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FAMILIES IN A CHANGING WORLD

WHAT WILL IT COST?

WHAT WILL IT COST? FINANCING A PACKAGE OF FAMILY-FRIENDLY POLICIES TO SUPPORT GENDER EQUALITY AND WOMEN'S EMPOWERMENT

To implement the recommendations outlined in this Report, governments need to design a package of family-friendly social transfers and services, aimed at supporting diverse families and protecting women's rights. The importance of this has been reinforced by the Commission on the Status of Women, which has urged governments to implement family-friendly policies aimed at achieving gender equality and the empowerment of women.¹ Some of the key elements of this policy package—social protection, care services, and universal health coverage that also ensures access to sexual and reproductive healthcare services—are also called for in the 2030 Agenda for Sustainable Development and various targets of the Sustainable Development Goals.

For example, Target 1.3 of the 2030 Agenda expects governments to implement nationally appropriate social protection systems and measures for all, including floors; Target 5.4 sets out to recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family; Target 5.6 reinforces the agreements made in the Programme of Action of the International Conference on Population and Development, the Beijing Platform for Action and the outcome documents of their review conferences to ensure universal access to sexual and reproductive health and reproductive rights.

A specially commissioned costing study that includes key elements of the family-friendly policy package recommended in this Report, confirms that it is affordable for most countries.²

The social protection and care policies in this package have enormous significance for families and broader society, with especially important impacts for women. The policies take concrete steps towards addressing women's over-representation among those without income security, their specific

life course contingencies (notably maternity and greater longevity), and their disproportionate share of unpaid care work.

The costing adopts an established methodology which has been used to estimate the cost of implementing social protection floors, as recommended in the ILO Social Protection Floors Recommendation, 2012 (No. 202). The main difference between the costing presented here and other similar exercises, notably in the Social Protection Floor Index, is the inclusion of care services for children and older persons.³ The analysis does not cover all the policy elements included in the Report. Those for which established methodologies for estimating costs do not exist were excluded for the purposes of this exercise; this includes, for example, enacting family law reforms, introducing and enforcing laws on violence against women, and improving data collection and analysis on families.

Social protection, health and care services: vital investments for women, families and societies

Policies to ensure income protection over the lifecycle, universal essential healthcare including sexual and reproductive health, and care services, are vital investments in meeting human rights obligations, building human capabilities, and creating stronger economies and societies. Yet in spite of the benefits of social protection, only 45 per cent of the global population is effectively covered in at least one social protection policy area. The majority—55 per cent—remain unprotected.⁴

As this Report has argued, investing in care services is imperative for progress on women's rights and to support families. Such services not only benefit those who are cared for—ensuring that children's minds and bodies develop as they should and that the health and dignity of people with disabilities and older members of society are protected—but they also support those who most often provide family care, namely women and girls.

Care services tend to be relatively expensive, especially in the short term due to start-up costs of investing in infrastructure, recruiting and training the workforce and so on. However, the medium-term costs of these services can be recouped to a significant extent through increased tax receipts and social security contributions from those employed in decent quality jobs in the care sector, averted healthcare costs, as well as the long-run benefits of having healthier and better educated young people. Nevertheless, many countries, especially low- and middle-income ones, will need to adopt a staged approach, scaling up over time.

A 2018 study commissioned by UN Women looked in detail at the costs of scaling up early childhood education and care services (ECEC) in South Africa and Uruguay.⁵ Ensuring that decent wages are paid, and teacher-child ratios are adequate, the study modelled two scenarios, differentiated by level of coverage for children.⁶ In view of the need to implement these services gradually, under the less ambitious scenario, in South Africa, a gross annual investment of 1.8 per cent of Gross Domestic Product (GDP) would be needed. This would create more than 1.2 million new jobs, and assuming that most of these jobs would go to women, an increase of 5.3 percentage points in the female employment rate. These jobs would generate more than US \$2 million in new tax and social security revenue, which means that the net investment needed is 1.2 per cent of GDP.

Under a more ambitious scenario, a gross annual investment of 3.2 per cent of GDP would not only result in universal coverage for all 0–5 year-old children, but also create 2.3 million new jobs, raising female employment by 10.1 percentage points. The net investment needed in this case would be 2.1 per cent of GDP.

The approach

The costing analysis undertaken for this Report includes the following transfers and services:

- Income protection over the life-cycle for: children (aged 0–17); people of working age (aged 18–64) who are unable to earn a sufficient income, including in cases of unemployment, maternity or

parental leave, or disability; older persons (aged 65 or above);

- Universal health coverage, including sexual and reproductive health services;
- Early childhood education and care (ECEC) (for children aged 0–5); and
- Long-term care (LTC) services for older persons (aged 65 and above).

The analysis identifies current gaps in protection and estimates the cost of filling them. It provides a top-down, stationary snapshot of resource needs, expressed as a share of a country's GDP. This is a broad-brush approximation that provides the opportunity for deeper and more detailed analysis at the national level producing country-specific estimations.⁷ The costs presented do not model demand-side multiplier effects and their impacts on employment, productivity and economic growth, or the revenue that is generated through the tax and transfer system.

This Report advocates for social transfers to be paid universally at a level that supports an adequate standard of living, because targeted approaches can be costly to administer and often involve significant exclusion errors (see Chapter 4). However, in recognition of the fact that most or all countries will need to implement the policy package over time, in line with the human rights principle of progressive realization, the costing analysis models several different implementation scenarios.

Bearing this in mind, here estimates for a targeted approach using a relative poverty line set at 50 per cent of median income are presented. Relative poverty lines are defined in relation to the distribution of income within a given country at a particular point in time, such that a member of that society would be deprived and/or socially excluded if her/his level of income was inadequate in comparison to others. The advantage of this approach is that it increases the relevance of the analysis for higher income countries, because it goes beyond the resources required for physical survival to consider what is required to prevent social exclusion.

In several low- and middle-income countries, however, 50 per cent of median income falls below the extreme poverty line defined by the World Bank, \$1.90 in 2011 Purchasing Power Parity (PPP) per day.⁸ This line is used as a floor for relative poverty lines and applied in these countries because it represents a globally accepted, absolute minimum income. It is assumed that the cost of administering a targeted approach is 11 per cent of the overall cost of transfers.

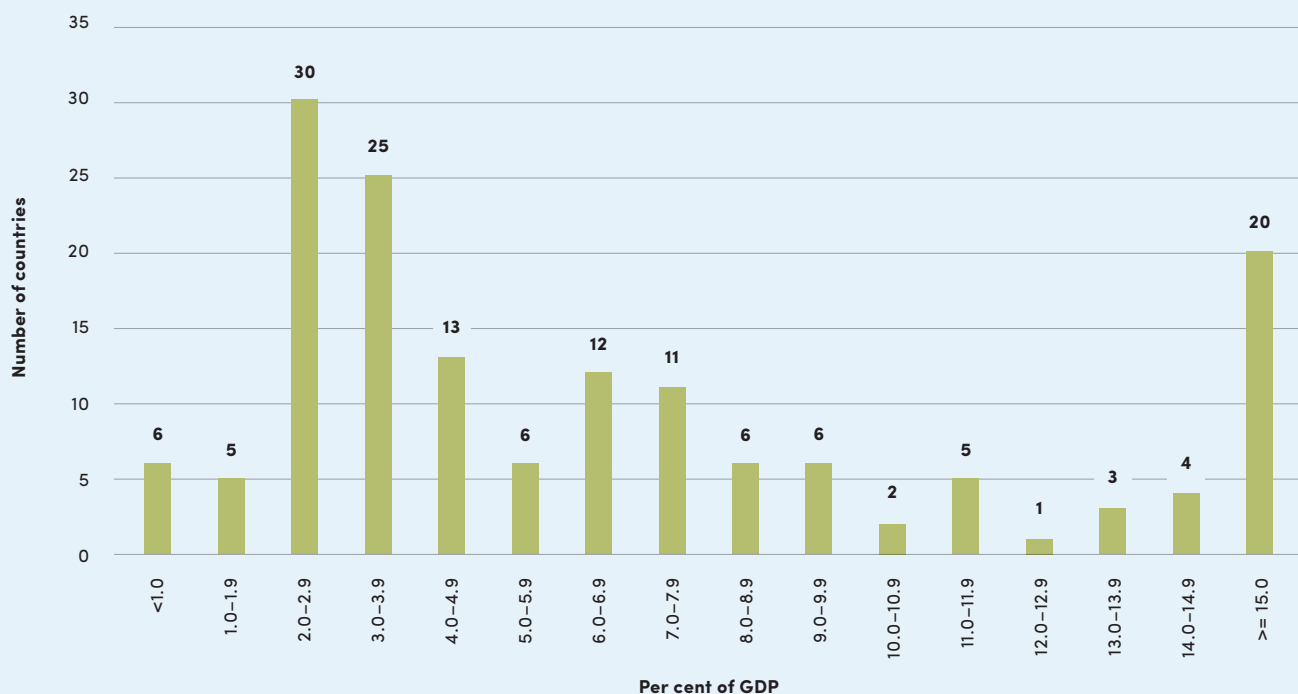
The analysis estimates gaps in health protection based on two indicators that assess the adequacy of the overall public resources that are allocated to healthcare systems, as well as the allocation of resources within these systems. Finally, it identifies gaps in care needs based on estimates of the number of children and older persons that are in need of care, assuming adequate ratios between carers and the number of people they care for, and decent wages

for people providing care work. Using this approach, estimates for 155 countries are included.⁹

A family-friendly package of policies is affordable for most countries

These calculations show that a package of family-friendly policies that includes income support across the life-course and healthcare is affordable for most countries. Figure 1 shows the number of countries by the resources they would need to close income, health and care gaps. It shows that a quarter of countries (41 out of 155 studied) could implement these policies for less than 3 per cent of GDP, and just over half (79 countries) could do so for less than 5 per cent of GDP. For one fifth of countries (35) included in the study, these policies would cost more than 10 per cent of GDP, which would require additional external support to achieve, including Official Development Assistance (ODA).

FIGURE 1 NUMBER OF COUNTRIES, BY RESOURCES NEEDED TO CLOSE INCOME, HEALTH AND CARE GAPS, AS A PROPORTION OF GDP, 2015



Sources: Bierbaum and Cichon forthcoming.

Notes: Data for 2015 or the latest available year for each country was used, for a sample of 155 countries. When no country estimates for input data are available, values are imputed based on average values in countries in the same region and income category (except for data on poverty gaps, unemployment rates and labour force participation rates, skilled birth delivery, and spending on long-term care).

Mobilizing resources

In order for these policies to be affordable, governments need to mobilize resources in a range of ways, including by increasing tax revenues, expanding social security coverage, borrowing or restructuring debt, leveraging aid and transfers, as well as curtailing South–North transfers and eliminating illicit financial flows.¹⁰ This is in line with the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which reiterated the importance of “further strengthening the mobilization and effective use of domestic resources.”¹¹

Increasing tax revenues. For most countries, tax revenues represent the single most important source of finance for social and public investments. A common strategy for governments to increase total revenues is by raising tax rates, for example on consumption, personal income, corporate profits, property and inheritance, imports and exports, or natural resource extraction.¹² Revenues can also be increased by improving the efficiency of tax collection without changing tax rates or introducing new taxes. This is particularly important in low-income countries where problems with tax administration can be severe.¹³

A number of other measures that can contribute to significant, and sustainable, increases in tax revenues as a share of GDP include: reducing or rationalizing tax exemptions, broadening the tax base by introducing new excise taxes on targeted goods (such as certain fuels, tobacco, cars and alcohol), and taxing some domestic rents (such as those generated by tourism).¹⁴

Expanding social security coverage. Almost all developed countries take advantage of their social security systems to create fiscal space. Among developing countries, Argentina, Brazil, China, Costa Rica, Thailand and Tunisia have increased the coverage and collection of social security contributions, often as part of their national development strategies. In some countries this has gone hand-in-hand with incentives for formalization, creating a virtuous cycle: as the number of formal enterprises increases, so does the revenue generation through taxes and social security contributions.¹⁵

Borrowing or restructuring debt. Domestic and foreign borrowing, including through concessional loans, can be used to finance social investments, especially those with significant medium- to long-term returns, such as education, healthcare and childcare services.¹⁶ Such investments would raise productivity and encourage greater private investment, leading to higher rates of growth. Faster growth would in turn generate additional economic resources that can support higher tax revenues and allow governments to pay back the debt.

However, for highly indebted countries, there is a strong case for debt restructuring, as large debt burdens crowd out essential social investments.¹⁷ Indeed, public debt service in least developed countries increased from 3.4 per cent of GDP in 2015 to 4.3 per cent in 2017; during the same period public expenditure on healthcare and education as a share of GDP has remained stable, with a slight decline in 2017.¹⁸ But, further increases in external debt-servicing costs may induce declines in government expenditure in these areas.

Curtailing South–North transfers and eliminating illicit financial flows. Financial resources flowing out of developing countries (in the form of interest payments on foreign debt, foreign investment, capital flight and so on) are far greater than the amount of resources that go to these countries (as aid, investment and income from abroad). This gives rise to a net outflow from developing countries that the United Nations estimates to be US\$970.7 billion in 2014.¹⁹ In other words, poor countries are transferring resources to rich countries, not vice-versa.²⁰

Illicit financial flows and overseas tax havens drain the limited resources that countries have at their disposal, especially in the case of developing countries that have a significantly smaller tax base than most developed countries. Individual countries can take steps to mobilize domestic resources, but international cooperation is needed to stop illicit flows, shut down tax havens, and support countries’ efforts to enlarge their fiscal space.

Leveraging aid and transfers. While emphasizing the importance of domestic resource mobilization, the Addis Ababa Action Agenda recognizes that international development assistance will be necessary to meet development goals, “especially in the poorest and most vulnerable countries with limited domestic resources” (paragraph 50). Despite recent increases in the amount of ODA flows to the least developed countries, many high-income countries have not met their commitments and much of the increase in ODA is due to a rise in humanitarian assistance in a few countries.²¹ The share of ODA going towards social sectors has declined recently, as spending on economic infrastructure and services has expanded.²²

However, as this Report shows, the division between social and economic spending is arbitrary, and social sector spending can have long-lasting effects on productivity and growth. The modalities of ODA have also shifted and reflect important changes, including greater South–South cooperation. As financing for development continues to evolve, it is critical to improve the size and effectiveness of ODA in financing social investments that will advance gender equality.

Bringing it all back home: how to steer resources towards gender equality

Debates over resource mobilization cannot be separated from questions about how resources are spent. Mechanisms such as participatory budgeting, social audits and public hearings can enhance accountability by enabling civil society to use budget data and engage in the review process.

Gender-responsive budgeting (GRB) is one way to analyse the distributive impact of public spending, taxation and public service delivery, focusing on the benefits to and burdens on women and girls. It may also include analysis of the impacts of budget allocations on women in different socio-economic classes, minority ethnic women or those with disabilities. GRB can also be used to track budgetary commitments to gender equality in the implementation of the 2030 Agenda.²³ Based on 2018 data from 69 countries, 13 countries (19 per cent) fully met the criteria, as specified in SDG Target 5c, of having in place a tracking system that measures and makes publicly available gender budget data, and 41 countries (59 per cent) approached the requirements.²⁴ The data also reveal a policy-implementation gap. Among the same set of countries, 90 per cent have policies and programmes in place to address gender gaps, but only 43 per cent report adequate resource allocations to implement them.