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The Great Recession's Impact on Women

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Overview

While much has been written, and many data sources analyzed, regarding the effects of the Great Recession, surprisingly little of the analysis has focused on how women as a group have been affected. This essay highlights particular phenomena related to the Recession that have been more extreme for women. The final section of the essay considers how these patterns might be altered in future recessions.

Present: The Great Recession's Impact on Women

One of the most notable differences between women and men is the higher poverty rates that women experience. Figure 1 demonstrates this for recent US data (1966 to the present). The business cycle is evident in the rises and falls of the US poverty rate over time; however, the rate for women is always higher.

<Figure 1 about here>

It is also notable that the poverty rate continued to rise after the recession had officially ended. This has been true in general, and has been even more the case in the last three recessions (starting in 1990, 2001. and 2007) as compared to the previous three (starting in 1973, 1980, and 1981).[1] It is also important to note that unemployment benefits count towards family income, and thus even more people would have been poor without them. However, poverty rates are calculated before the value of noncash assistance—including the Supplemental Nutrition Assistance Program (SNAP, the program formerly known as food stamps)—is factored in, so there is some additional tempering of the recessionary impact and the general impact of poverty through other government programs. Indeed, caseloads for SNAP reached record highs during 2010, with almost one in seven people receiving SNAP benefits by December 2010.[2]

While women experienced a higher poverty rate throughout this period relative to men, the Great Recession led to their rate being the highest in modern times, topping out at 16.2 percent of women in 2010 (the latest data available), as compared to 14 percent for men. These rates are higher for women among both younger persons (17.1 for women under 65 years old, as contrasted to 14.9 percent for men under 65 years old) and older persons (10.7 percent for women vs. 6.7 percent for men among those 65 years and older).[3] With regards to this last number, given that older women are also significantly more numerous than older men—comprising 57 percent of those persons ages 65 and older, and 61 percent of those persons ages 75 and older,[4] this is a substantial number of older women in poverty.

There are systematic reasons for these higher poverty rates for women. Women tend to have both lower earnings and lower pensions than do men. They are also more likely to have young dependents that they are raising alone or with limited support from the children's other parent. Thus, groups of women who have particularly higher poverty rates are those with less access to men's earnings, such single mothers and widows.

For female-headed households, the poverty rates are particularly high. In 2010, 31.6 percent of female-headed households were below the poverty line, as compared to 15.8 percent of single-male households, and 6.2 percent of married couple households.[5] Differences were also notable by race and ethnicity: NonHispanic white female-headed households have a poverty rate of 24.8 percent as contrasted to 9.9 percent of all nonHispanic whites; black female-headed households were at 41 percent while all blacks had a poverty rate of 27.4 percent; Hispanic female-headed households were at 44.5 percent, while all Hispanic persons had a poverty rate of 26.6 percent.[6] "Deep poverty," which is incomes less than half the poverty level, also rose over this period and higher rates of deep poverty occurred among black and Hispanics.[7]

One question is whether female-headed households are as affected by the labor market downturn as other households, if they tend to be headed by women who are generally not in the labor force. However, unemployment benefit recipiency rates were comparable among female-headed households and other families.[8] Since welfare reform occurred during the Clinton administration in a way that made not working less of an option for female-headed households (the switch from AFDC, aid for families with dependent children, to TANF, temporary aid for needy families, included benefit time limits and workfare clauses), the rate of labor force participation has risen for female-headed households and the welfare rolls had dropped substantially. Welfare reform was successful in reducing the roles, dropping recipients from 5.6 million persons in October 2000 to 3.8 million persons when the recession began in December 2007.[9] Indeed, caseloads continued to drop through July 2008 before beginning to rise as the recession lengthened.[10]

Given that welfare reform in that era was predicated on the assumption that the labor market could absorb additional woman workers exiting welfare, there was naturally concern that the recession would exacerbate the situation for potentially TANF-eligible workers, and this indeed seemed to be the case. During the recession, TANF enrollment rates rose, to 4.1 million enrolled by the time the recession's trough was reached in June 2009, and kept rising during the anemic recovery, to 4.5 million by December 2010, before finally starting to head down again. By December 2011 TANF enrollment still stood at 4.2 million, significantly higher than the enrollment number four years prior.[11]

Even though female-headed households were equally likely to apply for unemployment benefits, those benefits were also less likely to be as substantial as for men, given their generally lower earnings. Thus poverty rates were very high for female-headed families even with unemployment insurance. These rates were particularly high for those female-headed families who experienced long periods of time on unemployment and who had young women, those even less likely to have been making high earnings before experiencing unemployment. In 2008, for female-headed families where the head was between the ages of 16 and 24 and had been unemployed for between 40 to 52 weeks, the poverty rate was 57 percent (as compared to 28 percent for similar households with heads ages 25 and over, and as compared to only 7 percent for male-headed households, ages 25 and over, who had only been in unemployment for between one to 13 weeks, the lowest poverty rate).[12]

Even for households that were not forced into poverty, there was significant asset degeneration during and after the Great Recession. This was partly due to the significant drop in asset valuation, including home prices and the stock market drop,[13] and partly due to reduced earnings. Lowered interest rates due to the Federal Reserve's continued attempts to boost the economy also meant that returns on fixed income assets were very low, including on long-term fixed income instruments. While inflation rates were low or even slightly negative, implying no rise in the average cost of living, social security payments, being tied to the inflation rate (the Consumer Price Index, which barely moved during this period), also did not rise. Those people living on fixed incomes or dependent on asset valuations were heavily affected by the recession.

These trends were reflected in a general drop in consumer confidence indexes, with the elderly showing a larger drop than average.[14] More specifically, survey data showed great pessimism regarding retirement security: in a Fall 2010 survey, 47 percent of women and 35 percent of men had little or no confidence that their assets would last throughout their retirement; this was a significant drop from a comparable 2007 survey where 55 percent of women and 57 percent of men believed that their retirement savings would be adequate to last through their retirement.[15] These lower rates of confidence for women are mirrored in their lower asset holdings: 33 percent of women and 40 percent of men report having at least $20,000 in stocks, bonds, and mutual funds, while fewer than half of women and only 50 percent of men have at least $20,000 in a retirement account (such as an IRA or 401k).[16]

While lower asset holdings are a clear way of showing the gender disparity of economic security, almost any measure of economic security tells a similar story, both of how women are worse off than men, and how the recession has worsened both their absolute and relative position. In the Fall 2010 survey, more women than men report having trouble paying for the basics of life (food, health care, rent or mortgage, transportation, and utilities) and have more difficulty saving for the future.[17] 61 percent of men report having enough savings to cover two months income in case of job loss, but only 43 percent of women.[18] 45 percent of women and 38 percent of men took money out of their savings or retirement funds in order to pay current expenses; women were also more likely than men to borrow against a retirement plan, and to stop or reduce contributing to retirement savings.[19] In addition, women were more likely than men to increase their credit card debt and to borrow from family or friends.[20] Finally, women were more likely than men to change their living conditions by doubling up, whether with family members, romantic partners, or roommates or boarders, with 17 percent of women and 11 percent of men reporting one or more of these strategies.[21]

While the recession initially hit men harder than women, with men's unemployment significantly above women's at the height of the recession, the recovery period showed slower regaining of jobs for women. By October 2011, women had only regained 17 percent of the jobs they lost in the recession, while men had regained 30 percent of their lost jobs.[22] This was in large part due to the different representation of women and men in different sectors of the labor market, by both industry and occupation. In particular, women comprise a disproportionate share of state and local government workers, a sector which remained relatively stable in the early part of the recession, but which dropped large numbers of jobs during the recovery period as governments struggled to balance their budgets.[23] As of May 2012, almost two years after the recession was declared over, unemployment for men still stood at 7.8 percent and for women at 7.4 percent,[24] well above the levels they were in December 2007 (when adult men and women had equally low unemployment rates of only 4.4 percent).[25]

Outlook: Recessions' Impact on Women in the Future

One question is how much we have learned from this recession and from general social science research on demographic trends about what might happen to women in future recessions. Whenever economic and social changes occur, the question is whether these trending changes are cyclical, passing, or evidence of a new social system. It may also be that recessions, rather than being mere blips on a long-run path, actually help to cause social changes.

One notable long-run path has been the rise in women's labor force participation, which has risen steadily through the nineteenth century and much more significantly since World War II. Women's labor force participation rate peaked in 1999 at 60 percent of the female population (16 and over) and then dropped into the 59 percent range through 2009; dropped to 58.6 percent in 2010, and to 58.1 percent in 2011.[26] One question is whether the rate will rise again after the full effects of the recession have subsided, or whether this plateauing is a long-run phenomenon.

Recessions can also affect relative earnings patterns in households. To some extent, it was already the case that there were an increasing number of married-couple households in which the woman was earning more than the man. Of those who were working age and unemployed in 2009, 45 percent of women and 63 percent of men reported having been the high earner in their household at the time when unemployment occurred.[27] Thus, while many of these women were single, others were the high earner in a married couple. In addition, during the recession, it appeared that more cases arose where the woman may have become the high earner due to the husband's job loss or reduced earnings, though this is a longer-run trend as well. In 2008, women earned more than their spouse in 27 percent of households where they both worked; this percentage was only 18 percent in 1988.[28] These changes in relative earnings may have lasting effects on household behavior, including how partners' time is spent in childraising and household chores.

Another question is how much recessions affect patterns of marriage, divorce, and childbearing, all factors in household formation and dissolution. Again, there are longer-term trends that may have been momentarily disrupted by the recession, but might also be affected more permanently by it. Marriage rates have been decreasing and people are marrying later and having fewer children; the divorce rate has dropped recently but is still much higher than in the pre-World War II period. Rates of marriage, divorce, and childbearing all tend to drop during recessions: all require money, which is in shorter supply during recessions. Young people may extend their time in the family home and postpone marriage and childbearing, leading possibly to lower rates of both in the longer run, rather than simply deferred action. Money issues can also exacerbate family problems, leading to higher rates of divorce in the long run, or at least in the immediate aftermath of the recession.

Changes in household structure also change the effects of recessions. As discussed above, people tend to move in with family or friends to reduce living expenses, which has a mitigating effect. But lower rates of marriage and childbearing may also mean fewer large households form in the longer run, which has countering effects of both less income sharing, but also potentially fewer dependents relying on income.

Compared to fifty years ago, women have higher educational attainment, are less likely to marry, marry later when they do marry, have fewer children, and have children later when they do have them.[29] The interaction of these trends on their weathering of recessions is hard to measure. If women are less likely to marry and have children until they are older, they are likely to have gotten more education, anticipating a longer worklife; have worked for longer and be at a higher income level when they do have children, and thus on average may be more resilient to future economic downturns. It does appear clear however that recessions hurt those the most who have the fewest resources relative to demands on those resources, such as those persons in female-headed households that are at or near the poverty level prior to the start of the recession.

One path to longer-run success that women have increasingly taken is through increased higher education. Women's rates of college attendance and completion significantly eclipse men's, with women currently constituting about 57 percent of undergraduate enrollment and degree recipiency, and about 59 percent of graduate enrollment.[30] This path appears somewhat more problematic in the immediate post-recessionary period however, with the aftermath of the recession including rising tuition levels at most state universities, increased student loan debt levels for many students, and uncertain job prospects for many college graduates. Thus the damage wrought by the recession may have lasting effects through changing human capital investment decisions and outcomes for many young persons whose college years happened to coincide with the recession.

Women and men's continued concentration in different occupations also implies that they will continue to have different responses to the business cycle. While both women and men provide some evidence that they are considering a wider range of jobs, women are still underrepresented in the STEM fields (science, technology, engineering, mathematics) and overrepresented in the liberal arts fields that tend to have lower earnings potential upon graduation. While STEM fields are not necessarily more recession-proof, they do tend to provide higher earnings, which allows for more significant asset build-up with which to withstand downturns.

It does appear that the longer-run trend is that women and men will have more similar responses to the business cycle, as women and men's attachment to the labor market becomes more similar and family sizes unlikely to increase over time. The changes in marriage patterns show no signs of reversing, and most able-bodied young people now assume that they will work for many years. However, gender differences, while perhaps diminished, are likely to persist, particularly given the differential earnings of women and men and the continued longer lifespan of women. Whether or not differential policy responses by gender are necessary, as opposed to a general attempt to alleviate the negative effects of recessions on all affected parties, is debatable.

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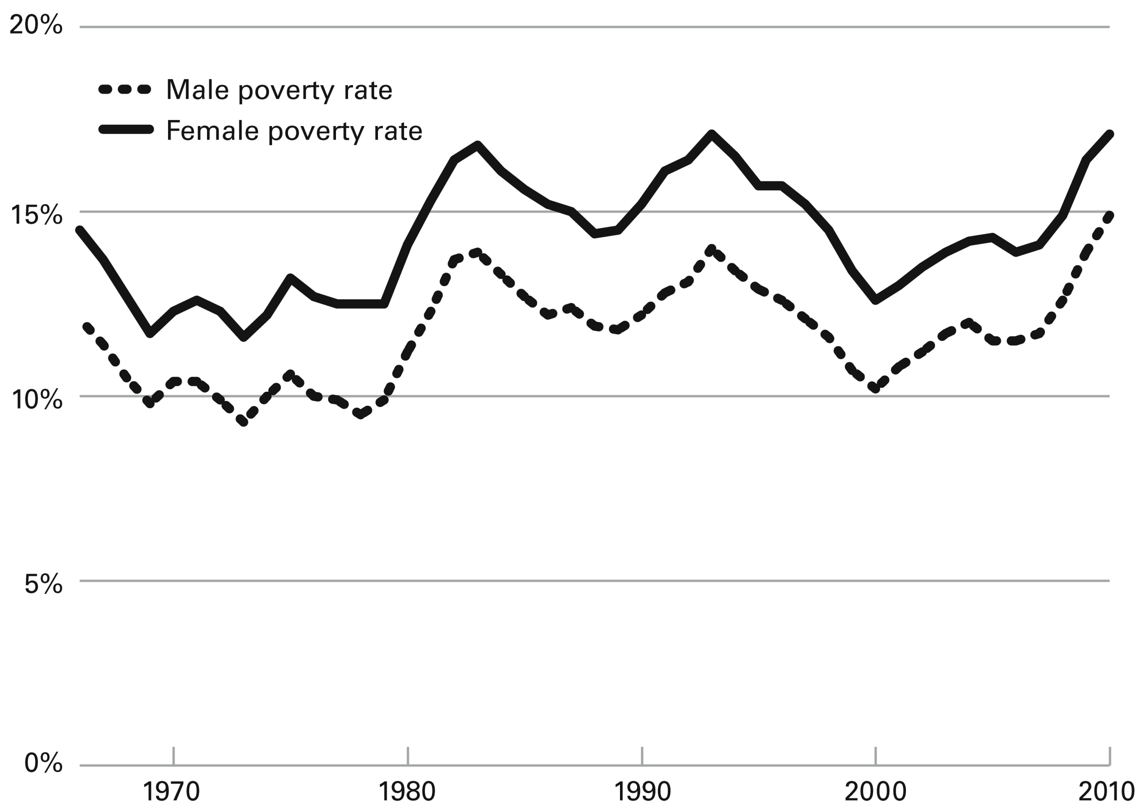
Figure 1

Poverty rates by sex, 1966 to 2010



Source: US Bureau of the Census, Current Population Survey, as reported in the *Current Population Reports Series P-60*.