CARE WORK AND THE ECONOMY

Advancing policy solutions with gender-aware macroeconomic models

POLICY NOTE | 20 – 01

The Impact of Investing in Social Care on Employment Generation, Time- and Income-Poverty and Gender Gaps: A Macro-Micro Policy Simulation for Turkey: A Policy Note

Ipek Ilkkaracan, Istanbul Technical University
Kijong Kim, Levy Economics Institute
Tom Masterson, Levy Economics Institute
Emel Memis, Ankara University
Ajit Zacharias, Levy Economics Institute
CWE-GAM Working Paper Series: 20 – 06

Macroeconomic policy is not gender-neutral. We have now almost three decades of feminist economist scholarship drawing attention to this aspect of macroeconomic policy. Yet, most policymakers seem oblivious, perhaps because of the potentially undermining effect that such recognition can have on the dominant structures of political and economic power. A fundamental mechanism that generates gendered outcomes is fiscal policy. Given women's relatively higher dependency on public services, the scale and composition of public expenditures carry important implications for women's unpaid care work. The associated constraints might impede women's labor force participation (either by reducing entry or forcing exit) and accentuate the "second shift" for employed women.

Beyond the gendered impact on the supply-side, a series of recent studies has unveiled how public expenditures entail implications for gender inequality and income inequality through their demand side effects (Antonopoulos, et.al. 2011 and 2013; Ilkkaracan, et.al. 2015; ILO 2018). These studies show that how much is spent and on what it is spent determine the extent and gender composition of direct and indirect job creation, earnings generation, and poverty reduction. These studies show that, in general, spending on the social care sector: facilitates much stronger jobs generation for women *and* men given its relatively higher labor-intensity, especially as compared to sectors such as construction; favors women's employment given their relatively higher share of employment in the care sector, thus narrowing the gender gap in the employment rate through the demand side; and, produces a greater reduction of income poverty given the stronger jobs generation.

A more comprehensive and gendered approach to poverty, however, requires us to consider potential deficits in household production as a component of deprivation. Using such a combined measure of poverty—the Levy Institute Measure of Time and Income Poverty (LIMTIP)—another set of recent studies shed new light on the contradictory outcomes of jobs creation in terms of poverty reduction (e.g. Zacharias, et.al. 2014; Masterson and Zacharias 2018). While creation of new jobs for women (and men) enhance their earnings reducing the risk of income poverty for their households, the increased allocation of time to paid work also increases the risk of time-poverty (particularly for women) indicating potential deficits in household production. In fact, for some families, the increase in earnings via new jobs turned out to be insufficient to "buy off" time deficits and hence placed them in the double bind of time and income poverty.

When the new job creation takes place through expansion of childcare services, however, the net impact on wellbeing and gender equality is an empirical question which depends on the relative strength of two opposite effects triggered by an increase in social care spending. It generates a substantial number of new jobs improving access of previously non-employed persons (predominantly women) to employment and income generation. Simultaneously, new jobs increase the paid work time of job recipients, while improved access to childcare services reduces their unpaid work time in the households with small children.

We examined the issue for Turkey by using an applied macro-micro simulation policy modeling approach adapted from the study conducted for Ghana and Tanzania by the Levy Institute (Zacharias et al. 2019). The policy that we simulated was the impact of public expenditures required for Turkey to achieve the OECD average rate of enrollment for early childhood education while also observing standards for high service quality and decent employment conditions in the care sector. This corresponds to an investment of approximately 1.8% of GDP. We explored the gendered impact of increased public expenditures on child care services on individual and household wellbeing, not only in terms of gains in employment and income, but also in terms of potential changes in household production, time deficits and overall time- and income poverty.

The proposed increase in public spending has the potential to generate over 1 million new jobs (60% directly in the care sector, 40% indirectly in other related sectors). Women receive a larger share (57%) of the new jobs, with close to half a million women moving from the previous position of full-time homemaking to working at a paid job in the labor market, and 111,000 unemployed women and 200,000 unemployed men finding new employment. By design, the policy intervention favors college-educated workers, especially women, because such credentials are required of the personnel to meet the quality standards in the newly created early childhood education centers. As is well-known, Turkey is characterized by nonemployment and underemployment among its educated youth, especially in the urban areas, and our proposed intervention could make a substantial dent in addressing this key problem.

The results from the simulation exercise on time and income poverty are perhaps most interesting for the group that benefits from both aspects of the intervention—job creation and provision of childcare. This is the group of people that we consider to be likely to become employed and have their young children enrolled in the newly established daycare centers. We find that the impact of becoming employed by itself, i.e., without considering the possibility of enrolling their children in the daycare centers, has only a rather small impact on women's unpaid work time: average time spent by women on meeting unpaid care work responsibilities is estimated to fall only by 6 percent (from 47 to 44 hours per week). This reduction happens through a reallocation of some of the household responsibilities to the men in their households. Because this direct impact is so modest, taking on a job puts 70 to 80 percent of the newly employed women at the risk of time poverty.

How does the picture change when we also consider the effect of the newly available childcare services? We found that this effect is quite large for women. There is a sharp (34%) reduction in the average time spent by women on meeting unpaid care work responsibilities (from 44 to 29 hours per week). Since the burden of the "second shift" is now reduced, the risk of time poverty is halved among the newly employed women to under 40 percent. This is testimony to the fact that women's entry into the labor market is not determined by access to jobs and associated wages alone, but also by costs and availability of substitutes to the self-provisioning of care services and household production. The latter is the more binding constraint. We estimate that the policy intervention has no palpable effect on the unpaid work time of men, which is much smaller than (about one fifth of) women to start with. Hence, the substantial narrowing of the gender gap in unpaid work that we observed was purely due to the reduction in women's unpaid work time. However, the gap continued to be quite large: the average time devoted by women toward meeting household production responsibilities was still about three times as much as that of men after the policy intervention compared to five times as much before the intervention.

Turning to our results regarding income poverty, we found, not surprisingly, that job creation and the accompanying boost in household income lowered the percentage of people—both men and women—below the official poverty line. However, the official poverty line is based on the implicit assumption that people do not face time deficits in meeting their minimum needs of household production or, if they did, they have the means to "buy off" such deficits by the purchase of market substitutes, e.g. ready-to-eat meals. This assumption is not, however, valid as shown in the Levy Institute's research on time and income (or consumption) poverty in a variety of national contexts, including Turkey. The particular group under consideration here (newly employed individuals with children enrolled in newly established daycare centers) is no exception. Once we adjust the poverty line for time deficits, we find that the effect of job creation by itself is to actually increase the percentage of women under the modified (LIMTIP) poverty line compared to the pre-intervention scenario (12.4 versus 8.1 percent). In other words, job creation has an impoverishing effect on women once we account for the potential costs of meeting the minimum level of household production requirements. We found that the provision of daycare services reverses the impoverishing effect of job creation for women. The percentage of women under the LIMTIP poverty line now falls to 4.1 percent, suggesting that the combined effect (job creation plus provision of daycare services) is to reduce the incidence of income poverty by half among women.

These findings show that employment creation through increased social care spending not only has the potential to generate a substantial number of jobs in a gender transformative manner, but it also helps to alleviate time- and income poverty, and to facilitate a simultaneous narrowing down of the gender gaps in employment and unpaid work. Nevertheless, employed women are more prone to time deficits than employed men. Policy interventions for gender parity and reducing income inequality need to go beyond giving equal access to decent jobs, to also entail policy interventions towards relieving time constraints through expansion of quality social care services and labor market regulation for work-life balance.