Equality in Job Loss:

Women Are Increasingly Vulnerable to Layoffs During Recessions

A Report by the Majority Staff of the
Joint Economic Committee
Senator Charles E. Schumer, Chairman
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The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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Executive Summary

If recent history is any guide, then the current downturn threatens women's employment more than ever before, making it increasingly difficult for families to make ends meet. In recessions prior to 2001, women could buffer family incomes against male unemployment because they did not experience sharp job losses. However, this changed in the 2001 recession as women lost jobs on par with men in the industries that lost the most jobs. That was the first recession in decades during which women not only lost jobs, but also did not see their employment rates recover to their pre-recession peak. It now appears that, unlike in decades past, families can no longer rely on women's employment to help boost family income during a downturn.

When women lose jobs, families lose a large share of their income and experience greater economic volatility. Wives typically bring home more than a third of their family's income and single mothers are sole breadwinners. Families are more economically vulnerable as wives are no longer insulating families from economic hardship in times of higher unemployment and falling or stagnant real wages. Single-mother families are now especially vulnerable.

In an analysis of data from the Bureau of Labor Statistics, this report finds:

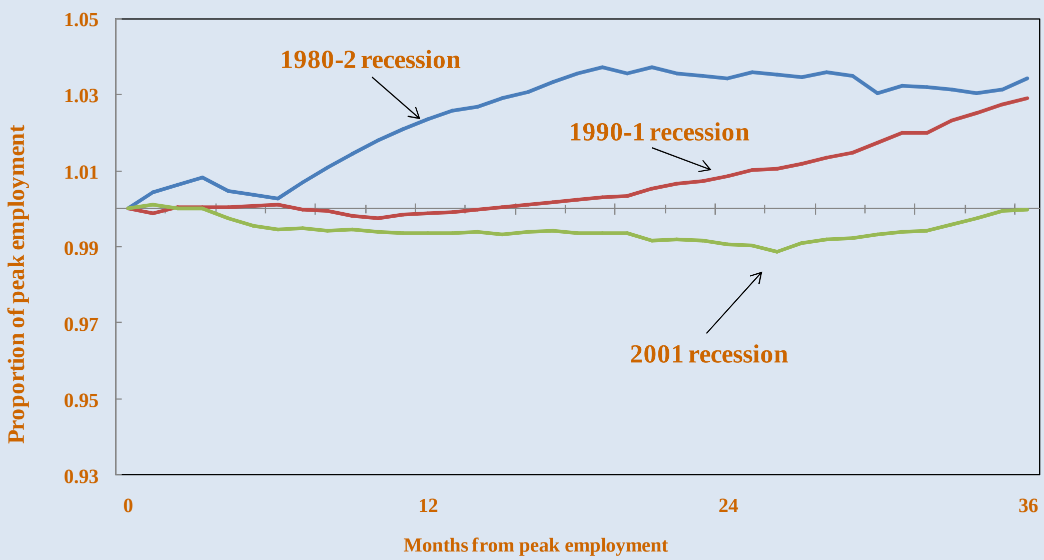
- When women lose jobs, families lose a substantial share of income.
- Over the past three decades, only those families who have a working wife have seen real increases in family income.
- The 2001 recession hit the jobs that women held especially hard. Unlike in the recessions of the early 1980s and 1990s, during the 2001 recession, the percent of jobs lost by women often exceeded that of men in the industries hardest hit by the downturn.
- The lackluster recovery of the 2000s made it difficult for women to regain their jobs – women's employment rates never returned to their pre-recession peak.
- If the prior recession's trend holds, women will suffer equally to men in the 2008 recession. Because women are disproportionately represented in state and local government services, their job losses are likely to grow in the latter part of the recession as state and local governments are forced to implement cut-backs in spending in areas that women are disproportionately employed, such as education and health care.

Families can ill afford to lose a parent's earnings, especially as costs for basics, like food and gasoline continue to rise. Greater job losses for women not only mean that any downturn will be hard on families, but also that spurring consumer spending to boost economic growth and job creation may take far more government action, especially with respect to fiscal spending, than in previous recessions. Fiscal aid to the states is important to help states maintain programs—and keep workers—in the face of ensuing budget cuts. Ensuring that all workers—women and men—can access unemployment compensation when they lose their jobs is critical. Given the high costs of health care, Congress should also consider extending Medicaid to unemployed families. Further, challenges facing working families to balance work and family responsibilities are exacerbated in the current downturn, signaling a greater need for workplace flexibility.

Women are Increasingly Vulnerable to Job Losses During Recessions

It is no longer the case that women's employment rises in recessions as men's falls. Women lost more jobs in the 2001 recession than they had in prior recessions, a striking departure from prior trends (Figure 1).[1] In the three years following the recession that began in 1980, women's employment grew for the first 18 months of the recession. In the first 18 months following the beginning of the 1990-1 recession, women's employment growth was negligible, but then rose sharply over the next 18 months. In contrast, during the 2001 recession, women's employment followed a pattern more similar to men's: in the first few months following the beginning of the 2001 recession, women's employment did not grow, but in the months after that, their employment fell. While women's employment did not fall as much as men's, the experience of aggregate job losses was unique for women and indicates that their employment patterns may be shifting to look more like men's, rising and falling with the business cycle.

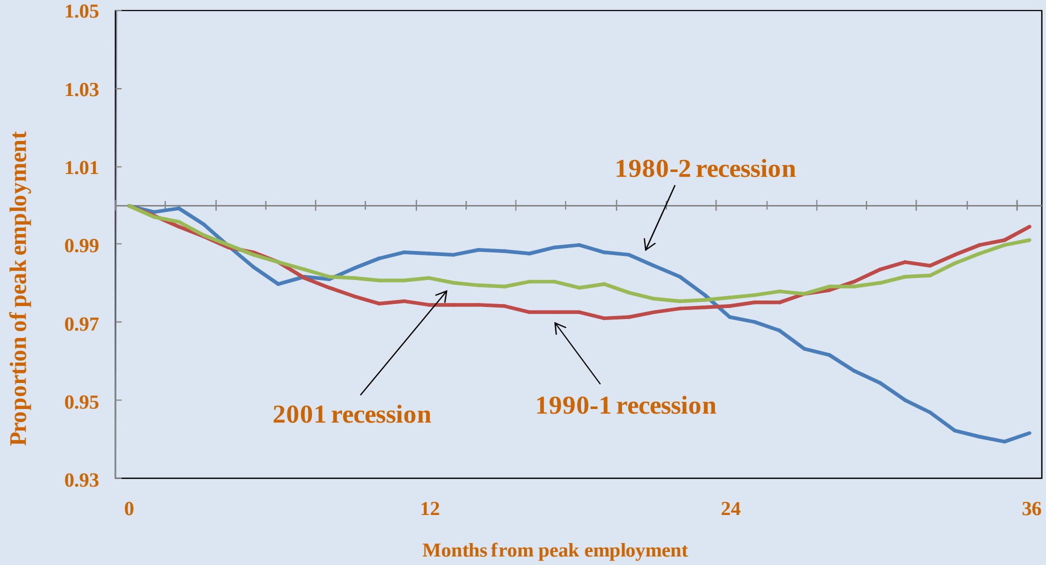
Figure 1. Employment of Women in Recessions



Note: The recessions shown are the 1980-2 recession (the two recessions from January 1980 to July 1980 and July 1981 to November 1982 are shown as one recession from January 1980 to November 1982), the 1990-1 recession (July 1990 to March 1991), and the 2001 recession (March 2001 to November 2001).
Sources: Bureau of Labor Statistics, Establishment Survey and National Bureau of Economic Research.

For men, however, employment trends have remained relatively stable over the past three recessions and the 2001 recession initially looked just like the prior two recessions (Figure 2). After the first nine months of the 2001 recession, men's employment followed a similar path to the early 1990s recession. The trend during the 1980-2 recession differs because it was a "double-dip" recession, where the economy started to improve in 1981, but then sank back into recession in 1982.

Figure 2. Employment of Men in Recessions

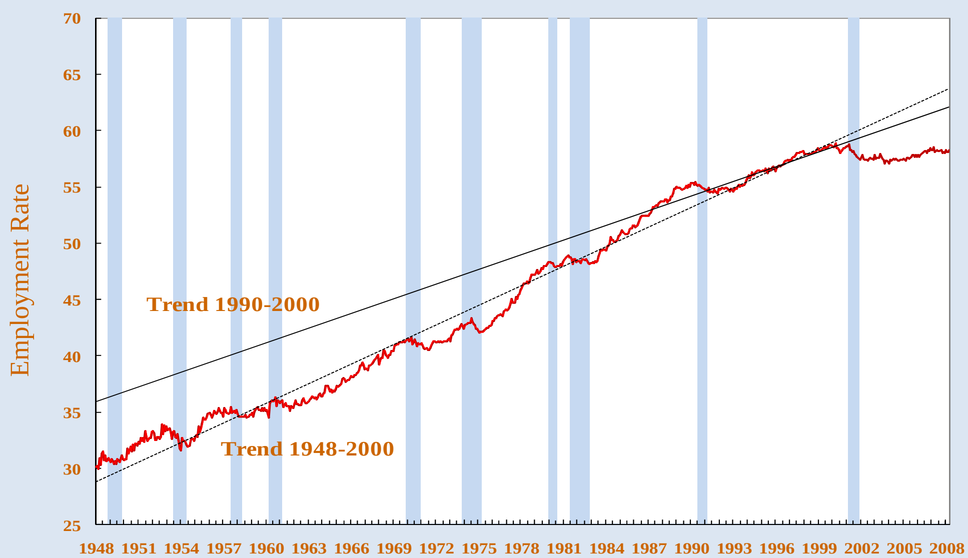


Note: The recessions shown are the 1980-2 recession (the two recessions from January 1980 to July 1980 and July 1981 to November 1982 are shown as one recession from January 1980 to November 1982), the 1990-1 recession (July 1990 to March 1991), and the 2001 recession (March 2001 to November 2001).
Sources: Bureau of Labor Statistics, Establishment Survey and National Bureau of Economic Research.

The 2001 Recession Signaled End of Long-term Rise in Women's Employment Rate

For women, the job losses of the 2001 recession were followed by no significant employment growth over the 2000s recovery, which, like losing jobs in a recession, is a sharp departure from women's prior employment trends. From the end of World War II through 2000, even when the

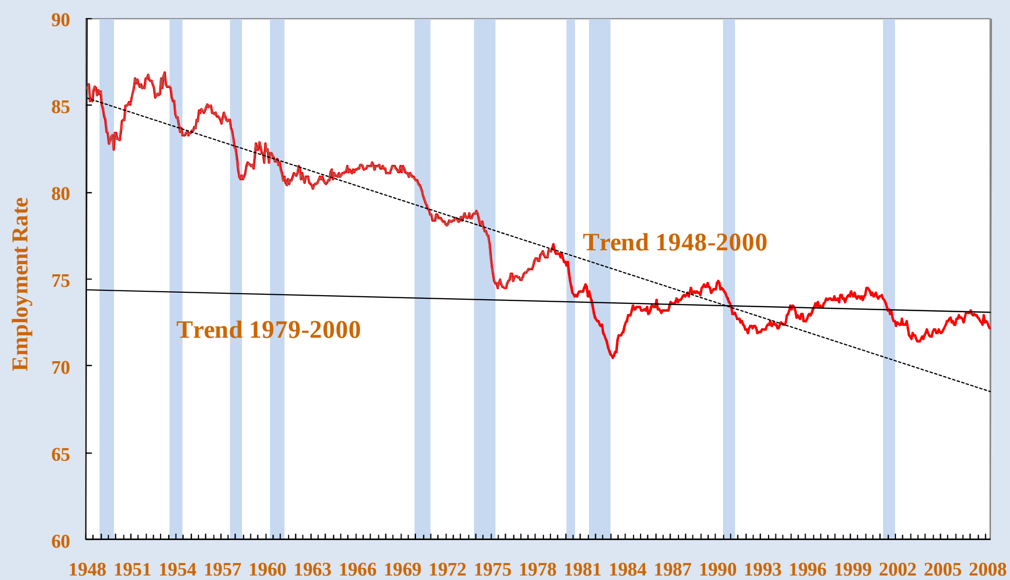
Figure 3. Employment Rate of Women, 1948-2007



Note: The shaded areas represent periods of recession as defined by the National Bureau of Economic Research.
Sources: Bureau of Labor Statistics Household Survey and National Bureau of Economic Research.

economy was in recession, women continued to see a rising employment rate with only slight stalls during economic downturns (Figure 3). However, since the late 1990s, the employment rate of women has shown no growth. The dashed line in Figure 3 shows the trend in women's employment rates from 1948 to 2000, the period over which women's employment rates rose rapidly, and the solid line shows the trend from 1990 to 2000. Especially striking is that as of 2008, the female employment rate is about four percentage points below the 1990-2000 trendline and about six percentage points below the 1948-2000 trendline.

Figure 4. Employment Rate of Men, 1948-2007



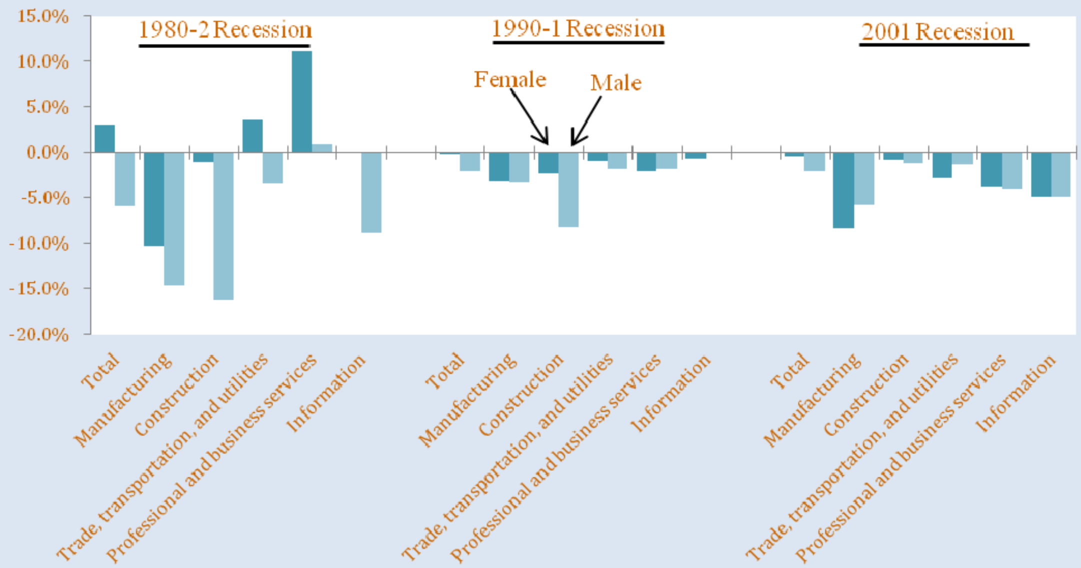
Note: The shaded areas represent periods of recession as defined by the National Bureau of Economic Research.
Sources: Bureau of Labor Statistics Household Survey and National Bureau of Economic Research.

Men's employment rates over the 2000s recovery are consistent with their flat employment rate trend from 1979 to 2000 (Figure 4). While the male employment rate fell for the first three decades after World War II, for the next three decades, changes in men's employment rate has remained essentially flat, moving along with the business cycle, but showing no particular long-term up or down trend. During the 2000s economic recovery, however, male employment rates did not recover to their pre-recession peak, which may indicate that men are again seeing a trend towards lower employment rates.

There is a growing body of research on what changed for women workers in the late 1990s that led to the end—at least for now—in the long-term rise in women's employment rates.[2] The reasons why women lost so many jobs in the 2001 recession are tied to the way that recession unfolded or are industry-specific.[3] The 2001 recession was caused by the burst of the stock bubble, but sharp job losses did not occur until after the events of September 11, when employers began shedding jobs in services, such as retail, which disproportionately employ women.

There is evidence that the recession of 2001 hit the jobs that women held especially hard and that the lackluster recovery of the 2000s made it difficult for women to regain their jobs back. Unlike in the recessions of the early 1980s and 1990s, during the 2001 recession, women lost a disproportionate share of jobs in the industries hardest hit by the downturn.

Figure 5. Women's Employment Increasingly Sensitive to the Business Cycle
Percent Change in Employment by Gender within High Job-loss Industries



Note: Bars represent the percent change in employment within each industry across the recession. The recession dates are from the National Bureau of Economic Research: the 1980-2 recession includes the two recessions from January 1980 to July 1980 and July 1981 to November 1982, measured here as one recession from January 1980 to November 1982, the 1990-1 recession was from July 1990 to March 1991, and the 2001 recession was from March 2001 to November 2001.
Sources: Bureau of Labor Statistics Current Establishment Survey and the National Bureau of Economic Research.

Comparing across the past three recessions (Figure 5):

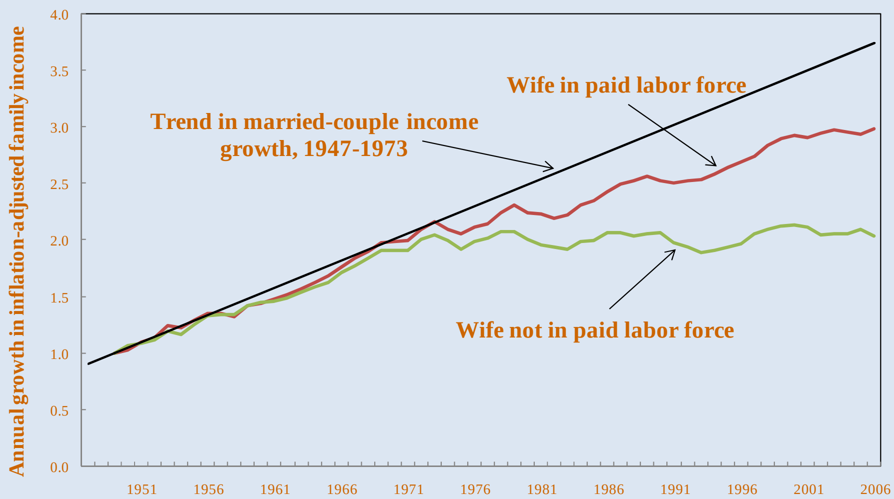
- Over the 1980-2 recession, women lost a much smaller share of jobs than men in the industries that lost the most jobs.
- In the 1990-1 recession, women's job losses were closer to parity with men's but men still lost a larger share of jobs in most industries that lost the most jobs.
- In the 2001 recession, this pattern shifted. Compared to men, women lost a larger share of jobs in manufacturing and trade, transportation and utilities. In the other high-job-loss industries, women lost about the same share of jobs as men.

Women's larger job losses in the 2001 recession may also be due to women's progress in entering a wide array of industries and occupations. Because of this, women may be more susceptible to the impact of the business cycle than they were when they were more highly concentrated in a smaller number of non-cyclical occupations, like teaching and nursing. There is no evidence, however, that mothers are increasingly "opting out" of employment, in favor of full-time motherhood.[4] For this story to be true, the employment rate of non-mothers would have had to diverge sharply from that of mothers, which has not been the case.[5]

When Women Lose Jobs, Families Lose a Substantial Share of Income

Women's increased vulnerability to the business cycle has significant implications for family economic well-being. Decades ago, when most families with children had a stay-at-home mother, families relied on one income. When a father got laid off, the mother could try to make up the lost income by finding a job. There is evidence that this "added worker effect" helped to smooth out family income in hard times.[6] However, today most children grow up in family where their parents work, regardless of whether the child lives in a married-couple or single-parent family. Thus, there is no longer an additional worker to enter the labor force when times are tough.

Figure 6. Growth in Married-Couple Family Median Income, 1947-2006



Source: Author's analysis of data from the U.S. Census Bureau, Historical Income Tables, Table F7.

Women's increased vulnerability to recession can wreck havoc on family economic well-being. The typical wife brings home over a third of her family's income and the one quarter of children being raised in single-mother families have only their mother's salary to rely upon.[7] The importance of women's income to family well-being over the past few decades is illustrated in Figure 6: the only families who have seen *any* increase in real income over the past three decades are those with a working wife.[8]

Weak Recovery Leaves Families Especially Vulnerable in a Downturn

Clearly, an economic downturn now will be harder on families than in earlier recessions. Both higher unemployment and declining real wages and incomes can hit families hard. Researchers estimate that if we have a mild-to-moderate recession, families will lose just over $2,000 per year by 2010. However, if we have a more severe recession, families will see income losses of $3,750 per year by 2011.[9] If trends since the late 1990s hold, families will not be able to rely on women's employment to moderate fluctuations in family income.

The current downturn may be worse for families because it follows the weakest recovery in the post-World War II period, both in terms of jobs and income gains. This, combined with the credit squeeze, means that many families facing unemployment have little to fall back on and will not be able to borrow to make ends meet. With lower real incomes, more debt and less savings and home equity, families are especially vulnerable as we enter this downturn. This points to a larger role for fiscal policy than in prior recessions. Unlike during the 2001 recession, families cannot "deficit spend," by borrowing extensively, to maintain consumption. It also points to continued concerns about how families can balance their work and family responsibilities, especially in the face of rapidly rising prices.

There are a number of ways Congress can help families cope with job losses and falling incomes during this economic downturn. For example:

Providing states with grants to cover lost revenue can help boost local economies, while ensuring that important services are maintained. This recession will likely lead to cutbacks in state and local government budgets, more so than in past recessions because of the collapse in home prices which has significantly reduced property tax revenue. Additionally, falling incomes will lead to declines in income tax revenue and lower consumption will reduce sales tax revenue, which will lead to cutbacks in spending. State and local government cutbacks disproportionately affect female-headed families since they rely more on government services, but these cutbacks also disproportionately affect women's employment because women are more likely than men to be employed in state and local government. Federal aid to the state boosts family incomes by keeping more women employed, as well as making sure that unemployed and low-income families are able to access the income supports and services that they need.

Extending Medicaid to the unemployed and their families would be a first step to ensuring that being without a job does not mean going without medical care. For most workers, a lost job also means the loss of health insurance. Unemployed workers can purchase health insurance from their former employer for up to 18 months after they lose their job through COBRA (the 1986 Consolidated Omnibus Budget Reconciliation Act), but purchasing these benefits is expensive. The average family purchasing COBRA benefits could spend 80 percent of one person's unemployed benefits just on health insurance coverage alone.[10] Helping families cope with the burden of health insurance coverage during a spell of unemployment will free up family's fund to cope with other rising expenses, such as food, gasoline, and housing.

Extending unemployment to the long-term unemployed helps, but policymakers should also temporarily increase benefits and loosen application standards, to help more of the unemployed access benefits. In the first quarter of 2008, only 41.6 percent of the unemployed received any unemployment compensation. Even for those who do receive benefits, the wage replacement level is quite low: the average worker's benefits are just half of their pre-unemployment earnings.[11] Since women workers are more likely to work part-time than men, and consequently, more likely to earn less, women are less likely to qualify for unemployment compensation and more likely to receive lower benefits, on average, than men.[12]

Family-friendly workplace policies are needed now more than ever. Families need the income of both parents now more than ever. For the majority who will keep their jobs during any recession, policymakers should look to extend benefits that allow them to be good employees and good caretakers. *This includes access to paid sick days and establishing a nationwide family leave insurance program, similar to what is now in effect in California and New Jersey.* Further, encouraging employers to adopt flexible workplaces can help both employers and employees in a recession because workers can downshift to reduced schedules or telecommute, saving the firm money, while helping employees balance work and family.

Because most mothers already work, families have little to fall back on to help smooth income during this economic downturn. Acting now will go a long way toward not only helping families in need, but also boosting consumption and fostering macroeconomic growth in the medium- to long-term.

End Notes

[1]It is important to note, however, that higher job losses among women have not led women to have higher unemployment rates relative to men. In the 2001 recession, unemployment among women hit a high of 5.3 percent, while men's unemployment rose all the way to 6.0 percent.

[2]For a review of this literature, see: Heather Boushey, "Opting Out? The Effect of Children on Women's Employment in the United States" *Feminist Economics*, Vol. 14, No. 1, 2008, pp. 1 -36.

[3]Recent research points to both cyclical and structural changes in the labor market to explain declining employment rates for U.S. women. See: Julie L. Hotchkiss, "Change in Behavioral and Characteristic Determination of Female Labor Force Participation," *Economic Review*, Vol. 2 , 2006, pp, 1-20 and Erica Groshen and Simon Potter, "Has Structural Change Contributed to a Jobless Recovery?", *Current Issues in Economics and Finance, Federal Reserve Bank of New York*, Vol. 9, No. 8, 2003, pp. 1-7.

[4]Heather Boushey, "Opting Out? The Effect of Children on Women's Employment in the United States" *Feminist Economics*, Vol. 14, No. 1, 2008, pp. 1 -36.

[5]Heather Boushey, Dean Baker and David Rosnick, "Gender Bias in the Current Economic Recovery? Declining Employment Rates for Women in the 21st Century," Washington, DC: Center for Economic and Policy Research, 2005. BLS, Household Survey.

[6]Chinhui Juhn and Simon Potter," Is There Still an Added Worker Effect?" *Federal Reserve Bank of New York Staff Reports*, No. 210, December 2007; Shelly Lundberg, "The Added Worker Effect," *Journal of Labor Economics*, Vol. 3, No. 1, pp. 11-37, 1985.

[7]Of course, many mothers get child support, but not close to all: according to the Census Bureau, two-thirds (64.7 percent) of custodial mothers actually receive their child support payments (U.S. Census Bureau, *Child Support: 2005*, Table 1. http://www.census.gov/hhes/www/childsupport/chldsu05.pdf).

[8]See also Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap*. New York, Basic Books, 2003.

[9]John Schmitt and Dean Baker, "What We're In For: Projected Economic Impact of the Next Recession", Center for Economic and Policy Research, January 2008, available at http://www.cepr.net/documents/publications/JSDB_08recession.pdf.

[10]The average weekly unemployment benefit allowance in the first quarter of 2008 was $299.14, according to the Department of Labor. The average annual cost of a family health care plan is $12,106, according to the Henry J. Kaiser Family Foundation.
- U.S. Department of Labor, *Unemployment Insurance Data Summary, 2008.* http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum08/DataSum_2008_1.pdf. *pg 67*
- Henry J. Kaiser Family Foundation and Health Research and Educational Trust, *Survey of Employer Health Benefits, 2007*. September 11, 2007. http://www.kff.org/insurance/7672/upload/7693.pdf

[11]Department of Labor, *Unemployment Insurance Data Summary*, http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum08/DataSum_2008_1.pdf. Accessed 28 May 2008.

[12]Andrew Stettner, Heather Boushey, and Jeffrey Wenger. *Clearing the Path to Unemployment Insurance for Low-Wage Workers: An Analysis of Alternative Base Period Implementation*. Washington, DC:, Center for Economic and Policy Research, 2005.