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High Level Panel 1: Financing of Care

Rania Antonopoulos

Good morning to everyone. I wish to thank very much CEPAL and ONU Mujeres as well as UNRISD for inviting me to this important gathering. It is indeed an honor to be sharing this panel with Ms. María Inés Castillo, Minister for Social Development of Panama; Ms. Mayra Jimenez, Minister for Women's Affairs of the Dominican Republic; Ms. Gina Magnolia Riano, Secretary General of the Organization Ibero-American Social Security Organization; and Mr. Fabio Bertranou, Director of the Southern Cone of Latin America of the ILO. It is wonderful to be back among dear friends and colleagues and to experience the power of positive changes in the region, changes that have taken place already and changes that present themselves as clear possibilities!

Let me then share with you some thoughts provoked by this excellent document on *Financing care systems and policies in Latin America and the Caribbean.*

My first comment is on how impressive the document is! Lucia, Cecilia and Raquel have done a fantastic job in framing the issues and the language adopted in this document reflects how far along the discussion has progressed. It is clear that this document reflects advances made in Latin America, by colleagues, feminist economists, civil society and political parties all of which in my eyes have made giant steps towards placing the issue of care in its proper dimension: Care is about the rights of the recipients and about the rights of the caregivers-paid and unpaid. But care must also be understood as **a sector of the economy**. It is an integral part of the economy and as such budgetary allocations designated for providing care services should not be thought merely as a **cost**, but as an **investment**. This is exactly what the document tells us.

Placing care in this framework is an achievement because when thinking of expanding and moving towards an integrated care system, this particular change of language -away from 'care

as a cost' to 'care as investment in a sector of the economy' - places Care potentially as an integral part, as a **pillar, of an inclusive development strategy**. The Executive Secretary of ECLAC, Mr. José Manuel Salazar-Xirinachs, told us this to be the case in no uncertain terms, at the opening ceremony of the XV session of the Regional Conference on Women for Latin America and the Caribbean two days ago. Key documents of International Organizations and United Nations bodies of the Region, and very importantly Ministers participating in the XV conference, have now adopted this language. **Investing** in the care economy fulfills obligations of the State towards its citizens, but also provides fuel to the **motor of growth and development!** This is the kind of change we have been working for, the kind of development we want, and a change of hearts and minds has already taken place! This is an incredible achievement dear friends and it is very empowering for me to witness!

Second, related, remark: It has always been clear that an investment in Care affects positively the wellbeing of those who receive it, that is, children , the elderly, the long term ill and people with disabilities etc. Moreover it has become clear that expanding the social provisioning of care services results in reduction of time devoted in **unpaid care work**, mostly performed by women and girls, and redistributes it exactly where it belongs: onto **paid work**, through jobs provided mostly by the public sector.

But as the document points out we have by now demonstrated that reducing unpaid care work and turning it into paid work, that is by investing in the social infrastructure of our economy, produces **positive results at the macro and micro level**: it impacts positively GDP growth, tax revenue and job creation. These results are in fact 'multiplied'. The initial direct care investment generates indirectly new demand for goods and services (and jobs to produce them) to be used as inputs for the care sector; and the new income generated results in further additional demand for goods and services by those who now hold the new jobs (direct and indirect) created.

But how strong are these results? Do they correct or exacerbate existing gender inequalities in the labor market? And when this earned income is distributed does it reduce earned income inequality and poverty? To provide a means of comparison and to be in conversation with

those that needed to be persuaded that the care sector is an engine of growth and equitable development, my colleagues and I at the Levy Institute back in 2006-8 compared care investments to other necessary investments -such as government spending in physical infrastructure - for as diverse economies as South Africa (scaling up EPW) and the United States (why should Obama care about 'Care'); and Greece in 2012 (Job guarantee in post crisis times?). With all three countries facing massive unemployment, albeit for different reasons, we argued for hiring in from among the unemployed to fill in care gaps each country faced. Using social accounting matrix analysis (input-output tables) enabled us to construct different scenarios and run simulations that we thought would provide research based evidence, suitable for public dialogue between civil society, policy advisors and Ministries of Finance. Investing in Care won the day on all counts. Furthermore, the job creation and income generation within the care sector, our results showed, promoted much more gender and poverty reduction than other investments. This idea of Care as a dynamic sector of our economies- and the methodology I spoke about- has been widely adopted by other colleagues with similar results for Turkey, Mexico, European Union countries etc; and as you may know an invaluable guidebook by UN Women-ILO that details data needed and a step by step methodology was recently produced. It gives me immense gratification to witness that this type of research has proven to be of value!

Let me now make three points in moving forward, a wish list for next steps and collective action, for CEPAL and UN Women, for civil society and government and for all of us, if you will.

What has been won is the recognition that caring for the young, the elderly, the permanently ill and the disabled will not continue to be a woman's unpaid work duty, will no longer be delegated to a woman's natural disposition to care for others. If this commitment is to be part of a new development strategy with the Care Economy as one of its pillars, the next logical step for our community is to think through and make concrete proposals regarding financing. It entails recognizing that,

First, there is a need for the finance and investment community and the community that cares about Care to sit around the same table. The document presented today by Cecilia and Lucia provide an excellent mapping of the issues and there is no need to belabor the importance of

their proposals for the expansion of tax revenue and internal fiscal space in general. From a review of the tax code, to a solidarity tax, to curbing tax avoidance and evasion, to the establishment and use of sovereign funds all of which are extremely important steps in the right direction. I want, however, to suggest that fiscal space can be created by making better use of other existing Financing Instruments and Facilities including underutilized Special Drawing Rights, Concessional Finance through the Global Concessional Finance Facility, of even Blended Finance. Development Banks of each country actively ascribing to their 'development for all' mandate, Central Banks, the Inter-American Development Bank and IFIs together ought to play a key role. The goal ultimately should be to create a Bank for Social Care in Latin America and the Caribbean, a multilateral development bank with an exclusively social care mandate to provide grants, guarantees, loans and expertise to improve living conditions by expanding care provisioning.

Second, cooperation and collective thinking is crucial. Cooperation among LAC countries for faster dissemination of knowledge regarding design, sequencing and implementation aspects of expanding care and financing modalities. Cooperation among UN Agencies, sitting around the same table, sharing expertise and facilitating peer to peer learning, each agency contributing according to their own mandates and then, as a unified and coordinated 'UN Care' entity can play an important role avoiding wasteful duplication. Critically important, cooperation among Development Banks in LAC would be needed to promote solidarity in the region.

Third, and this is my proposition, is that our research agenda must now be deepened in new directions. A few examples will make the point. For each of the tax proposals advanced (and for combinations of tax revenue sources) as financing options for Care, including that of a solidarity tax, a tax paid by employees and employers, country specific evidence must be shown on the tax incidence, on the macro and distributional implications since great variation exists in the economic structure of each country and correspondingly great diversity in labor markets. Equally important, for our proposal of Investing in Care, is the implementation of amendments in budgetary rules, in properly distinguishing which part ought to be included as current expenditures and which part be treated as capital expenditure. Last but not least, we need to

evaluate the implications of the expansions of the care sector for women. Once the above take place many women will spend less time on unpaid care, while still continue with other unpaid activities (shopping, cooking, cleaning, commuting to work or the market etc.) and some women will seek and find jobs in the newly expanded Care sector earning income. The obvious questions are: What does it mean for their living standard? Do they become less income poor and less time poor? Do they trade one type of poverty (income) for another (time)? A framework for evaluating this issue exists, the LIMTIP, developed at the Levy Institute, and used for five countries in Latin America, Argentina, Mexico, Chile, Uruguay and Colombia has produced results that point to many other important and supplemental interventions, including an increase of wages through comparable worth policies for professions in the Care industry.

Let me stop here and thank you very much for your attention.