



## Italian G7 Presidency W7



BACKGROUND PAPER WORKING GROUP II

### *Social inequalities and the future of democracy*

Prepared by

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## Introduction

Income inequality has reached its highest level for the past half century (OECD, 2015). The polarization in disposable income between the top and the bottom of the income distribution has been often accompanied by a squeeze in the middle. Trends and prospects for the middle-income groups, which generally represent the “middle class”, are important to understand the dynamics of the distribution of wealth in societies and its effects, including for women.

Attaining a middle class standard of living has been traditionally considered a major achievement that is not easily given up. It has also been associated with opportunities for individual development and improved social status, which explains the importance that the middle class has typically attributed to investing in education, which is seen as a “passport” to a better life. The long-trend in the polarization of disposable incomes in industrialized countries seems to have been accompanied by the erosion of the middle class. This explains the fears of social decline, anxiety and unfairness that many in the middle class feel today and which is undermining social cohesion and political stability. The growth in the size of the middle class has been associated with a rise in the participation of women in the labour force. As work is the main source of income for the middle class, changes in work and employment, and in related labour market institutions and policies, have bearings for the performance of the middle class, gender equality and women’s status.

## Effects of trends in the world of work on the middle class and gender inequalities

In all EU countries higher women’s participation in the labour force and the increase in dual earners’ households contributed, prior to the 2008 financial crisis, to lifting a significant number of households to middle class status. After the crisis, the EU countries that managed to maintain relatively stable women’s employment rates (e.g. Belgium, France, the Netherlands and the Nordic countries) were more successful in countering the weakening of the middle classes, while those EU countries that experienced an increase in women’s unemployment rate (Greece, Italy) or a long-term growth in the share of women in low-wage employment (UK, Germany) saw their middle classes shrink more markedly (Vaughan-Whitehead, 2016).

Beyond labour participation, the shift in the employment structure in several G7 countries characterized by a decline in the demand for middle-skilled occupations relative to low-skilled and high-skilled jobs, and a consequent stagnation in the corresponding real earnings, has also had an impact on the middle class. Similarly, the rise as of the 1990s in non-standard forms of employment (NSFE)<sup>1</sup>, and their extension to all income categories and sectors of economic activity, has also affected the size and composition of the middle class. While these forms of employment can bring advantages to both workers and employers, they often lead to lower wage or non-wage costs. This type of employment has had a stronger impact on women (part-time) and the youth (temporary employment), and this is why a

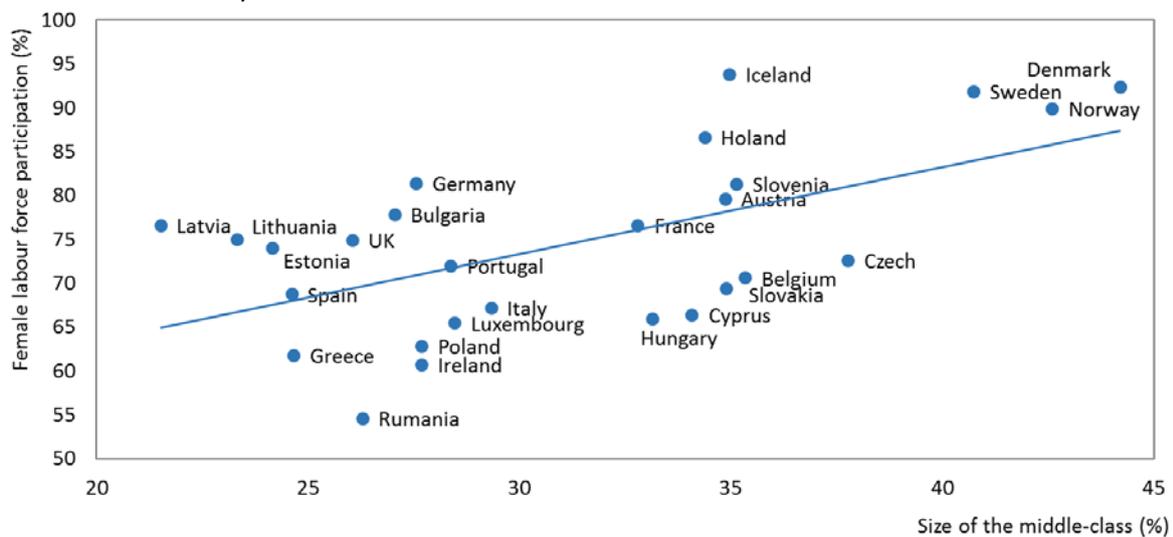
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<sup>1</sup> NSFE include: temporary employment, including fixed-term and casual employment, temporary agency work, part-time and very short hours employment, and ambiguous employment relationships. See:

significant part of the latter struggle in attaining middle-class status (Vaughan-Whitehead, 2016).

When part-time employment is involuntary and of low quality, namely does not provide for pro-rata hourly earnings and social security benefits, nor does it allow part-time workers to revert to full-time employment if they so wish and economic circumstances permitting, or deprives them of skills' upgrading possibilities, part-time can become a trap for women (ILOa 2016).

**Figure 1. Female labour force participation and the size of the core middle class group, European countries, 2011**



Source: ILO calculations based on EU-SILC.

Note: The middle-class is defined as the proportion of people with income between 80 per cent and 120 per cent of the median income value at the national level.

This suggest that, to maintain or reverse the weakening of the middle class, it is important not only that more women enter and remain in paid employment, but also that they engage in quality work. This requires looking into the obstacles that may hinder women’s access to the labour market or may contribute to their disadvantaged participation in it, and identifying the policy measures that could help overcome them.

According to a recently-released joint ILO/Gallup global survey, balancing work and family and unequal pay are mentioned by male and female respondents<sup>2</sup> as the top two challenges that working women face in industrialized economies and that stand on their way to achieving gender parity at work (Figure 2).

**Figure 2. Biggest challenge of women who work at paid jobs**

Please think about women who work at paid jobs in [country/territory] today.  
What do you think is the biggest challenge these women face?

<sup>2</sup> The survey was administered in 142 countries and territories and about 149000 adults comprising equal numbers of men and women were interviewed.

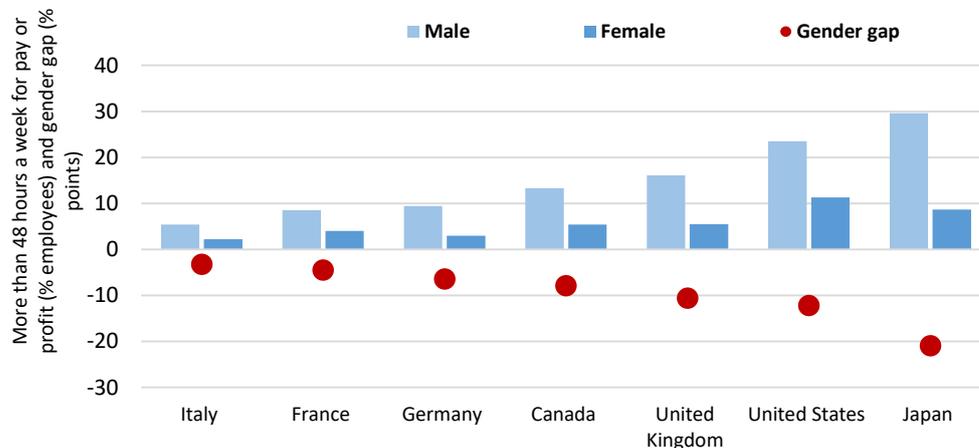


Source: ILO/Gallup joint survey

The motherhood wage penalty and the fatherhood wage bonus are an illustration of how “taxing” family responsibilities may be for working women.<sup>3</sup>

Worldwide, including in G7 countries, women spend more hours than men in unpaid work, as housework and other care work are seen mainly as a woman’s responsibility, and spend commensurately less time in paid work. This has been found to be an important factor driving gender occupational segregation and the consequent earning gaps. On the other hand, men, especially those with family responsibilities, are more likely to work long hours in paid work (Figure 3). However, when paid and unpaid work are taken together, women work on average longer hours than men (Figure 4), which restrains women’s availability to engage in paid employment.

Figure 3. Percentage of employees working more than 48 hours a week for pay or profit, and gender gap, latest available year\*

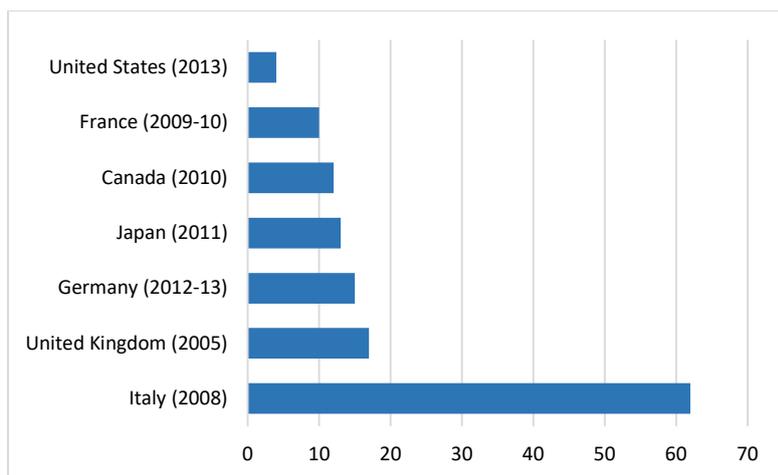


Notes: 2015 data with exceptions; 2013 in the United States.

Sources: ILOSTAT

Figure 4. Difference between women and men in the total number of minutes per week (spent on paid and unpaid work minute per week)

<sup>3</sup> Women with children tend to earn less than their female childless peers and much less than men with children and similar labour market characteristics. See J. Rubery and D. Grimshaw (ADD)



Source: ILO based on United Nations, 2015. *The World's Women 2015: Trends and Statistics*.

As societies age fast, the demand for care labour will rise. Between 2015 and 2030, the number of people in the world aged 60 years or over is projected to grow by 56 per cent, from 901 million to 1.4 billion, and by 2050, the global population of older persons is projected to reach nearly 2.1 billion. At current pace, by 2050, the percentage of population aged 60 or over in G7 countries will represent: 32.4 per cent in Canada, 31.8 per cent in France, 39.3 per cent in Germany, 40.7 per cent in Italy, 42.5 per cent in Japan, 30.7 in the United Kingdom, and 27.9 in the United States (UNDESA, 2015)

### **How to cope with an ageing population? Care and roles and responsibilities of women within and across countries.**

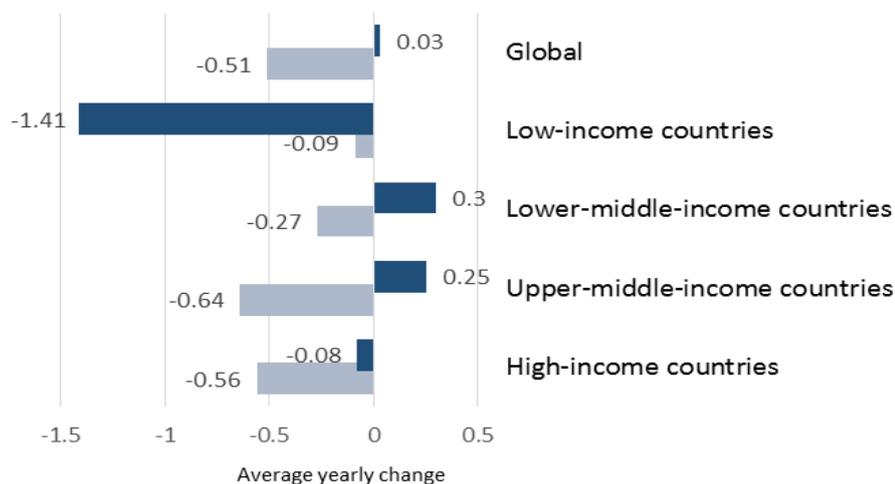
Caring for the elderly is usually more difficult, physically and emotionally, than caring for children and, yet, gaps in coverage of long-term care (LTC), including public or private support services to older persons with limited self-care ability, due either to physical or mental conditions, are serious. The ILO estimated a global shortage of 13.6 million LTC workers required to provide universal coverage to the global population aged 65 and over (Scheil-Adlung, 2015). In G7 countries, the coverage gap due to insufficient numbers of formal LTC workers ranges from virtually zero in the United Kingdom and the United States and 3.6 per cent in Japan, to 13.3 per cent in Canada, 22.9 per cent in Germany, 37.3 per cent in Italy, and 73.5 per cent in France (Ibid.)

Women, at present, are the main providers of elderly care in most parts of the world (Nussbaum, 2017). In high-income countries, such as the US, Canada or Italy, it is migrant women from the Global South who satisfy in part this demand, working as live-in care givers, domestic workers, child-minders or nurses for other working parents, while leaving their own families behind (Addati and Cheong, 2013). Conditions of work, especially of migrant domestic workers, leave often times much to be desired as national legislation may not afford them the same protections, in respect of working hours, occupational safety and health or social security on equal footing with other workers and, when it does, law enforcement may be the problem, as domestic work takes place in homes away from public sight (ILO, 2016b)

This raises the question of how to ensure the equitable division of care work between families and the State and between women and men, while respecting the dignity of the

elderly. We cannot expect that families, and women in particular, continue to bear the brunt of it with adverse consequences for the economy, society and individuals' well-being. Meeting these increasing demands is a huge challenge but it is also an important source of future job creation. To fully develop this potential the low pay and poorer working conditions and social protection of paid care workers must also be addressed. In recent years, the wage bills of health workers have fallen, sometimes dramatically. Over the first decade of this century, the remuneration of salaried health workers as a proportion of GDP remained nearly unchanged globally and decreased in terms of total health expenditure (Figure 5). To make up for low wages, health workers often resort to working multiple jobs or increasing shifts or overtime. In addition, delays in payment are frequent in many countries. The consequences include absenteeism, requests for informal payments and a brain drain of workers seeking better wages outside their home countries.

**Figure 5. Yearly change of health workers' remuneration of total health expenditure and GDP by country income level, 2000-2010 (percentages)**

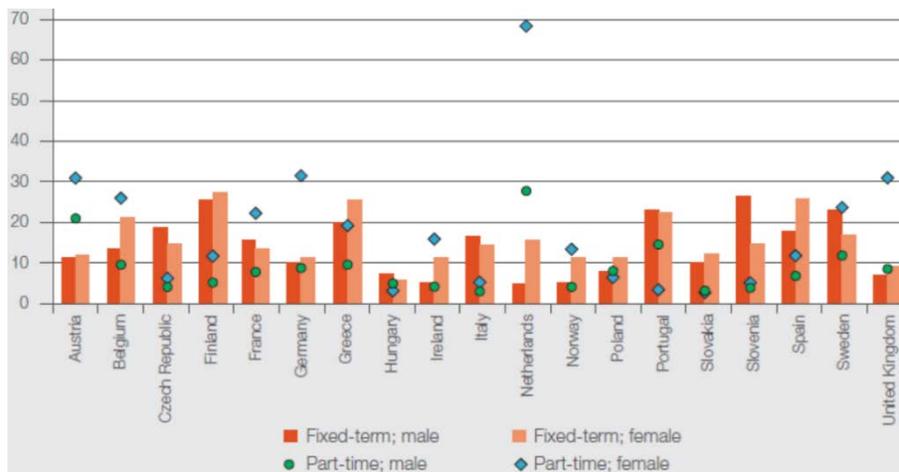


Source: ILO 2014. World Social Protection Report 2014/15, p. 112.

The stagnant and poor working conditions of care workers everywhere reflects the undervaluation of care work-whether this involves care for the old, youth or the sick-because it mirrors work that women have historically provided for free. The fact that paid care work is carried out mainly by women and migrants and that it is amenable to non-standard forms of employment, including part-time employment or very short and unpredictable hours, such as zero hours contracts, or informal labour arrangements, contributes to its further devaluation in the eyes of society. In Europe, the education sector has experienced a substantial rise in the incidence of temporary and part-time jobs among teaching professionals and academics, and women are disproportionately represented in these jobs (Figure 6). The over-supply of university graduates and teaching professionals, different contractual regimes between the public and private sectors and cuts in public spending are amongst the causes of the growth in NSFE in the educational sector (ILOa 2016). The erosion of the levels of earnings and other dimensions of working conditions in the health and education sectors contribute to keep men away from these sectors and crowd

women therein. Indeed in high-income countries, these sectors employ almost one third of all women and represent the main source of women’s employment (ILO 2016c) We’ll need to do a better job through affirmative action goals and through training and education systems to encourage young men to enter into care-related professions, while promoting women’s access to the sciences, technology and mathematics (STEM), and related skills.

**Figure 6. Percentage of teaching professionals on fixed-term and part-time contracts, by sex, selected European countries, 2009-10**



Source: ILO 2016. Non-standard forms of employment around the world, p. 127

The broader concept of “work” introduced by the 19<sup>th</sup> International Conference of Labour Statisticians in 2013 is expected to help counter the underestimation of both paid and unpaid care work. Work is defined as any activity which aims at producing goods or services for use by others or for own use, while employment is defined as work for pay or profit and is thus a subset of work (ICLS, 2013). This enlarged concept of work will not only permit a more accurate measurement of the work carried out in national societies, it will also have bearings for the way in which productivity is currently defined and measured (Lansky, Ghosh, Méda and Rani, 2017).

### Which prospects for women’s income security in older age?

Women make up a large proportion of the world’s ageing population. Hence their ability to lead a dignified life in later life depends to a large extent on how long they will be able to remain in paid employment and the conditions under which they will work for pay.

Women’s lower labour force participation rates than men’s, their more intermittent professional trajectories due to family responsibilities, their over-representation in informal or undeclared employment, part-time employment and other non-standard employment, which are characterized by lower levels of earnings and restrictions regarding access to social security benefits, explain women’s lower affiliation rates to employment-related social protection schemes (Table 1). As a consequence, the proportion of older women receiving an old-age pension is lower compared to men (Figure 7) as is smaller the pensions women receive on average. This, coupled with the fact that women’s life expectancy is longer than men’s, makes old age poverty a higher risk for women than for men. This trend is likely to

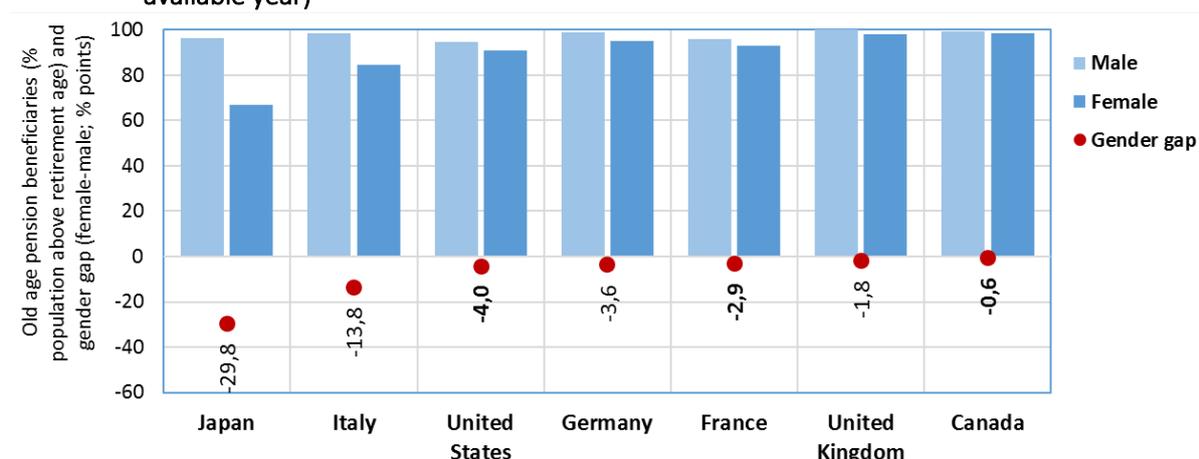
worsen in the coming decades in the face of the growing incidence of NSFE and the emergence of new work arrangements that are associated with lesser social security benefits.

**Table. 1 Contribution to a pension scheme (percentage employees and percentage total employment; latest available year)**

	% Employees			% Total employment			Year
	Female	Male	Gender gap	Female	Male	Gender gap	
Canada	95,4	96,1	-0,7	93,2	94,3	-1,1	2010
France	59,8	72,9	-13,1	58,9	69,7	-10,8	2014
Germany	67,5	70,2	-2,7	67,6	70,6	-3,0	2012
Italy	72,1	81,6	-9,5	60,4	64,2	-3,8	2014
United Kingdom	64,8	79,1	-14,3	61,1	70,0	-8,9	2014
United States	96,7	97,1	-0,4	96,4	96,9	-0,5	2013

Source: ILO calculations based on national household surveys

**Figure 7. Old age pensioners as a proportion of population above retirement age (percentage, latest available year)**



Source: ILO based on national household survey data

### Conclusions and possible way forward

The polarisation of income in rich countries has been associated with the weakening of vibrant middle classes, and their erosion has been accompanied by the streamlining and contraction of the public sector and public services, a shift in employment structure, and the rise in NSFE in all sectors of economic activity. These trends, in turn, have translated into a rise in women's unemployment and low-paid employment and has made it more difficult for many working women to juggle paid employment and family.

On-going demographic transitions and the rapid ageing of G7 societies will further increase the demand for care work, but women cannot be expected, nor are they willing, to shoulder this responsibility alone. To continue to grow, ageing societies must attract and retain members of underrepresented groups, including women, in the labour force. But, for this to happen, care responsibilities need to be recognized, reduced and redistributed, and a

more equal sharing of care between men and women and between families and the State is to be attained. The answer lies in: family-friendly policies, such as maternity, paternity and parental leave; flexible working time arrangements; and child care and elderly care facilities and services. It also demands reappraising the real cost and economic value of care and improve related wages and other working dimensions.

The rise in NSFE and new work arrangements are challenging the current and future income security of young workers, especially young women, and require thinking afresh existing social protection systems. Possible responses could consist of eliminating or lowering thresholds on minimum hours, earnings or duration of employment; making systems more flexible with regards to contributions required to qualify for benefits, allowing for interruptions in contributions and enhancing the portability of benefits. These changes should be complemented by universal policies guaranteeing a basic level of social protection

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