Impacts of the Crisis on Women
United States: The Continued Need for Social Sector Stimulus
By Rania Antonopoulous and Taun Toay
2010 Edition
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United States: The Continued Need for Social Sector Stimulus

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Abstract

While many characterize the recent crisis in the United States (U.S.) as a “man-cession,” such analysis discounts the important impacts on women and families. The effect on these groups is particularly crucial given the “invisible” space that a large degree of female labor occupies. Government responses thus far have largely favored male job retention and creation. In light of these considerations, the authors propose direct job creation and female-targeted transfer payments to help ease the impact of these crises on groups that are falling largely outside of the response efforts to date.

Introduction

In 2009 governments across the world dusted off their Keynesian tool-belts and embarked on one of – if not the – greatest direct stimulus efforts that recent history has witnessed. In the midst of the crisis, there was some optimism that a new consensus could emerge, with an economic agenda that was people-centered at its core. Much has changed over the last year: countries’ crisis firefighters are already employing exit strategies while the economic house is still ablaze. The pendulum has swung from emergency response initiatives to a wave of fervent fiscal conservatism and government spending reductions. The United States is no exception to this wave of economic orthodoxy and threatens to derail its precarious recovery by catering to populist fears and fringe political movements.

Before delving into the inequities that the crisis has spawned, or – more aptly – exacerbated, it is useful to discuss what has led us here. Many analysts focus on subprime mortgages and the slew of acronyms that accompanied the “financialization” of the housing market: ABSs (asset backed securities); CDOs (collateralized debt obligations); and the now infamous CDSs (credit default swaps). While some claim “structured products” (a euphemistic, catch-all term for the aforementioned acronyms) and their ability to transfer risk to often unknowing third parties epitomized the recent recession, others pin the origins of the crisis on the loose monetary policy that has existed from the 1990s to the present. Still others place the causes on the relaxed regulation that allowed for massive lender leverage ratios,
eroded due diligence on the part of lenders, and the short periods that lenders had to hold mortgages prior to (knowingly?) passing bad loans to the likes of Freddie Mac and Fannie Mae. Regardless of the origins of the crisis, the implication of the fallout was that many families found themselves in homes they could not afford and, for many, still cannot afford. Even those outside the mortgage debacle were not immune to the crisis as it spread from Wall Street to Main Street in the form of massive layoffs, lower spending, and shrinking state services.

In the U.S., the situation is particularly troubling for families in poverty and single mothers, as public service cuts affect these groups disproportionately. While many have characterized the recent crisis as a “man-cession,” such analysis ignores the crucial care functions that many women provide to the economy and discounts the impact of the crisis on certain vulnerable groups, such as female-headed households, minorities, and certain age demographics (Grown and Tas 2011).

**Impacts of the crisis**

It is easy to see how cursory observation allows the recent crisis to be dubbed a “man-cession,” as the mid-year figures for 2010 show unemployment among males at 10.6 percent, against 8.7 percent for women. Admittedly, the overall decline in the employment-to-population ratio during the current crisis can be attributed mostly to men (Frazis and Ilg 2009). We have also witnessed massive slowdowns in male-dominated sectors such as construction, financial services, and manufacturing, the latter of which has shed 1.8 million jobs since 2008 alone (BLS 2010c). Certain states have highlighted the erosion of male-sector jobs: witness, for example, the unemployment rates of a previously booming construction state such as Nevada (14.3 percent) or job losses in a state like Michigan (13.1 percent unemployment), which is known for its automotive and related industries, against the national average unemployment rate of 9.7 percent (ibid).

The share of families with an unemployed member rose from 7.8 percent in 2008 to 12.0 percent in 2009 (BLS 2010a). This trend will surely worsen once analogous Current Population Survey (CPS) figures are reported for 2010. The level is already the highest on record since the CPS began collecting this data in 1994. The continued job loss for all groups in the United States is very troubling. In fact, while not yet at the highest rate historically, the Great Recession represents the largest increase in unemployment among women since the CPS started collecting data (Hartmann et al. 2010). Furthermore, while men accounted for most of the “employed-to-unemployed” flows during the current recession, females comprise most of the “employed-to-not in the labor force” flows, i.e. women are not simply moving into job searches when becoming unemployed, but are exiting the job market entirely (Frazis and Ilg 2009).

While the overall unemployment rate is slightly lower than its peak a few months back, currently at 9.6 percent, the figure disguises many concerning issues. The focus on blue-collar job loss tends to overshadow the fact that women are also bearing great pains in this recession. To begin with, for Latina workers and African American women, unemployment is 11.7 and 12.7
A blue-collar worker is a worker who typically performs manual labor and earns an hourly wage. Blue-collar workers are contrasted to those in the service sector and from white-collar workers, whose jobs are not considered manual labor. Blue-collar work may be skilled or unskilled, and may involve manufacturing, mining, building and construction trades, mechanical work, maintenance, repair and operations maintenance or technical installations. The white-collar worker, by contrast, performs non-manual labor often in an office.
Government response (State & Federal level)

These trends highlight the need for policies that directly target women. The $787 billion stimulus package of 2009 – officially called the American Recovery and Reinvestment Act (ARRA) – featured the following notable provisions:

- Public Investment and Infrastructure Projects: $319 billion (CEA 2010)
  - Clean Energy Investment: $94.8 billion
  - Direct school aid and worker training: $30 billion
  - Transportation Infrastructure: $48.1 billion
  - Health care and community centers: $32 billion (including infrastructure and capital outlays)
  - Construction of buildings: $31.2 billion
- Medicaid Supplement: $86.8 billion
- Unemployment Insurance Extension: $40 billion
- Making Work Pay payroll tax reduction: $116 billion
- First-time Home Buyers Tax Credit: $6.6 billion in $8,000 purchaser credits

Recovery efforts were also channelled into the following noteworthy programs:

- Troubled Asset Relief Program: $356 billion in "loans" to the financial industry
- Car Allowance Rebate Systems (CARS), more commonly known as "Cash for Clunkers": $3 billion
- Automotive bailout: $17.4 billion

Of particular note among these responses to date is the aid to states in the form of unemployment insurance and Medicaid reimbursement. Because states (with the exception of Vermont) are required to run balanced budgets, prolonged downturns have a two-pronged impact on state and local governments’ balance sheets. On the one hand, spending necessarily increases in the face of rising unemployment and transfer payment needs (welfare, food-stamps, etc.). Yet, on the other hand, states face falling revenues, as declining household incomes and payroll shrink the tax base. In response, states often dramatically cut government spending. Although some states had small emergency funds, federal money is the only possible offset to the intertemporal problems that states face during prolonged downturns of this magnitude.

A wanting response to date

While certain features of the ARRA were a welcome addition to ease the burden of low-income households – such as the expanded number of families who qualify for the Earned Income Tax Credit and the Child Tax Credit – these features were a fraction of the spending devoted to infrastructure. Additionally, even the laudable fiscal responses tended to favor married, working women and have done little to address the plight of the most marginalized households. Retaining manufacturing employment in the automotive industry, financial services, and in construction are indeed worthy efforts, but vastly discriminate in favor of male employment. To truly impact poverty and intra-household spending, money must flow into the hands of women in the form of targeted transfers and employment generation.

The harsh reality in America remains one of severe reductions in social services and rising hunger (Nord et al. 2009). There is an added hidden dimension in the world of women, especially for marginally employed or disenfranchised females, when social services and consumption are cut during times of crisis (Emmett 2009). Inevitably, females and girls bear the burden of the added time devoted to providing unpaid work as the household is forced to shift consumption patterns (Opiyo et al. 2008; Picchio 2003; Elson 2000). These are the very areas that are absent from the dialogue surrounding policy responses, yet they have far reaching implications for households and livelihoods.

Unpaid work activities include routine household maintenance work, such as cooking, cleaning, shopping, doing the laundry, caring for children, and other daily tasks. The time spent on such activities can be thought of as a "subsidy" to the economy, as a transfer or a "gift" (Folbre 1994) from one institution – the household/family – to the market and the state (Folbre 2006; Budlender 2004). It has been argued that without unpaid work and the services it provides, wages would need to be higher to allow the population to purchase these services in the market, or the public sector would have to provide them. Such work
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A feminist response to the crisis

To address many of the aforementioned trends, an ideal response to the crisis would entail the following components:

- Federal transfers to states to facilitate deficit spending – allowing states to expand social services, especially in education, childcare, and other female-dominated sectors.
- Direct transfer payments targeted to women disproportionately affected by the crisis, such as women maintaining families and who work in jobs that often fall outside the traditional labor force lens, i.e. childcare subsidies and elderly care provisions.
- Progressive taxation through redistributing tax cuts from the wealthy to low-income and single-parent households.
- New Deal-style federal hiring programs, specifically targeted at the social sector.
- Better longitudinal data to track household spending, poverty, and time-use.

The remainder of this section expands on these ideas, as does Antonopoulos and Toay (2009).

Efforts to buttress state spending are crucial priorities in light of dramatic state spending cuts that negatively impact education and social service sectors. Retaining employment in these sectors is a meritorious endeavor; however, with so many jobs already lost, employment creation should become a central focus of future stimulus efforts. Targeting health and day-care could benefit women through direct job creation and expanded access to these crucial social services. In this regard, nothing short of a comprehensive transfer from the federal to the state government – i.e. revenue sharing – will do. Money should simply become available to the states to engage in massive hiring. Saving existing jobs from further state austerity measures is an
important part of the equation, but many new jobs must also be created if there are hopes to lower the unemployment and poverty rates.

On the fiscal side, the expiration of the Bush Administration’s tax cuts to very wealthy households is slated for the end of 2010. At the moment, there is a strong campaign to extend the tax cuts, underscored by the Reaganomics rationale that the rich will fuel the recovery through investment. The expiration of the tax hiatus, however, presents an opportunity to channel some of the earmarks from the very wealthy into more progressive uses that benefit low-income families. Not doing so will further exacerbate inequalities that are already on the rise.

In light of unpaid and informal work considerations, responses to the crisis/recession should aim to incorporate subsidies. As joblessness and poverty are closely linked, public job creation has been used periodically in many countries as a policy intervention (Antonopoulos 2007) to ameliorate economic downturns and other social ills. The New Deal workfare programs during the Great Depression in the United States are often cited for a reinvented application today. There are other examples from the developing world that underscore the State’s ability to create effective employment, notably in India and, to a lesser extent, in South Africa and Argentina (Antonopoulos 2009). Such experiences with direct job creation highlight that the recovery need not be marked by jobless growth, especially if “invisible” jobs are drawn into the formal sector through stimulus funds. Given that many women are on the fringes of the labor force (either outside of the formal sector or underemployed), stimulus packages should include elements that expand employment for women. One potential area for such expansion is in the social sector, as women are often relegated to such work by default. In our last brief, we demonstrated that direct job creation in the social sector created more jobs per dollar than either infrastructure or “green” jobs (Antonopoulos and Toay 2009). Furthermore, these jobs benefit women and low-skilled workers disproportionately given the composition of the social sector’s labor market. For those with high school diplomas or less, social sector interventions yielded twice the number of jobs as equal levels of spending in other sectors (see Table 1). While these figures highlight one important area for government stimulus, the current crisis necessitates expanding the types of potential interventions to include family-oriented targeting, especially to draw in single and minority mothers.

### TABLE 1 – JOB CREATION FROM AN ADDITIONAL $1 MILLION EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>Green Energy²</th>
<th>Infrastructure</th>
<th>Social Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of jobs created</td>
<td>17</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>Distribution of jobs created by level of education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School or less</td>
<td>8</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Some college</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>College Grad.</td>
<td>4</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>11</td>
<td>24</td>
</tr>
</tbody>
</table>


Footnotes

2 - Note: for job creation in Green Energy we use Pollin, Hirst, and Garrett-Patier (2009a, 2009b). The numbers presented here for the green energy sector must be read with caution as they include a multiplier effect in the economy which inflates the number of jobs directly created.
Final thoughts

As discussed, much of the stimulus in the United States is aimed at areas that under-address women. One clear policy, based on the Levy Institute simulations, is to inject stimulus funds into the social sector, providing a greater number of jobs to this highly feminized sector.

Our recommendations remain largely aligned with our last brief (direct job creation in the social sector, aid to females regardless of work status or citizenry, and single-mother targeted tax cuts and transfers), as little has been addressed in the areas we advocate for intervention. Recent aid packages to states are welcome initiatives and will help to ease the plight of women in the face of states’ reductions to meet balanced budget requirements. An area that still requires improvement is tax policy. Although certain tax incentives to households with children exist, few target women directly. Single-mother and minority household rebates and income transfers offer potential stabilizing mechanisms to households that are traditionally among the most vulnerable.

We stand at a crossroads in economic history, the outcome of the crisis resting upon the choice before us: to renew our efforts to stimulate the economy and craft policies that empower the disenfranchised or to “wait out” the numbers and hope that our efforts over the last few years were not in vain. The global political trends, especially in the United States, seem to favor the latter. Unfortunately, we may have already chosen a third option of retreating from the recovery efforts of the last two years by cutting spending prematurely. This third choice is one that will not only harm women and families, but undermine the entire recovery. It is our hope that we charge forward with progressive policies on the scale that a crisis of this magnitude necessitates.
Bibliography


Impacts of the Crisis on Women’s Rights: Sub regional perspectives

New from AWID is this 2010 edition of the brief series: Impacts of the Crisis on Women’s Rights: Sub regional perspectives. We are excited to present an update, by region, to the exceptional research conducted in 2009 on the impact of the global financial crisis on women’s rights. This update provides relevant new data, testimonies, and voices from women activists on the ground. Each case presents an opportunity to unpack the in-depth challenges faced by different women in diverse contexts while examining possible policy solutions from a feminist perspective. This work takes us on a journey to help us think beyond the financial crisis and its implications, and start reflecting about the new world being created. At AWID we believe these studies contribute to building and supporting women’s movements.

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