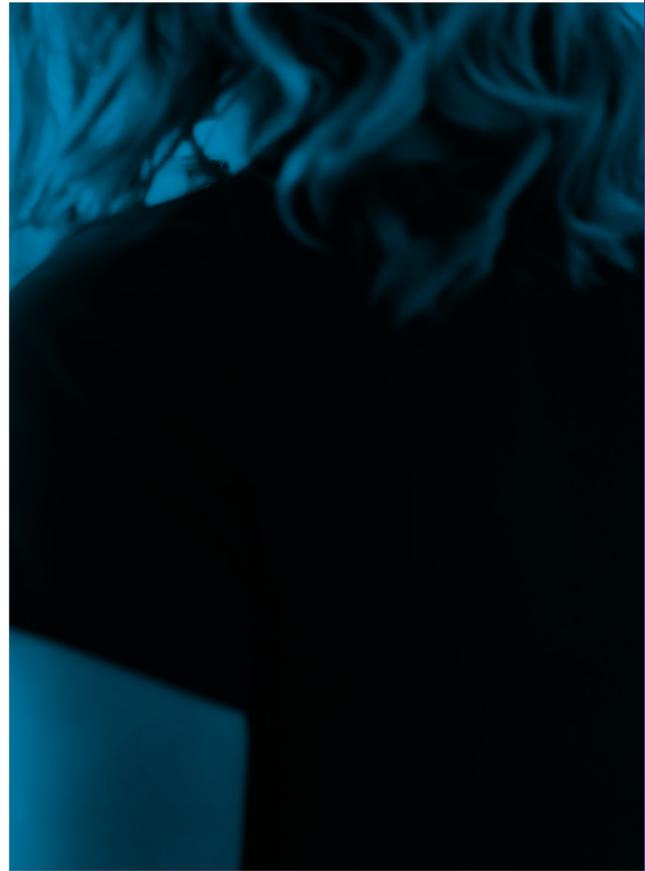
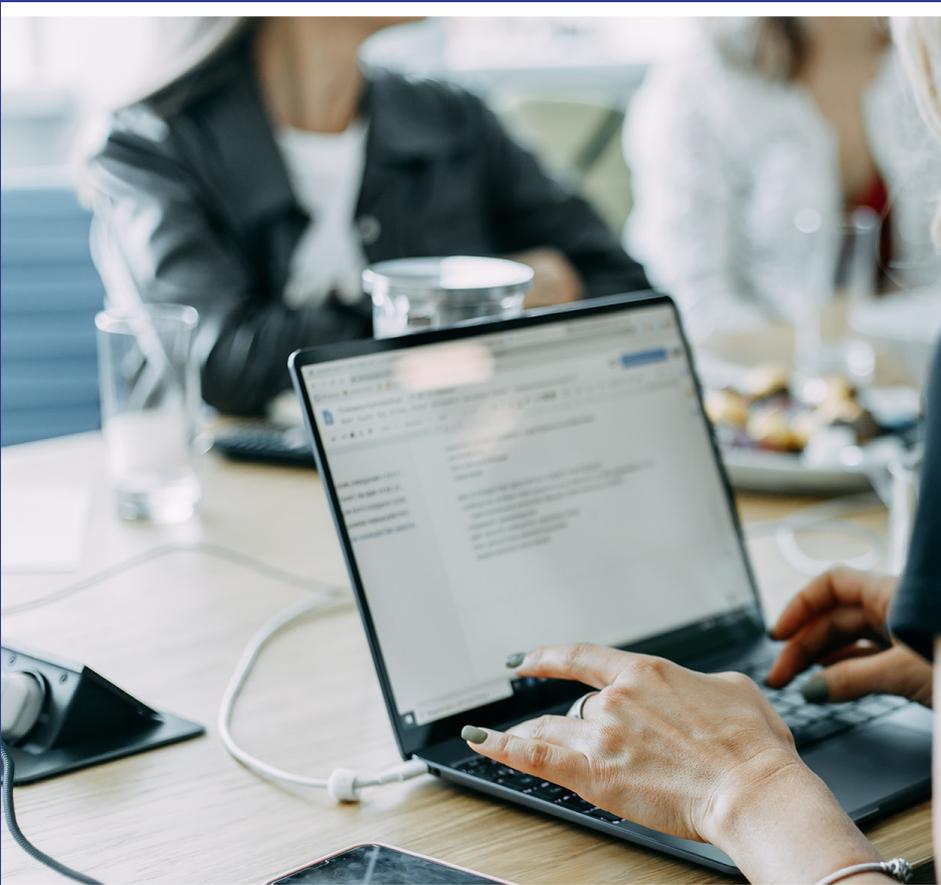


Labour market policy after COVID-19

Reducing gender inequality and boosting the economy: fiscal policy after COVID-19



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Introduction

The economic impacts of the COVID-19 health crisis have increased gender inequalities in the Australian labour market. With women over-represented in lower-paid, insecure and casual jobs, and shouldering the majority of unpaid domestic and care labour prior to the pandemic, the crisis has rapidly widened the gap between men and women's economic security.¹ The prolonged economic downturn is expected to deepen this pattern further. Economic stimulus policies that prioritise gender equality will be essential to building a recovery that is inclusive and maximises jobs, productivity and human capital formation.

Labour force survey data covering the immediate impact of the crisis show that women's employment has been hardest hit, contracting by 7.4 per cent between February and May 2020 compared with 5.6 per cent for men, equating to 457,000 jobs lost by women.² The female participation rate has also fallen sharply – down 3.5 per cent compared to 2.7 per cent for men. The withdrawal of so many women from the labour market reflects not only the severity of the economic contraction, but also the intensification of women's domestic workload during the COVID crisis and complex household calculations about women's labour supply. Current policy settings on the cost of early childhood education and care (ECEC) are likely to further constrain women's re-engagement in the labour market during the economic downturn.

Sustained unemployment and withdrawal of women from the Australian labour market will cost the Australian economy billions of dollars in lost productivity and growth, compromising women's long-term economic security.³ The good news is that governments can use fiscal stimulus as a powerful policy tool to boost women's employment while also strengthening economic growth.⁴ The remainder of this paper will highlight two areas of fiscal policy that can deliver a strong, gender-inclusive recovery.

Stimulus investment in social infrastructure

Traditionally, economic stimulus has been focused on large-scale physical infrastructure projects that disproportionately employ men and leave women largely excluded from the immediate benefits of stimulus measures. However, a growing body of literature is pointing to the economic benefits of 'gender-responsive fiscal measures'.⁵ New research on the employment gains of investment in social infrastructure, such as education, health and care services, show there are more employment-intensive *and* gender equitable forms of macro-economic stimulus available to governments during periods of economic crisis.⁶



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A study of seven OECD countries shows that public investment equal to one per cent of GDP in labour intensive care industries generates more total employment, including indirect and induced employment, than investment in construction – especially for women, and almost as much employment for men.⁷ The economic simulation for the Australian economy shows that:

- The boost to direct employment from a one per cent GDP investment in care industries is almost five times greater than the direct employment generated in construction;
- The impact of one per cent GDP investment in care industries on the *overall rate of employment* (direct, indirect and induced)⁸ would be twice that of investment in the construction sector;
- Women stand to gain two-thirds of the new jobs created under the care sector scenario but only one-third of jobs generated if the investment was in construction;
- Investment in care reduces the gender pay gap whereas investment in the construction sector widens the existing gender employment gap in favour of men.

Other recent analysis reveals the employment and gender equality benefits of stimulus in labour intensive feminised sectors. Comparing a \$1 million public investment in education, health and construction, Richardson and Denniss estimate the employment boost from stimulus in male-dominated construction to be minimal (only 1.2 jobs) compared to the female-dominated education (14.9) and health (10.2) sectors.⁹ Of the jobs created in education and health, the majority are estimated to go to women (10.6 and 7.9 respectively) with only 0.2 of the jobs in construction.¹⁰

Employment creation for men is also greater in education and health than in construction. This is not to suggest that stimulus should not be made in construction, only that government should take a more balanced approach to fiscal policy that reflects the contemporary structure of the economy, generates maximum employment outcomes per investment dollar and includes women.¹¹

COVID recovery stimulus in the care, health and education sectors has additional economic benefits: it increases community wellbeing and human capital formation, boosting long term productivity; it frees those with caring responsibilities (mostly women) to engage in paid work by making care services more widely available; and the well-being impact of increased resourcing and jobs in health, education and care ameliorates broad patterns of socio-economic inequality and disadvantage that the pandemic crisis has exposed and increased.¹²

Subsidised early childhood education and care (ECEC)

Affordable and accessible high quality early childhood education and care (ECEC) is a critical piece of economic infrastructure in normal times, and even more so in the COVID recovery. The Prime Minister, Scott Morrison, acknowledged the sector's 'vital' economic contribution as essential to 'running Australia' when he announced free ECEC as part of the child care relief package in April.¹³ But by early June, the government announced free ECEC would end, and introduced a transition package that reinstated the Child Care Subsidy (from 13 July 2020) under which many parents pay a gap fee.¹⁴ ECEC advocates, providers and researchers are concerned that the return to the previous system is



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not the most appropriate funding model for an economy with high rates of unemployment.¹⁵ Advocates are particularly concerned that if the out-of-pocket cost of ECEC for families facing unemployment or significant economic insecurity remains high, it will be women who forgo employment and retreat to the home to undertake child and other care duties that the pandemic has intensified.¹⁶ The slump in female workforce participation in April and May shows the crisis is already having a negative impact on women's labour supply. The return of out-of-pocket fees for ECEC is likely to increase this trend, particularly given the high effective marginal tax rates that are a structural feature of the interaction between Australia's ECEC system of subsidies and other family payments.¹⁷ Results from initial surveys by the sector confirm this possibility and suggest the current structure of ECEC policy will not support a dynamic and gender inclusive economic recovery.¹⁸

Public subsidies for ECEC that provide universal access for all Australian children would deliver a triple-win for the Australian economy. First, they would support women's labour force participation in the recovery period, generating billions of dollars in national wealth and boosting GDP.¹⁹ Second, the upswing in demand for ECEC would generate additional jobs in the ECEC sector, the majority of which would be done by women.²⁰ Third, universal access to ECEC will promote the education, well-being and life-chances of all children, especially those from vulnerable households.

The interests of children have been largely missing from the debate about ECEC that the pandemic has sparked. UNICEF reports the number of vulnerable children has increased on account of pandemic-induced unemployment and the impact of the lockdown on health and schooling.²¹ ECEC can help prevent the long-term impact of this disruption on children's learning and development outcomes. Stimulus investment in ECEC will pay strong economic dividends and curb intergenerational inequality.²²

The conditions of the COVID crisis call for a more systematic review of public funding for ECEC. The pandemic provides government with an opportunity to review and reconstruct public funding for ECEC to deliver long term participation and productivity benefits that will support the recovery and deliver prosperity into the future.²³

These gender-responsive fiscal measures do not stand alone. They must be supported by two other essential inputs: women's inclusion in leadership for recovery planning²⁴ and gendered employment analyses of all recovery policy options, including the impact of fiscal policy on unpaid work. Unpaid work must be included as part of the policy landscape given its massive contribution to economic growth and productivity.²⁵ Failure to do so will distort policy making.

The economic cost of a gender-blind approach to the government's COVID recovery strategy will be very high in terms of Australia's economic growth and prosperity. It will compromise the efficiency of our labour markets, constrain productivity, and limit wellbeing while increasing economic insecurity and reducing labour force participation for women. Current fiscal policy settings will discourage women's labour force participation but it is not too late to change tack. The economic downturn is expected to be long and deep, leaving government plenty of opportunities to implement gender-responsive fiscal measures: Australia's prosperity and wellbeing depends upon them doing so.

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Endnotes

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