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The Effects of Recessions on the Women's Labor Market in the 21st Century

By: Neha Hemadri & Alvisa Krasniqi

In the wake of the 2008 global financial crisis and then the COVID-19 pandemic, the United States labor market has experienced major changes, impacting women and men significantly differently. This paper delves into the gender disparities, analyzing their effects on industries, labor dynamics, and individual livelihoods. Contrasting the 2008 recession with the COVID-19 pandemic presents a valuable opportunity for studying the evolving dynamics of gender within the labor market. Recessions, as natural experiments, offer a platform to observe these changes firsthand. The 2008 recession, characterized by widespread job losses, had a far greater impact on men than women. Conversely, the COVID-19 pandemic had a greater impact on women than men according to labor participation and unemployment rates. Recognizing these disparities is essential for devising targeted policies aimed at mitigating negative consequences, that serve as an economic safety net to conserve gender equality.

We consider the following economic indicators for our analysis:

Labor Force Participation Rate - measures the percentage of the working-age population employed or actively seeking employment.

Unemployment Rate - measures the percentage of people within the labor force that do not have a job and are actively looking to get one.

Shock 1: 2008 Recession

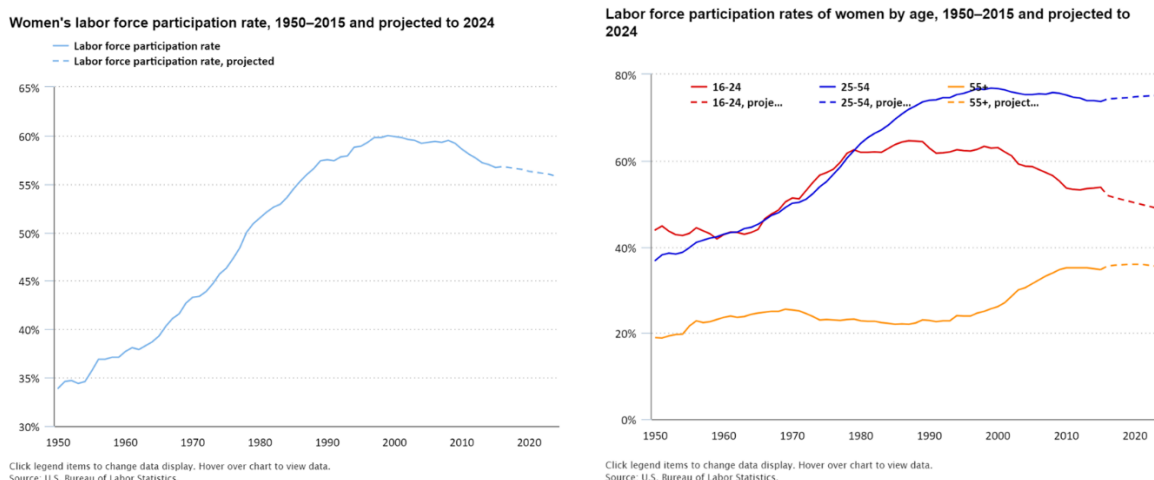
For this section, we analyze graphs from Toossi and Morisi (2017) from the Bureau of Labor Statistics.

On Women's Labor Force Participation Rate

According to Figure 1, the growth of the U.S. labor force in the latter half of the twentieth century was greatly influenced by a significant rise in women's labor force participation. This trend was fueled by economic expansion and the entry of baby boomers into the workforce. However, since its peak in 1999, women's labor force participation has been on a downward trajectory, attributed to factors such as aging baby boomers and the repercussions of the 2007–09 recession. Projections from the Bureau of Labor Statistics (BLS) indicate a continued decline in women's labor force participation rates throughout the 2014–24 decade (Toossi and Morisi, 2017).

Women's labor force participation surged through the 1960s to the late 1990s, peaking at 60% in 1999, despite economic downturns. However, since then, it has steadily declined, contributing to an overall decrease in labor force participation. Since the midpoint of the Great Recession in 2008, it has dropped by 2.8 percentage points to 56.7% in 2015.

Figure 1. (left) Women's labor force participation rate, 1950-2015 and projected to 2024 (Toossi and Morisi, 2017);
Figure 2. (right) Labor force participation rates of women by age, 1950-2015 and projected to 2024 (Toossi and Morisi, 2017)



The labor force participation rate among women aged 16 to 24 peaked at 64.6 percent in 1987 but has seen a significant decline since 2000. This trend is expected to continue, with a pre-pandemic projected rate of 48.6 percent by 2024. Factors contributing to this decline include increased school enrollment and competition for jobs from older and foreign-born workers, as well as economic fluctuations.

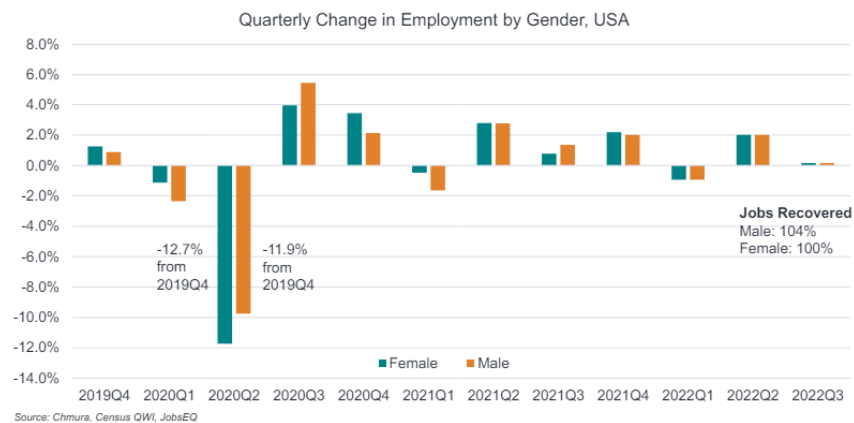
Women aged 25-54 have the highest labor force participation rates, though they have declined since 1999. This group's participation is less impacted by economic downturns due to their skills and experience. For women over 55, participation peaked at 35.1% in 2010, slightly dropping to 34.7% by 2015. The need for employer-provided health insurance may drive older women to stay in the workforce.

On Women's Unemployment

Overall, in 2008, men bore 78 percent of the job losses. Over the same period, the unemployment rate for men rose from 4.9 percent to 8.9 percent, while the rate for women rose by only half as much, from 4.7 percent to 7.2 percent (Wall, 2009). According to Christina Hoff Sommers of the American Enterprise Institute, "Men are bearing the brunt of the current economic crisis because they predominate in manufacturing and construction, the hardest-hit sectors." Women, on the other hand, "are a majority in recession-resistant fields such as education and health care" (Sommers, 2009). This divergence highlights the importance of sectoral composition in understanding the differential impacts of economic crises on men and women in the labor market. It also emphasizes the resilience of certain industries during challenging economic times.

Shock 2: The Pandemic

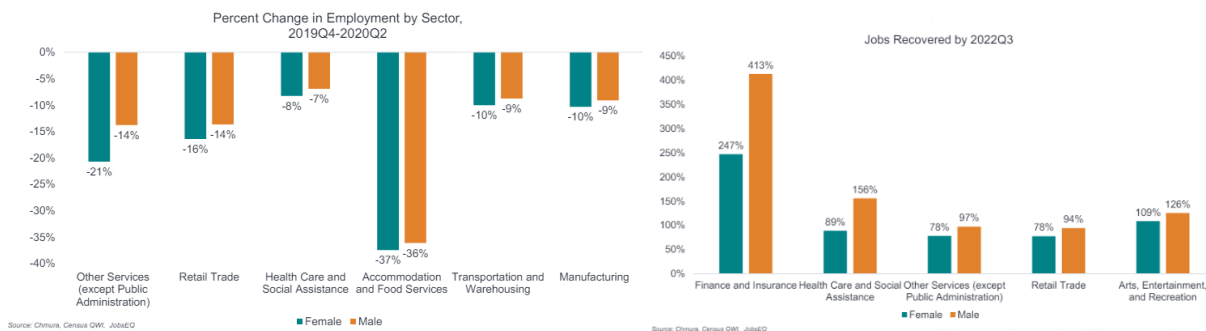
Unlike the 2008 recession, women faced steeper job losses than men at the start of the pandemic (Clapp, 2023). To illustrate this, we analyzed the graphs by Clapp (2023) from the US Census Bureau.

Figure 3. Quarterly change in employment by gender, USA (Clapp, 2023)

According to Figure 3, the impact of job losses was disproportionately heavier on women in the 4th quarter of 2019, as reflected in a significant -12.7% change in unemployment rates, contrasting with men who encountered a relatively smaller decline of -11.6% during this timeframe.

Women accounted for a larger proportion of lost jobs across various industries during the pandemic as demonstrated in Figure 4. In retail trade, women had a 16% decrease in employment versus 14% decrease for men. In healthcare and services, women decreased by 8% compared to 7% for men. Across industries (except public administration), women had a significant 21% decrease in employment versus 14% for men.

Figure 4. (left) Quarterly change in employment by gender, USA (Clapp, 2023);
Figure 5. (right) Jobs recovered by the third quarter of 2023 (Clapp, 2023)



Compared to men, women had slower workforce recovery rates. For example, in finance and insurance, women's recovery was 247% versus men's 413%. In healthcare, women's recovery was 89% versus men's 156%. This trend extended across industries as seen in Figure 5. These challenges persist for women in reentering employment post-economic downturns.

On Women's Unemployment

Labor Force Participation remains below pre-pandemic levels as of January 2023. So why were women affected more than men by the pandemic, but the opposite was true in 2008?

Women's labor force attachment theory, also known as labor force attachment theory or labor force attachment model, is a framework used to understand and analyze the factors influencing women's participation in the labor force (Compton and Pollak, 2013). The theory emphasizes the interplay between individual characteristics, societal

structures, and economic incentives that shape women's decisions regarding employment, job-seeking behaviors, and workforce participation.

At its core, the theory posits that women's attachment to the labor force is influenced by various factors, including personal preferences, family responsibilities, educational attainment, economic conditions, and social norms. It recognizes that women's decisions regarding work are often shaped by a complex interplay of these factors rather than solely driven by economic considerations.

Hypothesis for why women were hit harder:

Occupational Segregation: Women are overrepresented in sectors heavily impacted by lockdowns and social distancing measures, such as retail, hospitality, and healthcare. These sectors experienced significant job losses or reduced hours during the pandemic, leading to disproportionate effects on women's employment.

Caregiving Responsibilities: Women often shoulder a disproportionate burden of unpaid caregiving responsibilities, including childcare and eldercare. With the closure of schools and daycare facilities during the pandemic, many women faced increased caregiving demands, making it difficult to maintain employment or work remotely.

Healthcare and Essential Workers: Women make up a significant portion of frontline healthcare workers and essential workers in sectors such as retail and food service. These workers faced increased exposure to the virus and heightened health risks during the pandemic.

Conclusion

Comparative research on the COVID-19 pandemic and the 2008 recession's effects on the labor market has revealed notable differences between how men and women handle economic downturns. Gendered outcomes are significantly shaped by the adaptability and resilience of various sectors.

Additionally, caregiving duties became a significant factor in determining women's employment outcomes. Moving forward, our aim is to develop a Workplace Gender Equality Index that offers a comprehensive evaluation of gender equality within workplaces, incorporating a broader range of indicators for a more nuanced assessment.

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