Feminist Economics **8(1)**, 2002, 49–70

Making Visible the Hidden Economy: The Case for Gender-Impact Analysis of Economic Policy

Susan Himmelweit

ABSTRACT

This paper makes the case for analyzing the gender impact of economic policy, based on the existence of an unpaid as well as a paid economy and on structural differences between men's and women's positions across the two economies. Economic policy is targeted on the paid economy. However, unintended impacts on the unpaid care economy may limit how effective any policy can be. Gender-impact assessment will not only make the effects of economic policies on gender inequalities transparent; it will also enable policy makers to achieve all their goals more effectively, whether or not these goals relate explicitly to gender. The introduction in the UK of a new Working Families' Tax Credit (WFTC), designed to make employment pay and help reduce child poverty, provides an example of how gender-impact assessment could have been used to improve an initial policy design. The paper also suggests criteria for evaluating economic policy, so that its full gender impact and its effects on both paid and caring economies can be assessed.

KEYWORDS

Gender-impact assessment, economic policy, tax and benefit system, paid and unpaid economies, care

INTRODUCTION

This paper draws on the experience of the UK Women's Budget Group (WBG), a think-tank of women policy experts, based mostly in universities, trade unions, and nongovernmental organizations (NGOs), concerned with the gender implications of economic policy. Besides lobbying for particular economic policies to benefit women, the main aim of the WBG has been to persuade British treasury ministers to produce a gender-impact assessment of the annual national budget and to consider, at every stage of policy formulation, the gender implications of their economic policies.

Feminist Economics ISSN 1354-5701 print/ISSN 1466-4372 online © 2002 IAFFE
http://www.tandf.co.uk/journals
DOI: 10.1080/13545700110104864

This paper attempts to make the case for gender impact analysis of all economic policy, in the UK and elsewhere, based on both equity and efficiency considerations. Such a case rests on the existence of structural differences between the economic positions of men and women. These differences are found in the uneven division of men and women's labor across the mutually dependent paid and unpaid economies. It is the unpaid economy that tends to be invisible to policy makers until gender analysis uncovers it. Gender-impact assessment is therefore essential for policy makers if they want to take into account the effects of economic policy on both economies.

The recent introduction in the UK of a Working Families' Tax Credit (WFTC), designed to make employment pay and thus help people make the transition from welfare to paid work, provides an example of how gender-impact assessment could have been used to improve a policy's initial design. Government proposals for changes to the WFTC suggest that policy makers have subsequently paid some attention to its gender impact, and the new tax credits designed to replace it will overcome some, but not all, of its deleterious effects. This example arises from the particular tax and benefit system of the UK. However, the issues underlying its analysis stem from the unequal division of caring responsibilities by gender, a division that exists, albeit in different forms, in all economies. It is therefore likely that similar issues will be relevant to the gender analysis of policy in many other countries.

I WHY ANALYZE THE GENDER IMPACT OF ECONOMIC POLICY?

One argument for analyzing the gender impact of policy is an *equity* one: in order to make outcomes fairer between men and women, it is important to understand and make visible the different effects of policies on them. This argument focuses on redressing inequality, by ensuring that policies do not exacerbate, and if possible ameliorate, existing inequalities. This process involves assessing the direct and indirect impacts of any budget measures on existing gender inequalities, and using that assessment as a factor in deciding whether those measures should proceed. Gender inequalities occur in a number of areas. On which ones analysis should focus will depend on where the impacts of the policy under consideration are likely to lie. For example, a change in fuel tax is likely to have its strongest impacts on gender inequalities in access to transport, employment opportunities, and disposable income.

Policy makers usually have several objectives, most of which do not relate explicitly to gender. In many cases, policy makers may be considering a range of alternative policies to meet their objectives. At the policy formation stage, gender analysis can be used to help select those policies that also address gender inequalities. When the policies under consideration would worsen gender inequalities, gender analysis, by revealing this, can strengthen the case for counteracting policies to remedy these effects. Moreover, even if policy makers do not include gender considerations in policy formation, a requirement that they produce a gender-impact assessment of the results of their policies can create political pressure to ensure that they deliver better results in tackling gender inequalities in the future.

However, there is also an *efficiency* argument for gender-impact analysis. Women and men may respond differently to policies. When the behavioral impact of a policy is gendered, it is inefficient for policy makers to overlook it. Detecting such an impact requires examining not only a policy's direct effects on gender inequalities, but also its higher-order impacts on men's and women's behavior. More spending on public transport, for example, financed by a levy on powerful cars, may not only help redress gender inequalities in mobility, there may also be a consequent differential impact on men's and women's labor market behavior. The argument for gender impact assessment on efficiency grounds applies to any policy whose behavioral impact might be gendered, irrespective of its goals. Without an understanding of its gender-specific impact, such policy will be badly targeted and therefore, at worst, ineffective in achieving its goals. This argument for gender analysis should appeal to all policy makers, whether or not gender inequalities are the focus of policies under consideration.

Using the efficiency argument might seem a retreat from the more explicitly feminist argument for gender-impact analysis based on promoting equality. Yet, in practice, the efficiency argument is a *more* radical approach, because it requires policy makers to challenge the boundaries between economic and social policy making by tracing the effects of economic policy outside the traditional economic domain.

To complete the argument that gender matters to efficiency, it is necessary to show why many, indeed most, policies are likely to have gendered behavioral impacts. This requires showing that men and women are systematically differently placed in the economy, so that they face different constraints, assume different socially determined responsibilities, and consequently are likely to behave differently in response to policy. If this is true, then the differential gender impact of policy is not fortuitous but structural, and the underlying causes of such gender differences have to be taken into account in all policy making.

Making the case for this claim rests on showing that the impact of economic policy depends not only on its effects on the paid economy, the recognized target of such policy, but also on its effects on an unpaid economy based on caring activities, which is less visible to economic policy makers. Further, the paid economy depends on this unpaid economy; so effective economic policy making must reckon with both economies, even when the paid economy is the sole focus of concern. Because men and women play

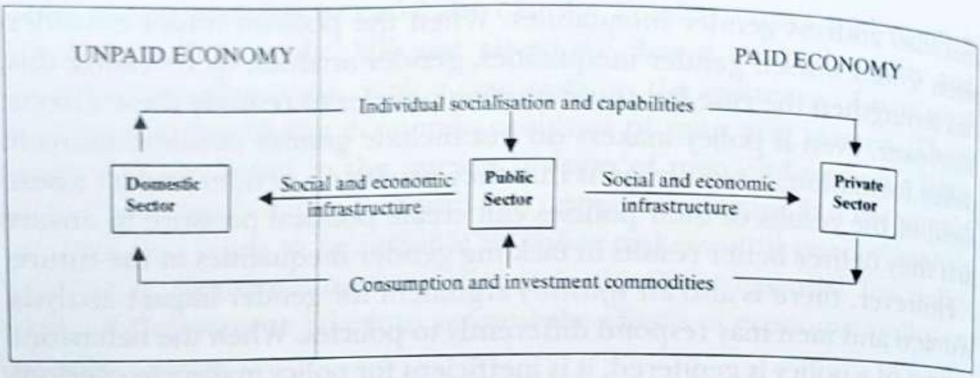

Figure 1 The interdependence of the paid and unpaid economies
Source: modified from Diane Elson (1997)

different roles in these two mutually dependent economies, any economic policy will have gender effects, and these will affect its impact. Therefore, on efficiency grounds, as well as more established equity grounds, gender analysis will improve policy making.

II THE PAID AND THE UNPAID CARE ECONOMIES

Conventional economic analysis tends to see "work" as paid employment. Indeed, until recently, the UK's National Accounts counted only remunerated work as employment.[1] However, the economy does not depend solely on paid work. Economic life equally depends on unpaid activities carried out within a domestic sector. This sector provides caring services directly to household members as well as to the wider community, and these are vital to individual socialization and to the production and maintenance of human capabilities upon which economic life depends. The connections between the unpaid care economy and the private and public sectors of the paid economy are represented in Figure 1, which shows the flows of the characteristic *net* contribution of each sector to the rest of the economy. The unpaid economy consists of the domestic sector that contributes to individual socialization and to the production and maintenance of human capabilities. The paid economy contains both the public sector, which contributes to the social and economic infrastructure, and the private commodity-producing sector. However, each sector can and does produce other outputs. For example, caring services that contribute to individual socialization and to the production and maintenance of human capabilities can also be provided by paid employees in the public and private sectors. In these sectors, such services would then take the form of infrastructural public services or commodities produced for profit, instead of unpaid care work within a household.[2]

Figure 1 shows the interdependence of the two economies. While policy makers often note the dependence of the public sector on the wealth-generating characteristics of the private sector, other interdependencies between the sectors are less frequently recognized. Unpaid care work in the domestic sector produces and maintains the labor force, aided by inputs (for example, health and education services) that the public sector provides. The domestic sector of the unpaid care economy also plays a crucial role in individual socialization, thereby developing the social fabric, the sense of community, civic responsibility and norms that maintain trust, goodwill, and social order. These two factors – the social fabric and a healthy and educated labor force – are essential, together with a functioning social and economic infrastructure, the net product of the public sector, to the private sector's ability to generate wealth. Further, although the labor within it is unpaid, the domestic sector requires maintenance and investment; it needs both consumption and investment goods from the private sector and infrastructural services from the public sector.

Policy makers, even if focused on the paid economy, need to be aware of these interdependencies when they consider the impact of their policies. Policies that increase the output of one sector by diminishing that of another may not succeed in meeting their aims, unless compensatory provision is made for the specific outputs lost. For example, any policy that results in a reduction of the caring services offered by the unpaid economy, and does not provide for their being supplied elsewhere, will have a deleterious effect on individual socialization and human capabilities and thus on the labor force and social fabric upon which the economy as a whole depends.

Men and women work in all three sectors. However, there is a gender division of labor across them, and it is mainly women's time that is stretched between work in the unpaid economy and the two sectors of the paid economy. When a person takes a job, some quantity of that person's time moves between the two economies, from the unpaid economy to the paid economy. However, although the amount of time gained for the paid economy is usually specified in the labor contract, how much time is lost from the unpaid sector depends on what that person was previously doing. For this reason, women tend to make employment decisions on a different basis from men. In general, men's decisions about employment roughly conform to economic theory's representation of the issue, in which wages are simply payment for loss of leisure time. For many women, the situation is more complicated. The net financial gain to a woman of employment is often less than her wage, since she may have to spend some of her earnings on providing substitutes for her own unpaid caring labor. Correspondingly, if she does find substitutes for most of her previous work, the net effect on her leisure time of taking employment will be smaller than on a man's. This explains the well-known result that the wage elasticity of women's labor supply is generally greater than that of men's. For the wage rate is crucial to a woman with caring responsibilities in deciding how many hours of paid work to take on or even whether she should take a job at all, since the loss of her caring work from the unpaid economy creates a real cost that has to be paid.[3]

Caring work removed from the unpaid economy is a cost not only to households but also to society. The gains realized from increased employment of people with caring responsibilities in the public or private sectors of the economy must be balanced against losses in the output of the unpaid economy. The impact of a policy that encourages people to enter the labor market on the need for caring services to be provided in the paid economy will vary according to whether those who move into employment currently provide unpaid caring services. National accounting systems and budgetary procedures that do not take account of such losses make the transfer of labor from the unpaid care economy into employment appear costless.

When labor is transferred from the unpaid to the paid economy, growth rates in the paid economy are artificially inflated (Kathleen Cloud and Nancy Garrett 1996). Such artificially inflated growth rates cannot be maintained, for there is a limit to the reserves that can be called on from the unpaid care economy and, long before that limit is reached, the consequences for society may make further reductions of the care economy unsustainable. Of course, in many cases, there are alternatives; state provision of care for both children and elderly people enables women in Scandinavia to participate in the paid economy at nearly as high a rate as men. In other economies, individuals can purchase market solutions to care needs, provided they have the money to pay for them. If, in pursuit of higher rates of growth, economic policy makers seek to move people's time from the unpaid economy to the paid economy, desired outcomes will not be achieved unless the full ramifications are recognized, planned, and budgeted for. Ignoring the unpaid care economy encourages the view, which does not accurately reflect even men's lives, that all time outside employment is a costless resource for economic policy to exploit.

Similarly, changes in the provision of care services by other sectors of the economy, for example in the public provision of community care, will affect not only the recipients of such care, but also the availability for employment and need for financial support of those people who provide care within the unpaid economy. This is not to argue against the transfer of labor time between sectors, but to suggest that policy makers examine the overall costs and benefits to society of any policy that results in such a transfer. Care is a vital input to the rest of the economy. If insufficient time and resources are devoted to it, productivity will suffer as human capabilities deteriorate and the social fabric is inadequately maintained. Taking a one-sided picture in which only the paid economy counts will not produce a balanced picture, and distorted and inefficient outcomes will result.

III DIFFERENCES BETWEEN THE UNPAID CARE ECONOMY AND THE PAID ECONOMY

Any analysis of the impact of economic policy must take into account fundamental differences between the paid and unpaid economies. First, a range of motivations cause people to care for others and perform unpaid work. In particular, in the unpaid economy a sense of responsibility constructed by gendered social norms is more significant as a motivation than the direct maximization of individual reward. The assumption that people are motivated primarily by self-interest, while often simplistic in the paid economy, makes little sense when applied to situations in which the work is not directly rewarded at all (Nancy Folbre and Thomas Weisskopf 1997).

The importance of social norms in allocating responsibilities in the unpaid economy suggests that people do not necessarily respond in the expected way to incentives and disincentives when it comes to providing care. When the influence of social norms is significant, the effects of material incentives may be either very attenuated or, alternatively, much stronger than when purely monetary considerations are involved. For example, the response of a woman to an increase in material incentives to take employment may be small if she looks after her children full-time and feels that to be the best form of care for them. She may believe that alternative forms of care are not as good as her own, and so may "choose" poverty for herself and her children, rather than allow them to be inadequately cared for (Simon Duncan and Rosalind Edwards 1999). If many mothers of young children agree with her, there will then be only a weak response to economic incentives designed to boost mothers' labor force participation. Only those women will respond for whom the effect of the incentives on material considerations just happens to tip the balance of considerations based on social norms.

On the other hand, the behavior of others is a significant factor in establishing and sustaining social norms concerning appropriate behavior. This means that norms can change quite rapidly. When a few mothers demonstrate that, despite taking employment, their children are adequately cared for, other mothers may shift their ideas quite rapidly. This can cause a process of cumulative change, by which a small shift in behavior causes a change in norms which causes a larger change in behavior and thus a larger change in norms and so on (Susan Himmelweit 2002). This means that in taking account of the unpaid economy, any analysis of the impacts of economic policy must include not only direct effects, for example on individual incomes, and second-order incentive effects on behavior but, also, any consequent effects on social norms. And these higher-order impacts may be more gendered than the first-order distributional impact.[4]

Another distinctive feature of the unpaid economy is that those who work in it cannot delegate all their tasks to others. Although some aspects of unpaid work can be turned into purchased commodities, other aspects are only imperfectly commodified (Margaret Radin 1996). Caring is not only the performance of physical tasks but also the development of a relationship (Susan Himmelweit 1999). Although paid employees can care for children and do it well, the relationships they are building with those children are their own; they cannot build the parents' relationship for them. Hence, when a parent spends time away from her child in paid employment, she must fit building that relationship into her remaining time.[5]

Further, because caring is often combined with other types of domestic tasks, when a parent who had previously been a full-time unpaid care-giver takes up paid employment, her overall working time increases as those other domestic tasks remain to be done. Unless their children are cared for during their hours of employment, mothers with young children cannot take employment. However, most other domestic tasks are more flexible and can be done at any time of day. Childcare is therefore the one domestic activity to which women in employment devote considerably less time than mothers without jobs; the savings on other domestic tasks are much less. In the UK, women were found overall to spend only 28 fewer minutes on domestic work for each extra 100 minutes of paid work they took on (Jonathan Gershuny and John Robinson 1988: 549; Sara Horrell 1994: 212).

This may in turn affect the *quality* of care that can be given in the remaining hours of the day, for care is not just a quantitative issue but a qualitative one. We are accustomed to recognizing the quality of care as an issue for social policy. However, it is also germane to economic policy because any impact on the unpaid care economy that affects the quality of the labor force and the social fabric may in turn have a significant impact on economic outcomes.

Further, unlike in many other types of work, productivity increases in caring are unlikely to result in less time being required for it, although they may improve the quality of care (Susan Donath 2000). Personal relationships form the basis of care, and these cannot be stretched across too many people and remain personal. Thus, it is unlikely that society can significantly reduce the total amount of time devoted to caring labor across the whole economy without damaging the quality of care provided. Shifts in the sector in which some caring labor takes place may deliver some increases in productivity. For example, a parent who cares for one child at home, even if she combines other tasks with childcare, is unlikely to match the overall productivity of a worker in a childcare center with a much higher child-to-adult ratio. In the long run, however, we cannot expect continued productivity increases or savings of total time to result merely from turning care into a commodity (or a public service). Nor should such savings of caring time be the goal of economic policy. One of the benefits of economic growth and increasing productivity is to allow societies the choice of devoting more time to caring and other activities worthwhile in their own right.

IV GENDER ANALYSIS OF THE PAID AND UNPAID ECONOMIES

Gender-impact analysis must therefore examine the effects of any economic policy on both the paid and unpaid economies, disaggregating these effects by gender. The most significant gender division of labor is that *between* the two economies. Women still devote the majority of their working time to the unpaid economy and men devote theirs to the paid economy in both developed and developing countries (United Nations Development Programme 1995). Given this disparity, the overall distributional effect of policies that improve the conditions of paid work over unpaid work will be to worsen gender inequality, unless those policies are specifically targeted on improving women's conditions. For example, reducing income tax in order to cut public expenditure will in general worsen gender inequality. Cutting direct taxes will benefit paid workers, with a bigger impact on men than women, and thus exacerbate income inequality between men and women. Reducing public expenditure will impact both men and women as users of public services, but will have a particular gender effect if the cuts are imposed on the parts of the public sector that provide caring services or on the infrastructure and inputs that the unpaid care economy uses, such as day-care services for the elderly or drop-in centers for mothers with small children. Such cuts will worsen the conditions of unpaid work and impose extra caring work that women are more likely to assume than men. Indeed, if such extra unpaid work has the effect of preventing women taking employment, the direct gender impact will be reinforced by a behavioral impact that exacerbates an already unequal gender division of labor. Conversely, the gender impact of raising income tax in order to improve childcare services, for example, will be to diminish gender inequalities in both income distribution and access to employment opportunities.

Work within the paid economy is also gendered, which means that labor-market and industrial policies have gender effects. For example, efforts to retain jobs in certain industries will save more men's jobs than women's. In the UK, closures of large car manufacturing and ship-building plants have generated far more government attention and money over the past few years than the steady decline of clothing manufacture, though there has been little comment on the gender implications of this. Moreover, the shift of employment from manufacturing to services occurring in most developed economies creates jobs for women faster than it destroys men's employment. Industrial policies that attempt to slow down this trend because service jobs are seen as less worthwhile than manufacturing are inadvertently putting more value on men's than women's employment. Gender analysis would at least point out these effects and might result in different policies that give more attention to creating gender equality in employment by improving pay and conditions in the new service jobs.

However, although the paid economy is gendered in many ways, it is the unpaid economy that is fundamentally structured by gender. This is because most caring responsibilities are allocated within households formed on the basis of gender. Thus, there are two aspects to the gender division of labor between paid and unpaid economies. It is not only that women *overall* tend to do more unpaid caring work than men. It is also that an internal division of labor within households allocates that work, and if a woman shares her household with another adult, it is likely that that other adult does less unpaid caring work than she does. This is not, of course, true for women who share their household with other women, although the allocation of caring work may in practice still be unequal. The following analysis of the effects of unequal sharing applies to all households, although not necessarily the gender implications.[6]

A man and a woman who share a household have some interests in common; generally they will both gain from increased resources going to that household. However, there will also be some conflicts of interest; in particular, they may want those resources to be used in different ways. The relative bargaining power of members of a household determines how that household's resources are used. Accordingly, assessing the full gender impact of a policy requires examining how it impinges not only on men and women as individuals, but also on the households in which they live and their individual bargaining power within their households. Changes that have similar effects on a household's total income and employment time will have different outcomes according to how that money and time is distributed between women and men within the household. In general, it seems that the more money a woman is perceived to contribute to her household, the more bargaining power she has within the household over the distribution of all its resources, including both its income and its time.

Existing household bargaining models differ in why they consider that each individual's income influences their bargaining power over how the household's total income is spent.[7] This has implications for how each model sees gender operating within a heterosexual married couple. According to "divorce threat" models, a woman's bargaining power is determined by the income that she can rely on even if her marriage does not survive (Marilyn Manser and Murray Brown 1980; Marjorie McElroy and Mary Jean Horney 1981). In "separate spheres" models, the woman's bargaining power is determined by the income she personally receives (Shelly Lundberg and Robert Pollak 1993). In Amartya Sen's model, which includes perceptions as well as income, individuals' bargaining power depends on their perceived contributions to the household (Amartya Sen 1990). Thus, a woman – or anyone doing the bulk of caring work – can lose bargaining power because her contribution of unpaid labor is less visible than her partner's financial contribution. In all of these models, a policy that provides employment opportunities for those with caring responsibilities will lessen gender inequalities by benefiting women in two ways. First, their household income will rise, and second, women will have more say over how that income is spent.

The models give divergent analyses of why women's bargaining power is improved by allowances for children, such as child benefit in the UK, a non means-tested payment for each child that goes to the main carer, who, by default, is taken to be the mother. In the "separate spheres" model, child benefit gives women more bargaining power because it is paid directly to her. In the "divorce threat" model, child benefit affects household bargaining because it is income the women will continue to receive after divorce (assuming she gets custody of the children); it does not matter who actually receives it when the marriage is intact. In Sen's perception model, the effect depends on how child benefit is perceived, whether as the woman's contribution to household income or simply as a state subsidy to the whole family.

Bargaining power is not necessarily used to gain resources for oneself, but to bargain for what one thinks is most important. Perhaps because of their greater involvement in childcare, women generally make their children's welfare a higher priority than do men. Studies have shown that, throughout the world, any additional income has more effect on the welfare of children if paid to mothers rather than fathers (Judith Bruce and Daisy Dwyer 1988; Diane Elson 2000). A tax change that resulted in women generally having lower disposable income and men more, even if average household income remained unchanged, would have a deleterious effect on children's welfare. In the UK, child benefit was introduced in 1975 to eventually replace a tax allowance for children that had largely been received by fathers. The introduction of child benefit gave greater autonomy and control of money to women and resulted not only in increased spending on women, but increased household spending on children too (Shelly Lundberg, Robert Pollak, and T. J. Wales 1995). Tracing gender effects such as these, which are consequences of the different life-styles, priorities, and distribution of power between men and women, is an important step in understanding whether polices will be effective in meeting their goals. Without gender-impact analysis, we can only guess at such effects.

Similarly, any policy whose impact is to worsen gender inequality within households will result in a shift in resources and power away from women toward men and thus away from women's priorities toward men's. Therefore, in the case of tax and public expenditure cuts considered earlier, not only will the care provided by the public sector decrease, but also the shift in power within households may alter how household resources are used, in a less caring direction. In order to assess whether such cuts in public expenditure are a worthwhile saving, their full ramifications on the quality of care and thus on the productivity of the economy as a whole have to be considered. This can only be done through analysis that recognizes the gendered nature of both the paid and the unpaid economies and the interconnections between them.

To capture the full gender effects of any policy, however, it is not enough simply to look at its effects on the position of individuals in their current households. Households are not stable units and people will be part of a variety of households and play different roles within them in the course of a lifetime. It is necessary to consider the effects of policies on men and women not only within their current households but, also, within whatever households they may live in the future.

For example, in the UK, women with small children in general are on average employed for shorter hours than those without children, while for men it is the other way around. This situation reinforces gender norms, since it makes sense for a family's current income that the woman, if she cannot earn as much her husband, should be the one to fit her employment around her children's needs. Her husband may have to put in extra hours of paid labor to make up any shortfall in family income, an arrangement that will weaken her earning power and strengthen his. The short-term gender effect of this will be on bargaining power within the household, but the longer-term effects on the woman's access to the labor market may be much more serious, especially if she finds herself on her own later in life. Policies that provide incentives for households to continue with a traditional division of labor, such as transferable tax allowances between men and women, reinforce existing inequalities not only in the short-term but also more crucially in the long-term.

Due to periods spent in the unpaid economy, women lead more varied lives than men. In the course of her lifetime, a woman may play many roles that straddle the paid and unpaid economies in a variety of ways. Each period in or out of the labor market has long-term effects on a woman's earnings and her power within her household, and thus on her control of resources. Women pay the price for periods spent caring for others throughout their lifetime. In particular, by the time they reach pensionable age, most women have built up far fewer financial resources to see them through old age than men. Understanding the full gender impact of policies requires taking a dynamic lifetime perspective to ensure that long-term as well as short-term effects are taken into account.

V AN EXAMPLE FROM THE UK: THE WORKING FAMILIES' TAX CREDIT

The previous section of this paper demonstrated how economic policy can impact gender inequalities at a number of levels, through effects on individual and household incomes, the division of men's and women's time between paid and unpaid economies, and the distribution of bargaining power within households. Moreover, the behavioral effects of a policy can have long-term consequences, so that a lifetime perspective is required fully to assess a policy's gender impact and its overall effectiveness. One policy that illustrates how gender effects at all these levels have to be taken into account is the Working Families' Tax Credit, a recent addition to the tax and benefit system in the UK.

Like the tax and benefit systems of many developed countries, that of the UK reflects an uneasy compromize between an individual-based taxation system and a family-based welfare system. Feminists and others considered it a great victory for women when, in 1989, the taxation system was reformed so that everyone declared and paid tax on their own individual incomes. Before 1989, there was joint taxation of husbands and wives, and married women were required to reveal their incomes to their husbands, although they had no equivalent right to know what their husbands earned.[8]

However, the welfare system is still family-based, a vestige of the traditional male breadwinner/female care-giver family pattern for which it was designed. This vestige has gained a new lease on life as the welfare system is increasingly reduced to a safety-net system, in which most benefits are means-tested on family income. Income Support, the basic, safety net welfare payment, must be claimed on behalf of a family by one member, to whom it is then paid. Although the level at which Income Support is paid depends on the size of family and the income of all its members, members of the family other than the claimant have no independent access to Income Support.[9]

The taxation and benefit systems therefore pose different gender issues. A number of dilemmas also arise from the relationship between the two. Independent taxation is less progressive between households than joint taxation, because the incomes of partners are highly correlated. Inter-household inequality is an aspect of gender inequality; women are disproportionately members of poorer households that would gain from a more progressive system. However, separate taxation means that men and women are taxed on, and therefore, face incentives based on their own income alone. This can be seen as a step towards gender equality in employment, since it favors a household with two earners over a single-earner household with the same income. Separate taxation also improves women's bargaining power within their households; as women usually earn less than their husbands, wives will generally gain from being taxed at an individual, rather than a joint, rate.

On the other hand, a welfare system based on paying Income Support to a single member on behalf of the family tends to improve men's bargaining power. Even though either partner could be the claimant, in practice it is the man who claims and thus receives Income Support in most couples. Further, family means-testing provides a disincentive to low earners taking employment, because both partners face the same exceptionally high marginal "tax" rate as earnings by either of them reduce the amount of Income Support the claimant receives. It is a woman whose husband is unemployed who is most likely to be caught in this "unemployment trap." She may simply not be able to earn enough by taking a job to offset the loss of Income Support, especially if caring responsibilities prevent her from working long hours and/or she has childcare costs as well.

The UK government has directed its policy of "welfare to work" at raising employment and cutting welfare spending by encouraging everyone to join the labor force, especially those who would otherwise be on welfare. The government also aims to reduce the shockingly high rates of child poverty in the UK. Worried about the increasing polarization of households, particularly those with children, into "workless" no-earner households, dependent on state welfare, and dual-earner households, that benefit from the wages of two adults, government policy has focused on changing the disincentive effects of the welfare system on low earners. In 1999, the government introduced the "Working Families' Tax Credit" (WFTC), to provide an income supplement to the families of poorly paid earners with dependent children. WFTC is paid at a level dependent on family size and is meant to ensure that employment pays better than being on welfare. WFTC includes a supplement if one parent works more than 30 hours per week, but provides no additional payment if there are two earners in a family. If they receive WFTC, single parents, and couples who are both employed for more than 16 hours per week, are also eligible for a Childcare Tax Credit, which pays up to 70 percent of the costs of registered childcare. As family income rises above a certain level, WFTC is clawed back at 55 percent, a lower rate than Income Support. However, like Income Support, it is still means-tested on family income and paid to a single claimant, who need not be the wage earner.[10] WFTC replaces Family Credit, an earlier, significantly smaller supplement to the income of families with at least one parent in employment. Unlike WFTC, Family Credit was always paid to the main carer, by default the mother.

The gender effects of the WFTC have proved contradictory. On the one hand, it raises the income of a large group of families in which women predominate, since 52 percent of the recipients of WFTC are lone parents, of whom only 2 percent are fathers (Inland Revenue Statistics 2001). When combined with the Childcare Tax Credit, it was estimated that WFTC would make employment worthwhile for 24,700 to 34,000 lone parents whom Family Credit did not reach (Richard Blundell and Howard Reed 2000). Further, despite initial fears that WFTC would produce a strong "purse to wallet" effect – a shift in payments from women to men – the evidence on this is unclear. Inland Revenue Statistics (2001), which otherwise give fairly extensive data on the WFTC, do not record how many claimants are earners or partners of earners, nor their breakdown by sex. However, from discussions at the Treasury, it appears that many couples, particularly those who previously received Family Credit, may have taken the option of having WFTC paid to the partner of the earner, perhaps in order to receive it independently of the employer. If this is the case, WFTC will have strengthened women's control over household resources too.

However, because it is means-tested on joint income, WFTC has reduced the unemployment trap for first earners in couples but increased it for second earners, who are largely women, although this is mitigated by the help given in these cases with childcare costs. In 2003, when an Employment Tax Credit, available also to workers without children, replaces WFTC, this disincentive effect will be more transparent, since these potential second earners discouraged from entering employment will not necessarily have caring responsibilities.[11] As the European Community's Expert Group on Gender Employment notes, these developments "will effectively leave young people and women in households where there is a wage earner on a good salary as the main recipients of low hourly wages. This system may reinforce the gender pay gap and distorts the notion of equal pay" (Rubery 2000: 19).

The WFTC provides a clear example of a policy whose immediate distributional consequences are to reduce gender inequality between households, since women predominate in the households receiving WFTC. It will also reduce (gender) inequality within those households in which the partner of the earner is the recipient of WFTC. However, the behavioral effects of the WFTC are to reinforce existing gender divisions, by providing disincentives to employment for the partners of poorly paid men. As with Income Support, these disincentive effects arise not from any direct discrimination in the design of WFTC, but from the fact that a woman is likely to have lower earning capacity and possibly less attachment to the labor market than a man. In only 21 percent of couples receiving WFTC is the woman the main earner (Inland Revenue Statistics 2001).

These disincentive effects are not new; Family Credit also provided an employment disincentive to second earners. Indeed, Family Credit, like Income Support, was clawed back at a higher rate than WFTC. However, the disincentive effect of WFTC is more significant because it is more generous, so there is more to be clawed back from a larger range of potential earnings. The disincentive also applies to far more women because it affects those whose partners earn somewhat above minimum wage levels as well as those whose partners are unemployed or very poorly paid. The Institute of Fiscal Studies, an independent think tank, estimated that from 20,000 to 29,050 married women whose husbands were employed would drop out of employment themselves as a result of the replacement of Family Credit by WFTC (Richard Blundell and Howard Reed 2000). WFTC also introduces a disincentive to couples sharing employment and childcare. By providing an extra payment when one partner works more than 30 hours, which cannot be claimed when a couple splits these hours, it favors a traditional division of labor over one in which paid and unpaid labor is shared more equally.

In the long run, such disincentives to keeping an attachment to the labor market may prove more significant in women's lives than the higher income their families currently receive. In practice, how strongly these effects work will depend on their interaction with the childcare subsidies being provided to two-earner and lone parent households in receipt of WFTC. However, in considering policy alternatives, a policy that provided the childcare subsidy without the disincentive effects on second-earner employment might be more effective in the long-run in achieving the government aims of increasing employment and reducing welfare bills. Further, since women's earnings tend to reach children more effectively than men's, such a policy would also be a more secure way of achieving the government's aim of reducing child poverty.

VI PRINCIPLES FOR GENDER-IMPACT ANALYSIS OF ECONOMIC POLICY

The above discussion suggests some criteria by which policy makers should evaluate the gender impact of economic policy. These criteria do not incorporate policy goals in themselves, but suggest considerations to which policy makers should give attention in order that economic goals can be pursued efficiently while making visible unintended inequitable consequences. These criteria are designed to make explicit when economic policy conforms or conflicts with other policy objectives, including the promotion of equal opportunities throughout society for men and women. Although economic policy should in general be designed to reinforce rather than undermine other policy objectives, it is also important to recognize where conflicts between objectives occur in order to try to resolve them.

First Principle policy makers should assess the effects of their policies on both paid and unpaid caring economies. In particular, it should be made explicit when policies are not broadly neutral with respect to paid and unpaid work, and the cost of any incentives being provided to either paid or unpaid work should be justified.

(i) When the effect is to encourage movement into the paid economy, the social consequences of any reduction in the output of care from the unpaid economy and/or any increase in total working time for those continuing to work in the unpaid economy must be assessed.

(ii) When additional unpaid work results, the gender distribution of such work and its effect on individuals' opportunities to take paid work and contribute elsewhere in the economy must be assessed; the cost of adequate compensation for such extra work should be considered in assessing the net benefits to society.

(iii) Although time and money are not interchangeable, an evaluation of the effects of any policy on people's time should be integrated with any assessment of financial effects. Where wage rates cannot be used, estimates for the value of unpaid work can be derived from those used in constructing household satellite accounts, where available.[12] This evaluation should be at the overall societal level and broken down by gender. Distributional effects between households and between individuals within households should also be assessed.

Second Principle The distribution between men and women of the effects on both economies must be assessed. Such assessment involves three elements.

(i) The extent to which policies reinforce or break down gender inequalities in the division of time between paid and unpaid work should be taken into account; ideally polices should encourage economic autonomy and choice equally for men and women in both paid and unpaid work.
(ii) The extent to which policies promote or undercut equality within paid work should be assessed. In particular, the effects of any changes in unpaid work responsibilities on the conditions under which men and women enter the labor market should be considered.
(iii) The extent to which policies promote sharing of unpaid work between men and women should be assessed. In particular, the extent to which policies enable employment to be combined with caring responsibilities is relevant to this criterion.

Third Principle Gender equality should be assessed both between households and within them.

(i) It is important to know the gender composition of households that are gaining and households that are losing overall from proposed policy changes; in addition, analysis should focus on whether the changes reinforce or break down the disadvantages experienced by certain types of households, such as lone-parent households and pensioner households.
(ii) It is important to know how women and men are faring within their households; in particular it is important to know whether changes would reinforce or help to break down existing gender inequalities in money, work, and power within households.
(iii) Both of these issues should be assessed in terms of time as well as money.

Such analyses must be built into every stage of policy making, including research, public consultation, policy development, and presentation.

VII CONCLUSION

For gender-impact analysis to be effective, it must take into account two types of labor, paid and unpaid, and the interdependence of the sectors of the economy in which they predominate. This requires recognizing both that economic policy has effects outside the visible domain of the paid economy and that the unpaid economy affects economic policy. Specifically, it means acknowledging the importance of women's unpaid caring labor to how the economy functions as a whole.

Gender-impact analysis challenges the boundaries of economic policy by making it clear that social and economic policy are fundamentally interlinked. As economic considerations come to dominate national politics, policy-makers are already beginning to recognize this linkage. In searching for ways to improve economic performance and growth, many governments have begun to perceive that a range of what were previously considered social issues, such as childcare and the unequal employment opportunities of women, are vital to any strategy of increasing employment and productivity. This perception, combined with a strengthened control by finance ministries over spending ministries, has resulted in the UK in the remarkable phenomenon of Treasury officials having as strong views on desirable forms of childcare as on traditional macroeconomic issues.

Gender inequalities, because they produce undesirable distortions in the economy, have also begun to claim a place on the economic policy agenda. However, the recognition of the connection between the socially desirable objective of decreasing gender inequality and more traditional economic policy objectives does not always survive any apparent conflict between immediate goals. When social objectives appear to conflict with economic priorities, the latter almost inevitably take precedence. While the long-term connection between social and economic issues may be recognized, in the short term "economic" considerations in the more traditional sense of the term usually win out.

Arguing for comprehensive gender analysis of economic policy is a step in challenging that shortsighted separation of economic and social issues, and the tendency for the former to take precedence. Following through the gender implications of policies can show the long-term effects that a narrow view of the economy ignores at its peril. Analyzing the gender effects of economic policy would make governments conscious of how unpaid caring activities form a necessary support to the paid economy, and help them assess whether the long-term effects of current economic approaches are really what they intended.

Susan Himmelweit, Faculty of Social Sciences, Open University,
Walton Hall, Milton Keynes MK7 6AA, UK
e-mail: s.f.himmelweit@open.ac.uk

ACKNOWLEDGMENTS

The author would like to thank Jill Rubery, Simon Mohun, members of the Women's Budget Group, and an anonymous reviewer from *Feminist Economics* for helpful comments on an earlier draft. They bear no responsibility for any remaining errors.

NOTES

1 The UN's System of National Accounts 1993 (SNA 93), to which most national accounts conform, includes some unpaid work: that which produces marketable goods for households' own consumption. However, although the inclusion of such work makes a significant difference in some economies, in the UK and many other developed capitalist economies, the inclusion of household production of tangible goods is not as significant because most unpaid work is service production within the household or community. Unpaid services are not counted in the SNA. However, following a resolution of the Beijing World Conference on Women in 1995, many countries have begun to construct satellite accounts for unpaid household production. In the UK, the Office of National Statistics intends to produce its first full Household Satellite Account in 2002, after producing some tentative figures in Linda Murgatroyd and Henry Neuberger (1997). Household satellite accounts should be useful tools that will greatly improve the gender impact analysis of economic policy.

2 For ease of exposition, all sectors have been drawn fully located within one of the two economies, the paid or the unpaid. In practice, paid work can take place within the domestic sector, and some unpaid work may be done in both private and public sectors. Further, a full analysis should include both paid and unpaid work in the voluntary sector, a significant provider of care services and also a net contributor to the social and economic infrastructure. United Nations Development Fund for Women (UNIFEM 2000: 26, Chart 1.1) gives a complex diagram entitled "Revisioning the economy through women's eyes" that includes an NGO sector that straddles the paid and unpaid economies.

3 In practice the situation is more complicated still, since eligibility for unemployment benefits has to be taken into account. In welfare systems where having an employed male partner makes a woman ineligible for state benefits; she will be more likely to take low-paid employment, especially if she has no associated childcare costs, than people who are eligible for unemployment benefits. As a result, in the UK, where formal childcare was often unavailable in the past and remains expensive, there is a large sector of poorly paid, part-time jobs expressly designed for partnered mothers to fit around caring responsibilities. The interaction between caring responsibilities and the impact of state benefits is discussed further in the context of recent changes in UK tax and benefit policy in Section V of this paper.

4 Politicians often focus on these effects on norms. Despite the claims of traditional welfare economics that policy should be aimed at satisfying existing preferences, much of politics in practice is about influencing the norms that affect people's behavior (Cass Sunstein 1997).

5 This means that care partially fails Margaret Reid's "third person" criterion for counting an activity as unpaid work, according to which if "a third person could be paid to do the unpaid activity of a household member then it is 'work'"

(Duncan Ironmonger 1996), paraphrasing Margaret Reid's *Economics of Household Production* (1934).

6 As a norm the household consisting of a heterosexual couple and their children dominates policy thinking in most welfare regimes. Therefore, demonstrating the gender effects of their policies on people living in such households is an important step in encouraging policy makers to consider gender implications more widely.

7 See Bina Agarwal 1997 for an assessment of the benefits and limitations of bargaining models in exploring gender relations.

8 A relic of the joint taxation system disappeared only in 2000 when the married couple's allowance was withdrawn. Even now, married couples whose partners are both over 65 years can continue to claim this tax allowance as part of their age-related allowances (Inland Revenue Statistics 2001).

9 I am using the term "family" here to refer to what should technically be called a "benefit unit," a single individual or a cohabiting heterosexual couple, whether or not they are married, together with their dependent children, if any. A household may include more than one benefit unit.

10 The Government's original plan was that, unlike Family Credit which it replaced, WFTC should be paid through the wage packet in order to emphasize its connection with employment. However, after representations from a number of pressure groups, including the Women's Budget Group, the policy was changed to allow couples to choose to whom it should be paid, whether to the earner, in which case it would be paid through the wage packet, or to their partner as a cash benefit. This gave lone parents no choice over the method of payment and did not help those women who may have most need of money in their own hands, those who cannot reach agreement with their partners.

11 In 2003, WFTC will be replaced by two new credits. The first is the Integrated Child Credit (ICC), a benefit for parents that will be paid irrespective of parents' employment status and will be paid like Child Benefit, the non means-tested benefit for parents, in cash to the main carer. However, the ICC will be means-tested on parental income, thus on joint income where two parents are present. The ICC will wrap up all means-tested payments for children into one single payment that should ease the transition into employment since it will be paid in full to those both in and out of employment, with the means-test cutting in well above minimum wage levels. The employment incentive element of WFTC will be replaced by a new means tested Employment Tax Credit (ETC) that will be payable to all individuals and (heterosexual) couples with at least one wage-earner, irrespective of whether they have children. ETC will not include any element for children, will presumably be mandatorily paid through the wage packet, but otherwise will reproduce the features of WFTC, including a disincentive effect on second earners.

12 See footnote 2.

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