

## **The concept of care in institutional and feminist economics, and its impact on public policy**

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### **Abstract**

Economic activity takes place within an institutional framework. The economy, like society, represents a complex of institutions, ranging from the smallest, such as the family, to the largest and most comprehensive, namely the state (Chavance 2009). Institutional economics offers a broad perspective, which allows to bring forward the concept of gender, since gender is a fundamental organizing principle of institutions (Jacobsen 2007). A focus on social provisioning, typical for both feminist as well as institutional economists, leads to a broader understanding of economic activity. This broader approach includes activities, like caring and care labour, that cannot be entirely understood in terms of individual choices. In the paper the relations between care and economy are explored from the perspective of neoclassical, institutional and feminist economic theory. Economic theories are basis for public policies, that have a major impact on people's lives. In the paper I will argue that the change of dominating economic perspective into feminist-institutional would improve the situation of care providers, and that would contribute to the development of the society and the economy.

**Key words:** institutional economics, feminist economics, care, care labour

**JEL classification codes:** B52, B54

### **Introduction**

Both economy and society represent the complex of institutions where people are not just rational individuals whose main goal is to maximize profits or utility, but members of a society, whose behaviour is an outcome of rules that define this society. Those rules are very often not universal, they are rather gender specific. Thus gender is a fundamental organizing principle of institutions (Jacobsen 2003). The recognition of the role gender is crucial for the understanding of society and economy. The

main difference between women and men lies in the involvement in care. In this paper the relations between care and economy are explored from the perspective of neoclassical, institutional and feminist economics. Economic theories are basis for public policies that have a major impact on people's lives. The paper argues that the change of economic perspective on care from neoclassical to feminist-institutional would provide better solutions in public policies that would lead to an improvement of the situation of care providers.

### **1. Care in mainstream economics**

Contemporary perception of care has its roots in historical changes. In the 18<sup>th</sup> century, women, whose work consisted largely of caring for their families, were considered productive workers. By 1900, they had been formally relegated to the category of 'dependents', a category that included infants, young children, the sick, and the elderly (Folbre 1991, p. 464). This change was caused by a shift in commodity production from the household to the factory in the early years of industrialization. In the leading industrial economies, in the second half of the 19<sup>th</sup> century, economic and ideological struggle over the appropriate roles of men and women resulted in a norm by which only men took paid employment if their households could afford it<sup>2</sup>. Women's activities, necessary to the running of the household, provided no grounds by which they could be measured against the work that men (or other women) did in the paid economy. Earning money became men's work, while women had their own domestic duties, described more frequently in moral rather than instrumental terms (Himmelweit, 1995, p. 7). Antonella Picchio (1992) summarizes this shift arguing that the separation of production and reproduction that took place during the industrial revolution caused the disappearance of any consideration of unpaid labour and care women provided for households within the framework of macroeconomic analysis.

In the second half of 20<sup>th</sup> century care and caring labour were introduced first in microeconomic analysis due to the emergence of the new home economics. Representatives of this school tried to analyse the sexual division of labour in the home. The most well-known and frequently cited example

of such a model of the family was developed by Gary Becker (1981). His theories of the economics of marriage (Becker 1973, 1974), combined with his theories of time allocation (Becker 1965), form the basis for neoclassical interpretations of the sexual division of labour (Albelda 1997). Sexual division of labour in neoclassical economics is largely explained by the comparative advantage model, which argues that marriage provides economic gains to both partners. Households maximize their total bundle of goods and services – those produced in market as well as those produced at home (Becker 1973). To identify who will specialize in the paid labour market, biological sex must be introduced. According to Gillian Hewitson (2003), in new home economics, women's roles as the unpaid workers within the households are a function of their biology, and hence define their identity – they are biologically motivated to care about others. In more recent, bargaining models, like the ones developed by Shelly Lundberg and Robert A. Pollack (1993) and George A. Akerlof and Rachel E. Kranton (2000), the concept of gender replaces the biological sex. In these models the bargaining power of each spouse is determined by either their well-being in their 'separate spheres' (first model) or by inserting 'gender identity' into the utility functions of the spouses (second model) (Hewitson, 2003, p. 270-271).

The integration of caring into economic thinking poses the task of conceptualizing a situation of human interaction quite different from the typical exchange situation (Jochimsen, 2003, p. 231). Caring implies reciprocity, altruism and responsibility for others. Thus, the very concept of care threatens the underpinnings of neoclassical economic theory: rational economic man maximizes a utility function that does not include any consideration of other people's welfare, especially those outside the immediate family (Folbre, 1995, p. 74). Since the neoclassical economics fails to conceptualize care and care labour, it is necessary to look for alternatives in heterodox schools of economic thought.

## **2. Link between institutional and feminist economics**

The alternative picture of economics is presented in heterodox schools of thought<sup>3</sup>. The schools that serve the goal of inclusion of care in the economic system best are institutional and feminist economics. There are links between those two schools that make them complementary approaches. The economy as a sphere of social activity is fundamentally institutionalized, economics as a science or a discipline has to take institutions into account and study them (Chavance 2009, p. 75). Gender is one of social institutions, since it is a social construction of relations between men and women (Palmer 2003, p. 43).

First institutionalists recognized gender norms as important institutions in the economy. Veblen recognized gender norms as exemplary for how historical and cultural patterns influence the economic process of provisioning. He stressed the fact that pecuniary activities, those of buying and selling, were not synonymous with provisioning (Mayhew 1999, p. 480). According to John R. Commons (1934, p. 73) “individuals begin as babies. They learn the custom of language, of cooperation with other individuals, of working towards common ends, of negotiations to eliminate conflicts of interest, of subordination to the working rules of many concerns of which they are members”<sup>4</sup>. This citation brings forward the importance of socialization which takes place in institutions like the family, and in which the predominant role is played by women. Then Karl Polanyi (1944) reminded that reciprocity and redistribution, two principles not currently associated with economics, were parts of economic system that is at the service of social life (Beneria 1999).

Feminist economists have also found the notion of an institution useful for the analysis of the relationship between gender and economy. Institutional economics begins its analysis by looking at cultural processes, rather than isolated individual. One consequence of this approach is a strong resistance to the notion that any significant portion of human behaviour is private, in the sense of being untouched by cultural norms and values. This brings institutional and feminist perspectives together, since the cultural conception of some spheres of life as private, disconnected from social life, is integral to the subordination of women in modern western culture (Waller, Jennings 1990, p. 618-619). Both schools of economic thought made observations that knowledge is as much a product of the culture that generated it as any other cultural artifact and therefore cannot be free of cultural

preconceptions and prejudices (Waller, Jennings 1990). Another belief shared by institutionalists and feminists is the significance of power relations and conflicts in the economy. Institutionalists have used the concept of power through multifaceted systems of status and hierarchy (Waller and Jennings 1990, p. 620). Feminists use the concept of power and subordination to describe gender relations in economy. Concept of gender seen as a system of power brings feminist theory and institutional economics together (Jenings, Waller 1990, s. 264).

For institutionalists as well as for feminists, economies are societies' organizations for provisioning, rather than a locus of an assumed universal rationality (Mayhew 1999, p. 480). Thus, both schools define economics as a science of 'social provisioning'. By challenging economics to take seriously a concern with well-being and encouraging the discipline to rethink its main areas of interest, economics may begin to be thought of as a human discipline interested in such matters as quality of life, cooperation, and equity (Strober 1994, p. 147). Bringing the two perspectives together could help to understand economic relations better, as well as to design effective economic policies.

### **3. Care in heterodox economics**

In institutional, but especially in feminist, economics care is increasingly recognized as a significant economic issue. At the macro level, care is both an important contributor to the economy and a practical limit to its growth. Many economists acknowledge that unpaid caring responsibilities are a significant obstacle to the expansion of employment<sup>5</sup>. There is an increasing recognition that decisions that people make about caring and employment not only have short-term impact on the labour market and the formal economy; they may have even more important long-term implications for the society as a whole, because the quality of care affects the type of workforce an economy can look forward to in the future. This means that knowing about the trends and likely future developments of caring is important for understanding the economy as a whole (Himmelweit, 2005). On the other hand, it needs to be kept in mind that care is put under severe strain by many of the features of contemporary life, like the necessity of market work. The pressure of many people to work

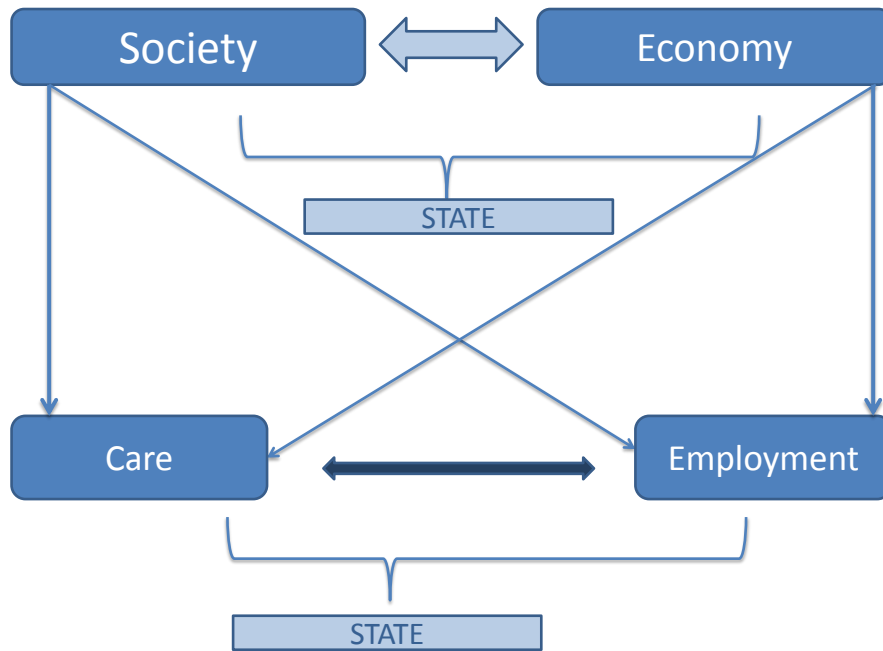
long hours in paid employment imposes burdens on their personal relationships and limits the time and energy they can devote to caring (Baker *et al.* 2009, p. 7).

In many industrialized countries caring work has increasingly moved out of women's traditional realm of the home into the public realms of market and governmental provision, nonetheless this transfer was not tied to the change of gender structure of care givers or the increase in respect for them and their work. Caregivers remain predominantly female (Hewitson, 2003, p. 266; Folbre & Nelson, 2000, p. 125; Titkow, Duch-Krzysztofek, Budrowska, 2003), and their pay checks tend to remain small in comparison to workers in other occupations with comparable requirements and working conditions (Nelson 1999, p. 43; England, Folbre 2001).

Social norms that closely link being female to care of others have significant economic consequences that contribute to gender inequality within both the household and the labour market (Badgett & Folbre 1999, p. 323). The concept of caring labour focuses attention on the gendered character of social norms that shape the division of labour in both the family and the market (Badgett, Folbre 1999, p. 314). Caring labour is of major significance to the economy (graph 1). It underpins the ability of people to provide labour to the paid economy and is an essential component of the development of future citizens, workers, and taxpayers (Hewitson 2003).

**Graph 1**

**The place of care in social system**



As it is presented in the graph, care is one of the crucial elements of the social system. It is done by the members of the society, but it is also defined by the activity of the state. Care work, if it means looking after small children, provides future employees to the market and public sphere. Therefore, there is a direct link between care and economy. But at the same time, people's activities in the market influence the quantity and the quality of care provided. The state also influences the relationship between society and economy. Therefore, all the elements shown on the graph are interrelated.

#### 4. Care and public policies – the influence of neoclassical and heterodox theories

In the neoclassical economics the emphasis is put on methodological individualism, rational choice theory and the distinction between the public and private spheres<sup>6</sup>. Since care is not recognized as an important factor in the production process, it is left to households to arrange it. As a result, the burdens of caring in individual households are typically unpaid, unrecognized and carried out with little support (Daly 2001; Baker *et al.* 2009; Jochimsen 2003, p. 233), and when care work is provided on contract, it is not only lowly paid, but it is also unregulated, insecure and exploitative (Lynch *et al.* 2009).

The 'universal breadwinner' model urges women to take up paid employment. As more people with caring responsibilities have moved into the labour market, pro-employment norms have strengthened and norms favouring familial care over paid care weakened. The welfare systems are now more inclined to subsidise the wages and childcare costs of working mothers than to support those mothers who look after their children themselves outside the labour market (Himmelweit 2005). Thus, there are two options that working mothers could choose from: provision of care by the public or private sectors.

While depending on public sector, it has to be kept in mind that care is a personal service that requires the presence of the carer. This sets the limits of how many people can be cared for at the same time. While this limit may be different for different caring relationships, after a certain point spreading care over more people becomes synonymous with reducing quality (Himmelweit 2005, p. 5). In the public sector low productivity growth and consequent cost increases may be seen as a sign of inefficiency, rather than as the consequences of an inherent characteristic of care. With the neoliberal view that the process of production can best be coordinated by markets, this is likely to lead to political pressure for privatisation or introduction of user fees to apply the discipline of the market to control this 'inefficiency' (Himmelweit 2005, p. 10).

According to Folbre and Nelson (2000, p. 135-138) there are benefits as well as costs rising from the marketization of care. In taking the burden of care off particular women, who had been assigned to it by status considerations, the marketization of care could contribute to the costs of care being more widely and equally distributed, and the provision of care could in some ways be accomplished more effectively. Shifting, at least, some aspects and intensities of care-giving to professionals with specialized training and experience (and who receive the pay for their work) should raise the quality of care. Finally, the greater attention to care issues and the skill requirements of care, may aid in the economic analysis of work and well-being, as we recognize the value of caring work in workplaces in general and, conversely, the value of knowledge and skills in the locations where care is provided.

Nevertheless, reliance on markets for the provision of care poses some significant risks. One concern is whether market competition in these areas will produce high-quality care. Another reason to



be concerned about market provision is that care creates important externalities that cannot always be captured in individual transactions. Like other externalities, those produced by care create an incentive to free ride, to let others pay the costs<sup>7</sup>. Another concern is that markets may increase freedom of choice about care-giving, primarily for the privileged in the society, while worsening or at least not improving for lots of other members of society (Folbre, Nelson 2000, 136-138). Thus, commercialization of care, besides influencing women as such, introduces class dimension, putting more pressure on poor, working class women.

Markets are characterized by inequalities in the distribution of market power, income and status. Unfettered market forces, instead of reducing, exacerbate these instabilities and disparities (Arestis 1994, 31). The role of markets in perpetuating and sometimes intensifying inequalities related to care provision helps explain the need for collective action to implement progressive public policy. Maintaining care relations involves work that is pleasurable but also burdensome at the same time, and it needs to be distributed equally between the members of society, between women and men in particular (Lynch *et al.* 2009, p. 38).

There is a need for a new social contract that not only redefines gender relations, but it also takes into consideration the role of the state. Responsibility for ensuring that care work does not lead to poverty and social exclusion should be taken out of the private sphere and reframed as a collective responsibility. Under this renegotiated social contract each individual engaging in caring labour would have a range of socio-economic rights met by the state, rather than by the family member' (Lynch *et al.* 2009, p. 223-224).

## **Conclusions**

In neoclassical economics people are perceived as rational economic agents maximizing their own benefits. Since care involves reciprocity and responsibility for the others, it is not considered to be an important for economic processes. In this approach care seems to be a private issue, dealt with by households. It does not recognize the importance of care for the economy. Institutional economics

recognizes the significance of social institutions in shaping economic processes. This means the supremacy of collective actions over isolated individual activities. In such a context care appears to be one of the crucial elements of social and economic system. The notion of children as public goods fits the institutional perspective. In such an institutional-feminist context, it is possible to restructure care obligations as collective rather than individual, and as universal rather than targeted. This may in turn lead to the new social contract with redefined gender relations.

#### *Notes*

1. This model of a family life centered on private household-based activity for women was a middle-class ideal adopted by those with sufficient income to be able to dispense with a wife's labour in the family business. By the end of the 19<sup>th</sup> century, it had become an accepted aspiration of the working class family, too (Himmelweit 1995, p. 10).
2. Such an approach was widely criticized by feminist economists, like Randy Albelda 1997, p. 118; Jane Humphries 1998, p. 226.
3. According to Fred E. Foldvary (1996, p. 1) a school of thought could be defined as a group of scientists who adhere to a distinct body of beliefs, and as the set of beliefs of that group. A school of economic thought encompasses a methodology, a social philosophy and set of questions, a body of theory and research agenda, and a set of economic policy prescriptions.
4. Cited by Chavance 2009, p.22.
5. As noted by Susan Himmelweit (2005, p. 2), in most developed economies, women with caring responsibilities form the single largest group of potential workers remaining incompletely integrated into the paid economy, though their labour force participation rates have been rising rapidly.
6. This helped to explain not only the marginalisation of women's economic contribution but also the neglect of the affective domain.

7. To learn more about care producing externalities, leading to reconstructing care as a public good see Nancy Folbre 1994, 1995, 2004, 2006.

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