stimulus in seven OECD countries

02



Report by the Women's Budget Group (co-  
authored Jerome de Henau, Sue Himmelweit,  
Diane Perrons and Zofia Lapnewska)

03



Simulation of a 2% GDP investment in  
care and construction industries.

# Investing in Social Infrastructure

WBG- for ITUC

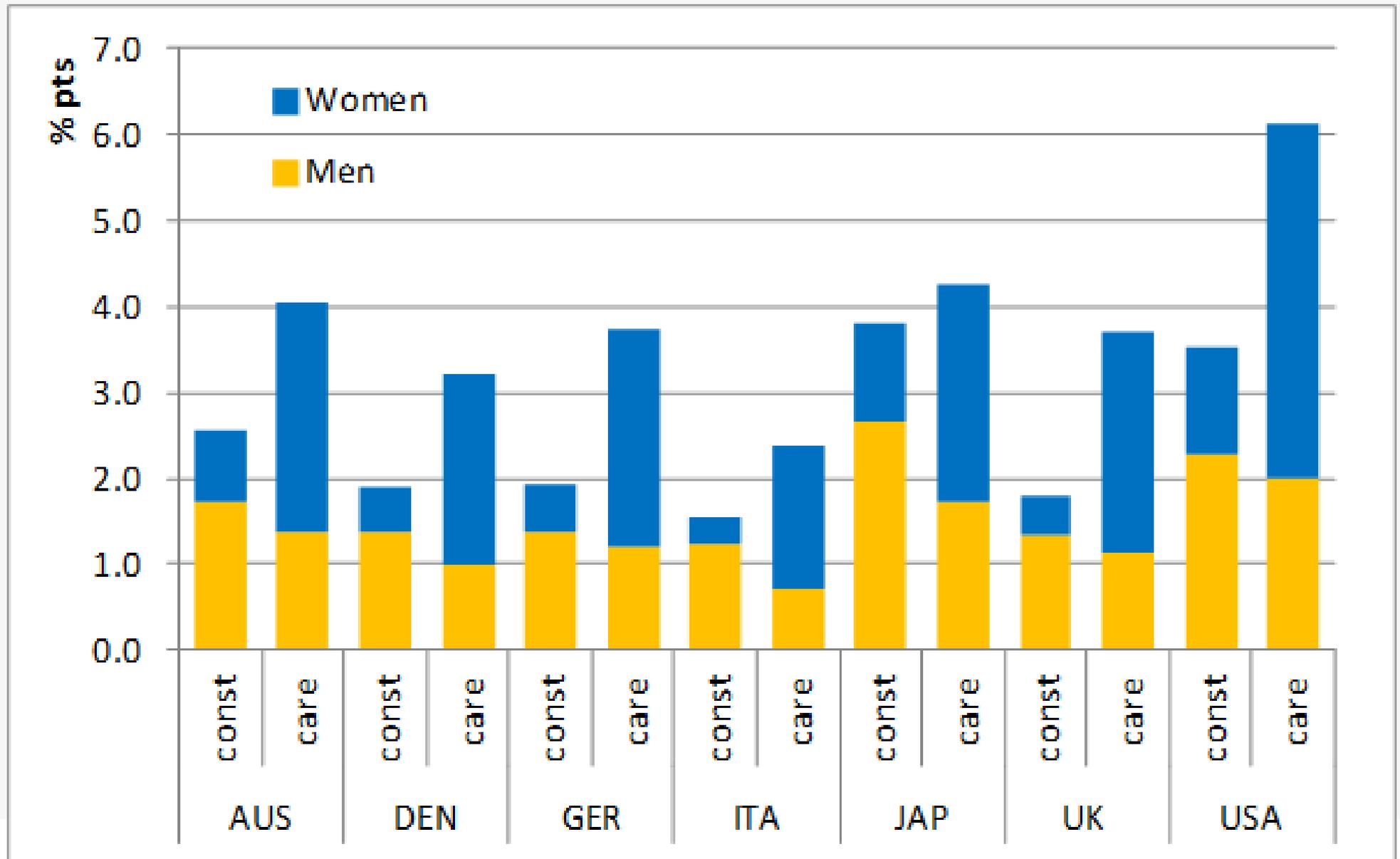
- Direct investment of 2% GDP (public spending) 7 OECD countries
- Either in construction industry or in care services industry
  - Direct employment creation (by gender)
  - Indirect effects (using input-output tables) stemming from input requirements for increased output in care/ construction
  - Induced effects from increased consumption using earnings from newly employed

# Total employment effects

	Construction			Care		
	Number of jobs generated	Rise in headcount empl. rate (% points)	Rise in FTE empl. rate (% points)	Number of jobs generated	Rise in empl. rate (% points)	Rise in FTE empl. rate (% points)
<b>Australia</b>	74,791	0.5	0.5	356,812	2.3	1.7
<b>Denmark</b>	29,380	0.8	0.6	75,228	2.1	1.3
<b>Germany</b>	504,181	0.9	0.9	1,402,416	2.6	2.1
<b>Italy</b>	230,904	0.6	0.6	562,869	1.4	1.3
<b>Japan</b>	1,143,819	1.4	1.3	1,612,291	2	1.6
<b>UK</b>	300,787	0.7	0.7	746,409	1.8	1.5
<b>USA</b>	2,575,090	1.2	1.2	7,146,507	3.4	2.6

- **Care more labour intensive**
- **Lower pay in care (in UK and US)**
- **More part-time in care → hence FTE comparison as well**
- **Scale of change massive in care employment (except for Denmark)**

# Gender contributions to rise in employment rates – total effects



# Potential changes and gender effects

- Massive employment increase may mean rise in wages in care (and quality of employment) → overestimation of effects in care industry
- Labour-saving technology assumed not to change but could be important with scale of investment (although more so for construction) → overestimation of effects in construction
- Gender effects:
  - Follow pattern of existing segregation
  - But because of differences in overall effect, male employment increases more in care than women employment does in construction
  - Gender employment gap reduced with care investment
  - Longer term: better conditions may attract more men

# Conclusion

- Gender inequality is inefficient and socially unjust
- Micro level – gender wage gap and wage determination – if wages determined by social norms – (gendered social norms) – then there is potential for change.
- Macro level – counter austerity policies with a gender impact assessment of investment expenditure – invest in social infrastructure as well as physical infrastructure to make more efficient use of existing resources and contribute towards overall equality and gender equality in particular.
- Thank You