Shut down: America in the spotlight

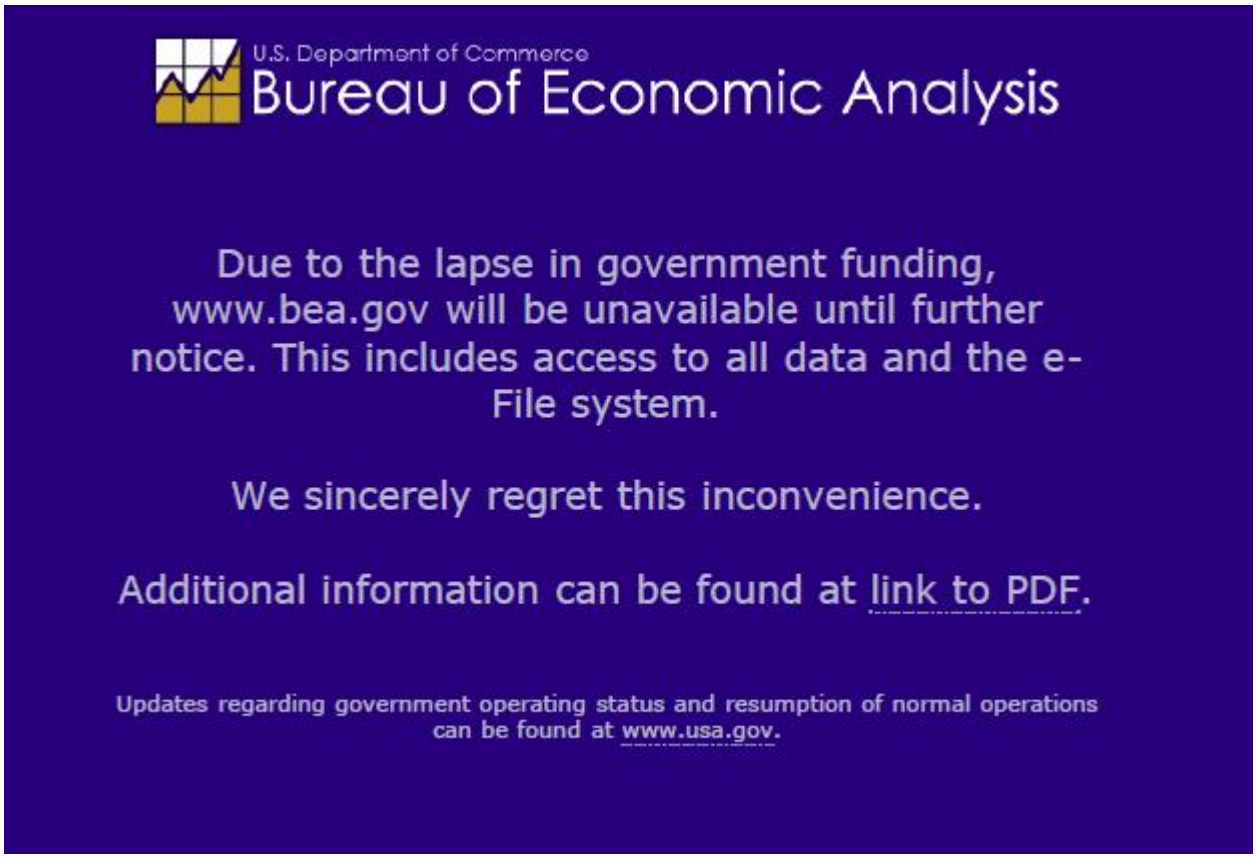
By Christine Rifflart

A State that asks a third of its civil servants to stay home because it can't pay them is in a critical situation. When it's the United States, it's the whole world that worries.

The absence of an agreement on the 2014 budget, which was to take lawful effect as of Tuesday, 1 October 2013, shows the standoff in Congress between Democrats and Republicans. This kind of contention over the budget is not new: no budget has been passed since 2011, and the federal government has worked up to now through "continuing resolutions" that are used to release the funds needed for the government to function and operate, on a provisional basis. Today's blockage is on a different scale, and parts of the administration have had to close their doors due to lack of funds. This exceptional situation is not unprecedented: 17 shutdowns have occurred since 1976, the last two under the Clinton administration, lasting, respectively, one week (from 13 to 18 November 1995) and three weeks (from 15 December 1995 to 6 January 1996).

According to the Office of Management and Budget, of a total of 2.1 million federal government employees, more than 800,000 have been prohibited from working, while others have come to work with no guarantee that they will be paid. For example, those being told not to work include 97% of NASA employees, 93% of the Environmental Protection Agency, 87% of the Department of Commerce, 90% of the IRS, etc. Each of these received a letter from the President expressing his bitterness. In practice, this also means that some social services are no longer assured, some government call centres are closed, and the national monuments and 368 national parks are no longer open to the public. Applications for subsidized

loans, housing grants, and loan guarantees are no longer being taken, and some government services are closed:



Vital services and programs for which funding is not linked to the vote on the annual budget (so-called mandatory spending), which account for over 60% of pre-interest expenditure and represent 12.7% of GDP, have nevertheless been spared. Some social security programs (Medicare, Medicaid), the postal service, national security, and military operations have thus been protected from shutdown, at least in so far as they are not affected by restrictions on staff whose salaries are covered in the 2014 budget.

Another political and fiscal crisis is looming: the US government could go into default from October 17 if the authorized debt ceiling is not raised. The uncertainty surrounding this situation is fraying nerves on the financial markets, and the frozen political climate in Congress does not seem to herald an honourable end to what the media are calling

a “game of chicken” [1]. In 1995, however, Clinton emerged victorious from this crisis with the Republicans, and was re-elected in 1996, despite the Republican majority in Congress.

The economy could be seriously affected while awaiting an end to this crisis. If the salaries and benefits of federal civil servants are not paid, the loss in earnings would come to an average of 1500 dollars per week for each family affected. Given the total of 2.1 million federal employees, this would represent 0.08% of quarterly GDP. In three weeks, this would amount to a loss of 0.25% of GDP for the economy in the 4th quarter. Congress could, however, approve retroactive payment of the salaries, which is what generally took place during previous shutdowns.

But this still does not take account of the more important issue of the disorganization of the economy. Considering that on an annual basis half of the federal government’s discretionary spending (*i.e.* 37% of federal spending, or 7.6% of GDP) [2] is affected by the shutdown, since it is financed out of the 2014 budget, this loss in expenditure represents 0.15 GDP point per week. Given the disorganization represented by the government closures (and using a fiscal multiplier of 1.5), the impact on growth could then come to at least 0.22 GDP point per week. If the crisis lasts 3 weeks, then the impact on 4th quarter GDP would be at least 0.7 GDP point – which would mean a recession for the US economy by the end of the year!

Other estimates do exist. The Office of Management and Budget evaluated the cost of the 1995 shutdowns (from 13 to 18 November 1995 and then from 15 December to 6 January 1996) at 1.4 billion in 1995 dollars (*i.e.* 0.5 % of quarterly GDP). Based on the 1995 shutdowns, Goldman Sachs evaluates the current weekly cost to the US economy at 8 billion dollars, equivalent to an impact of 0.2% of 4th quarter GDP. Moody’s Analytic Inc. estimates that the shutdown will have an impact

of 0.35% of quarterly GDP per week.

If the budget crisis lasts only a few days, its repercussions on the French economy will be minimal, *i.e.* a reduction in US growth of 1 percentage point would cut French growth by 0.17%. But if the crisis lasts several weeks and overlaps with a crisis over the ceiling on the government debt, which is quickly approaching, then the consequences could be very different. The two crises the (blocked budget and the failure to pay the public debt) would combine and fuel one another, as is emphasized by this New York Times post. It is difficult to imagine the panic this could cause on the financial markets, as interest rates soar and the dollar collapses. This would be a very different story indeed….

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[1] In game theory, a game of chicken is a game of influence between two players in which neither must yield. When for example two cars are racing towards a head-on collision, the "chicken" is the driver who veers off course in order to avoid dying.

[2] A major part of spending by the Department of Defence is approved on a multiyear basis and is not subject to being blocked due to the shutdown. Over half of DoD spending is composed of this discretionary expenditure. Furthermore, mandatory outlays are not financed out of credits subject to the vote on the Budget.

Social inequality in the face of death*

By Gilles Le Garrec

The problem of inequality in the face of death has become an important topic in French public discourse in recent times, in particular in autumn 2010 during debate about raising the minimum legal retirement age by two years, by gradually shifting it from age 60 to 62. The debate became focused around a politically divisive issue: should the retirement age remain unchanged for low-skilled workers on the grounds that they enter the labour market earlier and / or have more strenuous jobs and live shorter lives? Since the socialist government came to power in 2012, two exemptions have been introduced to allow less-skilled workers to continue to retire at 60. First was the introduction in summer 2012 of an exception for a "long career", that is to say, for those who have contributed for a sufficiently long time. This September 2013 it has also been decided to set up a "hardship" account, starting in 2015, which will allow all employees who are exposed to working conditions that reduce their life expectancy to retire earlier. Nevertheless, the issue of inequality in the face of death – a taboo subject? – involves much more than simply the retirement age; before that, there are also the issues of inequality in income, housing, access to employment, education, etc. What follows is a small panorama (statistical) on inequality in the face of death in France, its causes and the difficulty of developing a political solution due to the multidimensional factors involved.

Very old – but not very reliable – statistics

From the late 18th century [1], the development of censuses, which was associated with the rise of statistics, has made it

possible to build up data that show the existence of a close link between inequality in the face of death and social inequality more generally. These early studies show that inequality in the face of death is explained primarily by income (Cambois, 1999). However, the import of these studies is limited due to the low reliability of their data and methodology. It is no easy matter to develop reliable indicators on this issue. Once we have the socio-professional categories (SPC) for death statistics and censuses, we can easily calculate mortality rates by comparing the number of deaths for the year (or years) classified by SPC with the size of the population classified in the same way. For example, in France for the period 1907-1908 Huber catalogued on an annual basis the death of 129 business executives aged 25 to 64 out of a total of 10,000, compared with 218 workers. This simple and intuitive method nevertheless gives a distorted view of social inequality in the face of death, due to incompatibilities between population data and mortality data (Desplanques, 1993). The difficulty of obtaining an accurate representation of inequalities in the face of death becomes especially difficult with this method, as there is a growing trend for career paths to fragment, with alternating periods of activity and unemployment.

The longitudinal method and its lessons

To overcome this problem, France's INSEE has developed a longitudinal method that consists of regularly monitoring a group of individuals who have particular characteristics at a given point in time, and ultimately the date of their death. The permanent population sample thus obtained, which was initialized during the census of 1968, currently includes approximately 900,000 individual histories, ensuring a good representation of the French population (Couet, 2006, for a description of this sample and how it was constructed). This large-scale socio-demographic panel makes it possible to draw a relatively accurate picture of social inequality in the face

of death in France. This shows that individual lifetime varies greatly from one socio-professional category to another, especially among men (Table 1). Male executives have a life expectancy (at age 35) that is four to five years above the average for men. Excluding inactive people [2], the most disadvantaged groups are manual workers, followed by white-collar employees, with life expectancies that are, respectively, two years and one year less than the average. Another interesting point is that the overall gain of four years in life expectancy over the period did not reduce inequalities in the face of death. The relatively stable result is that at age 35 the life expectancy of manual workers is six to seven years less (and white-collar employees five to six years less) than that of corporate executives and managers. In addition, at age 35 on average the latter experience 34 years in good health [3], 73% of their life expectancy, against 24 years for manual workers, or 60% of their life expectancy (Cambois *et al.*, 2008). While among women, the difference in life expectancy between managerial personnel and manual workers was "only" three years at the time of the last census, the differences are comparable with those for men in terms of life expectancy in good health. The conclusion is clear: numerous social inequalities persist in the face of death, including in terms of health. This conclusion holds for every country in Western Europe that has conducted this kind of study, although it should be noted that the level of inequality in France appears to be the greatest by far (Kunst *et al.*, 2000). The ratio of "manual to non-manual mortality" in France was 1.71 for men age 45-59, whereas it is on the order of 1.35 in most other countries (Finland, second behind France in terms of inequality, is 1.53). Leaving aside issues of data comparability, alcohol consumption is, according to Kunst *et al.* (2000), the most important factor behind the specific situation of France. Indeed, the greatest inequalities in mortality in France are due to major differences in mortality due to liver cirrhosis and to cancer of the aerodigestive tract, both of which are

associated with excessive alcohol consumption.

Table. Life expectancy of men and women at age 35, By period and socio-professional category

In years

Socio-professional category	Life expectancy at age 35			Difference with the average			Life expectancy at age 35			Difference with the average		
	1983-1991	1991-1999	2000-2008	1983-1991	1991-1999	2000-2008	1983-1991	1991-1999	2000-2008	1983-1991	1991-1999	2000-2008
	Men						Women					
Executives/managers	43,7	45,8	47,2	+4,5	+5	+4,4	49,7	49,8	51,7	+3,3	+1,8	+2,3
Intermediary profession	41,6	43,0	45,1	+2,4	+2,2	+2,3	48,1	49,5	51,2	+1,7	+1,5	+1,8
White collar employee	38,6	40,1	42,3	-0,6	-0,7	-0,5	47,4	48,7	49,9	+1	+0,7	+0,5
Manual worker	37,3	38,8	40,9	-1,9	-2	-1,9	46,3	47,2	48,7	-0,1	-0,8	-0,7
Inactive, not retired	27,5	28,4	30,4	-12,7	-12,4	-12,4	45,4	47,1	47,0	-1,0	-0,9	-2,4
Total	39,2	40,8	42,8	-	-	-	46,4	48,0	49,4	-	-	-

Source : Blanpain (2011), based on data from the permanent demographic sample, INSEE.

The causes

Several factors have been identified to explain the difference in mortality between socio-professional categories.

First, one can easily imagine that the working conditions of manual workers are usually physically demanding and debilitating. Moreover, during the 1980s we have seen a transformation in the structure of unskilled jobs. Over this period, the increasing need for businesses to be highly responsive has led to a more widespread use of flexible and precarious forms of employment (short-term contracts; atypical schedules; development of part-time, temporary work, etc.). But the increasingly precarious nature of work, which affects low-skilled jobs above all, is contributing to a serious deterioration in working conditions. Global economic conditions may therefore play a part in explaining disparities in mortality. In any event, working conditions are not improving as quickly for manual workers as for managers. This is certainly the view that was advocated in establishing the “hardship” account that is to be implemented from 2015. So any private sector employee who is exposed to working conditions that reduce life expectancy will accumulate points that will, among other things, enable them to retire early, and potentially before the statutory threshold of 62.

It should also be noted that the most disadvantaged groups cumulate a number of risky behaviours, such as smoking, excessive alcohol consumption, poor diet and a sedentary lifestyle. In contrast, managers and the intermediate professions smoke and drink in moderation. As was already pointed out as a factor in France's poor results in Western Europe (Kunst *et al.*, 2000), these differences in behaviour show up clearly in the mortality rates associated with certain diseases. The risk of death due to a tumour in the aero-digestive tract (larynx, pharynx, lungs, oesophagus, liver) is especially high among manual workers, and is at the heart of a significant portion of the observed differences in mortality. For example, during the 1980s, among men aged 45 to 54, the mortality rate associated with a tumour of the pharynx was 11 times higher for skilled workers and labourers than for teachers and the intellectual professions (Desplanques, 1993).

A lack of access to healthcare for the most disadvantaged groups is another explanation offered for the disparities in mortality, first of all because of costs. Mormiche (1995) thus shows that the consumption of medical products (their quantity but also their nature) is highly dependent on income. Disparities in access to healthcare are particularly marked for care that is expensive or poorly covered (especially dental). Herpin (1992) points out that a reduction in income due to a loss of employment leads to an almost proportional reduction in consumer spending, including on health. The risk of death rises by 60% for unemployed men in the years following a job loss (Mesrine, 1999). A man in poor health is of course more likely to be unemployed, but unemployment, due to the development of financial stress and disorientation and to personal factors, may affect health by creating a physical and emotional distance with respect to obtaining care.

Finally, the social environment and the local context play an important role in the persistence of social inequalities in the face of death, as can be seen in Table 1. The idea that

the behaviour of individuals is influenced by their place of residence has been developed in an extensive literature in the fields of both sociology and psychology (Roberts and DelVecchio, 2000). Mechanisms through which children identify with the behaviour of the adults surrounding them highlight a collective type of socialization. However, socio-spatial polarization, which is characterized by the creation of urban areas that cumulate all sorts of social disability, has been steadily increasing since the 1980s in France (Fitoussi *et al.*, 2004). In these neighbourhoods, the high level of concentration of groups characterized by risky behaviours may, through this process of identification, root these behaviours in the core of people's lifestyle. This phenomenon may explain why prevention policies among high-risk populations are ineffective. The financial difficulties that are giving rise to the under-utilization of medical facilities can also wind up leading to social distancing from health issues. The weak participation of women from disadvantaged strata in public programmes to screen for breast cancer is illustrative of this. Moreover, even in countries where there is effective universal health coverage, the differences in the consumption of healthcare persist.

What should we conclude?

Social inequality in the face of death is a sensitive issue. At the heart of this problem lie a multitude of more or less overlapping causes. To be effective, policies to combat this type of inequality must grasp them as components of an ensemble, with interactions throughout their economic, social and spatial dimensions. While awaiting the reduction of these larger inequalities, it would seem worthwhile to establish just social policies that take account of this inequality in the face of death. In this regard, setting up a "hardship" account that enables any employee who is exposed to working conditions that reduce their life expectancy to retire earlier is definitely a step in the right direction. Nevertheless, the

establishment of criteria is not as easy as it seems. Indeed, it is clear that a good share of social inequality in the face of death can be explained by risky behaviour. Some might reason that such behaviours are an expression of individual freedom and that it is not up to society to compensate for the consequences. Or, it could be argued, to the contrary, that these behaviours are a response to psychosocial stress caused by, among other things, difficult working conditions. From this perspective, the compensation represented by an earlier retirement would seem more equitable. But it is not certain that we can really distinguish these two cases. You can bet that the future definition of the criteria for accumulating points to meet the "hardship" criteria giving entitlement to early retirement will be the subject of lengthy negotiations….

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* I would like to thank Sandrine Levasseur, Hélène Périvier and Evens Salies for their insightful comments.

[1] Pioneering works that could be cited include those by Moheau (1778) and Villermé (1840).

[2] A category that groups individuals who have never worked. For women, this means mainly “housewives”.

[3] Good health is defined by the absence of limitations on everyday activities and the absence of incapacity.

Sharing parental leave: a must for equality

By Hélène Périvier

The bill on equality between women and men, approved by the Senate on 18 September 2013, includes a component aimed at modifying the arrangements for access to the allocation of parental leave [1] by introducing what is called the free choice of activity (“CLCA”). The latest *OFCE Note* (no. 34 of 26 September 2013) analyzes the consequences of this measure for gender equality and proposes other possibilities for a broader reform.

The right to the allocation of parental leave is a family right: it is allocated to a parent who cuts their working time or ceases working altogether in order to care for a child, for a maximum period of 3 years. Noting that 98% of the

beneficiaries are women, the law aims to encourage fathers to take it up: henceforth, out of the 36 months allocated for parental leave, 6 must be taken by the other parent. In other words, once the mother has taken 30 months of parental leave, the father must take over or else the family will lose the remaining 6 months. The UNAF, which opposes the reform, has published a survey on "fathers and parental leave" on its website. Arguing that the two sexes are complementary, it opposes the principle established in the law aimed at promoting the sharing of family responsibilities between mothers and fathers. Furthermore, the lack of childcare for young children is highlighted as a barrier to any modification of parental leave, on the grounds that this would accentuate the organizational constraints on parents of young children. Nevertheless, the gendered nature of parental leave is making this programme an obstacle to equality, even if some of the recipients say they use it out of personal choice. Making progress on gender equality thus requires reforming the mechanisms for access to parental leave. But will the proposed legislative changes be sufficient to shake up the boundaries of the existing sexual division of labour?

Redistributing the constraint between mothers and fathers

Given the struggle against the discrimination that affects most women, failure to make the CLCA reform would amount to introducing the freedom to use leave by some mothers and the freedom not to use it for all fathers. Parental leave is of course not the only factor responsible for gender inequality, but it is a driving force, and occupational inequalities in turn reinforce this inequality.

A policy designed to promote occupational equality cannot therefore avoid the reform of parental leave. Ending this vicious cycle necessitates major changes to this programme. Leave that is shorter and based on an individual right that is non-transferable between spouses, with compensation linked to the beneficiary's income, would undoubtedly be more attractive

to fathers and would promote equality (Méda and Périvier, 2007). While not directly egalitarian in itself, such a scheme would have the enormous advantage of ensuring women's autonomy in relation to their spouse, thereby making economic empowerment a principle of public policy. But it is not possible to shorten the duration of parental leave without having first filled the gap in childcare for young children, which is currently estimated at 350,000 places [2]. The re-organization of leave should therefore be part of an overhaul of early childhood care. Otherwise, shortening parental leave would wind up further increasing the burden weighing on parents, and mothers in particular. An ambitious early childhood care policy, featuring short parental leave paid in proportion to salary, would promote equality. This would require significant public expenditure, about 5 billion euros a year (Périvier, 2012). The trade-offs being made in the course of the government's budgetary adjustments point, however, to cutbacks in public spending.

In fact, due to a lack of funding, the proposed reform of the law is modest and will not really rebalance the sharing of family responsibilities between women and men. But it has the merit of highlighting the contradictions in society with respect to equality: without a requirement to share parental leave, this would be taken up only by women. The introduction of a period of parental leave allocated to the father will not directly increase the burden resulting from the shortage of childcare: the right to the allocation of parental leave is still 36 months for the family. It will merely spread the load between mothers and fathers. The trade-off facing fathers is the same as what mothers have faced for a long time. Given the low flat-rate amount of compensation, few fathers are likely to be tempted to take this leave. However, while the guidelines on budgetary matters are closing the door on any ambitious reform of early childhood care, women must not be the only ones to bear the consequences.

Reforming parental leave is thus imperative for equality.

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[1] It is important to distinguish the allocation of parental leave as such from parental leave in terms of labour law (Labour Code Article L. 122-28-1), which, subject to certain conditions, guarantees that all employees will regain their job after taking parental leave for a period of one year, which is renewable three times. The first is paid by the CAF within the broader context of family policy, subject to certain conditions (rank of the child, past activity, etc.). The conditions of access in terms of past activity are more flexible for granting eligibility for the allocation than parental leave in the strict sense. In fact, only 60% of CLCA recipients benefit from a guarantee of re-employment (Legendre and Vanovermeir, 2011).

[2] See, in particular, the Tabarot Report, Périvier 2012.