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UN WOMEN

Policy Tool

UN Women – ILO Joint Programme Promoting Decent Employment for Women through Inclusive Growth Policies and Investments in Care

March 2021

A Guide to Public Investments in the Care Economy

Policy Support Tool for Estimating Care Deficits, Investment Costs and Economic Returns[1]

Key points

This policy support tool is prepared in the framework of the UN Women and ILO Joint Programme titled "Promoting Decent Employment for Women through Inclusive Growth Policies and Investments in the Care Economy" and as part of the UN-wide response initiatives to be included in the UN Socio-Economic Response to the COVID-19 pandemic. Within this framework, the tool aims to provide a methodology for **how to**:

- identify the coverage gaps in care services (namely public healthcare, long-term care, early childhood care & education, and primary and secondary education);
- estimate the costs of public investments and expenditures for eliminating these coverage gaps; and
- assess the various economic returns to such investments in the short- and the long-run.

I. Introduction

While the need for increased public investment in the care economy has long been an issue in policy debates, the Covid-19 pandemic has laid bare the urgency of this claim in multiple ways. Most importantly, in many countries around the world, the public (and overall) health systems have demonstrated limited capacity to cope with the sudden increase in demand for healthcare services. The health workers have been exposed not only to increased risks, but also extreme work hours and conditions, further aggravating the fragility of the system vis-à-vis the pandemic.

Given school closures and disruption of services under the lock down measures (closures of restaurants, limitations in access to domestic and care services), there has been an unprecedented increase in demand for household production and unpaid care work. A pandemic time-use survey in Turkey has found that the unpaid work time has increased by more than 11 hours per week on average for women, and almost 6 hours for men. Close to two thirds of women and more than one quarter of men who continue in employment under the pandemic conditions state that they find the total (paid and

[1] This policy tool was prepared by Ipek Ilkkaracan (ilkkaracan@itu.edu.tr), Istanbul Technical University, Faculty of Management and benefited from comments by Anuradha Seth, Senior Advisor, Gender and Macroeconomics, UN Women and Valeria Esquivel, Employment Policies and Gender Specialist, ILO. The views and suggested approaches in this publication do not necessarily represent the position of funding partners.

unpaid) workload extremely difficult to cope with (UNDP Turkey 2020; Ilkkaracan and Memis 2020). Similar increases in unpaid work time of both women and men under the lock down measures have been reported in other countries (Deshpande 2020 for India, UN Women 2020 for Jordan, Farres, et.al. 2020 for Spain, Andrew et.al. 2020 for the UK), all pointing out that the time squeeze on employed women is particularly severe forcing many to drop out of the labour market under pressures of the dual shift. Following from such evidence, UN Women (2020) and ILO (2020) note that the Covid-19 crisis exposed the unequal impact of the crisis on women and men, this time not only in terms of women's more fragile position in labour markets, but also in terms of the unequal gender distribution of care work.

Moreover in view of the severity of the economic impact of the pandemic around the world and rising rates of unemployment, there is a consensus in policy circles on the need for unprecedented economic policy stimulus. Fiscal stimulus packages need to be designed and implemented with attention to maximizing their efficiency so that they instigate the highest possible decent jobs and income generation, poverty prevention/reduction, inclusive and sustainable growth with particular attention to promoting gender equality. Ensuring that fiscal stimulus spending includes investments in the care economy, promises to meet these multiple policy objectives - jobs generation, poverty reduction and gender equality - simultaneously.

It has been long acknowledged that fiscal policy can serve as an effective tool to alleviate inequalities while at the same time boosting aggregate demand and growth through job creation. An emerging debate on macroeconomic policy points out that the specific choices made in stimulus packages with respect to the sectoral allocation of spending embody strong implications for the magnitude and composition of emerging labour demand. This is due to differential employment multipliers across sectors and also the varying composition of employment by gender and skills. Care service sectors are substantially more labour intensive than, for example, construction (a common target of stimulus spending) or most other service sectors. Also, the composition of labour demand tends to favour women more than men in care services while the reverse is true for other sectors such as construction. Care service expansion also triggers labour supply side effects in particular for women, by alleviating the constraints on their time and creating a more equal basis upon which they are able to make decisions to enter the labour market.

As such fiscal stimulus packages and targeted industrial policies supporting the expansion of health, education, and other neglected care service sectors can serve as an effective strategy to strengthen aggregate demand while improving longer-term economic growth, gender equality and societal wellbeing simultaneously (ILO 2018; Stiglitz 2016; UNCTAD 2017; UN Women 2018).

This policy support tool is meant to contribute to the design of post-pandemic intervention packages in order to promote an effective and inclusive recovery. Its purpose is to help governments prioritize expenditures from the perspective of a gender-equitable, and inclusive growth process. Further, it enables policymakers to be aware of the potential of investments in the care economy to meet multiple development priorities. It is meant to build on and support national capacities.

This "how to" guide to public investments in the care economy is based on recent country-level as well as cross country applied work by the ILO, UN Women, and some research institutes around the world since the 2010's (listed and summarized in the appendix). While these studies share a common research framework, they vary in terms of their analytical methodologies, the care sectors on which they focus, and the measures used for assessing economic returns. This tool builds on the diversity embedded in these studies so as to provide the user with various options in determining the exact scope of analytical dimensions, approaches and applications.

The policy support tool is structured as follows: Section II presents a description of the overall framework and provides an overview of the hitherto applied studies, which serve as a resource for this policy support tool. Section III introduces a general guideline for assessment and costing of care coverage gaps, Sections IV and V elaborate further in the context of the various sub-sectors of care services in the education and health & LTC sectors respectively. Finally, Section VI focuses on the assessment of economic returns by different methodological approaches.

II. Framework and Sample Studies

II.A. Defining 'Investing in the Care Economy'

The care economy entails a diversified range of productive work with both paid and unpaid work activities for providing direct and indirect care necessary for the physical, psychological, social wellbeing of primarily care dependent groups such as children, the elderly, disabled and ill, as well as for prime-age working adults (Figures 1 and 2).

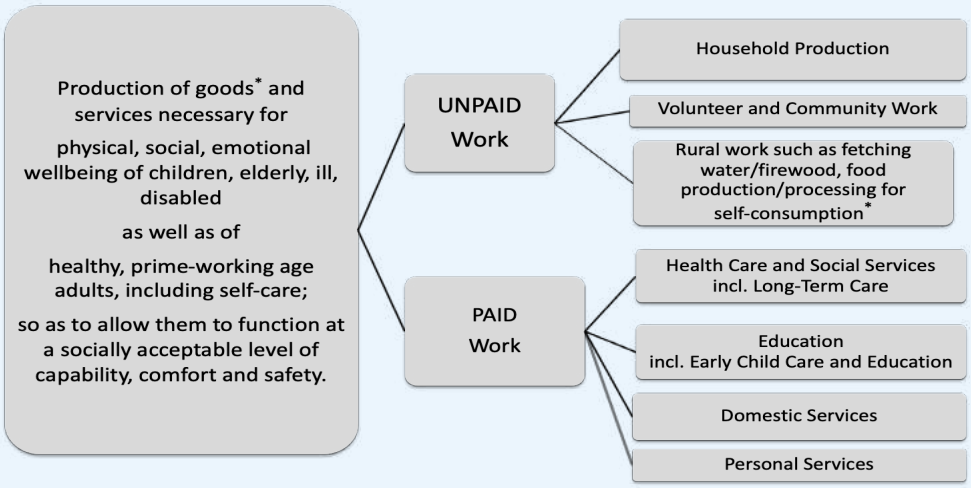
A substantial amount of care work is performed on an unpaid basis in the domestic sphere (household production). There is also substantial amount of unpaid work performed in less developed rural contexts such as fetching water, collecting firewood, food production and processing for self-consumption, which supports care activities. Community and volunteer work entail another form of unpaid work. An estimation by the ILO (2018) shows that unpaid care work for household production entails 16.4 billion hours of work time annually (equivalent of approximately 2 billion jobs (assuming an 8-hour work day). Three quarters of these unpaid work hours are performed by women. Care work is also performed on a paid basis in the public or market spheres, in healthcare and social services, education, domestic and personal services. According to ILO (2018) estimates, the size of the paid care economy corresponds to 381 million jobs around the world, compromising 11.5 per cent of global employment. Two thirds of paid care workers are women. (Figure 1).

Direct care work is person-to-person provisioning of services. In terms of unpaid domestic work, it can be bathing or feeding a baby or a long-term ill person, helping a child with homework or accompanying an elderly or disabled person on a doctor's visit. In terms of paid direct care work, it entails the activities of care workers employed in care sectors such as teachers, doctors, nurses or babysitters. Direct care work is labour intensive and given the requirement of person-to-person contact, there is limited room for mechanization. Indirect care work is production activities that support direct care provisioning without necessarily person-to-person contact, such as cleaning, washing, cooking, shopping or managing house. In terms of paid indirect care work, it entails the non-care workers employed in care sectors such as administrators, cleaners, transport/security workers or domestic workers. In a less-developed rural context, activities that support indirect care also entail unpaid productive activities such as fetching water or firewood, food production and processing for self-consumption (Figure 2).[2]

Investing in the care economy can be through a variety of means and policy interventions that improve households' access to quality care, whether paid or unpaid, direct or indirect. For example, expansion of care services for children, the elderly, disabled and ill, introducing legislation on care leave and improving its implementation, establishing insurance schemes for care leave to cover the self-employed, enacting flexible work practices or shortening of full-time employment hours for better work-life balance (see UN Women 2018 for a detailed discussion). This policy tool focuses in particular on expansion of care services, entailing both direct and indirect care, produced in or outside of the household, but provided by paid labour.

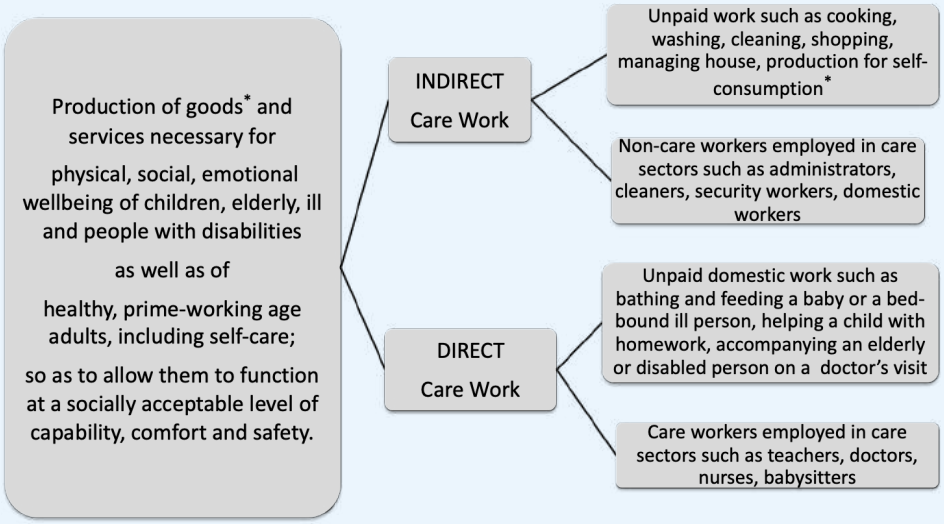
[2] Unpaid work is also be differentiated by inclusion in versus exclusion from the System of National Accounts (SNA). To the extent that unpaid work activities are included in the SNA, they acquire some visibility; they are included in conventional statistical measures as productive work. While unpaid work in rural contexts (such as fetching water/firewood or food production for self-consumption) is included in SNA accounts, other forms of unpaid work are excluded from the SNA.

Figure 1. Defining the Care Economy – Unpaid and Paid Work



* ILO (2018) defines care work as limited to services production only, in order to ensure consistency across the frameworks of the International Convention on Labour Statistics (ICLS 2013), the International Classification of Time Use Activities (ICATUS 2016) and the System of National Accounts (SNA 2008). Time spent in production of goods for self-consumption is considered unpaid work but not unpaid care work (see ILO 2018, p.9, Table 1.1).

Figure 2. Defining the Care Economy – Direct and Indirect Care



* See note under Figure 1, on the relation between goods production, care work and unpaid work.

The scope of what is meant by care services in this policy tool, derives upon a comprehensive conceptualization by ILO (2018). This includes a wide spectrum of services provided by diverse workers such as doctors, nurses, therapists, health aides, early-education specialists, primary and secondary school teachers, childcare and domestic workers.[3] The care

[3] This conceptualization is based on the following definition of 'care work' by Esquivel (2014): "Care work constitutes a subset of service work, characterized by interpersonal relations and face-to-face services that contribute to the development of the human capabilities of the care recipient ("nurturance")."

services which establish the target for public investments within the scope of the policy support tool, entail the following sectors of economic activity:

Education Services Sector:

- Early childhood care and education (ECCE)
- Primary and secondary education

Health Care Services Sector:

- Ill/patient care (short-term care)
- Long-term care for the elderly and people with a chronic disability and illness (LTC)

II.B. Framing the Assessment of Economic Returns to Care Investments

There are a variety of approaches to assessing the economic outcomes of care service expansion, reflecting its multiple economic and social returns. Economic returns to care investments take place through both supply and demand side channels as shown in Figure 3. Up until recently, most studies and policy discussion focused on the labor supply side effects of access to care services. For workers with care responsibilities (predominantly women), access to care services alleviates the time constraints on their labour supply. This improves (female) labour force participation and labor market attachment. The studies which attempt to identify the impact of access to care services on women's labour supply, commonly apply an econometric model to estimate the change in the probability of labour force participation (see for example, Apps and Rees 2004 and 2005; Del Boca and Pasqua 2005; Del Boca and Sauer 2006; Del Boca and Vuri 2007). There are also estimations of potential GDP growth (supply-side growth) consequent to increases in female labour force participation (see for example, the widely quoted McKinsey 2015 study).

Another supply-side channel becomes operational through expanding child-care and preschool services and the consequent long-run effects on human capital enhancement (Figure 3). This approach emphasizes the critical role that early childhood care and education services play in the physical, social, and mental development of children, preparing them to succeed in school and adult life. Hence, investment in early childhood care services has potential long-run growth-enhancing effects through improved quality of human capital that can be identified through the internal rates of return as well as equity enhancing effects through improved social mobility (see for example, Conti and Heckman 2012, Heckman, Pinto, and Savelyev 2013; Heckman, et.al. 2010). Other supply-side effects pertain to improved labour productivity of workers, particularly with care responsibilities through access to better work-life balance. These productivity enhancing supply-side effects culminate in supply-side growth (Figure 3).

A number of recent empirical studies which establish the main motivation for this policy support tool (listed in Table 1), approach the issue from a demand-side perspective and within a macroeconomic framework. They focus on short-run economic returns through job generation directly in the care sectors as well as indirectly in other related sectors through backward linkages (Figure 3). Their findings show that, given the substantially higher labour intensity of care work, each dollar spent on the care sector has the potential to generate 2 to 3 times more jobs than if the same dollar was to be spent on other sectors such as physical infrastructure and construction (a common target of fiscal stimulus spending). The higher jobs generation facilitates improved wage earnings and hence stimulates short-run demand-side growth.

Given the gender composition of care employment, care services expansion creates new jobs particularly in female-dominated occupations and sectors. As such it promotes gender equality also through the labour demand side. Overall we can say that expansion of care services facilitates the narrowing of gender economic gaps through a double-pronged mechanism that becomes operational both on the supply and the demand side: It alleviates the time constraints on women's labour and improves female labour force participation; while simultaneously creating jobs in female-dominated sectors and generating demand for women's labour (Figure 3).

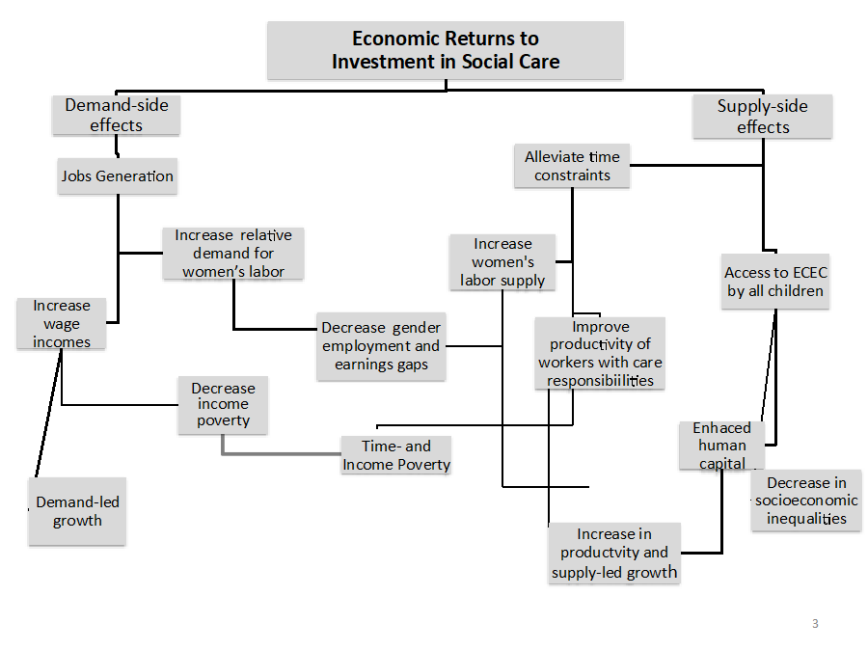
Finally, there are also demand side effects on poverty alleviation. Spending on care services creates a substantial number of jobs and generates labour earnings, which reduce the risk of poverty. Care expansion also promotes dual earner

households, who are exposed to lower poverty risk than single male breadwinner households, On the supply side, the lower requirements on unpaid work time implies that time poverty is also reduced. Overall the expansion of care services facilitates a simultaneous reduction of time- and income poverty.

As mentioned above, this tool focuses particularly on evaluating the short-run demand-side effects in terms of decent employment creation, gender equality, and poverty alleviation, as well as fiscal sustainability. The reason for focusing on short-run demand side effects is based on the objective of addressing fiscal policy design (particularly in the context of stimulus and bail-out packages under the current Covid-19 related economic crisis) and its implications for inclusive growth, resilient recovery and gender equality. Public budgets are designed on an annual basis and hence the returns to public spending within the short-run play an important role in allocation decisions. The identification of demand-side returns to investing in care, essentially explores a short-run economic rationale to public investments in care for providing solutions to jobless growth, high unemployment, low labour force participation, and rising poverty.

The next section provides an overview of this research and the last section (Section VI) discusses in more detail the analytical frameworks and methodologies, which are employed in assessing these demand-side returns to investing in care.

Figure 3: Economic Returns to Investing in the Care Economy: Supply and Demand-side Channels



II.C. An Overview of Applied Studies

There are a series of applied studies on demand side effects of investing in social care which emerged in the 2010's. They typically undertook an assessment and costing of the coverage gaps in various sub-sectors of care services and evaluate the economic returns to public investments. A full list of studies and their main features is provided in Table 1 and a detailed review can be found in the Appendix. This section focuses particularly on the studies by the ILO and UN Women.

Most studies listed in Table 1 are conducted on a country basis and focus either on ECCE or LTC given these are the two sub-sectors where the coverage gaps are the widest. ILO (2018) is the most comprehensive study both in terms of global

coverage as well as the coverage of care service sectors. It assesses the coverage gap in 45 countries[4] across all levels of education (ECCE, primary, secondary and tertiary) plus health care services in terms of both short-term ill/patient care and long-term care for older persons and people with a chronic illness or disability. The care coverage gaps are identified and costed against specific policy targets derived from sustainable development goals (SDGs) for the year 2030. Accordingly, ILO (2018) finds that for these 45 countries to achieve SDG targets in education and health, there is a need for increasing expenditures on care services by an additional 3.5 per cent of their total GDP. Through an analysis of the employment generation impact, the study also shows that an increase in spending of this magnitude has the potential to create over 117 million new jobs directly in the education and health care sectors (including ECCE and LTC) and indirectly in other interlinked sectors. More than half (55 per cent) of these jobs are likely to go to women.

UN Women (2019a) covers three countries (South Africa, Turkey and Uruguay), while UN Women (2019b and c) focus on Kyrgyzstan and Macedonia respectively. All undertake an assessment of the coverage gap with respect to ECCE services against a policy target of universal coverage. The total cost of closing the ECCE gap is estimated to range from at a minimum of 2.8 per cent of GDP (Uruguay), to at a maximum 3.7 per cent of GDP (Turkey). The additional direct and indirect jobs generation would increase employment by 3.0 percentage points at a minimum (Kyrgyzstan) to as much as 6.3 percentage points (S. Africa), with at least two thirds of these new jobs employing women. The fiscal returns (increase in tax revenues as a result of new employment and income generation) are estimated to be substantial, with the initial outlay of expenditures being self-financed at a rate of 26 per cent at a minimum (Kyrgyzstan) to as much as 51 per cent (Uruguay).

As can be seen in Table 1, under 'economic returns assessed', some of the studies present further analysis of demand-side economic outcomes of investing in care beyond that of employment generation, such as the impact on income distribution and poverty reduction or the impact on macroeconomic growth and productivity. These are discussed in Section IV and also in the Appendix.

[4] The countries are those which have the available data for analysis of employment generation impact of investing in care service expansion. These are predominantly high- and middle-income countries, including most countries in the OECD and account for 85 per cent of global GDP and close to 60 per cent of global population (workforce) (see the background paper for ILO 2018: Ilkkaracan and Kim 2019, p.5).

Table 1: Applied Demand-Side Studies on Investing in Care

Study	Country	Care Sector	Assessment and Costing of Care Coverage Gaps (CCG)	Economic returns assessed	Methodology
Antonopoulos and Kim (2008), Levy Economics Institute	S. Africa	ECCE and HIV patient care (home- and community-based health care for permanently or long-term ill)	CCG assessment on the basis of no of children Costing on the basis of no of employees to serve the children	Jobs generation and distribution by gender; income generation and distribution by gender, education and HH income; poverty reduction; economic growth	Social Accounting Matrix gender-disaggregated Microsimulation Comparison to physical infrastructure spending
Antonopoulos, et.al. (2010), Levy Economics Institute	USA	ECCE and home-based health care	No CCG assessment or costing Arbitrary assumption of 50 billion USD	Jobs generation and distribution by gender; income generation and distribution by gender, education and HH income; poverty reduction	Input-Output analysis and Microsimulation Macro growth omparison to physical infrastructure spending and green energy spending
Ilkkaracan, Kim and Kaya (2015) Istanbul Technical University and Levy Economics Institute; ILO, UNDP and UN Women	Turkey	ECCE	Detailed CCG and cost assessment based on nationally contextualised policy targets and local field survey	Jobs generation and distribution by gender; income generation and distribution by gender, education and HH income; poverty reduction	Input-Output analysis and Microsimulation Comparison to physical infrastructure spending and to social transfer spending
				tion by t and egation	Input-Output analysis and Microsimulation Comparison to physical infrastructure spending and to social transfer spending
				tion by	Input-Output analysis CAM macro modeling Comparison to construction spending
				tion by	Input-Output analysis Comparison to construction spending
				tion by ublic	Cambridge- Alphametrics macro-simulation Model (CAM)