Investing in the care economy. A gender analysis of employment stimulus in seven OECD countries [1]

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Excerpt from executive summary

Increasing public investment would stimulate employment and economic growth and provide a more effective means of moving out of recession than current austerity policies.

This report makes such a case for public investment that is in social as well as physical infrastructure. By social infrastructure we mean education, care and health services and more specifically for this report, social care activities, that is care for the elderly and disabled and for pre-school aged children. This notion of the social infrastructure includes the labour force that provides care services and its skills, as well as the buildings and facilities in which they work. By physical infrastructure we are referring to the construction sector and activities such as building housing, roads and railways, as this is the more usual outlet for the public investment called upon in times of recession in order to generate employment.

The case for public investment in times of high unemployment and pervasive underemployment derives from Keynesian macroeconomic theory. The central argument is that unemployment and underemployment are due to a **lack of effective demand in the economy** and this lack of demand deters private investment, as there is no market for the products. The government should therefore fill this gap and invest directly in the economy to boost employment and aid economic recovery. Such investment would not only ensure resources, including labour, are fully employed; it should also lead to increased productivity and higher growth rates.

Public investment will create jobs directly in the activities where the investment takes place (for example, in building houses or providing childcare services). But there will also be 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 the expansion of employment created by these jobs will lead to an expansion in household income, so new demand is created for a whole range of goods and services that enter household consumption, such as food, clothing, housing, care services and entertainment (known as the induced employment effect). In short, the injection of demand into the economy by government investment will generate employment directly and indirectly and have an expansionary impact on overall demand. In this way such public investment will expand demand and help lift economies out of recession.

The advantage of this strategy is that in time the initial investment should generate benefits worth far more to society than it costs and therefore could justify increased public deficit and borrowing in the initial phase. There will be savings in public expenditure from the reduction in unemployment and social security payments that otherwise would have to be made; the newly employed people will pay tax and in the longer term there will be returns from the investments themselves. In the example given of bridges and care services, these returns would arise from shorter journey times and a healthier more productive population.

Conventionally, governments adopting a public investment strategy have invested in physical infrastructure, such as roads and bridges, as they increase the wealth of society as a whole and generate benefits that accrue over time. In this report we show that there are similar, albeit more gender equal, gains to be made by investing in social infrastructure, and specifically the caring industries. Investing in education and childcare similarly benefits society as a whole and these benefits are generated over time as 'better educated and cared for children grow into more productive happier adults. For these reasons we refer to investment in the caring industries as investment in social infrastructure' (Himmelweit, forthcoming).

In this report we present the theoretical arguments, evidence from case studies and findings from our own empirical research on the employment effects for men and women of investing in social infrastructure. We make the case for public investment at times of low growth, high unemployment and pervasive underemployment. We highlight the significance of investing in the caring infrastructure, as well as in physical infrastructure; review the growing body of supporting research evidence and provide new empirical findings from our seven - country analysis (of Australia, Denmark, Germany, Italy, Japan, UK and US) which estimates the employment impact of increased public investment in the construction and care industries.

Our analysis shows that investing in either the construction or care industries would generate substantial increases in employment. If 2%

of GDP was invested in the care industry, and there was sufficient spare capacity for that increased investment to be met without transforming the industry or the supply of labour to other industries, increases in overall employment ranging from 2.4% to 6.1% would be generated depending on the country. This would mean that nearly 13 million new jobs would be created in the US, 3.5 million in Japan, nearly 2 million in Germany, 1.5 million in the UK, 1 million in Italy, 600,000 in Australia and nearly 120,000 in Denmark. As a consequence the employment rate of women would increase by 3.3 to 8.2 percentage points (and by 1.4 to 4.0 percentage points for men) and the gender gap in employment would be reduced (by between half in the US and 10% in Japan and Italy), the precise amounts depending on specific country characteristics. A similar level of investment in the construction industries would also generate new jobs, but approximately only half as many and would increase rather than decrease the gender gap in employment (see Tables 13, 14 and 15).

Besides creating new jobs, investment in both childcare and social care would help tackle some of the central economic and social problems confronting contemporary societies: low productivity, the care deficit, demographic changes and continuing gender inequality in paid and unpaid work.

Our findings show that governments seeking to expand employment would do well to increase public investment in the economy and that there are strong arguments for more of this investment being in the caring infrastructure than is currently the case. Investment in the care industry, in addition to creating a higher number of jobs, would also address the care deficit and reduce gender inequality. Such a policy would contribute towards creating a more inclusive model of development as well as lifting economies out of recession.

Region: Europe [3]
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[1] https://childcarecanada.org/documents/research-policy-practice/21/06/investing-care-economy-gender-analysis-employment-stimulus
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