

CARE WORK AND THE ECONOMY

Advancing policy solutions with gender-aware macroeconomic models

POLICY BRIEF | 20 – 07

OPTIONS FOR MODELING THE DISTRIBUTIONAL IMPACT OF CARE POLICIES USING A GENERAL EQUILIBRIUM (CGE) FRAMEWORK

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POLICY HIGHLIGHTS

- Choosing care policies and their financing options should be based on the objective of **reducing gender and other inequalities** and addressing the needs of the most disadvantaged.
- In addition to prioritizing redistribution rather than economic growth, CGE models and the care policies informed by them should **incorporate fiscal spending as an important social investment** rather than a short-term public deficit.
- Compared to other macroeconomic models, **CGE models allow for a greater level of detail on how resources are distributed** across socio-economic groups.
- **Unpaid domestic work and care include a diverse set of activities**, from fetching water to nursing an elderly to educating a child. Care policies and models to design such policies need to **take account of the diversity of care work**.

Economy-wide models are insightful in assessing alternative approaches to provide and finance care policies. CGE models are an example of such tools and is the focus of the Care Work and the Economy working paper 20-03. CGE models represent the functioning of an entire economy, in which the researcher specifies the decision-making processes of households and firms and applies the model to detailed empirical data. Hence, when carefully designed, CGE models are an excellent tool to understand gender inequalities related to particular socio-economic structures and multiple interdependencies within an economy.

The paper aims to identify the key features that a gender-aware CGE model would need in order to adequately simulate the gender-equalizing impact of care policies. Existing gender-aware CGE models disaggregate labor factors, production sectors and representative households along gender dimensions and some of them also incorporate unpaid care and domestic work as part of the economy. The existing literature teaches us that **gender disaggregation of variables should be accompanied by careful model design** to reflect the underlying causes of unequal gender patterns in both labor markets and the distribution of unpaid domestic work and care.

Moving forward, the design of a gender-aware CGE model should enable representation of the different ways in which care is provided and funded, by whom and for whom, through a detailed specification of public and private sectors that provide care and of the socio-economic characteristics of people who need care. Moreover, gender-aware CGE models should pay particular attention to the rules of operation of labor markets (e.g. gender-based discrimination) and the interrelation between women's paid employment and unpaid care work. Finally, the design of a gender-aware CGE model should include long-term gender effects of care policies. These features are particularly relevant to changes under way in terms of growing populations,

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