

# **TAKING A TOLL:** The Effects of Recession on Women



**Prepared by the Majority Staff of the  
Committee on Health, Education, Labor and Pensions  
Senator Edward M. Kennedy, Chairman  
United States Senate  
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## *Foreword*

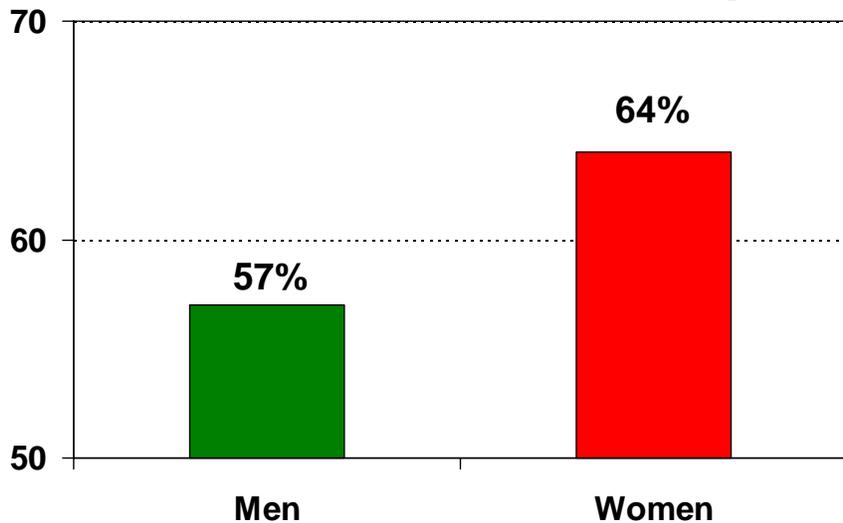
"It is now clear that our economy has sunk into a recession that threatens the wellbeing of countless American families. Yet despite their critical role in the workforce and in raising families, women and their vulnerability in economic downturns have received too little focus. These findings clearly demonstrate the severe and disproportionate impact of this recession on women and their families. We need to act immediately to restore women's right to fair pay, provide workers with paid sick days, and shore up programs that help workers and families endure hard times."

-- Senator Edward M. Kennedy  
*Chairman, Committee on Health, Education, Labor and Pensions*

**A**s our national economy continues to falter and it becomes increasingly evident that a recession is looming or already well underway, American families are growing ever more concerned about the state of the economy. The percentage of Americans saying they worry "a great deal" about the economy has soared by more than 20 points over the past year, from 39% to 60%. Even more Americans—85 percent—think the economy is getting worse.<sup>1</sup> The economy is now tied with health care at the top of voters' list of concerns.<sup>2</sup>

Economic fears are evident across all segments of American society, but women in particular feel profoundly anxious about their economic future. Recent polling data show that women are more likely than men to say they are very worried about the economy.<sup>3</sup>

### **Women are Feeling Increasingly Anxious About the Economy**



*Percentage who worry "a great deal" about the economy*

This heightened concern is well-justified. In contrast to previous recessions, in which women have typically fared somewhat better than men,<sup>4</sup> early signs indicate that this recession is hitting women harder than men. They have suffered more job losses and a larger reduction in wages in recent months than the general population.

The effects of this reduction will be compounded by the fact that women and female-headed households are generally less able to absorb the effects of a recession than their male counterparts. Due to longstanding discrimination and economic disadvantage, they have fewer personal assets to rely on when the costs of food and gas go up or they lose their jobs. There are also large holes in our society's safety net and public programs that leave women behind in times of economic crisis.

It is clear that prompt action is needed to help all working families weather the economic storm, but there is significant evidence that policymakers should pay particularly close attention to the challenges facing women workers and their families. Appropriate steps must be taken to provide additional security for women and households headed by women so that this downturn in the business cycle does not become a devastating crisis from which they can never recover.

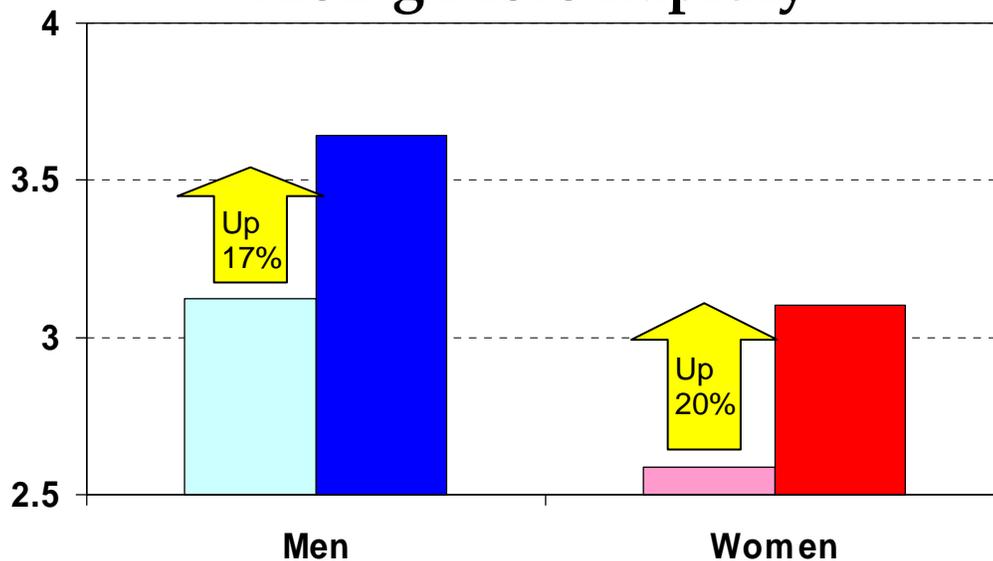
***Women are bearing a disproportionate share of the hardship of this economic downturn.***

All American workers are suffering as the economic downturn affects the job market. 80,000 jobs were eliminated in March, making a total of 232,000 jobs lost in 2008. The national unemployment rate is now 5.1%, the highest it has been since 2005.

In previous recessions women have seen more modest job losses than their male counterparts,<sup>5</sup> but the recent slowing of the job market has taken a greater toll on women workers. The unemployment rate for adult women was lower than for men a year ago, but in the past year the rate among female workers has increased almost a full percentage point, from 3.8% in March 2007 to 4.6% in March 2008. By contrast, unemployment among men has increased less dramatically, from 4.0 to 4.6%. Since last March, the number of unemployed adult women has increased by 20%, compared to a 17% increase among adult men.

Single mothers are also at risk. Their unemployment rate has risen from 6.7% in March 2007 to 7.1% last month, eclipsing the national average.

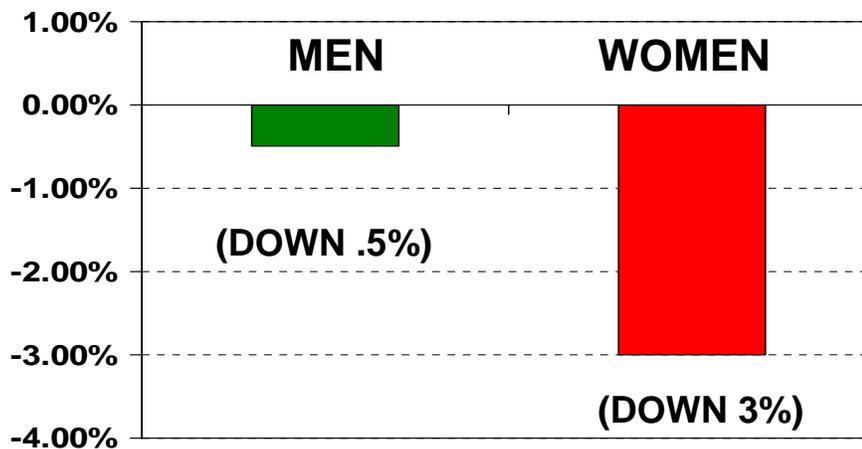
## Unemployment Among Women is Rising More Rapidly



*Increase in Unemployed Workers (in Millions)  
from March 2007 to March 2008*

Similarly, while most workers have seen their wages stagnate or decline over the past year in the face of rising prices, women have felt these effects more harshly than men. In 2007, the median wage of adult male workers fell by nearly half a percent in constant dollars. In contrast, women's median wages fell by 3% over the same time period.

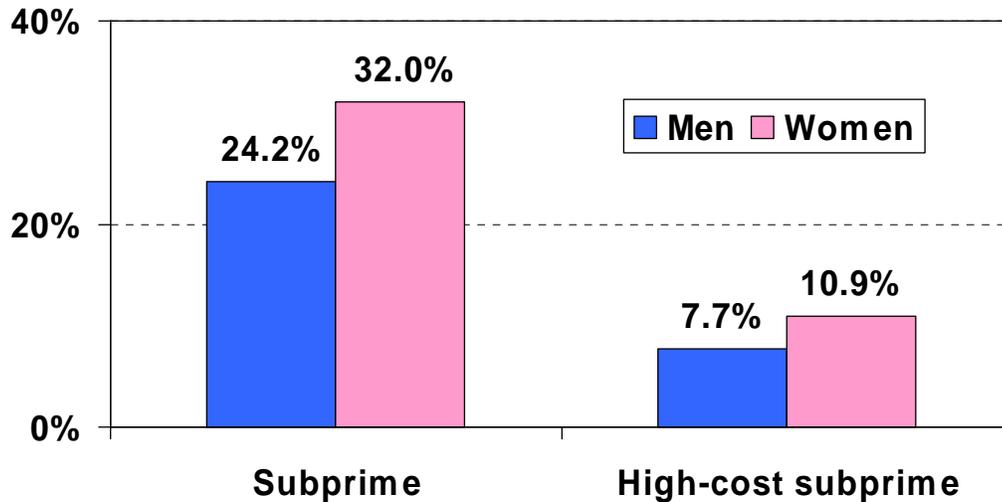
## Women's Earnings are Falling Faster



*Decline in Median Earnings, 2007*

The current downturn's impact on women is not limited to jobs and wages; the housing crisis is an important factor as well. Women represent a disproportionate share of the recipients of subprime mortgages.<sup>6</sup> They make up only 30% of borrowers for mortgages, but 38.8% of subprime borrowers. That makes them 32% more likely than men to receive subprime mortgages, despite having slightly higher credit scores on average (682 versus 675).<sup>7</sup> This disparity occurs regardless of income, with the disparity increasing as income rises.

## Women Disproportionately Receive Subprime Mortgages



*Percentage of All Mortgages that are Subprime By Gender, 2005*

This disparity can make a large difference in monthly payments. For families who took out a mortgage in 2005 (prior to the start of the housing and credit crises), a subprime loan on a median price home would mean an extra \$235 per month and \$85,000 more in total payments. A high-cost subprime loan could mean an extra \$517 in payments each month and an extra \$186,000 in total extra payments.<sup>8</sup> The higher mortgage payments could push women over the edge and force single mothers to make impossible choices between feeding their families, paying their health costs, or keeping their homes.

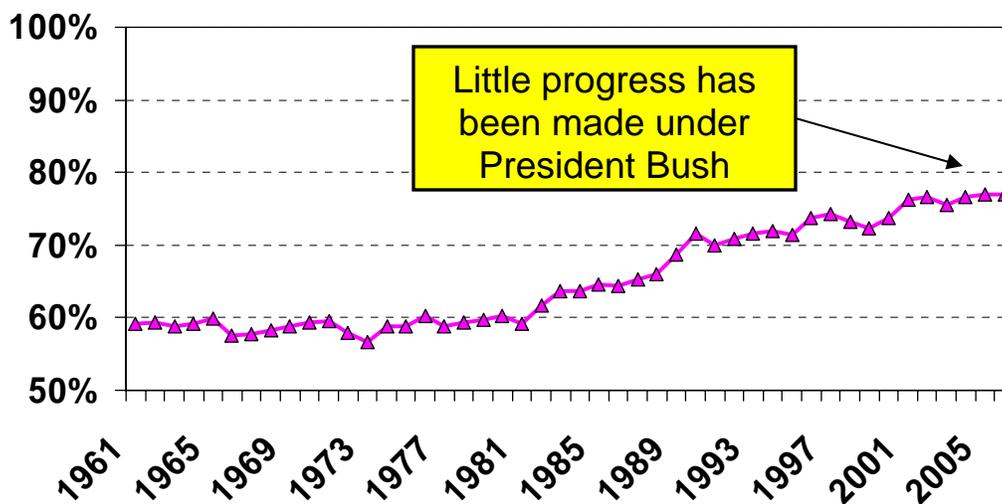
Because they are more likely to receive a subprime loan, women also face a significantly higher risk of defaulting, and ultimately facing foreclosure. According to the Mortgage Brokers Association, the current delinquency rate on mortgages is the highest seen in their survey since 1985. Although subprime loans represent only 13% of all mortgages, they represent 54% of all foreclosures.<sup>9</sup>

Also, many female-headed households are so deeply in debt that they are forced into bankruptcy. Single women are the most likely demographic group to file for bankruptcy and comprise 40% of all bankruptcy filings. Single women with children are even more likely to file for bankruptcy, at an estimated rate of 21 out of every thousand families.<sup>10</sup>

***Recent trends are exacerbated by women's existing economic insecurity.***

Every dollar can make a difference for families struggling to get by. In this daily struggle, women face an even greater economic challenge, because they are not starting from a level playing field. They pay the same prices as men for groceries, gas, and other basic necessities, but they receive significantly less in wages than men. The Census reports that, on average, a full-time, year-round female worker makes only 77 cents for every dollar earned by her male counterpart in 2006.<sup>11</sup> Each and every week, women must stretch their paychecks further, leaving ever fewer opportunities for them to save. Particularly for lower-wage female workers counting every penny, the gap in earnings means the difference between getting by and economic crisis.

## Women Only Make 77 Cents of Every Dollar Paid to a Man



*Median Wage of All Female Workers as Percentage of All Workers 15 years Old and Over*

Women also generally suffer from more volatile incomes and greater economic uncertainty. Analysis of data from the Panel Study of Income Dynamics for individuals 25 to 61 years old shows that female-headed households have twice the likelihood (13.5%) of seeing a 50% or greater drop in their income than male-headed households' probability (6.6%) of such a drop,<sup>12</sup> and the probability of a major income drop for female-headed households has risen in the last two recessions.

Evidence of the recession's disparate impact on women is clear. Women continue to face lower and more volatile wages, experience greater job losses, and face a heightened risk of home foreclosure. These factors go a long way to explain women's heightened anxiety about the economy, but women face other significant barriers to their economic security as well.

*The recession will affect women more harshly than men because women have fewer assets.*

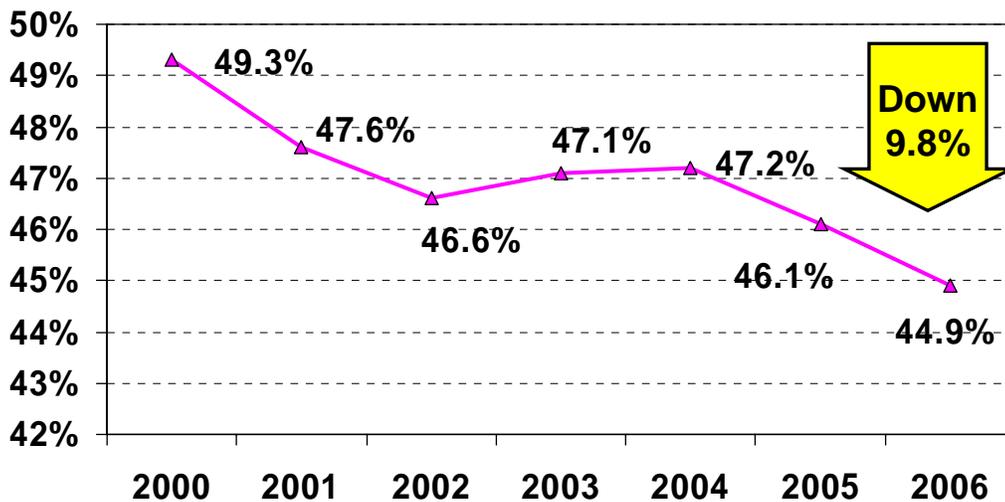
For many families, the only way to weather harsh economic times is through personal savings or a government safety net. They often turn to personal savings, the equity in their homes, or even their retirement savings to help get them through such times. However, women are facing this recession with a weaker personal financial safety net than men. They have fewer resources to help them weather the storm because of their already low wages, fewer personal savings, and lower participation in employer-sponsored retirement plans.

Female-headed households are at a distinct disadvantage in recessions because they have fewer savings to draw upon to continue to pay bills and put food on the table. The disparity in women's wages is part of the reason that women have less in net savings.

Harvard Professor Mariko Chang has confirmed this link by analyzing the net worth of all unmarried women, including those who never married and those who are divorced.<sup>13</sup> Their median net worth was \$12,900, less than half the \$26,850 for unmarried men. Chang found that the wage gap is the primary cause of this inequality of wealth, accounting for 39% of the disparity for never-married households and 18% of the disparity for divorced households. Other contributing factors included custody of children and financial risk tolerance.<sup>14</sup>

It is also important to consider participation in retirement savings plans, which are an important component of a personal safety net. Recent media reports suggest that a growing number of employees are now taking loans and hardship withdrawals from their 401(k) plans or other retirement savings accounts in order to make ends meet. Here again, women have less to fall back on. Although they are closing the gap, the percent of female wage and salary workers aged 21–64 who participate in employment-based retirement plans has decreased to 44.9%—a level that continues to be below the comparable figure for men (46.2%)<sup>15</sup>.

## A Shrinking Percentage of Women Participate in Retirement Plans



*Percent of Female Wage and Salary Workers Aged 21–64 Who Participate in an Employment-Based Retirement Plan*

*Obvious improvements to public safety nets can provide immediate relief to women.*

During times of recession, public safety nets are essential in providing relief and security to working families. Unemployment insurance and food stamp programs provide direct relief to families in need. Protecting the rights of workers and other minimum employment standards is also essential. Many of these protections are vital for workers' economic security, but some have eroded over time and must be updated to provide needed relief to women and their families.

### **Modernizing Unemployment Insurance**

Perhaps the most powerful government program providing relief and stimulus during economic downturns is unemployment insurance. The unemployment insurance system was created in 1935 to help keep workers out of poverty during jobless times, and has proven remarkably effective, which is one of the primary reasons Congress has acted to extend the duration of these benefits in each recent recession. However, the unemployment insurance program was established at a time when women made up only a very small percentage of the workforce, and it needs to be updated to cover this modern workforce more effectively.

Because of outdated state eligibility rules, only 37 percent of unemployed adult males receive unemployment compensation and only 33 percent of unemployed adult women receive benefits. The rate is even lower for low-wage workers. Only 14 percent of unemployed low-wage workers receive benefits. It is important to remember that these individuals have been paying into the system, yet they are unable to benefit from it when the need arises.

Many states do not provide benefits for unemployed workers seeking part-time jobs. Because women represent two-thirds of all part-time workers, these outdated rules disproportionately exclude women. Women are also denied benefits if they “voluntarily” leave a job to care for a child, or to escape domestic violence.

Bipartisan legislation now pending in the Senate (S. 1871, the Unemployment Insurance Modernization Act) will address these shortcomings by giving states financial incentives to modernize their eligibility rules. Passage of this legislation will help the unemployment insurance system deal with the realities of the modern economy and workforce, and ensure that female workers are not left behind.

### **Assistance to Needy Families**

Federal and state governments administer a number of programs that provide crucial support to those families most in need. These include Food Stamps, Temporary Assistance for Needy Families (TANF), and Women, Infants, and Children (WIC) food assistance. In all of these programs, women and female-headed households (i.e., single mothers) comprise the overwhelming majority of recipients.

In Fiscal Year 2006 there were 3.5 million female-headed households receiving food stamps (compared with 191,000 male-headed household recipients).<sup>16</sup> The same year, there were nearly 900,000 adult female recipients of TANF cash assistance, but just under 100,000 adult male recipients.<sup>17</sup> Recipients of WIC are nearly all pregnant women, breastfeeding moms, new mothers with babies under six months old, and children younger than five.

However, in all of these critical safety nets, the benefits provided to women and their families are simply insufficient. The average monthly food stamp benefit given to single mothers and their families was \$297 for an average family size of 3.1.<sup>18</sup> That means impoverished families are receiving only \$96 per person per month, or just over \$3 per day – not even enough to buy a gallon of milk, which now averages \$3.78<sup>19</sup>. With the prices of food, gas, and other necessities soaring, additional relief is urgently needed for women and their children in the form of greater assistance under programs like Food Stamps, TANF, and WIC.

### **Fighting Pay Discrimination**

Additional steps are needed to close the wage gap between men and women. Laws against gender-based pay discrimination already exist, but the recent 5 to 4 Supreme Court decision in the case Ledbetter v. Goodyear Tire & Rubber Co. has significantly limited workers' ability to enforce their right to fair pay. The decision requires suits to be brought within 180 days of the original discriminating pay-setting decision, no matter how long the unfair pay continues.

Bipartisan legislation also now pending in the Senate (S. 1843, the Fair Pay Restoration Act) will make clear that anti-discrimination laws apply to every paycheck, pension check, or other form of compensation an employee receives, so that workers can bring a pay discrimination lawsuit as long as the discrimination continues. Other legislation will also help to reduce the wage gap (S. 1087, the Fair Pay Act, and S. 766, the Paycheck Fairness Act) by increasing penalties for discrimination and requiring women to be paid the same as men when they perform comparable work.

Passage of these bills is a necessary step to reducing the gap between men and women's wages and mitigating women's heightened economic insecurity.

### **Guaranteeing Paid Sick Days**

A unique additional challenge facing women in the workforce is that they are much more likely than men to be primary caregivers to children or family members, and to spend time on basic household activities. According to the American Time Use Survey, women on average spend 6.3 hours a day, in contrast to men's 4.1 hours, caring for children under the age of 13 in their household.<sup>20</sup> Parents without an at-home caregiver need on average of four days a year to care for sick children of school age.

Nearly half of private sector workers, however, do not have paid sick days, and only one in three has paid sick days for doctors' appointments. The need is particularly urgent among lower-wage workers, 79 percent of whom have no paid sick days. Since the burden of child care falls overwhelmingly on women, many female workers are forced to give up a day's wages—and often risk their jobs—to stay home with a sick child or take them to a doctor. Those lost wages often mean the difference between being able to make ends meet that month and a downward cycle that leads to poverty.

Proposed legislation (S. 910, the Healthy Families Act) will guarantee all workers seven paid sick days a year. 66 million Americans will benefit—46 million will gain access to paid sick days; 19 million will gain paid sick days for doctors' visits and family care; and 1 million will gain additional paid sick days. Enactment of this legislation will reduce a serious strain on female workers' lives and significantly help them to weather the current economic storm.

## *Conclusion*

The current recession will be especially harmful for women, and policymakers should extend them a helping hand. In part because of longstanding economic discrimination, women often have fewer assets and a weaker personal safety net than men, and so must rely more on public programs to ensure difficult economic times. By strengthening unemployment insurance and other public programs and establishing fairer employment standards, Congress can significantly reduce the extra hardship that women will unfairly continue to face in today's troubled economy. The more rapidly Congress acts, the greater the relief provided. Taking these steps now will give renewed hope to women and their families throughout the nation.

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<sup>1</sup> Gallup poll, April 16, 2008, available at <http://www.gallup.com/poll/106576/Gallup-Daily-Poor-Economy-Ratings-Remain-Above-40.aspx>.

<sup>2</sup> Gallup poll, March 28, 2008, available at <http://www.gallup.com/poll/105802/Economic-Anxiety-Surges-Past-Year.aspx>.

<sup>3</sup> Id.

<sup>4</sup> Noble, Barbara Presley. "At Work; The New Equality in Hard Times," *The New York Times*, August 8, 1993. Available at <http://query.nytimes.com/gst/fullpage.html?res=9F0CEEDF173DF93BA3575BC0A965958260>.

<sup>5</sup> Goodman, William, Stephen Antczak, and Laura Freeman. "Women and jobs in recessions: 1969-92 - gender differences in job losses less common in recent downturn," *Monthly Labor Review*, Vol. 116, 1993. Available at [http://findarticles.com/p/articles/mi\\_m1153/is\\_ai\\_14235620](http://findarticles.com/p/articles/mi_m1153/is_ai_14235620).

<sup>6</sup> Fishbein, Allen J. and Patrick Woodall. "Women are Prime Targets for Subprime Lending: Women are disproportionately represented in high-cost mortgage market," *Consumer Federation of America*, December 2006.

<sup>7</sup> Mitchell, Eve. "Study: Women pay more Men receive fewer subprime home loans despite," *Oakland Tribune*, December 8, 2006. Available at [http://findarticles.com/p/articles/mi\\_qn4176/is\\_20061208/ai\\_n16896851](http://findarticles.com/p/articles/mi_qn4176/is_20061208/ai_n16896851).

<sup>8</sup> Fishbein, Allen J. and Patrick Woodall. "Women are Prime Targets for Subprime Lending: Women are disproportionately represented in high-cost mortgage market," *Consumer Federation of America*, December 2006.

<sup>9</sup> Mortgage Bankers Association press release, March 6, 2008, available at <http://www.mortgagebankers.org/NewsandMedia/PressCenter/60619.htm>.

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- <sup>10</sup> Dunleavy, M. P. "Seven ways to fight off bankruptcy," MSN Money, accessed April 15, 2008, available at <http://articles.moneycentral.msn.com/Banking/BankruptcyGuide/7WaysToFightOffBankruptcy.aspx>.
- <sup>11</sup> Census Bureau, Historical Income Table P 38, Full-Time, Year-Round All Workers by Median Earnings and Sex: 1960 to 2005. Available at <http://www.census.gov/hhes/www/income/histinc/p38ar.html>.
- <sup>12</sup> Jacobs, Elisabeth. "The Income Insecurity Gender Gap." Unpublished working paper, Harvard University, 2008.
- <sup>13</sup> Due to limitations in data, comparisons of wealth by gender must exclude married couples.
- <sup>14</sup> Chang, Mariko. "His and Hers: Explaining the Gender Wealth Gap," Paper presented at the annual meeting of the American Sociological Association, Hilton San Francisco & Renaissance Parc 55 Hotel, San Francisco, CA,, Aug 14, 2004. Available at [http://www.allacademic.com/meta/p109260\\_index.html](http://www.allacademic.com/meta/p109260_index.html).
- <sup>15</sup> EBRI Issue Brief No. 311, November 2007.
- <sup>16</sup> Department of Agriculture, Food and Nutrition Service. "Characteristics of Food Stamp Households: Fiscal Year 2006," Table A-14. Available at <http://www.fns.usda.gov/oane/menu/Published/FSP/FILES/Participation/2006Characteristics.pdf>.
- <sup>17</sup> Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance. "Characteristics and Financial Circumstances of TANF Recipients, FY 2006," Available at <http://www.acf.hhs.gov//programs/ofa/character/FY2006/tab20.htm> and <http://www.acf.hhs.gov//programs/ofa/character/FY2006/tab19.htm>.
- <sup>18</sup> Department of Agriculture, Food and Nutrition Service. "Characteristics of Food Stamp Households: Fiscal Year 2006," Table 3.4. Available at <http://www.fns.usda.gov/oane/menu/Published/FSP/FILES/Participation/2006Characteristics.pdf>.
- <sup>19</sup> Bureau of Labor Statistics, Consumer Price Index Average Price Data for fresh whole fortified milk per gallon. Available at [http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data\\_tool=latest\\_numbers&series\\_id=APU0000709112&from\\_year=1900](http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=APU0000709112&from_year=1900).
- <sup>20</sup> Bureau of Labor Statistics, American Time Use Survey 2006, Table 1, Time spent in primary activities and percent of the civilian population engaging in each activity, averages per day by sex, 2006 annual averages.