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Session III “Promoting women’s equal participation in the labour market”

Macroeconomic impact on social protection in increasingly insecure labour markets

Overview

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Key argument

On the way to an equal society, equal participation of woman in the labour market is part of the solution. But developments on the labour markets are also part of the problem. Consequently, social security should be increasingly decoupled from gainful employment.

Christine Mayrhuber, Vienna, 15 February 2021

https://www.wifo.ac.at/christine_mayrhuber

1. Economic importance of gender equality

Gender equality can be derived from universal human rights. Gender equality is part of international and national laws¹⁾. However, gender equality can also be argued from an economic point of view. From an economic point of view we see²⁾ that gender equality has huge positive macroeconomic as well as microeconomic effects in different areas.

Just mentioning one positive impact: Growth rate of the gross domestic product (GDP):

The **Organisation for Economic Co-operation and Development** (OECD) simulated the growth impact on gross domestic product (GDP) of more gender equality in the labour market such as: more equally distributed working hours, more equality in education, smaller gender pay gaps³⁾ etc. For example, for Austria⁴⁾, a country with relatively high gender equality, the OECD estimated an additional GDP growth of 7.5% in the coming decades.

The **European Institute for Gender Equality** (EIGE)⁵⁾ estimated the impact of more equality in education, labour market participation, salary on GDP. The EIGE projected an additional GDP growth rate of +8% by 2050 in EU countries with a relatively high level of gender equality (Sweden, Finland, Austria, Netherlands) and an additional GDP growth rate of even up to 15% in countries with lower levels of gender equality (Spain, Hungary, Malta, Baltic States etc.).

The mentioned simulations are based on the ceteris paribus assumption that "all other things are equal". But things are changing, especially in the labour market. The de-standardization of forms of employment in Europe and North America in the past led to a precarization of large shares of society⁶⁾. An increase in (long-term) unemployment, rising risk of poverty despite employment ("working poor") are parts of this development.

1) At the EU level, equality between women and men is enshrined in the Amsterdam Treaty (May 1, 1999). Article 2 and Article 3 (3) of the Treaty on European Union oblige the member states to pursue an active equality policy in the sense of gender mainstreaming. These objectives are also enshrined in Articles 21 and 23 of the Charter of Fundamental Rights of the European Union. Furthermore, according to Article 8 of the Treaty on the Functioning of the European Union, the Union shall eliminate inequalities and promote equality between men and women.

2) Bachtrögler, J., Bock-Schappelwein, J., Eckerstorfer, P., Huber, P., Mayrhuber, Ch., Sommer, M., Streicher, G., Growth factor equality. The economic benefits of gender budgeting in Vienna (Executive Summary), December 2019, https://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikation-sid=65742&mime_type=application/pdf

3) OECD, Is the Last Mile the Longest? Economic Gains from Gender Equality in Nordic Countries, Paris 2018. <https://www.oecd.org/publications/is-the-last-mile-the-longest-economic-gains-from-gender-equality-in-nordic-countries-9789264300040-en.htm>

4) OECD, OECD Economic Surveys: Austria 2015, Paris 2015.

5) EIGE, Economic benefits of gender equality in the European Union. Overall economic impacts of gender equality EU, 2017, Luxembourg.

EIGE, 2017A, Economic benefits of gender equality in the European Union. Report on the empirical application of the model, Luxembourg.

6) Bourdieu, P., Prekarität ist überall, in: Bourdieu, P. (Hrsg.), Gegenfeuer Wortmeldungen im Dienste des Widerstands gegen die neoliberale Invasion, 1998, S. 96-102.

2. Structural changes in gainful employment

In recent decades, the labour force participation rate in Europe has increased, especially the participation rate of women⁷⁾. If we take the labour force participation rate as an indicator of individual well-being, it is obvious that this indicator does not give a complete picture of the financial situation of neither employees⁸⁾ nor the self-employed.

- Increasing employment rates went hand in hand with decreasing wage shares as percentage of national income in most European countries.
- In most European countries, increasing productivity per hour has been accompanied by stagnating wages. The absence of productivity-oriented wage policies shifted productivity gains away from wages and toward the production factor capital, without being re-invested. The volume of investment remained weak, and production and employment possibilities stagnated.
- In Europe, increasing labour force participation also went hand in hand with stagnating hours worked on the national level. Hours worked grew relatively slower than the number of people employed.
- We are observing structural and radical changes in the labour market. The new flexibilization of the labor market means a growing degree of uncertainty for the workforce. Formerly entrepreneurial risks are increasingly shifted to the workforce. To name just a few structural changes:
 - **Forms of employment:** increasing numbers of part-time work, zero-hour-contracts, work on demand, one person companies with without minimum wage or working time laws, etc.
 - **Job stability** and employment stability: There is an increasing share of employees of permanently unstably employed.
 - **Earnings:** An increasing **low-pay sector** also in the Euro-Zone (Germany, Austria etc.) which is predominantly female.
 - **Earnings:** Stagnating average wages even for full-time male employees.

In the past decades, there has been a structural loss of importance of gainful employment. The current economic crisis caused by COVID-19 clearly boosts this trend.

⁷⁾ Huemer, U., Mahringer, H., Arbeitsmarktmonitor 2018. Update des jährlichen, EU-weiten Arbeitsmarktbeobachtungssystems, Labour Market Monitor 2018: An EU-wide Labour Market Monitoring System. Abstract, WIFO-Monographien, 2019.

⁸⁾ The large labour market inequalities are reflected in the pension gap. The pension levels of women can be seen as a balance sheet of labour market inequalities. In many European countries, the pension gap is larger than the gender pay gap. Mayhuber, Ch., Mairhuber, I., The gender pension gap in Austria and Europe, ÖGfE Policy Brief, 2020 (14), https://www.oegfe.at/wp-content/uploads/2020/06/PB_142020_GGP.pdf.

3. Social security beyond gainful employment

A return to the conditions before the 2020 crisis is neither desirable (high unemployment, high resource consumption, high gender gaps etc. before 2020) nor possible. Macroeconomic framework conditions have changed. In this framework, the goal of “promoting women's equal participation in the labour market” does not result in the financial independence or economic empowerment of women.

Aside from policies to reduce the gender pay gap, policies to overcome the division into male- and female-dominated employment sectors, a redistribution of care responsibilities between women and men, etc., we need additional changes with a **medium and long-term orientation**:

1. A better **income protection** and social protection for non-standard workers: minimum wages, in-work benefits, etc. also for the self-employed.
2. **The social value of care work** is high, but its wage is low. Paid and unpaid care work is the basis for gainful employment. Care work is a foundation of the economy. We can close factories, but we cannot close hospitals or nursing homes overnight. Payment of care work should reflect its value to society.
3. A stronger de-coupling of social protection from earned income: We need new models of income protection in case of training, further education, unemployment, sickness, etc.
4. **A new financing basis⁹⁾ of social security: Corporate taxation.** According to the 2017 Tax Digitisation Index¹⁰⁾, the effective tax rate for traditional domestic business models in the EU is significantly higher (20.9%) than that for digital domestic business models (8.5%).
5. **New financing of social security:** Integration of platforms into the financing of social security. The “German KünstlerInnen-Sozialkassa” provides an example: Companies that award artistic contracts contribute to the social security institute for artists, not for individual persons, but for the purpose of general pension financing.

To sum up: From an economic point of view, gender equality on the labour market can only be one part of women's social security because gainful employment is declining in importance.

In the medium and long term, we need to adapt social security systems to the structural changes I have highlighted. We need to use all production factors (labour, capital and data) to finance social security in the future, with the goal to reach economic and social justice for all groups of society.

⁹⁾ Dittrich, P.-J., Schneemelcher, P., Tax me if you can. Zur Besteuerung von digitalen Unternehmen in der EU, 2018, https://hertieschool-f4e6.kxcdn.com/fileadmin/user_upload/20180115_Final_Digitaltaxation_Dittrich_Schneemelcher_DE-1.pdf

¹⁰⁾ ZEW, Steuerliche Standortattraktivität digitaler Geschäftsmodelle, 2017, http://ftp.zew.de/pub/zew-docs/gutachten/Studie_Digitale_Geschaeftsmodelle_2017.pdf