

CARE WORK AND THE ECONOMY

Advancing policy solutions with gender-aware macroeconomic models

POLICY BRIEF | 20 – 05

THE EFFECTS OF PUBLIC SOCIAL INFRASTRUCTURE AND GENDER EQUALITY ON OUTPUT AND EMPLOYMENT: THE CASE OF SOUTH KOREA

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POLICY HIGHLIGHTS

- Greater **public social expenditures** have strong **positive** effects on **productivity gains** in the South Korean case presented.
- In the short-run and medium-run, **increasing social infrastructure spending** is shown to **increase non-agricultural output** and both **male and female employment** in South Korea.
- The resultant gains in female employment contribute to **closing the gender-employment gap** in the short-run.
- **Multiple policy tools** combining **wage** and **fiscal policies** are needed for **sustainable equitable development** and to create a **substantial increase in decent jobs** for both men and women.

MODEL STRUCTURE

- The model builds on Onaran, Oyvatt, and Fotopoulou (2019), adding an endogenous labor supply and bargaining model.¹
- It features three sectors: the public social sector, the rest of the market economy, and an unpaid care sector.
- The public social sector consists of government expenditures in education, childcare, healthcare, and social care.
- Effects are differentiated between male and female employment.

This paper extends the model introduced in Onaran, Oyvatt, and Fotopoulou (2019) to analyze the effects of the gender pay gap and public spending in education, childcare, and social care on aggregate output and employment in South Korea.¹ Analysis of the South Korean case shows that a combination of labor market and fiscal policies is necessary to achieve sustainable, equitable development with substantial increases in employment.

Gender Inequality in South Korea

South Korea is designated as a high-income economy, yet there remains a significant gender gap. According to the Global Gender Gap Index of the World Economic Forum (2018), it ranked 88th in female labor force participation and 121st in gender wage equality for similar work. Meanwhile, women often are relied upon to perform unpaid care labor. Coupled with underdeveloped care infrastructure, this poses serious demographic and social sustainability challenges in an aging society.

Short- and Medium-Run Effects of Increasing Public Social Infrastructure Expenditure

According to the model, increasing public social expenditure in the short-run is expected to increase employment rates, total wage payments, and households' social expenditures. At the same time, households' consumption other than social expenditures is expected to increase in response to the increase in the wage bill in the social sector. Ultimately, total output is expected to increase in the short-run. In the medium-run, public social expenditure is expected to increase labor productivity in the market economy. However, the positive effects on total output may be curtailed by the negative effect that rising public indebtedness has on private investment in the short-run and medium-run.

Nevertheless, the paper's empirical estimations based on structural vector autoregression (SVAR) analysis show that increasing public social infrastructure expenditure has an overall positive impact on total output as well as female and male employment both in the short-run and medium-run.

¹CWE-GAM Working Paper Series [19-04](#), summarized in Policy Brief [20-01](#).

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CWE-GAM Working Paper 20-01: [The Effects of Public Social Infrastructure and Gender Equality on Output and Employment: The Case of South Korea](#)