REPERCUSSIONS OF THE ECONOMIC CRISIS ON WOMEN IN THE EUROPEAN UNION'S LABOUR MARKET

REPERCUSIUNILE CRIZEI ECONOMICE ASUPRA FORTEI DE MUNCA FENIMININE IN UNIUNEA EUROPEANA

DÁNOS ANIKÓ[1]

[1]Tomori Pál College, Kalocsa, Hungary; danos.aniko@tpfk.hu

Abstract: *The impact of the economic downturn continues to unfold with pressure on global financial markets, increasing unemployment, and weakening of major industrial sectors. Data from across the EU shows a rise in unemployment for both men and women. However, female unemployment rates have recently been growing at the same pace as male rates, reflecting an extension of the crisis to other more gender-mixed sectors. It is expected that budget cuts planned for 2011, mainly in the female-dominated public sector, will further lower women's employment.*

Key words: *Rising global inequality, Gender effects of the global slowdown, Gendered employment effects, Gendered welfare effects*

INTRODUCTION

The impact of the economic downturn continues to unfold with pressure on global financial markets, increasing unemployment, and weakening of major industrial sectors. Data from across the EU shows a rise in unemployment for both men and women.

The prognosis is for further deterioration in the labour market expected in the months ahead, resulting in about 8, 5 million job losses over two years. (1)

Initially, the unemployment rate at the EU level rose more rapidly for men because male-dominated sectors of industry (construction, transport and manufacturing) were affected right at the beginning of the downturn. However, female unemployment rates have recently been growing at the same pace as male rates, reflecting an extension of the crisis to other more

gender-mixed sectors. It is expected that budget cuts planned for 2011, mainly in the female-dominated public sector, will further lower women's employment. Reduced tax revenues and budget cuts will lead to reductions in public expenditure in education, training and social care. Public sector employees, as well as users of those public services (which include a large concentration of women), will likely be affected. Gender-based stereotypes may also reinforce inequalities. For example, in those countries where "male-breadwinner model" still predominates, a priority may be to keep men's jobs, with women providing a social safety net through informal paid and unpaid work.

Past crises show that women face a higher risk of remaining unemployed and are also harder hit by unemployment because they generally have a weaker position in the labour market. First, women are more likely to have part-time jobs, work in lower-paid sectors and in positions with lower responsibility. As such, they may have a reduced ability to re-enter the job market and build up financial reserves to cope with job loss. Furthermore, they are also more likely to be excluded from unemployment benefit schemes due to insufficient contributions. Lack of access to care services for dependent persons (children, disabled, elderly) also hinders women from having a better position on the labour market. (2)
Moreover, gender equality measures prepared by the national governments of EU member states have been canceled or delayed as a part of the response to the challenges of the crisis. These state policies can directly or indirectly affect gender equality.

The effect of the crisis on women and men depends on their position within social and economic spheres. The different impact on women and men (as well as on other groups among women or men) must be taken into account and addressed in national, EU and global policy responses. (3)

ONE SOURCE OF THE CRISIS: RISING GLOBAL INEQUALITY AND INDUFFICIENT DEMAND

A central feature of the crisis and therefore key to its long term resolution is the growth of inequality within and between countries. One window into this problem is the gap between wage and productivity growth. Productivity grew in most countries over the last three decades, and this should have led to rising wages and incomes. But instead, the share of

national income going to workers has been falling in the US, Europe, Sub Saharan Africa, the Middle East, Latin America and the Caribbean.1 The flip side of this trend is that profits have been rising, and inequality widening. (4)

One cause of this growing gap is the increased freedom of firms and finance to move across borders. Corporations now have the option to respond to local cost pressures by relocating factories overseas or outsourcing production. This has undermined the bargaining power of workers, and led to a slowdown in wage growth, and in some cases, an absolute decline in real wages. Firm mobility has negatively affected wage growth not only in high income but also semi-industrialized economies. Women have been particularly negatively affected because they are concentrated in just the kinds of labor-intensive export firms that are mobile. In some cases, low and middle income groups have relied on borrowing to maintain their living standard, and in the US in particular, the consequences of this are apparent in the subprime mortage crisis. Unsustainable credit expansion was one way to maintain growth in the face of inequality. The wave of foreclosures in the US, however, was a symptom of the bigger problem of stagnating incomes for workers and debt-financed consumption. (1)

This creates a macroeconomic problem: as wages fall, or wage growth slows, so does workers' consumption. This has led to the central problem the global economy faces, which is one of insufficient global demand. Without sufficient buying power on the part of workers, businesses have little motivation to invest, expand output, and create jobs.

A second and related aspect of this problem is the rise in the share of national income going to profits on financial activities and interest payments. High interest rates and low inflation, helped by anti-inflation policies of banks, have raised the real rate of return on financial investments. But it has also meant that borrowing costs for households, small producers, and businesses have been high. This has held back job growth, further exacerbating the problem of joblessness and holding down wages. This global assessment varies by region. East Asia is an important exception to trends of falling or stagnating incomes and joblessness. (4)

The redistribution of global income to wealth holders and corporations suggests that a key feature of a policy to rectify the global economic crisis is one that first, focuses on full employment policies, and second, seeks to resolve

the problem of unequal income distribution that has led to insufficient demand. To reiterate, global joblessness is one of the central problems that macroeconomists must deal with. The most effective policy response is one that stops the destruction of jobs and sets the stage for a resumption of employment growth.

GENDER EFFECTS OF THE GLOBAL SLOWDOWN

The slowdown, which is projected to be most severe in advanced economies (in terms of decline in GDP), is expected to have ripple effects on middle and low income countries via declines in the demand for manufactured and commodity exports, plummeting tourism expenditures, and a drop in foreign direct investment. Another channel by which developing countries will be affected is the drop in remittances from family members living in developed economies. The latter can be very significant. For example, remittances to the Africa region are almost 2 percent of GDP, and globally totaled roughly $238 billion in 2008 (from developed to developing countries).4 Anti-immigrant attitudes in Europe and elsewhere may very well lead to immigrants being targeted for layoffs, and in any case, many work in sectors most likely to be affected by the downturn. Predictions for the Africa region are that growth rates will be halved in the coming two years.(5)

Employment losses or a slowdown in job growth have already contributed to substantial increases in unemployment. Many developing countries will face balance of payments difficulties since their major trading partners – the advanced economies – will be in deep recession. The loss in public sector revenues will put downward pressure on those budgets, and the effect on women will depend on how carefully those cuts are made so as to avoid disproportionately harming women and children. (2)

GENDERED EMPLOYMENT EFFECTS IN DEVELOPED ECONOMIES

The differential employment impact on women versus men will vary across countries. The effects depend on whether more jobs are lost in female or male dominated sectors of the economy. In some developed economies such as the US, mostly men are employed in construction and durable goods manufacturing industries that have been hardest hit by the sharp drop in demand, with mounting job losses hurting men more than women. But women,

too, will be affected in coming months. Female joblessness can be expected to rise disproportionately as public sector budget cuts are made, since women workers are concentrated in education, health, and social services. There is already evidence from the UK that women's unemployment is rising, after the initial surge of male layoffs in construction and manufacturing. Since the beginning of 2008, women's unemployment there has increased at double the male rate, 2.3 and 1.2 percentage points, respectively.(6)

GENDERED EMPLOYMENT EFFECTS IN DEVELOPING COUNTRIES

In developing countries in which women are concentrated in export manufacturing industries, such as in Latin America and Asia, or in tourism in the Caribbean, the job losses for women will be greater than for men. This is particularly worrisome, given the large percentage of female headed households, almost 40 percent in the Caribbean, for example. In regions such as Sub-Saharan Africa, women are mainly involved in subsistence agriculture with some off-farm work for wages or work in the informal sector. The effects of this crisis will hit this group differently than in Asia and Latin America. For the bulk of women in Sub-Saharan Africa, the crisis will become apparent with the decline in remittances, and any cuts to public sector spending on education, health, and other services. (9)

GENDER NORMS AND EMPLOYMENT

Whatever sectors are most harmed by the economic crisis, in some countries, gender norms are such that women are first fired, because men are perceived to be the legitimate jobholders when jobs are scarce. A global survey conducted in 2005 found that almost 40% of those interviewed agreed that when jobs are scarce, men have more right to a job than women.7 Experience with the Asian financial crisis confirmed this tendency, with women laid off at 7 times the rate of men in South Korea. We can expect this to be a dominant feature of layoffs in a large number of countries in the current crisis, and it is likely that in developing economies, many more women will be pushed into the informal sector as a result. Official unemployment data are likely to miss this trend because, even if underemployed, women will be counted among the ranks of the employed in labor force surveys. In developed economies, there is evidence that some unemployed women withdraw from the labor force as a

response to joblessness. This too will result in the underestimation of the unemployment effects of the crisis on women. It should be noted that firing females first during the crisis takes place in a context in which women's unemployment rates globally are already higher than men's. (7)

GENDERED WELFARE EFFECTS

While men are of course also expected to lose jobs, the impact will differ from the impact on women. In developed and middle income countries, men are better positioned to weather the crisis. They have higher paying jobs, more assets and wealth; their jobs are more likely to offer benefits and be covered by unemployment insurance. Women's jobs pay lower wages, in part because women tend to have a higher rate of part time employment, and are often not covered by social safety nets.

Moreover, in countries without social safety nets, the impact on women is even more severe. Over half of all women in the world are in "vulnerable jobs," that is, they are self-employed in the informal sector or work as unpaid family workers. Their livelihoods are thus extremely vulnerable during economic downturns.10 This already high percentage is expected to rise during the crisis. Female headed households are at greatest risk, with few if any savings to weather the crisis, and limited ownership of wealth and other assets, as compared to men. (8)

INCOME SHOCKS AND CHILDREN

Women and children are also likely to suffer substantially because, when men experience declines in income, they are unable to contribute financial support for their children, and in particular are expected to reduce their contributions to female headed households. During such times, women try to shield children from economic insecurity but are not able to fully protect them, on average. Lower spending power has been linked to malnutrition in children, and there is evidence that poor nutrition can have serious long-term implications for children's health and psycho-social well-being, as well as their educational achievements. Because this crisis threatens to be deeper and longer than all other crises in memory, it will require larger state intervention. The alternative to such expenditures is dire. The long run costs to society of under investment in children are well-documented.

CONCLUSIONS

This crisis provides the opportunity to rethink the role of government and central banks in the economy. Key to effective government policy will be efforts to direct resources towards productive activity and away from speculation. Also important are measures to alleviate the downward pressure on wages that contributed to this crisis. Raising minimum wages is one strategy, though there are others. Creating jobs itself will help. As unemployment drops, workers are in a better position to bargain for higher wages and more benefits, thereby generating the income to buy back the goods and services that are produced. The largest share of low wage workers is women, so gender equality is likely to improve with this approach. (10)

For agricultural countries, the immediate needs are to raise productivity of farmers, especially women farmers, and finance public services such as health care and education, with targeted investments that are gender sensitive.

This is, in many ways, a transformative moment in history, providing a window of opportunity to challenge the restrictions on growth and development enforced by developed countries and the international financial institutions. It is an opportune moment to reconsider the view that developing countries should rely heavily on exports as a stimulus to growth. The economic contraction in rich countries, leading to a sharp decline in export demand, will in any case, force a greater reliance on domestic demand. The policy space that has been narrowed by WTO regulations and conditionalities of IMF and World Bank loans should be revisited, and industrial policy that helps developing countries stimulate the expansion of productive capacity should be reconsidered.

Addressing the economic crisis also requires a direct focus on women's well-being. Women are likely to be targeted first for jobs layoffs, but have the fewest reserves with which to shield themselves and their children from the drop in income. Channeling public sector spending to activities that employ women benefits not only them but also their children. It is also an investment in long run growth. The danger in the current crisis is that governments will overlook the needs of women when deciding how to allocate funding in stimulus packages and external aid, or in making cuts.

It is more imperative than ever that women have equal representation in decision-making on public spending, both within governments and in advisory bodies.

REFERENCES

1. **ILO**: *World of Work 2008.* Geneva
2. **SEGUINO, STEPHANIE**: "Is More Mobility Good?: Firm Mobility and the Low Wage Low Productivity Trap." *Structural Change and Economic Dynamics* 18 (1): 27-51. 2007
3. **EPSTEIN, GERALD**: *Financialization and the World Economy.* Edward Elgar. 2005
4. **RATHA, DILIP**: 2008. "Outlook for Remittance Flows 2008-2010." World Bank *Migration and Development Brief.*2008
5. http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief8.pdf
6. **IMF**: *World Economic Outlook Update.* http://www.imf.org/external/pubs/ft/weo/2009/update/01/pdf/0109.pdf. Accessed February 22, 2009.
7. **TRADES UNION CONGRESS**: *Women and the Recession.* http://www.tuc.org.uk/extras/womenandrecession.pdf. Accessed February 2009.
8. **ILO**: *Global Employment Trends for Women 2008.*
9. **BUVONIC, MAYRA:** "The Global Financial Crisis: Assessing Vulnerability for Women and Children, Identifying Policy Responses" for detailed discussion of effects on children's education and infant mortality. 2009
10. http://www.un.org/womenwatch/daw/csw/csw53/panels/financial_crisis/Buvinic.formatted.pdf Accessed March 3, 2009.
11. **RODRIK, DANI**: "The Social Cost of Foreign Exchange Reserves." *International Economic Journal* 20(3): 253-266. 2006
12. **CRUZ, MORITZ**:"Is the accumulation of international reserves good for development?" C*ambridge Journal of Economics* 32(5): 665-681. 2008