

Gender Implications of the Financial Crisis in the United States

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The United States is a women's success story in many ways. As Americans, we pride ourselves on the economic and social progress women have made. We were the first country to have a modern women's liberation movement, beginning in the 1960s, and we have put substantial infrastructure in place to achieve equality for women—the 1963 Equal Pay Act, the 1964 Civil Rights Act, and the 1972 Title IX amendment legislate equal opportunity in pay, employment, and education, respectively. Yet for the past two decades at least, policies in other countries are catching up with and exceeding those in the United States, so that we can no longer consider ourselves the leader in women's achievement or economic well-being. Let me begin by reviewing women's progress in the labor market for the past several decades, then look at how this recession is affecting women and men, and finally examine how US government policy is responding to the crisis. Women and men are being affected differently, and US policy designed to get our economy moving again should take these differences into account. Without specific attention on women's needs in this crisis, we could see women's economic standing fall further below men's than it already is.

An Overview of Men and Women in the US Labor Force

Figure 1 shows the labor force participation and employment-to-population ratios for men and women in the United States across the past 30 years. We see a remarkable long term growth in women's labor force participation and an equally long term decline in men's labor force participation (the labor force participation rate is the share of all women, or men, in the population who are working or looking for work). Women's increase reflects their growing commitment to paid work and a corresponding reduction in time spent on family care over the life cycle; their increased training and education tend to draw women into the labor market and keep them there. The long-term decline for men is largely a product of increased wealth; a richer society allows workers to spend more time preparing for work, to take time away from work, and to retire earlier.

In general, this chart reflects a story of women's long-term economic success in the United States, a relatively steady march into the labor force as American women have voted with their feet toward paying jobs, reflecting their greater investment in developing their human capital. Looking at the lines in the figure for men and women suggests that someday they will converge, although now women's labor force participation remains 12.9 percentage points below men's (72.4 percent versus 59.5 percent; Bureau of Labor Statistics 2009).

Since about 1999 women's labor force participation has not grown, perhaps largely in response to the slower economic growth the US has been experiencing, with recessions that began in March 2001 and December 2007. In contrast, in past recessions (1980, 1982, and 1991), women's labor force participation increased or at least stayed the same (the periods of recession are shown in Figure 1 as shaded areas). This 10-year halt in the growth of US women's labor force participation may reflect, in addition to recessionary periods, the types of structural barriers to women's employment that have been surmounted in many European countries. Figure 2 shows that the United States has the *lowest* labor force participation rate among college educated women of working age of 21 countries in the Organization for Economic Cooperation and Development (OECD); the US rate is about 12 percentage points below that of the nations with the highest rates, Portugal and Sweden. Relative to all these other economically developed countries, the United States lacks paid family leave and publically subsidized child care. The recent slowdown in women's labor force participation and the low ranking of the United States for college educated women indicate a potential problem of stalled economic success for American women at this time.

Turning to men's labor force participation over time, Figure 1 shows that men's labor force participation dipped in all of the past four and the current recession. Thus, women's participation, in contrast to men's, has been relatively insensitive to the business cycle. Employment-to-population ratios, which exclude the unemployed, vary more across the business cycle for both men and women. The ratios for men have dipped dramatically in all five of the recessions shown; for women the dips have been small or nonexistent, confirming the muted responsiveness of women's employment to the business cycle. This gender difference in the sensitivity of employment indicates another area of women's success in that they are located in the more stable sectors of the economy.

In general, women tend to work in the sectors of the economy that are less sensitive to the business cycle, whereas men work in those that tend to be more affected by variations in aggregate economic activity. In the current recession, manufacturing and construction have seen the most job loss; in 2007, 14.6 percent of all male workers work in manufacturing and 13.7 percent in construction; in contrast, only 1.7 percent of all female workers work in construction and 7.2 percent in manufacturing (US Bureau of Labor Statistics 2009a). Among women workers, 33.8 percent are employed in education and health services and these sectors offer relatively stable employment—indeed health services has been the only sector of the economy that has continued to grow throughout this recession. Only 9.9 percent of men work in these steady job sectors (US Bureau of Labor Statistics 2009c).

Another aspect of women's relative economic success is that women's real wages have grown across the past four and a half decades, whereas men's real wages have been largely stagnant for the past three decades, since the mid 1970s, as Figure 3 shows. The wage gap has narrowed during this time to about 22 percent; women who work full-time, year-round earned 77.8 percent of what men earned in 2007, up from 60.7 percent in 1960 (US Census Bureau 2009). As with the growth in women's labor force participation, though, there has been a stall in progress since the mid 1990s when men's real wage growth began to recover a bit from its twenty years of steady decline, bringing their wages in 2007 to about where they were in 1974. Figure 3 clearly illustrates the value of a gendered approach to economics. It is not well-known that American men's real wages have not risen for three decades because ordinarily real wage growth is shown for all workers together, and the rise in women's real wages has resulted in a slight increase for all workers, masking the dreary situation for men in terms of wage growth. In my view, there are two major reasons for women's relatively greater wage growth. First is the "catch-up" they have done in increasing their educational attainment and work experience. After WWII, the GI Bill resulted in men's outstripping women in college enrollment; women caught up in 1988 (US Census Bureau 2009b) and now outpace men in college graduation. Second, I believe, is their location in the labor market. Although their jobs generally pay less than men's jobs, these jobs have experienced more wage growth than the jobs men typically work in. Among men, only those with post-secondary education have experienced real wage growth since 1979, whereas women at all education levels have experienced real wage growth.

Women and Men in the Current Crisis

Employment is falling for both men and women more steeply in this recession than in the previous one, but especially so for men. Figure 4 shows the labor force participation rates and employment-to-population ratios in more detail for the current recession and the prior one. While women's labor force participation has held steady in this recession, men's has fallen off, indicating that many men have stopped looking for work and have dropped out of the labor force in the past year. Figure 5 shows the unemployment rates for men and women, again showing men's rising more steeply, but note that women's unemployment rate is also increasing quite rapidly now. Until now, as women have "voted with their feet" and moved into the labor market, the long-term secular increase in their employment cancelled out the short-term effects of employment downturns in recessions, so that their employment usually continued to grow in past recessions. In this recession women *are* experiencing substantial job loss. In this recession there are already 1,121,000 fewer million women workers. In 2001, the only other recession where women's employment fell simultaneously, the drop in the number of employed women was only 230,000 over the course of the entire recession (US Bureau of Labor Statistics 2009).

In this recession, as in most recessions, those with less education are faring worse and experiencing more unemployment, and minorities are faring worse than whites. Among men aged 25 and older, 14.1 percent of those without a high school diploma and 10.2 percent with a high school diploma are unemployed (as of June 2009). In comparison, only 5.0 percent of male college graduates are unemployed. Unemployment rates by educational attainment are similar for women. Among women aged 25 and older with less than a high school education, 14.8 percent are unemployed compared with 7.9 percent of women who graduated from high school and 4.7 percent of women who graduated from college. Among minority groups, African Americans have fared the worst. Currently, 17.5 percent of African American men and 12.2 percent for African American women are unemployed. Hispanic men and women also fare poorly with unemployment rates of 11.9 percent and 12.5 percent respectively. In comparison, the unemployment rate for white men is 9.8 percent and it is 7.4 percent for white women. Asian Americans also have fared well with unemployment rates of 8.1 percent for men and 8.4 percent for women (US Bureau of Labor Statistics 2009b).

Interestingly, older workers have been increasing their labor force participation for the past 20 years. From 1985 to 2008, women aged 65 to 69 increased their labor force

participation rate by 11.3 percentage points (compared to 7.1 percentage points for men of the same age). Labor force participation rates also increased by 0.7 percentage points for women aged 70 and over (compared to a 2.7 percentage point decrease of their male peers; US Bureau of Labor Statistics 2009b), and there were more women and men over age 65 at work in June 2009 than there were at the start of this recession (US Bureau of Labor Statistics 2009b). More work by older people could presage a change in preferences for the baby boom—perhaps they will reject the trend towards earlier retirement. Or it could reflect their increased reliance on defined contribution pension plans (compared with earlier generations) and their need to accumulate more savings given the stock market declines. For women, it likely also reflects their desire to “make up” for the years they spent out of the labor market caring for families and thereby increase their pension accumulations.

In the United States, we have two different data sources for measuring unemployment; one is a survey of employers that provides information on payrolls and the other is a survey of households that asks individuals about their work and job search experiences. From these two surveys we know that considerably more men than women have lost jobs and that women are more often new entrants and re-entrants looking for work. According to the payroll survey, as of May 2009, men have lost 78 percent of the jobs lost since the start of the current recession in December 2007. Yet, the household survey shows women are 41 percent of the total unemployed (compared with their share of the labor force as a whole of 47 percent). As of June, there were 8.8 million unemployed men and 6.0 million unemployed women looking for work. Because the US unemployment insurance system covers only those who have lost jobs for “covered” reasons (leaving a job to go to school or have a baby is not a covered reason, for example) and who have substantial earnings within the past 18 months, and not those who have been out of the labor force much of that time period but are looking for work, women are much less likely to be receiving benefits than men. Single mothers, who require jobs that enable them to balance work and family demands have an especially high unemployment rate now. Whereas the unemployment rate for all women is 8.3 percent (as of June) and 10.6 percent for all men, it is 11.7 percent for single mothers. Overall, women’s share of unemployment is somewhat less than their share of the labor force, but some women, such as the single mother group, are experiencing unemployment rates as high as or higher than men’s. Although this recession has been characterized as a “men’s recession,” that label is unfortunate and tends to ignore the unemployed who have not actually been laid off.

Several other indicators also provide a picture of how women are being affected in this economic downturn. Information on subprime mortgages indicates that people of color and especially women of color seem to have been targeted for this type of disadvantageous loan. In looking at this particular data point, I don't want to convey that subprime mortgages were at the root of this downturn—I don't think they were, but it is instructive to note the large gender and racial disparities in the mortgage loan market. Among home purchasers in 2005 whose family income was at least twice the median family income (in other words, middle class families and above), African American women disproportionately took out loans at subprime rates: 46 percent of African American women versus 10 percent of white males took out subprime rate loans. For white females the rate was 13 percent, for Latinos 31 percent, Latinas 39 percent, and African American males 40 percent (Fishbein and Woodall 2006). Many of these borrowers have likely already faced foreclosure and more will do so as the rates on their loans automatically reset to higher values in the next few months. A few will be able to renegotiate their loans with lenders, with the aid of Obama Administration programs, but many will not. As the numbers of unemployed grow as the unemployment rate climbs to 10 percent (as most forecasters now expect it to do), we can expect the number of families experiencing foreclosures to grow. While most of these families will find places to live, by moving in with other family members or switching to rental housing, family hardship will surely increase. (Inaccurate ratings of securitized mortgage assets undoubtedly did contribute to the crisis, but this was not a necessary ingredient of lending at subprime rates. Subprime rates are set to compensate for risk and if risks had been accurately reflected, subprime mortgages would not have posed any threat to the system. Clearly, lenders stand to profit when good risks are sold mortgages at subprime rates, as may have happened with many middle class people of color.)

The majority of Americans are not at risk of foreclosure but they are feeling a sense of increased financial insecurity, and women report a higher incidence of foregoing both luxuries and necessities to cope with the current recession. According to a survey commissioned by the Rockefeller Foundation in the summer of 2008, when the recession was in its seventh month, fully 78 percent of 2,000 diverse Americans questioned reported that they were facing greater financial risk than in the past. Those who believe Americans are less secure now than ten years previously shot up by 9 percentage points in little more than a year (63 percent in 2007 versus 72 percent in 2008). Those who feel that they personally are more insecure nearly doubled between the spring of 2007 and the summer of 2008, from 24 percent to 47 percent. And between men and women there was a 10 percentage point differential with women reporting greater feelings of personal economic insecurity. Even before the recession began, women were much more likely than men to report that they were not saving enough for retirement, that they had to

forego buying something to meet their child's needs, and that they feared losing their job or cutbacks in Social Security.

Women's greater experience of economic insecurity is no doubt linked to their lower earnings and lower family incomes than men, on average. Poverty is measured at the household level, so women and men who live in the same households are considered to have the same experience of poverty. But women more often live alone than do men, without male earners in their households and more often maintain households with children on their own. For men the experience of being a single parent is relatively rare: only 1 in 20 families with children is headed by a single father, compared with 4 in 20 headed by a single mother. Figure 6 shows that in 2007 women experienced higher poverty rates than men *at every age*. Even among children aged 5 to 17 years, girls experienced slightly more poverty than boys (17.0 percent for girls versus 16.6 percent for boys). Women's poverty exceeds men's the most during the early childbearing years (ages 18-24), by 6.6 percentage points, and during old age (ages 75 and above), by 6.5 percentage points. Their poverty rates are also disproportionately high in the years when they are likely to be raising children, at ages 25-34, when women's poverty rate is 15.0 percent and men's is 9.6 percent. Poverty falls fairly consistently throughout the life cycle for males, with older men having poverty rates below 7 percent. For women poverty is lowest in middle age, at ages 45 to 59, the only age ranges in which women's poverty falls below 10 percent. These are likely the years when they are most likely to live with men and among those when they are unlikely to have sole responsibility for the care of dependent children. As the recession continues and unemployment deepens, poverty in the United States will increase. The Economic Policy Institute has estimated that 7 million additional people will move into poverty as a result of increased unemployment during the recession (Mishel 2009).

The bottom line is that women are more economically vulnerable in the United States than men. The female success story – more women working than ever before, more real wage growth than men, more stable jobs than men – does not go all the way to achieving equality, by any means. The flip side of women's success is that, now, when married-couple families lose male earnings the women's earnings will be relied upon to support the family. Women wind up not only becoming the primary wage earners for families, despite their generally lower earnings, but also still do the majority of housework and family care as well, as indicated by data showing that men's time spent on housework or family care does not increase much when they become unemployed. And, if women lose their jobs, the family will suffer nearly as much as if the man does. In fact, because of the high proportion of single mother families, the average child in the United States today

is just as likely to be living with a working mom as with a working dad. And, as noted, with lower earnings and greater likelihood of supporting children on their own, women experience more poverty than do men at every age.

How the Obama Stimulus Package Helps Women

What is the stimulus package doing to aid vulnerable Americans? Will the jobs created by the stimulus go to women? As we have seen, it makes sense to ask these questions because women and men are located in different places in the economy and because women are, on average, more economically vulnerable than men. As the economy operates differently for women and men, so must policymakers pay attention to the different roles women and men play in the economy in crafting economic policy. At IWPR we produce gendered analyses of social problems and policy solutions in an attempt to ensure that public policy is not gender blind. We examine the gendered effects of policies that are seemingly neutral on their face to ensure that women will not be harmed. There is good news in the stimulus package for women. Many of the “gender-neutral” policies disproportionately benefit women, while a few others specifically address needs felt disproportionately by women.

First, the “make work pay tax cuts” that Obama touted in the presidential campaign go largely to working and middle class families (\$116 billion). Because women have lower family incomes, they gain relatively more from this tax relief. Social Security recipients, and Supplemental Security Income (SSI) recipients, among others received \$12.7 billion this past spring, \$250 per person. These payments were especially beneficial for women who are 58 percent of all Social Security retirees (Democratic Women’s Working Group 2009). In contrast, the fix of the alternative minimum tax (\$70 billion), which was added to the stimulus package during negotiations with Congress, goes to upper income families and disproportionately benefits men.

Second, the stimulus package expands the US safety net considerably. It expands access to unemployment insurance benefits, health insurance, educational assistance, Medicaid, food stamps, and Temporary Aid to Needy Families (TANF). Fully \$ 153 billion is earmarked for this purpose during the first two years. Women are the majority of participants in Medicaid, TANF, and the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps).

Third, the safety-net expenditures plus others, especially the funds provided to the states (\$200 billion) that will largely be used for education and health care, create more jobs for women than men because, as we have seen, women are disproportionately employed in these sectors. President Obama's economic team, in a report released toward the end of the transition period, projected that 42 percent of the jobs created by the package would go to women (Romer and Bernstein 2009). Many of the jobs expected to go to women would result from secondary spending, for example, the retail purchases made by newly employed workers, but many would result from direct spending as well. In fact, the best job creation public spending of all is that spent on human services such as SNAP—each dollar spent on food stamps increases GDP by \$1.73 (Zandi 2009).

Fourth, women can be expected to get a share of the new infrastructure jobs, the so-called “shovel ready” jobs, whether in transportation, energy, school or housing construction, or technology (\$191 billion). One disappointment women's groups have expressed is that although the administration has identified women as one of the priority groups for employment, there are as of yet no federal guidelines for ensuring that public agencies and private contractors allocate a fair share of jobs goes to the vulnerable and disadvantaged and those traditionally underrepresented in these jobs. About \$4 billion of the stimulus funds are set aside for job training and enhancing worker protections, including equal employment opportunity laws and affirmative action regulations, though as of yet it is unclear how these funds will be distributed. There is also a more general problem with the use of stimulus funds to create jobs — it takes a while for the jobs to materialize. These jobs are not being organized directly by the federal government but rather the money is being sent to states for them to spend, often by putting out requests for proposals and bids to the private sector for desired work, say road building. Or the federal government is putting the funds out for competitive grants to the states (who in turn will likely contract the work out to the private sector). Only after a private firm wins a contract will it be able to hire workers (and by that time states will have cut back their own state-funded spending due to state legal requirements to balance their budgets, even in recessions). Many infrastructure jobs, though they pay well, may be slow in coming.

Fifth, mortgage relief should help women with expensive loans reduce their borrowing costs. Unfortunately, despite some fine-sounding programs to help homeowners, early reports indicate that these programs are ramping up slowly. So far, relatively few people have actually been able to renegotiate their loans to reduce their monthly payments. The Obama administration continues to consider ways to mitigate foreclosures.

Sixth, there are several specific areas of special interest to women that received funding in the stimulus package. Unemployment benefits were not only increased in amount and extended in length, but also states were required to reform their benefit eligibility structure in order to qualify for increased federal benefits. States that had not already done so had to change their calculation of a worker's qualifying earnings to include more recent earnings—this change helps workers who move in and out of the labor force and low earners (both are disproportionately female) who otherwise might not have enough earnings in the relevant time period to qualify for benefits. States also were required to add two of four benefit eligibility changes designed to increase eligibility, and two of the four address women's needs explicitly—one would provide benefits to unemployed part-time workers who are looking for part-time work; the other would include “compelling family reasons” as covered reasons for leaving a job (such as domestic violence, an ill family member who needs care, or a spouse's job-related relocation). In addition to these new women-friendly unemployment benefits, funds were increased for child care and Head Start --\$4 billion, for the Special Supplemental Program for Women, Infants, and Children (WIC)--\$500 million, for Violence Against Women Grants--\$225 million, for the Small Business Administration's microloan program--\$30 million, and for technical assistance to women- and minority-owned businesses--\$20 million.

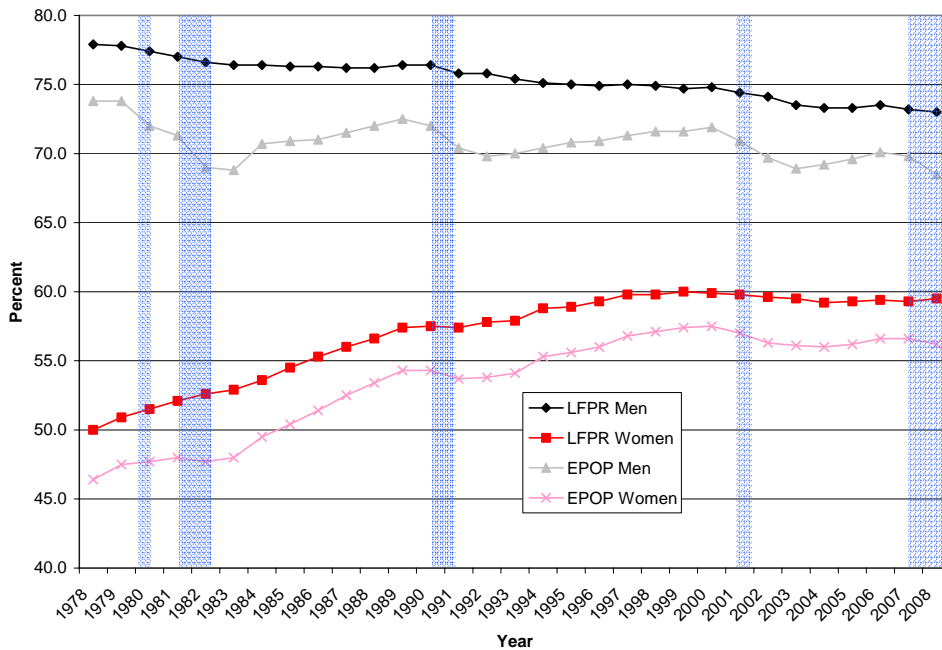
Overall then the stimulus bill has a huge number of provisions that benefit women. House Speaker Nancy Pelosi issued a 7-page report on how the stimulus bill helps women and children which outlines these provisions and dozens more. (Democratic Women's Working Group 2009).

Is there more to do in the United States? Yes, of course. First, as the recession deepens and the number of unemployed continues to grow, more federal stimulus spending is needed to address unemployment. Many state governments, for example, are cutting back jobs faster than the federal government is creating them, increasing the need for further federal spending. Unemployment benefits need to be lengthened further as a large number of long-term unemployed are a distinctive feature of this recession, and even the extended benefits already provided (up to 79 weeks) will expire for 1.5 million workers before the end of 2009 (National Employment Law Project 2009). A direct jobs program, such as existed in the Great Depression of the 1930s would be one way to ensure that adults not only get needed income but also contribute to needed service or infrastructure projects. And second, a follow-on stimulus package could provide an excellent vehicle for filling the gaps in US work-family policies and in its safety net, both of which would be of special help to women. Paid family leave, including paid sick days and paid

vacation, is very skimpy in the US compared with Europe. A new federal program or tax credits for employers to provide them could be included. Public funding for child care and preschool could be vastly expanded. Social Security benefits for retired workers, also skimpy by European standards, could be increased, especially for those at the low end of the income distribution. Unemployment benefits for new and returning workers could be added to the US system, and funds for anti-discrimination efforts could be increased further.

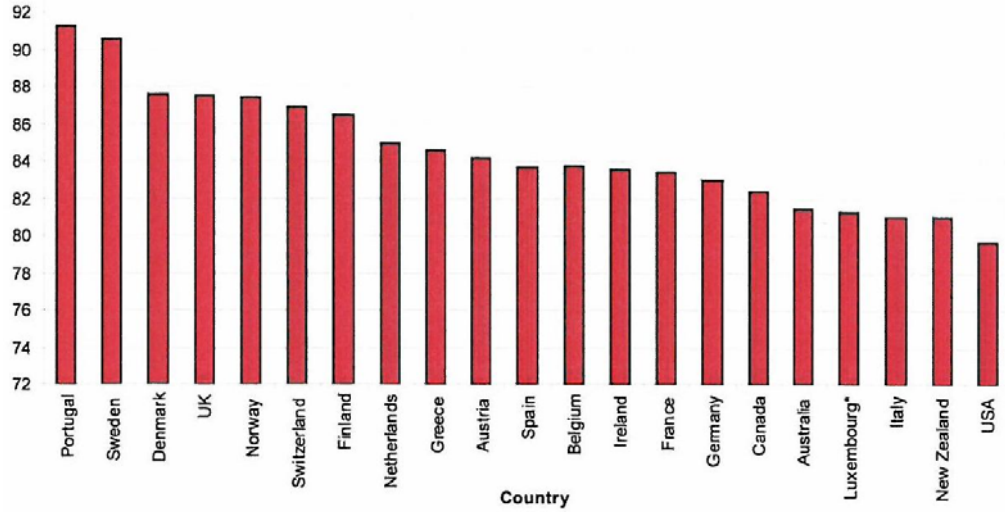
Women’s needs were explicitly taken into account in the design of the stimulus package. That is a huge first step for the United States. The Bernstein-Romer (2009) report mentioned above provided a gender breakdown of job creation projections and is the first time that a US agency (the President’s transition team receives federal funding) provided a gender impact assessment of public policy. Much more remains to be done to ensure that gender analysis makes a difference in public policy and to improve the well-being of women.

Figure 1: Employment to Population Ratios and Labor Force Participation for Women and Men Aged 16 and Over 1978-2008



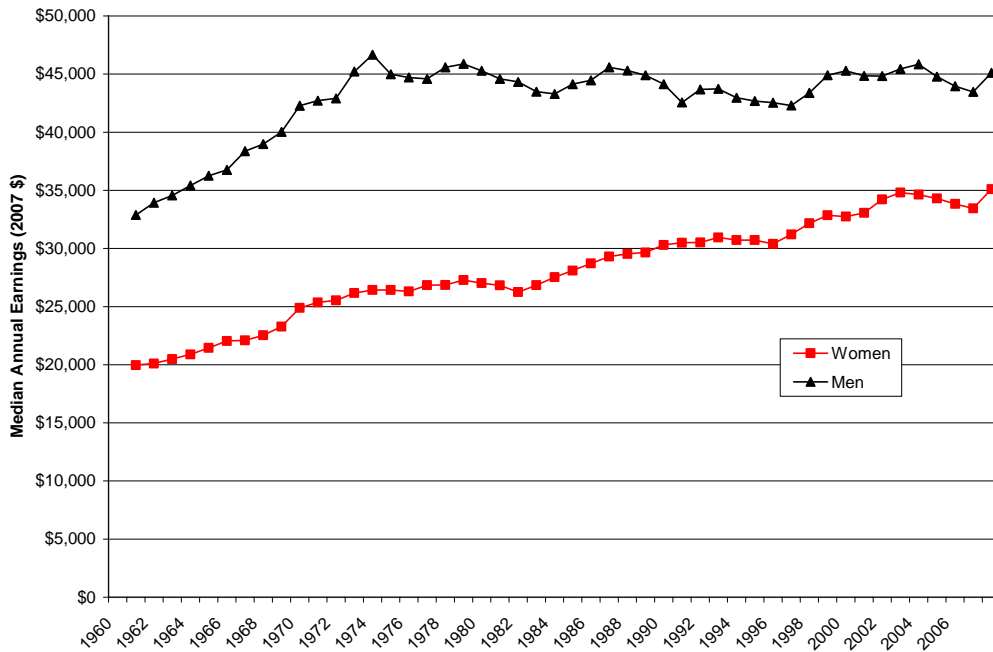
Source: US Department of Labor Bureau of Labor Statistics 2009

Figure 2: Labor Force Participation Rates for College Educated Women, Aged 25-64, 2005



Source: Organisation for Economic Cooperation & Development, *Employment Outlook 2007*, as cited in Ariane Hegewisch and Janet C. Gornick, *Statutory Routes to Workplace Flexibility in Cross-National Perspective* (Washington, DC: Institute for Women's Policy Research, 2008).

Figure 3: Median Annual Earnings for Full-Time, Full-Year Women and Men Workers, 1960-2007



Note: For men and women aged 15 and older.

Source: US Census Bureau. Historical Income Tables. <http://www.census.gov/hhes/income/histinc/p36.html>

Figure 4: Monthly Labor Force Participation and Employment to Population Rates by Gender (January 2000-June 2009)

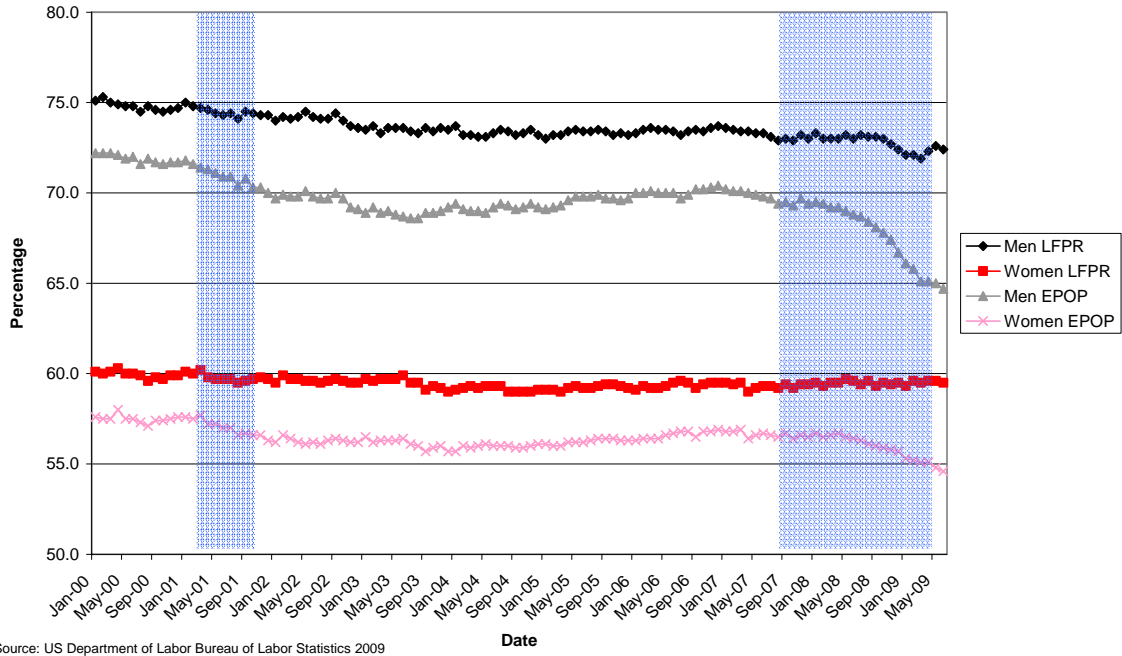


Figure 5: Monthly Unemployment Rates by Gender (January 2000-June 2009)

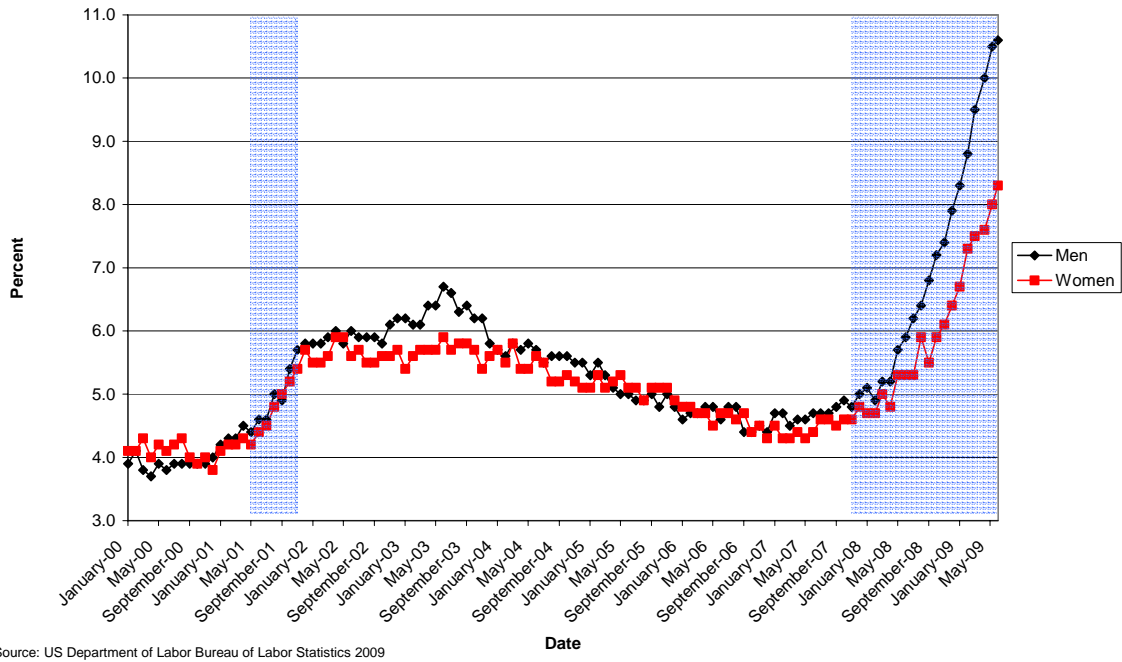
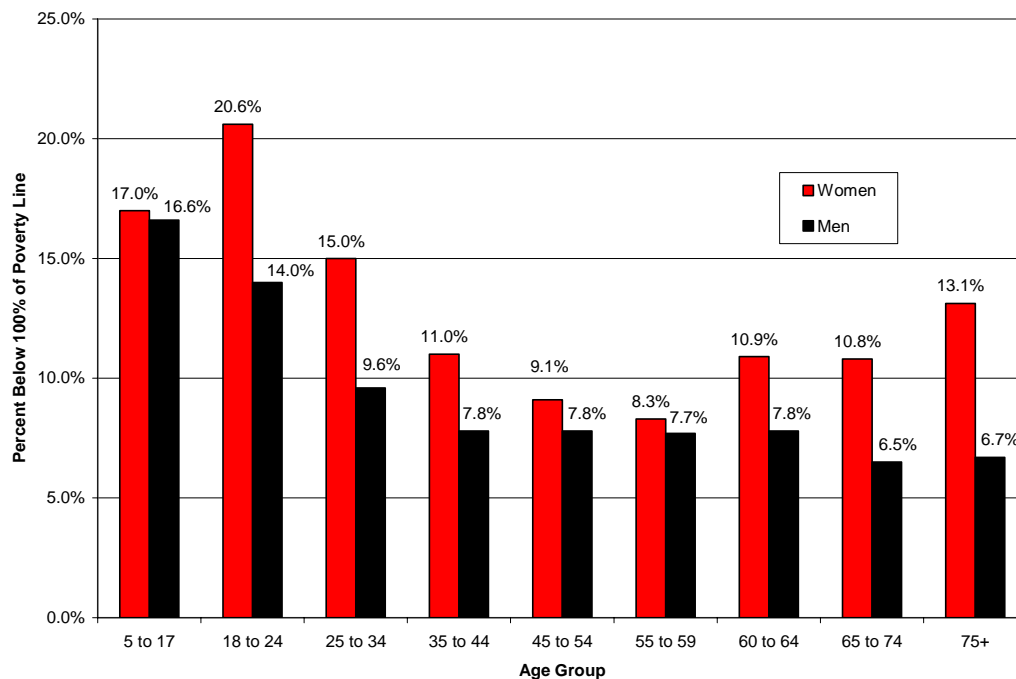


Figure 6: Poverty Rates by Age and Gender, 2007



Source: US Census Bureau 2009

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