

Finance, austerity and inequality: towards gender equitable alternatives

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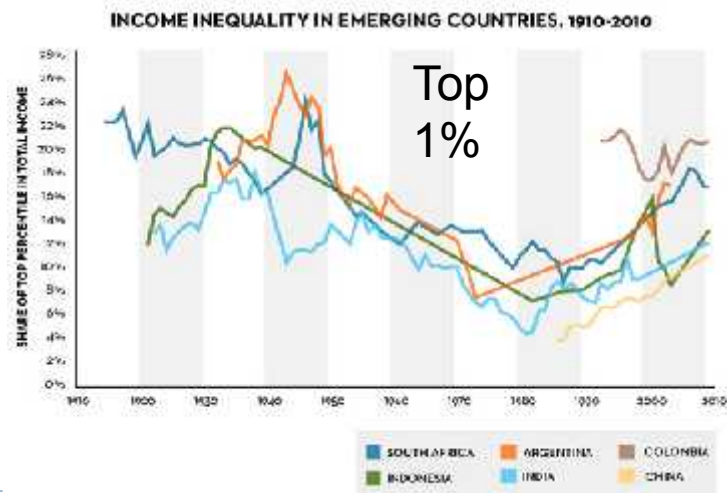
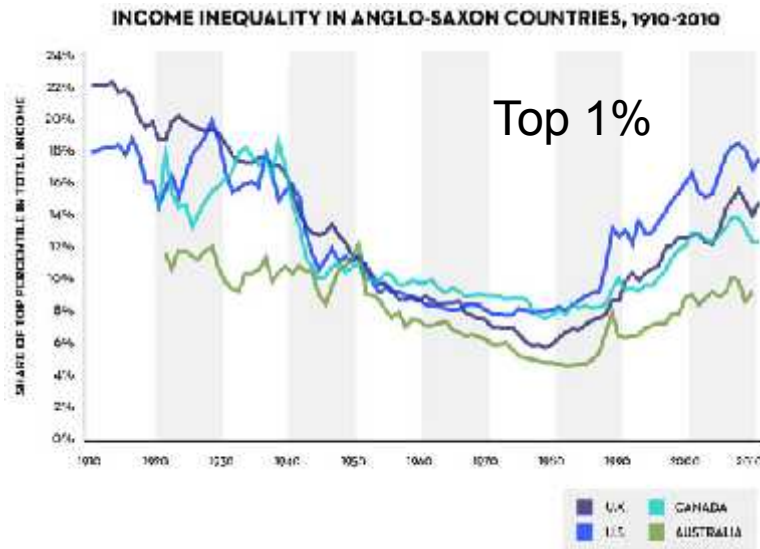
TASC and FEPS The Challenge of Inequality to Recovery and Wellbeing
Dublin 2014

Finance, austerity and inequality: towards gender equitable alternatives

- ▶ Rising inequality and gender inequality
- ▶ Austerity Policies in the UK – rationale and gendered impact
- ▶ Alternative understanding of the economy for more inclusive, gender equitable societies



Rising inequality and growing concern



Pope Francis 2014 : inequality –
‘the root of social evil’

Barack Obama (2013):

‘the defining challenge of our
time.’

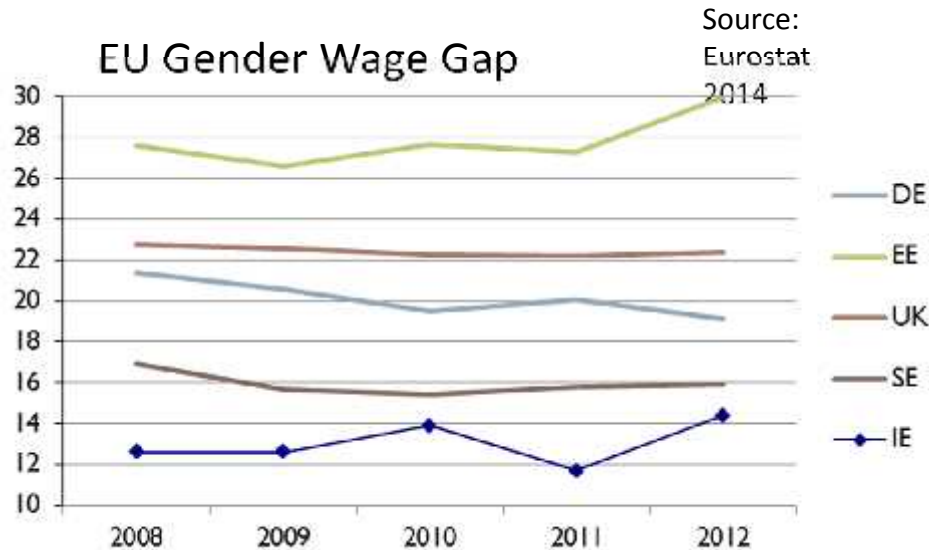
Christine Lagarde: *‘the 85 richest
people in the world,...., control
as much wealth as the poorest
half of the global population–
that is 3.5 billion people and this
casts a ‘dark shadow across the
global economy.’* Lagarde (2014)

Thomas Piketty’s *Capital in the 21st
Century* – US best seller

Source: Cassidy (2014) from Piketty (2014) Available at:

<http://www.newyorker.com/online/blogs/johncassidy/2014/03/piketty-looks-at-inequality-in-six-charts.html>

Rising inequality – enduring gender equality



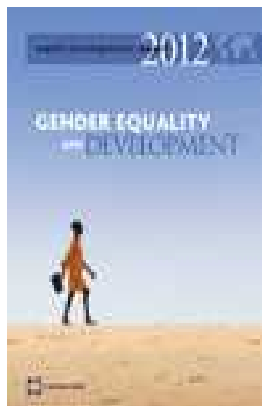
*The only sustainable way to reduce inequality is to **stop** the underlying widening of wages (OECD 2008;116)*

But existing theories – cannot account satisfactorily for rising wage inequality and the persistence of the gender pay gap

Reference is being made to social norms - (Krugman 2002)

Managers ability to appropriate high returns (Piketty 2014)

More work on wage determination.



World Bank 2012

Institutional interest – but resolutions largely depend on greater integration with the market economy – rather than recognising that the market reproduces gender inequalities



For discussion related to the EU follow button

Gender segregation and 'market' values

care work –

'market' misrecognition and undervaluation

finance –

'market' misrecognition and overvaluation

'prisoners of love' (Folbre 2008)

UK finance executive of a failed bank was retained to advise on its restructuring on a **monthly salary 3* the annual salary of a childcare worker with 20 years of experience.** (Perrons and Plomien 2013)

'masters of the universe'

high incomes *'can just as easily reflect market imperfections rather than proof of social value*

...too much of the developed world's intellectual talent was devoted to ever more complex financial innovations, whose maximum possible benefit in terms of allocative efficiency was at best marginal'

(Adair Turner 2009:5 Chair of the FSA)



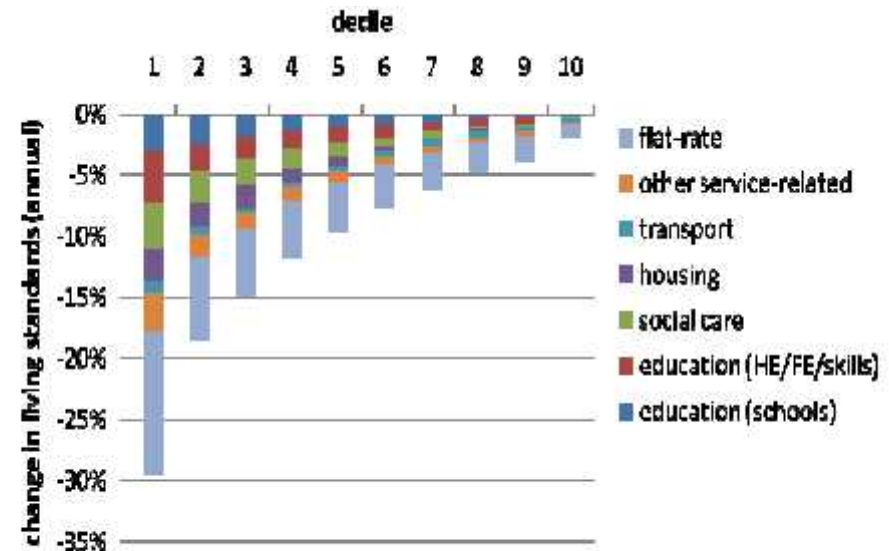
Gender inequality widened with austerity policies in the UK

'we're all in this together' Cameron (2009)



Source: Matt Buck 2010

Effects of spending cuts by income group as % of net income



Source: Reed cited by WBG (2010)

Phase 2: UK: class differentiated impact of public expenditure cuts

– higher impact on low income groups in which women are over represented



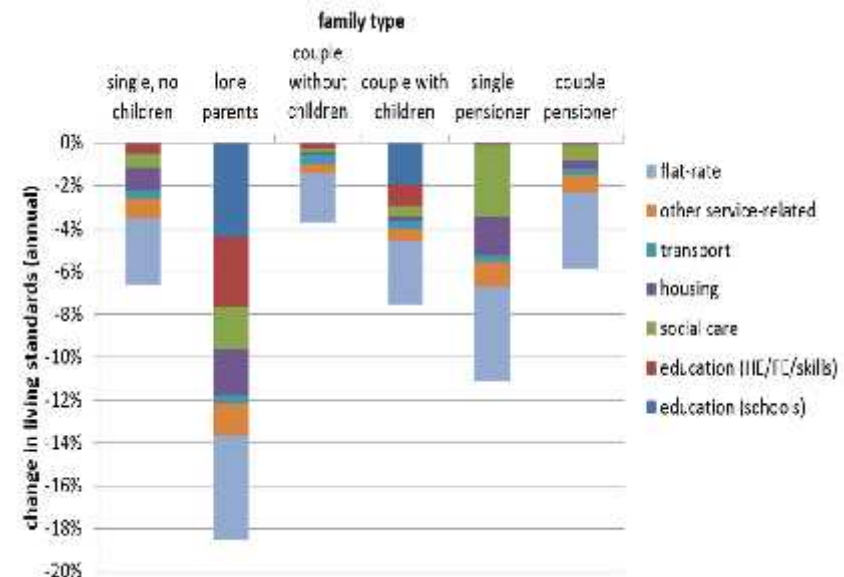
Gender inequality widened with austerity policies in the UK

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Source: Matt Buck 2010

Effects of spending cuts by family type



Source: Reed cited by WBG (2010)

Phase 2: UK: family differentiated impact of public expenditure cuts

– higher impact on family groups in which women are over represented



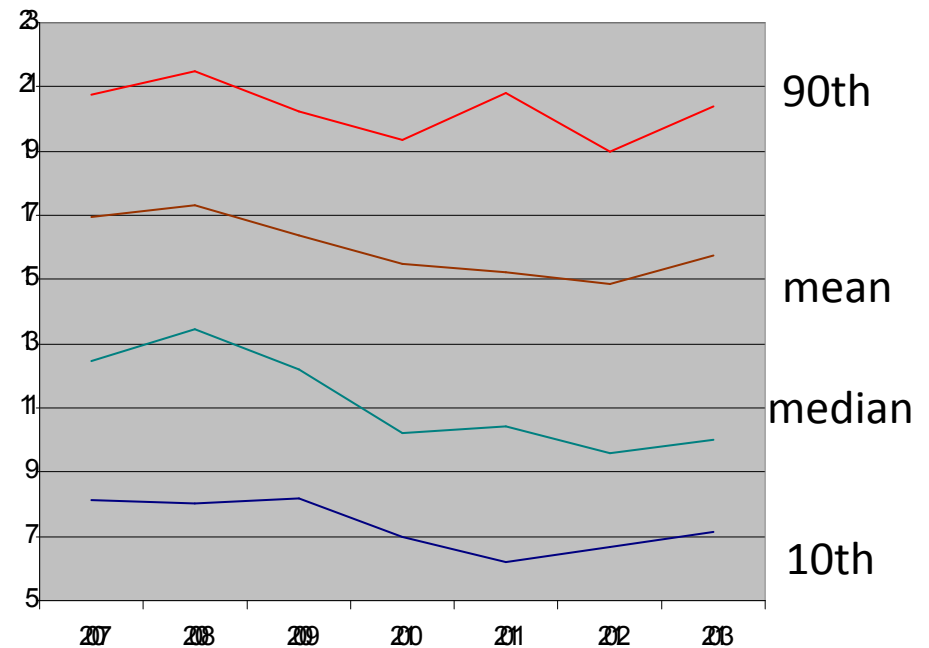
Gender inequality widened with austerity policies in the UK

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Source: Matt Buck 2010

UK Gender Wage Gap by Decile 2007-2013 (£ per hour)



Phase 2: UK: Indications of a rising gender wage gap with Coalition Government post 2010 (own calculations from ONS 2014a)



Gender inequality widened with austerity policies in the UK

'we're all in this together' Cameron (2009)



Source: Matt Buck 2010

2013 – ‘for an aspiration nation’

2014 – for doers makers and savers

Rhetoric –stigmatises people with legitimate welfare claims

UK 2014 Budget

Tax Give Aways– mainly to male advantage

- raising the personal tax allowance
- transferable tax system
- reduced duty on beer and classic cars

Expenditure Cuts – disproportionately falling on women

- as employees
- as service users

Source: WBG (2014)



Gender inequality widened with austerity policies in the UK

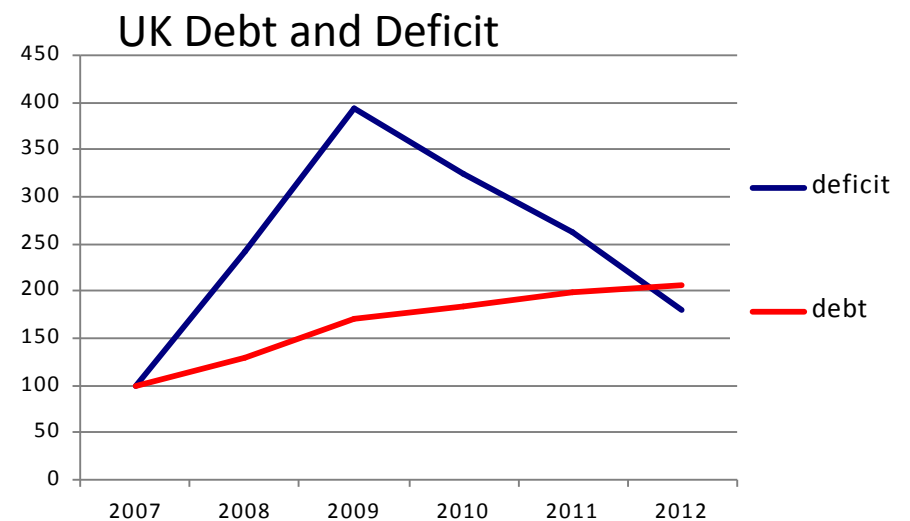
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Source: Matt Buck 2010

% of GDP (index 2007=100)

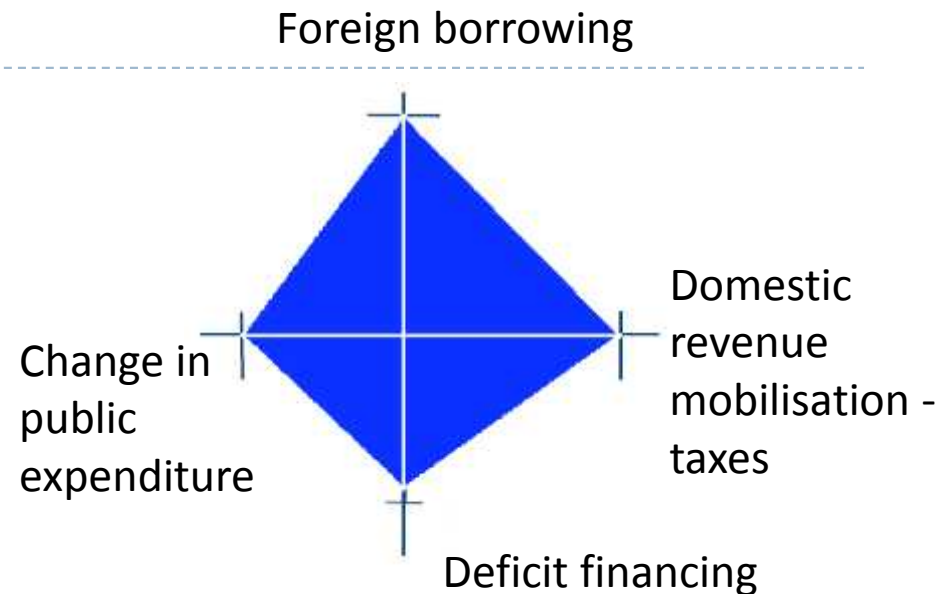
Coalition – focus on austerity to secure deficit and debt reduction
Presumes reduction is necessary
Presumes it can be secured through austerity
Evidence not very convincing



Source: own calculations from ONS 2014b

Fiscal space – political choice not a technical necessity

IMF Fiscal space is *'room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing **the sustainability of its financial position or the state of the economy**'* (IMF cited by UNDP 2007)



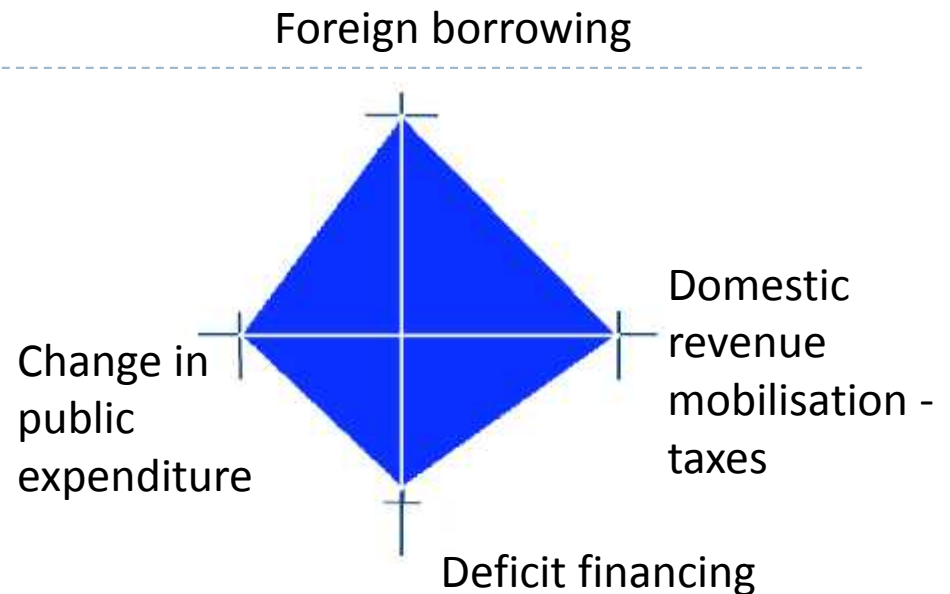
- ▶ no evidence for a particular level of government debt or deficit *'always an alternative macro economic strategy that is economically feasible; but different strategies imply different distributions of the costs and benefits'* (Loxley 1997 cited by Elson and Cagatay 2000)



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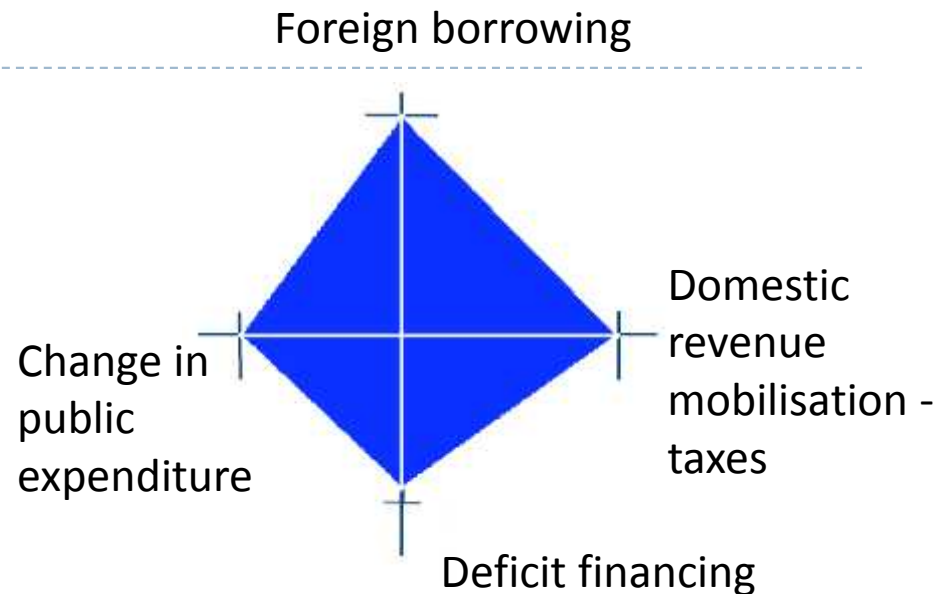
- ▶ UNDP *Fiscal space is the financing that is available to government as a result of concrete policy actions for enhancing resource mobilization, and the reforms necessary to secure the enabling governance, institutional and economic environment for these policy actions to be effective, **for a specified set of development objectives.*** (UNDP 2007:i).



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Fiscal space is the available financing, designated by policy choices, to provide the necessary resources for a **specific set of social, economic, and environmental objectives, taking into account the specific needs of marginalized groups using race, gender and class impact analysis**’ (Ida 2013 – a Fem Econ Student LSE)

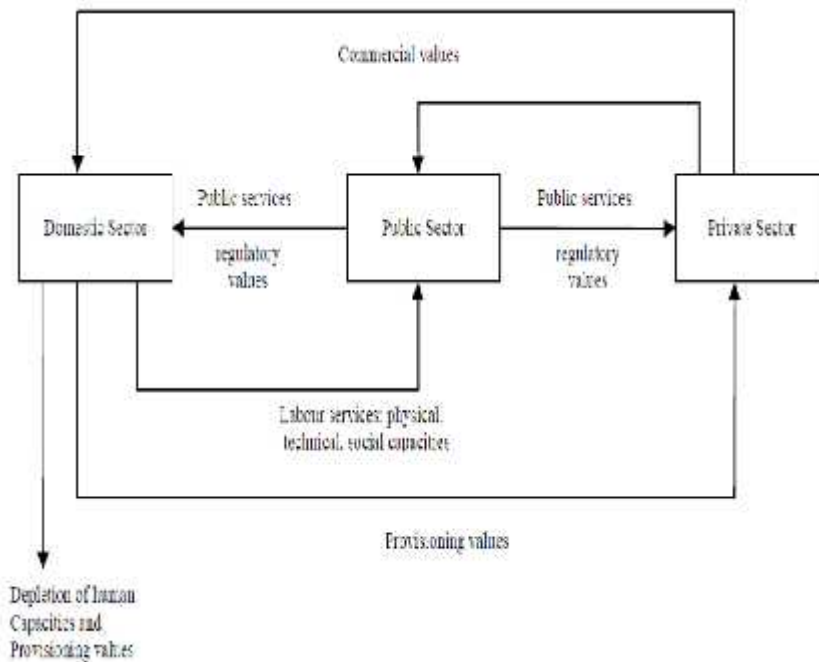
Alternative capitalisms/solutions to inequality

- ▶ Chrstine Lagarde - Inclusive Capitalism – an oxymoron or - an antidote to Marx’s dire prediction – that capitalism contains the seeds of its own destruction ?
- ▶ Thomas Piketty – Global wealth tax
- ▶ Ex poste redistribution rather than challenging the processes generating inequality
- ▶ Heterodox economists – forms of Keynesianism – advocate increased Government expenditure – physical infrastructure



WBG -Feminist F Plan for Recovery

Recognises the significance of the reproductive sector



Elson (1998)

- ▶ Invest in social rather than just physical infrastructure –
- ▶ (including better pay for skills of care workers)
- ▶ Spending on childcare simultaneously generates jobs and facilitates movement into employment, partially paying for itself through increased tax revenues.
- ▶ **There is now evidence for these claims**



WBG – UK Women’s Budget Group
<http://www.wbg.org.uk/>

Conclusion: a more inclusive alternative

- ▶ **EX ante - wage revaluations** redress the fall in the share of value added accruing to labour by increasing wages of the low paid – reducing wage differentials
- ▶ **Ex Poste - progressive taxation** – wealth tax and Tobin or Maid Marion tax on financial transactions – **to be used for investment in infrastructure social and physical**
 - ▶ *by valuing care differently and widening the understanding of the economy to include the reproductive sector represents one way of moving towards a more inclusive and sustainable society in which both inequality and gendered inequality would be lower – and potentially growth higher*
- *Keynes in a global and gendered context*
- ▶ **Thank YOU**



Economic Value of Social Care

- ▶ **Direct economic value** £20-billion p.a.- 1.8% of all GVA and provides jobs for 6.4% of workforce in England (1.3 FTE jobs – 1.5 million people)
- ▶ **Indirect effects** - £16 billion – 1.1 m jobs purchases of goods and services of suppliers
- ▶ **Induced effects** - £ 6.4 billion and 0.5 million jobs and the impact of the wages spent –
- ▶ **Overall 2.8 million jobs and £43 billion - GVA**
- ▶ These do not include the less tangible impact such as reduced health costs or the effects of well being
- ▶ Effects favourable when compared to other sectors (ICF GHK 2013)



EU research under Framework 6 : INEQ

EU research under Framework 6 : INEQ - Shows that Economic Policies are leading to increased Inequality in the EU

Summarized in Why Socio-Economic Inequalities Increase ?

Policies to combat poverty and social exclusion

But - Social Policies subordinated to Economic Priorities

Failure to recognise that: economic processes are redistributive as well as wealth creating and social policies can be productive as well as a cost

Member states and individual households left to resolve these tensions between the market and society.

But without the means to do so.

Source: Perrons and Plomien 2010

http://ec.europa.eu/research/social-sciences/pdf/policy-review-inequalities_en.pdf



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