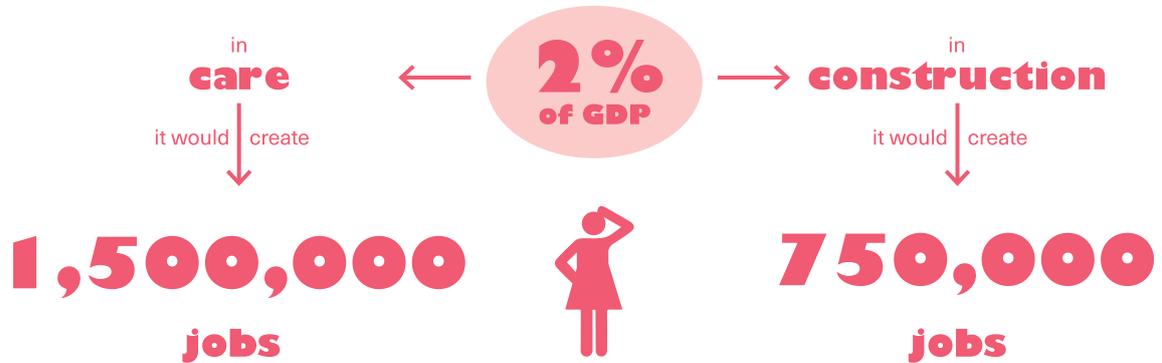


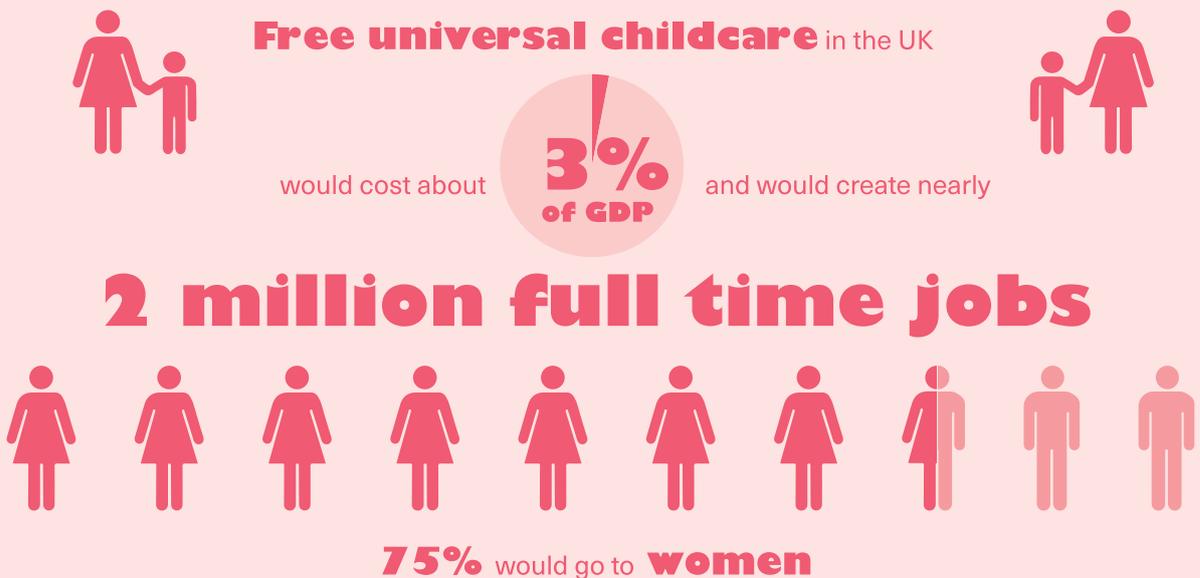
CASE STUDY 5: PUBLIC INVESTMENT IN SOCIAL INFRASTRUCTURE

Social infrastructure includes all the services that provide health care, education, longterm care and childcare. The economy is dependent on both social and physical infrastructure.

If the UK invested



Free universal childcare in the UK



Childcare investment would reduce unemployment

Much of the investment would be **recouped** through tax revenue

+

reduced social security **spending** on out-of-work **benefits** as employment is created

+

earnings are **increased**



CASE STUDY 5: PUBLIC INVESTMENT IN SOCIAL INFRASTRUCTURE

WHAT IS SOCIAL INFRASTRUCTURE?

Social infrastructure includes all the services that provide healthcare, education, long-term care and childcare. These services can be counted as infrastructure because they have benefits to the whole community and not just their direct recipients. A majority of women are employed in such services and a majority of users of public services are women because of their caring responsibilities. But most of all, women have been producing these services themselves for centuries unpaid and continue to do so when public services are withdrawn, as has been the case during the austerity period that many countries have implemented following the financial crisis of 2007/08.

INVESTMENT IN INFRASTRUCTURE

Despite fiscal tightening, many governments have accepted the need to continue to borrow to invest in physical infrastructure. Indeed, the Keynesian approach adopted by many countries is to give a short-term boost to a frail economic recovery through large scale public works such as building bridges, roads, railways and telecommunications as well as housing. This is considered investment because it is spending which is durable and yields positive returns into the future.³⁵

Public investment of this type creates jobs both directly in the sector where the spending takes place and in the industries that supply raw materials and services needed to deliver projects. One effect of this new employment is that household incomes are increased and so they have more money to spend on goods and services such as food, clothing and entertainment.

In this way **government investment expenditure can have an expansionary impact on overall demand, help lift economies out of recession, and create jobs, enhancing overall wellbeing.** The advantage of this strategy is that in time the initial investment should pay for itself by generating benefits worth far more to society than it costs. This then justifies the initial increase in the public deficit to cover any investments. The key question is where should this investment take place?

SOCIAL INFRASTRUCTURE VERSUS PHYSICAL INFRASTRUCTURE

Infrastructure is defined as the set of goods and services that are needed for a society to operate and as such its benefits reach beyond its pool of direct users. It is generally taken to be physical infrastructure such as roads, bridges and telecommunications. However, health, care and education services also provide the necessary basis for a society to operate. It also yields wider returns well into the future in the form of a better educated, healthier and better cared for population.

However, spending on such social infrastructure is rarely considered as a suitable form of investment when policy-makers look for ways to boost the economy, especially in recessionary times. In fact, the opposite has happened. Public spending on education, health, childcare and social care services has been cut in many countries as part of deficit reduction strategies.

35. This investment is considered to be good for economies. The European Union, for example, allows the usual restrictions on permissible levels of public debt to be exceeded for capital investment but not for current expenditure.

This neglect of social infrastructure projects reflects a gender bias in economic thinking and may derive from the gender division of labour and gender employment segregation, with women being over represented in employment in those industries that provide the social infrastructure, and men over represented in construction that provides most physical infrastructure. Male unemployment is often seen to be a more urgent problem as men are assumed to be breadwinners, despite women's earnings being vital to keep increasing numbers of households out of poverty.

RESEARCH INTO INVESTMENT IN CARE AND CONSTRUCTION

The Women's Budget Group carried out research on the impact of government spending on social infrastructure, focused on seven high-income countries. Our results revealed that investment in childcare and elder care services is more effective in reducing public deficits and debt than austerity policies which reduce spending. We saw a boost to employment, earnings and economic growth. And more social infrastructure spending fosters gender equality.³⁶

Investing 2% of GDP in the UK care sector would generate twice as many jobs as the same investment in construction.

Our report, produced for the International Trade Union Confederation (ITUC), shows that investing 2% of GDP in the caring industries would generate up to one million jobs in Italy, 1.5 million in the UK, two million in Germany and 13 million in the USA.³⁷ See graph on page 40.

When you compare the effects of similar size investments in the caring and construction industries, both would generate increases in employment and add to growth. But investment in the caring sector creates more jobs overall, with a higher proportion of those jobs going to women.

Our findings are consistent across seven countries: Australia, Denmark, Germany, Italy, Japan, UK and USA. The graph below shows that investing public funding worth 2% of GDP in care services would boost overall employment rates by between 2.4 percentage points in Italy (one million jobs) to 6.1 percentage points in the US (13 million jobs).

It would raise women's employment rates by much more than that, given their greater concentration in the care industry: between 3.3 percentage points in Italy (660,000 jobs) and 8.2 points in the US (8.7 million jobs) with rises of more than five percentage points in Japan (two million jobs), the UK (1.1 million jobs), Australia (400,000 jobs) and Germany (1.4 million jobs).

Men's employment would rise more than women's if the investment took place in construction industries. However, men's employment would increase by almost as much with investment in care because of the larger overall employment effect.

For example, investing in care would provide 4.3 million more jobs for men in the US compared to 4.8 million if the investment was in construction industries. In Germany, men's employment would increase by 650,000 from investing in care and by 750,000 from investing in construction.

36. WBG, (2016), Investing in the care economy to boost employment and gender equality, available online at https://wbg.org.uk/wp-content/uploads/2016/11/De_Henau_Perrons_WBG_CareEconomy_ITUC_briefing_final.pdf

37. De Henau, J, Himmelweit, S, Łapniewska, Z and Perrons, D, (2016), Investing in the Care Economy: A gender analysis of employment

stimulus in seven OECD countries. Report by the UK Women's Budget Group for the International Trade Union Confederation, Brussels, available online at https://www.ituc-csi.org/IMG/pdf/care_economy_en.pdf

It is not just because of differences in average wage levels that investment in care industries creates more jobs than equivalent amounts invested in construction industries. Wage levels are similar in those two sectors in all the countries studies except the US and the UK. Rather it is because the care industry is more labour intensive and employs more people per unit of output produced. They also generate more employment locally because care services use fewer non-labour inputs, and in particular fewer imports, than construction projects.

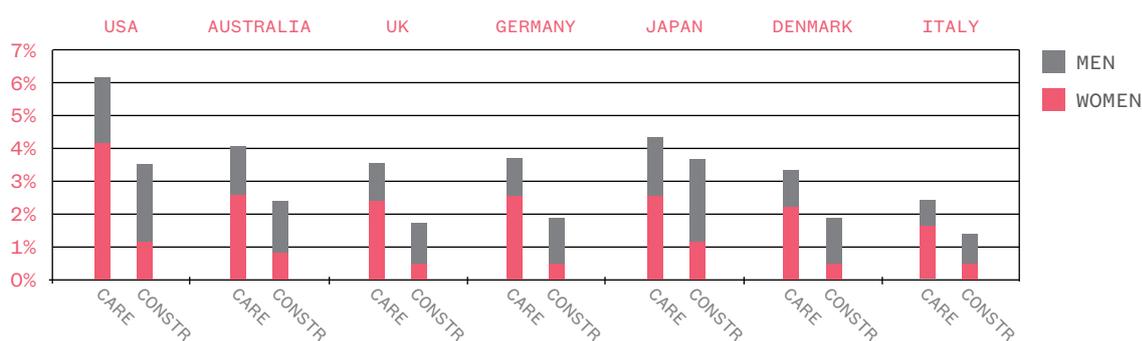
Besides creating employment and reducing the gap in employment rates between men and women, investment in social infrastructure contributes to resolving the care deficit. This deficit arises because more women are in paid employment than ever before, while men have not increased the amount of domestic work or caring they do to sufficiently make up the difference, and neither public nor private sector provision has been expanded sufficiently either.

FOCUS ON CHILDCARE

Further research carried out in parallel to these ITUC studies shows that **investing in free universal childcare of high quality in the UK would cost about 3% of GDP and could yield close to two million full-time jobs, 75% of which would go to women.**

This kind of analysis has so far concentrated on the jobs necessary to meet the demand created by an increase in government expenditure on social infrastructure. It is important to consider the effect on labour supply and unpaid care work as well. Investing in high-quality care services, and especially in childcare, is more likely to alleviate some constraints to supplying paid employment for carers. Childcare investment would reduce the 10 point gender employment gap by half. And the investment would be recouped at 90% through tax revenue and reduced social security spending on out-of-work benefits as employment is created and earnings increased.³⁸

Fig. 5 Percentage point employment rise of men and women stemming from public investment in care and construction industries.



SOURCE: DE HENAU ET AL. (2016)

38. WBG, (2017), Costing and funding free universal childcare of high quality, available online at https://wbg.org.uk/wp-content/uploads/2016/11/De_Henau_WBG_childcare_briefing3_2017_02_20-1.pdf

MAKING THE CASE

The case for investing public funds in care industries, or what we describe here as social infrastructure, is strong. But there is work to do in convincing policy-makers to categorise such spending as investment rather than current, day-to-day, expenditure. In this political climate the majority of policy-makers and political parties believe that additional 'current' spending needs to be fully funded in the same year by corresponding tax rises.

They may recognise in principle that the long-term benefits are worthwhile, but they wouldn't translate this potential into unfunded spending commitment. The challenge for social researchers is to show the relative social and economic merits of different spending priorities and the goals that can be achieved. Moreover, investing in social infrastructure is not just about economic and productivity increases but is necessary to sustain the social fabric, in ways that are similar to what needs to be done to deal with climate change and environmental degradation. The other major issue to stress, and perhaps the most important one, **is that investing in high quality social infrastructure is not just about creating employment or reducing gender unemployment and earning inequalities. It is first and foremost about provision of the essential services that support the community and which people need for a high quality of life.**