

THE OFF-BALANCE-SHEET DEBT OF CARE

How Austerity Fuels the Motherhood Penalty

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INTRODUCTION

Care is the invisible backbone of every economy. Before markets, wages or public budgets can function, someone must care for children, sick relatives and households — and that work is still disproportionately performed by women. Even though no accounting system actually records it anywhere, every economy runs on this work before it runs on anything else.

Fiscal austerity is usually justified as a way of repaying public debt. This paper argues that austerity does not, in practice, repay that debt so much as it undermines the very care infrastructure that public spending is supposed to sustain; instead, it merely displaces its cost. Cuts to public budgets do not make the underlying cost of care disappear: rather, they relocate it directly onto household budgets that no government accounts for. The result is an invisible but real social and economic debt, never recorded in any budget line, that is incurred predominantly by mothers in the form of lost time and earnings, since it is mostly mothers who continue to absorb the greatest share of unpaid care responsibilities, especially during the years when children most depend on care.

This mechanism is known as the off-balance-sheet debt of care. Every cut to a public service, benefit, or feminised public-sector job is, in effect, an additional forced loan against the time and income of the mothers who absorb the resulting gap — one that, unlike sovereign debt, is never formally recorded or scrutinised. It persists and accumulates over time, resulting in penalties associated with motherhood, structural gender inequalities, and, ultimately, a vulnerability to poverty in old age.



1. FORCED BORROWING:

HOW AUSTERITY SYSTEMATICALLY INCREASES THE DEBT

Unpaid care work underpins every economy, yet it is never priced, never waged and never counted as economic output in national accounts.

Austerity treats this invisibility as a licence: because unpaid care carries no cost on paper, cutting the public services that support it looks like a saving.

But the need for care does not disappear with the service. Someone still has to look after the child, the elderly parent or the sick relative, and that work is transferred, without compensation or consent, onto the household, and chiefly onto the mothers within it.

This is the invisible cost-shifting mechanism: every cut to a public service is a forced loan against women's time and financial standing, one that appears on no public balance sheet precisely because the work it displaces is not counted in the first place.

This forced borrowing takes three concrete and well-documented forms:

1. Cuts to childcare and healthcare services:

When public childcare services, home-care visits, or hospital beds are reduced, households do not simply function without these services; they absorb the resulting costs.

In Greece and Portugal, for instance, the reduction of public childcare during the post-2010 adjustment programmes is a well-documented example of care responsibilities being ostensibly reprivatised back directly onto women.

2. Reduced social benefits:

Cuts to family and disability benefits do not eliminate any need. In reality, this amounts to passing the cost on to households, which generally eats into women's incomes – particularly those of mothers, who are forced to fill the gap left by the state.

In the UK, of the total financial savings generated by the 2010s welfare reforms, roughly 85% came out of women's incomes, largely because women make up the majority of lone parents and unpaid carers.

3. Freezes or cuts to feminised public-sector jobs:

Public-sector employment is disproportionately female: women make up on average 69.2% of public-sector workers in the EU.

Cuts to that workforce therefore fall disproportionately on women's income at the same time as the services those jobs used to provide are reduced, creating a double penalty: lost income, and more unpaid caregiving hours to fill the service gap.

In the UK, where women make up around 70% of workers in public administration, education and health, women accounted for 56.1% of overall job loss over 2009–11, compared with 37.3% in 2007–09, a shift largely attributed to public-sector job losses.

Taken together, these three channels clearly show that austerity is not a neutral technical exercise in balancing a budget. It is a one-way transfer of cost from a state account that is audited to a household account that is not.

2. THE CARE DEBT: HOW IT ACCUMULATES AND COMPOUNDS

This forced borrowing accumulates into a care debt that the state fails to repay. Governments draw on women's unpaid and underpaid care labour to fill the gaps left by austerity, but that debt is never formally recognised or compensated through wages, social protection or pension rights. Left outstanding, it does not sit still but accumulates and compounds over the life-course, in three connected stages, each one a consequence of the debt still owed rather than an isolated harm.

2.1 First stage: the motherhood penalty

The unpaid debt first shows up here, mainly in reduced earnings and savings, blocked promotions, and workplace bias following childbirth, driven by interrupted career paths, involuntary part-time work, and widening pay and career progression gaps. Across the EU in 2022, 28% of employed women worked part-time compared with only 8% of men, a gap mainly concentrated in the years around childbirth and which is largely driven by care responsibilities that are not equally shared within couples, rather than by choice.

In the same vein, the size of the motherhood penalty depends on who mothers are compared with. Against comparable women without children, a meta-analysis of 453 wage-effect estimates drawn from existing studies finds an average wage gap of around 3.6–3.8%, which the authors attribute mainly to lost human capital during career breaks (for larger families) and to mothers moving into lower-paying jobs (after a first child). Unadjusted gaps can be far larger: in the UK, 21% between mothers and non-mothers. Against men, the gap does not disappear even when mothers avoid career breaks: in the UK, mothers in continuous full-time employment still faced a 23% unexplained wage gap relative to men. The first figures isolate the effect of motherhood among women; the latter adds the gender pay gap that mothers face. Both point in the same direction.

This "**child penalty**" is now understood to be the primary driver of the gender earnings gap in rich countries overall, accounting for more than 80% of it, regardless of a mother's education, career stage, or whether she is an adoptive or biological parent.

The mechanism is fairly consistent across studies: it is the shift into part-time and reduced-hours work – not any underlying change in a woman's productivity – that drives the penalty, even among mothers who never take a full career break.

2.2 Second stage: broader structural gender inequality

The motherhood penalty does not stay contained to the moment it first appears – it drives and reinforces gender inequality more broadly, particularly in the labour market and the economic sphere. This happens through several connected channels: earnings that drop at the moment of motherhood and rarely recover, a channelling of mothers toward part-time or lower-paid but more "flexible" jobs that reinforces occupational segregation, and hiring and evaluation practices shaped by assumptions about mothers' commitment and availability, which undermine career aspirations.

None of these channels act alone. Together they mean a **pay gap that opens at the moment of motherhood** and does not close on its own. It is carried forward through every subsequent hiring, promotion and work-life balance decision, compounding into lower lifetime employment, lower lifetime income and wealth, and reduced economic autonomy – widening rather than narrowing over a working life.

2.3 Last stage: vulnerability to poverty in old age

In turn, this accumulated, compounding debt results in smaller pensions for women, increasing their vulnerability to poverty in old age – especially for single mothers.

The **gender pension gap** illustrates this clearly: it stood at close to **25% across the EU in 2024**, despite many EU countries providing 'care credits' in pension calculations. Women over 65 therefore receive, on average, roughly three-quarters of what men receive in retirement income. This gap is not a pension-system anomaly, but the accumulated and compounded cost of every employment interruption and every part-time period that reduced pension rights – part of the outstanding balance of a debt that the state never settled.

3. NORMATIVE FRAMEWORK:

LEGAL RECOGNITION OF A DEBT THAT MUST BE ACCOUNTED FOR

The fields of international human rights and development law have begun, albeit sparingly and in stages, to recognise that this debt exists, even if no instrument yet requires that it be quantified or compensated.

SDG Target 5.4 is the plainest normative starting point as it commits States 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 as nationally appropriate**".

As part of international development commitments, this is the first formal step aimed at making the cost of unpaid care visible in policy and public accounting, even though it does not go so far as to define how that recognition should be measured, let alone enforced.

The mandate of the UN Special Rapporteur on Extreme Poverty and Human Rights has driven this recognition forward in two stages:

- In 2013, **Magdalena Sepúlveda's report** to the UN General Assembly framed unpaid care work as a human rights issue in its own right, arguing that unequal care responsibilities are a major barrier to gender equality and, in many cases, condemn women to poverty. It also argued that a State's failure to fund and regulate care inherently breaches its human rights obligations. Five years later, her successor **Philip Alston's** 2018 country visit to the United Kingdom roughly applied that same doctrine to a live austerity programme, concluding that the UK's welfare reforms had inflicted disproportionate hardship on women, particularly single mothers and unpaid carers.

- That same year, Juan Pablo Bohoslavsky, then UN Independent Expert on Foreign Debt and Human Rights, presented a dedicated thematic report to the General Assembly analysing how austerity measures, structural adjustment and economic reform programmes disproportionately affect women's human rights – by notably increasing unpaid care work, and calling for mandatory gender impact assessments of economic reforms before they are adopted.

Read together, the three reports amount to a two-stage recognition, first in principle and then in a concrete national case, that austerity-induced care debt is a human rights matter and not merely a budgetary side effect.

The Convention on the Elimination of all forms of Discrimination Against Women **CEDAW** provides a complementary legal framework of indirect discrimination. Under the Committee's established view on States' core obligations, a policy that is neutral on paper can amount to discrimination against women if in practice it negatively affects their rights.

The CEDAW Committee has applied this reasoning in its 2013 concluding observations on the United Kingdom: it censured the government for failing to mitigate the impact of austerity measures on women and on the services they rely on.

This precedent gives the off-balance-sheet debt of care a legal hook: **a policy does not need to explicitly mention women in order to discriminate against them; it is sufficient that, in practice, it disproportionately affects them negatively.**

4. EXAMPLES

01

United States, 2025–2026

The federal budget reconciliation package of July 2025, also known as the '**One Big Beautiful Bill Act**', cut Medicaid financing and eligibility, swiftly tightened work requirements under Temporary Assistance for Needy Families (TANF), and also significantly reduced federal childcare assistance.

Analysts at the Center on Budget and Policy Priorities and Georgetown's Center for Children and Families have duly documented that these changes fall hardest on low-income mothers: reduced postpartum Medicaid coverage, tighter TANF conditions that increase hardship for caregiving mothers, and cuts to childcare assistance that make it harder for them to actually sustain employment in the first place. The chain runs, to put it quite simply, from a budget line to a mother's job to her household's poverty risk.

02

Global South, IMF-linked adjustment programmes

The same mechanism operates at international level whenever "fiscal consolidation" is a prerequisite for obtaining external financing. ActionAid's 2022 analysis **The Care Contradiction**: The IMF, Gender and Austerity found that roughly 85% of the world's population was living under some form of austerity measure, largely driven by IMF policy advice to freeze or cut public-sector wage bills in health and education – sectors that are both highly feminised and vital for women to offload unpaid care work.

Academic research on IMF programmes independently confirms similar effects: countries subject to the IMF's lending conditions see the gender gap in employment widen, regardless of prevailing social norms, as women are concentrated in jobs in the public sector and social-service jobs, which are the first targeted by adjustment programmes.

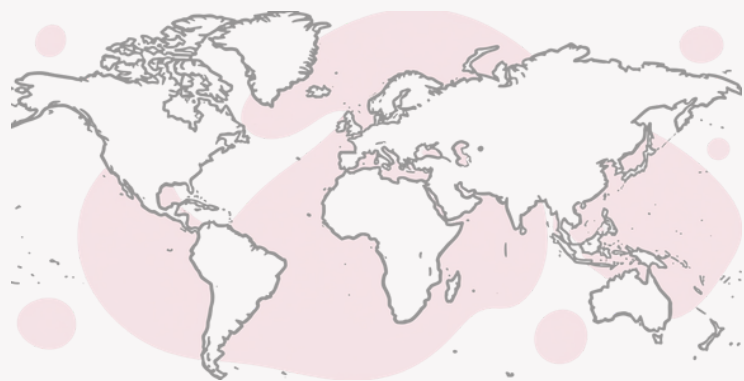
03

Europe, Greece (2010–2018)

Greece's bailout-era austerity offers a compressed, single-country version of the same chain. The number of permanent public servants fell by 18% between 2009 and 2015. In 2013 the CEDAW Committee noted with concern that the crisis measures agreed with the EU and the IMF were having detrimental effects on women in all spheres of life.

It also expressed concern that the dismantling of the workers' social fund (OEE) and housing organisation (OEK) had resulted in significant interruptions in the operation and maintenance of nurseries and childcare facilities, and that budget cuts and restructuring might further reduce the budget of the General Secretariat for Gender Equality and limit its independence.

Pension reforms also weighed more heavily on women: successive laws set the retirement age at 67 for both sexes and lengthened contribution requirements, and women had to make up the largest distance from previous, lower retirement ages.



5. RECOMMENDATIONS: MAKING THE CARE DEBT VISIBLE AND COMPENSATING IT

If the core problem is that this debt is indeed tangible and real but also inevitably invisible, the core of any policy response has to be making it visible, preventing it before it is incurred, rather than documenting its effects afterward, and compensating it whenever possible.

01 Monitor the unequal distribution of unpaid care work and recognise and measure the motherhood penalty and other costs associated with it

- **Conduct Time-Use Surveys on a regular basis** and prioritise the implementation of target 5.4 of the SDGs
- **Recognise and legally prohibit discrimination related to pregnancy, maternity or motherhood**
- **Recognise, measure and address the motherhood penalty** in all its dimensions

02 Assess and mitigate the impact of any austerity plan on unpaid care work

- Make mandatory & public **gender impact assessments before any fiscal reform**. Any proposed cut to a public service or benefit must come with a quantified estimate of the care time it will transfer onto households and, specifically, onto mothers, published before the reform is adopted rather than evaluated after the fact. Crucially, the assessment must not be a purely procedural step: where the estimated care-time transfer exceeds a defined threshold, the reform should be required to include compensating measures, or be reconsidered altogether, before it can proceed.
- Adopt **alternative accounting for the true cost of austerity**. Official impact assessments of fiscal reforms should integrate the transferred cost of unpaid care as a line item alongside the fiscal savings being claimed, so that a reform's headline savings can be weighed against the invisible cost it generates on women's time and finances

03 Invest in care as essential social infrastructure & Protect care budgets

- Invest in comprehensive **cross-sectoral care systems**
- Invest in **universal social protection – or a social protection floor** – to cover in particular maternity protection and ensure that caring for a child or another dependent is never what pushes a mother out of the social safety net
- Add **'social floor' clauses in budget negotiations and IMF programmes**. Essential care-related spending – childcare, health, disability and elder care – should be protected by a floor that cannot be cut below a defined level as part of any fiscal consolidation or adjustment programme
- **Recognise unpaid care work as vital work, that must be supported**
- **Adopt measures to redistribute unpaid domestic care work** more equitably, both between men and women and across society. Non-transferable parental leave for both parents and explicit legal protection of career progression and pay trajectories following maternity leave would contribute to preventing part of the debt, rather than having to compensate for it years later. The private sector must also take its share of responsibility and support its employees with caregiving responsibilities, beginning with mothers
- Introduce **pension care credits**; crediting pension contributions for periods spent in unpaid care work would help redress the gender pension gap and reduce vulnerability to poverty in old age

CONCLUSION

A debt that remains invisible is a debt that is never repaid to the right people. Fiscal austerity presents itself as a way of settling public accounts, but when it cuts into care, it opens a second, unaudited account and transfers the balance disproportionately to women, and particularly to mothers and other unpaid carers, who are often least able to absorb it. This debt appears at every stage of the chain traced in this brief – through the motherhood penalty, structural gender inequalities, lower pensions and vulnerability to poverty in old age.

Genuine fiscal responsibility cannot mean moving a cost off public accounts and onto households, where it is never formally recorded or compensated. The question is not whether societies can afford to invest in care. It is whether they can keep affording the costs of not doing so.

Because every cut to care is not a saving. It is a transfer of cost from the State to women, particularly mothers.



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