

# **Political Economy of ‘Economic Inequality’ and ‘Gender Inequality’**

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# Issues Discussed

- ‘Economic inequality’ : now of major concern for both mainstream and heterodox economists : system stabilization or social justice ?
- ‘Gender inequality’ : always of major concern to feminist economists, mainly seen as a ‘niche issue’ by mainstream *and* heterodox economists
- Empirical analysis of *intersection* of gender inequality and economic inequality now being produced by mainstream economists – what are the findings and weaknesses of this analysis?
- What contributions have heterodox economists made to analyse this intersection?
- Piketty’s global best seller on rising economic inequality characterises capitalism as *patrimonial* but not *patriarchal*
- What are effects of the absence of gender analysis on understandings of economic inequality?

# ‘Economic Inequality’

- Inter-household distribution of income and wealth emphasised by mainstream  
e.g. OECD (2015) *In it together : Why less inequality benefits all*
- Functional distribution of income between capital and labour emphasised by many heterodox economists  
e.g. ILO (2013) *Global Wage Report 2012/13*
- Inequality in capabilities emphasised by human development approach( e.g. education, health, nutrition, access to public services- shaped by public investment)  
e.g. UNDP (2013) *Humanity Divided: Confronting Inequality in Developing Countries*

# 'Gender Inequality'

- Gender gaps in employment, wages, assets, pensions, **unpaid work in social reproduction of people and systems**
- And gender discrimination, not just formal, but also substantive
  - e.g. UN Women (2015) *Progress of the World's Women, 2015-2016*
- Gender gaps in capabilities and access to public services
  - e.g. UNDP ( *annually*) *Human Development Report*
- **Economies as gendered structures, in which there are limits to the reach of the 'value form' of labour**
  - e.g. Elson, D. ( ed.) (1991) *Male Bias in the Development Process*
  - e.g. Fontana, M. (2016) *Towards Gender Equality in Vietnam*

# Intersection of 'Economic Inequality' and 'Gender Inequality'

- 'Economic inequality' is not gender-free: all economic processes are gendered, even if this is not immediately visible
- Gender is not only an attribute of individual people, it is an attribute of institutions and social relations ( c.f. class and race/ethnicity)
- 'Economic' should be understood as referring not only to the monetised economy, but also to the non-monetised economy in which unpaid work produces goods and services for household and community use
- 'Gender inequality' is not just 'cultural' : it is material, built into processes of production, distribution and consumption

# Empirical Investigations of Intersection

## Research by international organizations

- OECD(2015) *In it together : Why less inequality benefits all* chapter 4
- Gonzales et al (2015) *Catalyst for Change; Empowering Women and Tackling Income Inequality*, IMF Staff Discussion Note

# Gender Inequality in Labour Market and Inter-household Distribution of Income in OECD Countries

- Gender gaps in full-time employment and wages have been falling on average in last 30 years
- OECD (2015) asks what impact this had on inter-household distribution of income as measured by gini coefft
- *Rise* in women's employment rate associated with *reduction* in inequality . If proportion of households with a women in paid work had stayed as it was in mid 1980s, average gini coefft would have risen by an additional 0.8 points, from 28.2 to 31.6, instead of to 30.8
- *Increase* in proportion of women in full-time work is associated with *lower* inter-household inequality in some countries. In Canada, Ireland, Netherlands and USA, with a reduction in gini of between 0.6 and 1 points, compared to gini with no change

# OECD Results Continued

- In almost all countries, increases in women's wages ( in part due to equal pay legislation) have countered the rise in inter-household in equality
- BUT
- Opposite impact from rise in proportion of households with women employed in 'high skilled' jobs . This is associated on average with a small rise in gini, of about 0.3 points . Women in 'high skilled' jobs tend to be in household where men are also in 'high skilled' jobs ('assortative mating')
- However, combined impact of narrowing of these gender gaps lowers gini by about 2 points below what it would otherwise be

# Some Limitations of OECD Study

- The method used is static and mechanical: it asks what would the gini be if gender inequality in the labour market were held constant
- It does not look at impact on shares of different deciles
- It does not consider determinants of inter-household income distribution and of gender gaps in labour market and ask whether they might be linked
- For instance, movement of capital in many OECD countries out of manufacturing ( linked to off-shoring) and into services leads to fall in male wages and employment in manufacturing and increased demand for female labour in services
- At same time, the need to maintain household income leads to 'added workers' and increases supply of female labour

# Further Limitations of OECD study

- Does not consider how the reductions in gender gaps in the labour market may be associated with an extension of the total working day ( paid plus unpaid work) including for those not of 'working age', such as grandparents, older children)
- Unpaid work may fall due to purchase of labour saving technology for cooking and cleaning, public provision of care services, development of for-profit care services, employment of paid domestic workers ( often migrant women),etc.
- But most of these strategies more likely to be available to better-off women
- Positive impact of labour market participation on inter-household income inequality may be at cost of overwork for low income women- an increase in their 'time poverty' and work intensity

# Gender Inequality in Labour Market and Inter-household Distribution of Income in 140 countries

- Gonzales et al (2015) IMF Staff Discussion Note
- Gender inequality measured by the Human Development Report's Gender Inequality Index (GII), whose components are: gap between male and female labour market participation, gap between secondary and higher education rates for men and women, female shares in parliament , maternal mortality and adolescent fertility rates
- Inter-household distribution of income: gini coefft and also shares of top, bottom and middle income groups
- GII included as one variable in regression equation that seeks to 'explain' income inequality

# Findings of IMF Study

- Gender inequality ( as measured by GII) is strongly associated with inter-household inequality- for example:
- If GII falls from highest level in sample ( Yemen, 0.7) to the median (Peru, 0.4) the gini coefft falls by 3.4 points
- If the GII rises from the median to the highest level, share of top 10% increases by 5.8 points
- Testing for impact of different components of GII, there is a difference between different groups of countries
- In high-income countries, main impact is from gender gap in labour force participation
- In emerging and low income countries, in addition, education and health components are also important

# Some Limitations of IMF Study

- The transmission mechanisms between gender inequality and inter-household income inequality are not as clear as in the OECD study- the GII does not include the wage gap and the employment gap, but rather the labour force participation gap
- Ad hoc selection of 'factors' that might influence income inequality rather than situating inequality as outcome of specific processes of capital accumulation and social reproduction
- No consideration of how the other variables that are associated with income inequality might be gendered : a general problem of regression analysis

# Further Limitations of IMF Study

- Suggests that reducing gender inequality ‘by leveling the economic playing field between men and women could also go a long way to reducing overall inequality of the income distribution’
- The cost of the reduction in economic inequality may well be an increase in the total working day and work intensity of low and middle income women
- Calls for investment to ‘free up’ women’s time for work outside the house, and better access to parental leave and affordable child care, but fails to consider how IMF policies constrain fiscal space for this and how IMF loan conditions tend to exacerbate gender inequality ( in ways not captured by the GII)

# Drivers of Economic Inequality: Patrimonial or Patriarchal Capitalism?

- Gender ( and race/ethnicity) are not generally considered central by either mainstream or heterodox economists
- Example: Piketty characterises capitalism as Patrimonial but not Patriarchal
- There are many critiques of Piketty by heterodox economists, a few by feminist economists, eg Perrons (2014) 'Gendering inequality; a note on Piketty's *Capital in Twenty-First Century*' *British Journal of Sociology*, 65(4)
- As a feminist, I will focus on the absence of gender analysis, using four examples: use of data; labour market analysis ; importance of inheritance; relation between rate of return on 'capital' and economic growth

# Piketty's Charts

- Piketty presents empirical evidence in a very accessible way- charts of the share of the top 10 % or 1% in income and wealth for selected countries over the course of 20<sup>th</sup> century
- But he does not make it clear whether the charts refer to top 10% or 1% of households or of people
- In fact it is a mixture, because the data source is tax returns, and in some countries there is individual filing and in others , joint filing by married couples ( see World Top Incomes Database, <http://www.inet.ox.ac.uk/projects/view/14>)
- And he does not discuss the gender composition ( or race/ ethnicity composition) of these groups

# Piketty's Charts: Gender Issues

- Oxfam (2016) *Women and the 1%*, reports that:
  - of the 62 individuals who own as much wealth as the poorest half of the world, 9 are women
  - of the 500 richest people in the world, 551 are men

(Data are from Forbes (2016) *The World's Billionaires*)
- The rich do not only possess wealth, they have a huge impact on economic and social policy
- Since tax returns often include sex of the tax filer, it would be possible to see how far looking at the raw data in the tax returns can provide information on the gender characteristics of the rich

# Piketty's Analysis of Labour Market

- Rising earnings inequality a key factor in rising income inequality since 1970s, especially in Anglo-Saxon countries
- Picketty emphasises rise of supermanagers
- Rejects marginal productivity as explanation of their earnings
- Supermanagers are in a position to set their own salaries , subject to the 'prevailing social norms '
- But offers no explanation of how these norms are created and sustained, and the power relations that underpin them
- Does not mention that intrinsic incompleteness of all contracts requires social norms for all contracts to function
- Marginal productivity theory retained for understanding pay of low income workers, such as assembly line workers or fast food servers , because of low skills and technology that makes jobs replicable and workers interchangeable

# Gender and Labour Market Norms

- If Piketty had conducted a gender analysis of the labour market, he would have had more insight into the role of social norms in structuring labour markets, throughout the pay distribution
- Social norms that posit certain people as meriting high pay and others low pay are facilitated by structured systems of social power, such as gender and race
- If supermanagers predominantly come from the same social group, they are likely to be supportive of the idea that all supermanagers merit high pay
- Social norms also influence determination of low pay, for instance via perceptions of workers' 'natural abilities', skills and interchangeability
- NB Tacit skills are disregarded and possession of a certificate is essential for skill recognition

# Gender of the Top 1% earners in Europe

- Denk (2015) 'Who are the top 1% earners in Europe', OECD Economics Department Working Paper No. 1274
- Uses data from 2010 Eurostat Structure of Earnings Survey administered to employers 18 EU countries , covering employees, but not self employed
- The share of men, on average is 80-85%, and in two countries, Germany and Luxembourg is more than 90%
- Men's share of employees as a whole is just over 50%
- No data on race/ethnicity
- Corporate executive remuneration committees are mainly men, approving high pay for people like themselves

# Low Pay: the Conundrum of Paid Care Work

- Paid care employment is as large as construction employment but Piketty does not mention this type of work
- The pay of care workers is low but care jobs are not mechanically replicable and workers are not interchangeable from the point of view of those receiving care
- Care capitalists do try to impose 'value forms' of labour but this reduces quality of care and is resisted by workers and care recipients
- As Perrons (2014) suggests, care workers are more like players in a string quartet- attempts to increase productivity tend to ruin the product
- Low pay can only be understood in terms of way this work is gendered and racialized
- Seen as work women are 'naturally' suited for, not requiring much training, therefore 'low skilled', particularly suitable for ethnic minority women and migrant women, who have least bargaining power
- Improvement in pay and conditions of care work must be addressed independently of productivity and focus on quality, and public provision

# Patrimonial Capitalism

- Piketty defines capitalism as 'patrimonial' when inheritance of wealth is key driver in inequality of wealth
- 'In all societies, there are two main ways of accumulating wealth: through work and through inheritance' (p. 379)
- In the rich countries, inherited wealth was important in 18th and 19th centuries, declined in period 1914-1970, and is once again increasing in importance
- Theft and pillage mentioned in footnote as 'not totally without historical significance' (!)
- Main concern is to displace ideas of 'meritocratic' capitalism, but does not recognize that earnings of some are rooted in appropriation of surplus created by others
- As Jayati Ghosh notes, in *Real World Economics Review* , no 69, 2014, this discussion of role of inheritance 'makes some insightful points' .But is seriously incomplete.

# Patrimonial Capitalism and Social Reproduction

- Patrimony is not seen as gendered, even though many of the examples Piketty discusses from 19th century novels show that patrimony was patriarchal-women had fewer inheritance rights, men controlled the property of their wives, who did not have their own earnings
- Overt patriarchy has declined in rich countries, but resurgent patrimonial capitalism is gendered in more subtle ways, in its implications for social reproduction
- I hypothesize that when inherited wealth declined, it was easier to get a broad cross-class alliance on investment in public services, and to 'socialise' much of social reproduction
- With resurgence of inherited wealth, middle classes more able to privatise their social reproduction-private health and education, paid domestic workers
- Decline in support for public provision financed by higher taxes, with particularly adverse impact on low income women

# What Drives Inequality? $r > g$ ?

- Picketty frames discussion of drivers of inequality in terms of relation between rate of return on 'capital' and the rate of growth of output
- $r$  'depends on many technological, psychological, social and cultural factors' (p.361) ( implied to be exogenous to economy)
- But nevertheless,  $r$  tends to persist on average at between 4 and 5 %, except when there is an 'exogenous' shock ( war, revolution etc.)
- $g$  depends on productivity and population increases (which are treated as exogenous) both of which are now falling
- 'Decreased growth-especially demographic growth-is thus responsible for capital's comeback' ( p.166)
- Feminist critique:  $r$  and  $g$  are gendered and endogenously determined

# Feminist Critique : g and Demographic Change

- Fertility decisions are not simply private, individual choices
- Depend on gendered economic institutions: women's access to public services ( reproductive health services, care services, education services) and to women's earning opportunities
- Perrons (2014) points out that European countries with better childcare services have higher fertility ( and thus less requirement for unpaid work)
- Labour supply is not exogenously determined by population growth
- Ghosh (2014) points out that capitalism has always generated a supply of labour to adjust to demand , including through changing labour force participation of women

# Feminist Critique : g and Productivity Change

- Productivity increases not exogenously determined by technological change
- They depend on gendered processes of creating human capabilities – are people equipped to use the new technologies, can they work together to use it?
- Elson ( 1998) ‘The economic, the political and the domestic: businesses, states and households in the organisation of production’, *New Political Economy*, 3 (2) argues that fundamental to this is unpaid work ( especially of women) in rearing children: Skill building and socialization begins at home
- Productivity is constrained by discrimination against women ( and other social groups) in access to productive resources ( UN Women 2015)

# Feminist Critique: $r$ and Costs of Social Reproduction

- Underpinning  $r$  are processes of production in which a surplus is extracted ( which heterodox economists emphasise)
- *And* costs of social reproduction are externalized to households and communities ( which feminist economists make visible- see Picchio (1992) *Social Reproduction*, Cambridge University Press)
- The task of turning the ‘historically and socially determined’ wage into the means for reproduction of this and future generation of workers falls primarily to women
- The more costs of social reproduction can be externalized the higher is  $r$  ( directly because this weakens bargaining power of workers, especially women workers; indirectly because there is less pressure for taxation to fund public services )

# Limits to Externalization of Costs of Social Reproduction

- There is a tension between the benefits to owners of capital of externalizing costs of social reproduction and securing the type of labour force new technologies require
- Women's unpaid work is not able to completely substitute for goods and services that can be bought in the market or supplied by the state-see Elson ( ed.) (1991) *Male Bias in the Development Process*
- But nor can paid work completely substitute for unpaid work
- Both value and non-value forms of labour are required for capital accumulation
- So social reproduction is intrinsically a site of struggle, closely linked to struggle for gender equality
- Relation between  $r$  and  $g$  is shaped by outcome of struggle for gender equality, as well as struggles about wages and conditions of paid work

# Conclusions

- ‘Economic inequality’ and ‘gender inequality’ are intrinsically intertwined
- Attempts to understand ‘economic inequality’ without taking into account the gendered character of economies are incomplete and often misleading
- We must guard against reductions in inter-household income inequality being achieved at the cost of increasing total working day and intensity of work of many women
- Reversing increases in economic inequality requires policies and struggles that reshape both processes of production and social reproduction, paid labour and unpaid labour