Case Study: Public Investment in Social Infrastructure

The economy is dependent on both social and physical insfrastructure.

If Australia invested

2%

of GDP

in CARE industries

610,000 jobs

would be created

in CONSTRUCTION sector

380,000 jobs

would be created

How many jobs for women and men in each sector?

400,000 for women

120,000 for women

210,000 for men

260,000 for men

Every $1 spent on quality early childhood education can deliver $2 in economic benefits.

Much of the investment would be recouped through tax revenue and reduced social security spending on out-of-work benefits as employment is created and earnings increase.

CASE STUDY 5: PUBLIC INVESTMENT IN SOCIAL INFRASTRUCTURE

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Investment in infrastructure

Many governments responded to the Covid-19 induced economic crisis by borrowing to invest in infrastructure to stimulate the economy. Investment in infrastructure is spending that yields positive returns into the future, having collective benefits that individual spending will not provide, but is essential to support a society's economic and social activity.

By and large, when policymakers discuss infrastructure investment as stimulus they are referring to investment in physical projects, such as bridges, roads, railways and telecommunications. However, expenditure on social infrastructure, such health systems, childcare and education is also necessary for a well-functioning society.

Investing in quality social infrastructure delivers a better educated, healthier and better cared for population able to produce benefits worth more to a society over time than the initial costs of the investment.

Gender analysis. The application of a gender analysis to government infrastructure policies and funding helps ensure that social and physical infrastructure are considered symbiotically. When governments develop budgets, these questions should be asked:

- *Who is benefitting most from investments in different industries?*
- *What are the immediate and future benefits of funding public care and social infrastructure?*
- *What is the balance between investment in physical and social infrastructure?*
- *How can the case be made for investing more in social infrastructure?*

Investment in social infrastructure

Social infrastructure includes services such as childcare, healthcare, education, aged care and care for people with disabilities. Women are the main supplier of these services, through employment as service providers, and the main users, both directly and indirectly, because of their traditional caring responsibilities (also see Case Study 2 and 3).

The failure to view social infrastructure as a valuable investment reflects a gender bias in economic thinking.

Research commissioned by the National Foundation of Australian Women demonstrates that public investment in the care sector generates a range of social and economic benefits. Dixon (2020) modelled government funding of additional paid work for unpaid carers, mostly women, and found there were significant economic payoffs from the rise in employment, household incomes and GDP. Subsequent increases in revenue are likely to significantly offset the costs of any initial investment.[2]

Social infrastructure versus physical infrastructure

International country comparisons reveal that investing in care industries generates more jobs overall and more jobs for women than investing in construction industries (the usual outlet for stimulus spending).

The impact of government spending on types of infrastructure. UK Women's Budget Group researchers analysed the impact of government spending on social infrastructure compared to physical infrastructure for seven high-income countries, including Australia. Input-output tables and official statistics were used to estimate the direct, indirect and induced employment effects of an increase of public investment (see Figure 5.1) in both the construction sector and the care industries (child and social care) as examples of physical and social infrastructure respectively.[3]

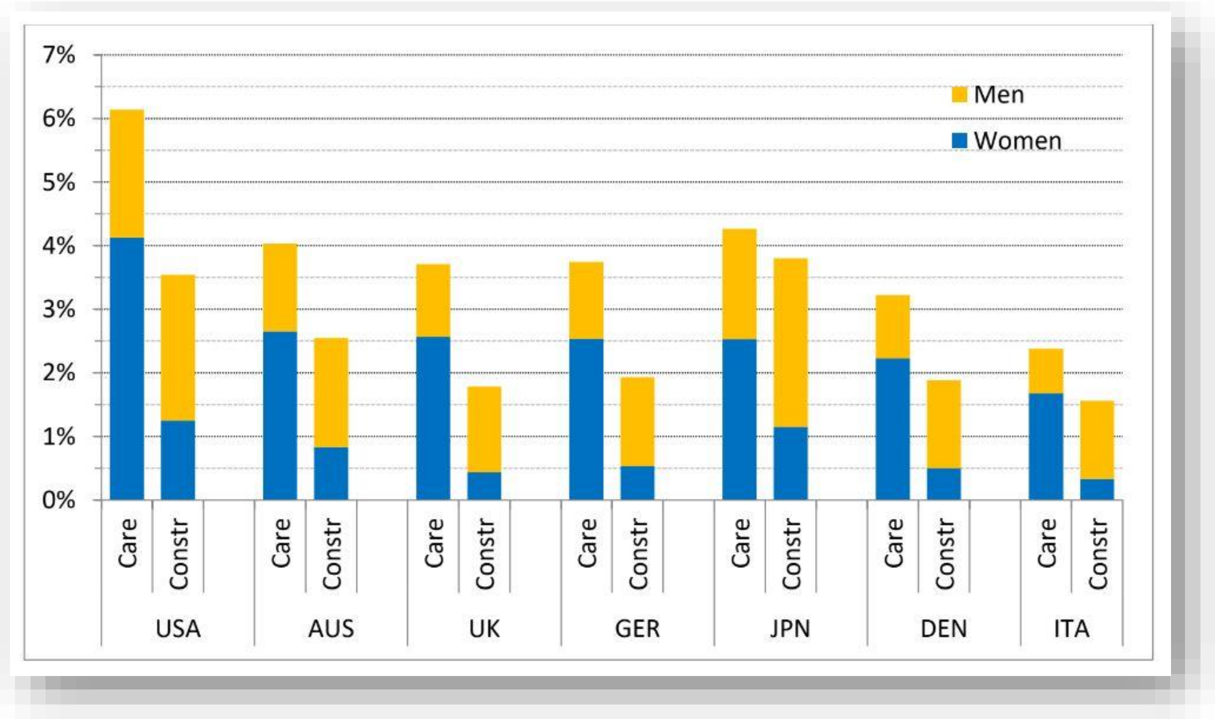

Figure 5.1 Percentage point employment rise of men and women stemming from public investment in care and construction industries.[4]

Across the seven countries analysed – Australia, Denmark, Germany, Italy, Japan, UK and USA – investing 2% of GDP in care services would boost overall employment rates by between 2.4 percentage points in Italy and 6.1 percentage points in the US. In Australia, the overall employment rate was estimated to rise by 4 percentage points, creating 613,000 new jobs. The modelling showed a rise of more than five percentage points in women's employment in most of the countries, including 400,000 new jobs for women in Australia.

Social investment creates many jobs for men, as well as women, because the multiplier effect of investment in the care industry gives rise to new jobs outside the care sector.

In Australia, men's employment would increase by 2.8 percentage points (210,000 more jobs) from investing in care, and by 3.4 percentage points (261,000 more jobs) from similar investment in the construction sector. Similar patterns of increase in men's employment were found in the other countries.

Commensurate investment in social and physical infrastructure would generate increases in employment overall. But investment in the caring sector would see more women in the workforce.

Investing in Australia's care sector would generate 1.6 times as many jobs as the same investment in construction. Women's employment rates were estimated to increase by a greater amount, given their higher concentration in the care industry.

Social infrastructure investment contributes towards greater gender equality. It reduces gender gaps in paid employment, improves working conditions in the care industry and expands the options around the amount of unpaid care predominantly done by women. (See Box 5.1.)

Box 5.1 Gender impacts of public spending on care vs construction

In response to the government's stimulus spending during COVID19, the Australia Institute compared the likely impact of stimulating different industries on men and women. They used employment multipliers that assume that new jobs created in each industry are allocated in proportion to the historic female intensity of the industry. The results showed that for every million dollars of new construction investment, an estimated 1.2 direct jobs would be created, with 0.2 direct jobs for women.

The equivalent spending on education and training was estimated to create 14.9 jobs, of which 10.6 would go to women. Similarly, health care and social assistance are likely to generate 10.2 jobs per million spent, of which 7.9 jobs would benefit women.[5]

These results show that to get a good 'bang for buck', money would be better spent on those industries that are labour intensive. As it happens, these are industries that employ a greater proportion of women while generating more jobs for every dollar spent.

They include aged care, childcare, education, health, arts, entertainment and public administration that were largely excluded from the stimulus budgets to offset the impact of Covid-19 and the lockdowns introduced in Australia.[6]

Focus on childcare and early childhood education

Australia lags comparable OECD countries with high childcare costs (estimated at 27% of household income) and lower levels of investment and participation in early childhood education pre-school programs.[7]

Researchers and advocates have highlighted the multiple community-wide economic and social dividends generated by free, quality universal childcare and early childhood education that, over time, offset costs to the budget. A 2021 budget campaign led by Thrive by Five identified a triple dividend from such investments.

It will improve early learning outcomes for Australian children, increase workforce participation for women, and have long-term productivity gains by contributing to a more skilled workforce.

Thrive by Five (2021)[8]

Modelling and analysis. These claims are supported by several studies.

Analysis by the advocacy group, **The Front Project (2021)**, estimated that quality early childhood education can deliver $2 of benefits to the economy for every $1 spent. These benefits include improvements in earnings and employment prospects for parents, increases in tax collected and cognitive benefits for children.[9]

Modelling by **Janine Dixon (2020)** showed that providing 10 hours of additional work to carers of young children would expand the childcare sector by 12.6% (equivalent to 135,000 full time jobs); and if government provided this childcare for free, it would cost $3 billion per annum over 10 years. A budget-neutral option for funding the expansion of free childcare with its many longer-term societal benefits would be to reduce by one tenth the cost of the tax cuts of the stage three Personal Income Tax Plan, estimated to cost $300 billion over 10 years.[10]

Advocacy group, **The Parenthood with Equity Economics (2021)** analysed the cumulative impact of free and high-quality early childhood education and care for all Australian children, in combination with investments in parental health, paid parental leave, and workplace practices. The study found that these measures would increase GDP by 4.1% by 2050 with a doubling of the gains (GDP rises of 8.7%) if Australia's female participation rate was lifted to that of males. The combined investments would substantially lift the future productivity of children, increase the participation of women in the labour market, reduce the financial pressure on families with young children and the disadvantage for developmentally vulnerable children. This would generate higher incomes, and tax revenues that would contribute to offset the initial outlays.[11]

Making the case for social infrastructure

The dominant political and economic narrative has long been that increasing expenditure on health, education, aged care, childcare and early childhood education, is a cost to Australia that must be fully funded in the same year by tax rises, which are never popular.

This does not mean that policy makers cannot see long-term benefits in social infrastructure, but they are resistant to translating this potential into an 'unfunded' spending commitment. Furthermore, understanding the nature and extent of those benefits is limited by narratives that narrowly frame these expenditures as an income safety net or an incentive to encourage parents to work.

The challenge for researchers and advocates of investment in social infrastructure is to show its social and economic merits.

> *Investment [in childcare and early education] ensures all children gain access to quality early childhood services, regardless of what their parents can pay...Governments pay, children learn, and the economy and society benefit.*
>
> *Jen Jackson (2020)*[12]

Investing in social infrastructure is not just about economic growth and job creation, but the need to improve well-being in a fair and sustainable way. This is similar to debates about how to deal with climate change and environmental degradation.

A turning point occurred during the 2022 federal election when Labor campaigned with a gender equality policy that gave priority to the care economy. This approach resonated with women having experienced a disproportionate burden of unpaid care work during the pandemic and a public experiencing declining services in health, childcare, and aged care.[13] After winning the election Labor followed through with a raft of care economy policies that set it apart from the Coalition. The narrative of the care economy is a prominent feature of its annual Women's Budget Statements and the Treasurer, Hon Jim Charmers made the care economy a central theme in his 2024-25 Budget Speech (see also Case Study 10).

Notes, Case study 5

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We would like to thank Jerome De Henau author of Public investment in social Infrastructure. In UK Women's Budget Group. (2018). *Women Count: A Casebook For Gender-Responsive Budgeting Groups*. United Kingdom.

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