

**Economic Downturn:  
For Women, the Worst is yet to Come**

Testimony Presented to a Hearing of the Joint Economic Committee on

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Good morning Chairman Schumer, Vice Chair Maloney, members and staff of the Joint Economic Committee of Congress, and participants in this hearing. I am Eileen Appelbaum of Rutgers University, where I am the Director of the Center for Women and Work. I am very pleased to have this opportunity to speak to you about the difficulties facing working women as a result of the worsening downturn in the economy.

While some business commentators and members of the current administration continue to dither over whether the economy is in recession, America's working women know the economy is in real trouble. Oil prices are close to record highs. Families are spending more for food and gasoline and finding it harder and harder to make ends meet. Income growth has been constrained by five straight months of private sector job declines, four months of overall job loss. The housing bubble is still deflating and house prices continue to fall, so we can expect another wave of home foreclosures and still more turmoil in credit markets. Millions of American families face the prospect of losing their homes, their jobs, their retirement savings, their health insurance and their hold on a middle class way of life. Between November 2007 and April 2008, the private sector of the economy shed 326,000 jobs [7, 9] – and the end is not yet in sight.

In order to keep my remarks brief, I will focus on the effects of the economic slowdown on state budgets, on the effects that cuts in state budgets have on women – both in terms of reductions in services and on women's employment, and on steps Congress can take to help. Congressional action is important – had it not been for the economic stimulus payments that Congress passed and the government has now started sending out, personal income and consumption would already be declining. Private wages and salaries fell at an annual rate of \$18.2 billion in April [1].

### *States Face Substantial Economic Stress*

The economic slowdown is leading to substantial economic stress in the states. State budgets are falling out of balance as tax receipts decline and expenditures increase. Not only do states face a drop in personal and corporate income taxes as workers lose their jobs and businesses face declining sales, but the bursting of the housing bubble also means that property tax receipts are falling. Currently, 25 states plus the District of Columbia face shortfalls in their fiscal year 2009 budgets (starting in just 30 days on July 1, 2008 in most states), and more states expect budget problems. The total projected shortfall at this time is \$40 billion which, on average, is between 8 and 9 percent of states' general funds in 2008. Eight states face projected shortfalls of more than \$1 billion.<sup>i</sup> New York's budget gap is expected to be about \$5 billion; New Jersey's is about \$3 billion [4].

States are required to follow balanced budget rules, and often turn to broad-based spending cuts as a solution. The consequences can be severe, both for people and for the economy. In the 2001 recession, many states cut health and education services– cutbacks that reduced essential services that women rely on and that led to job losses in occupations that are large employers of women workers. In 2001 34 states cut eligibility for public health programs and well over 1 million people lost health coverage; 23 states cut eligibility for subsidies or otherwise limited access to child care; and 34 states cut real per-pupil aid to K-12 school districts. The result was

that employees were laid off, contracts with vendors were canceled, and payments to non-profit organizations that provide direct services to women and families were reduced [3].

States facing budget deficits in the coming fiscal year have proposed budget cuts that will cut services and reduce employment in 2008-2009. New Jersey faces \$1.67 billion in spending cuts.<sup>ii</sup> Major cuts have been proposed for hospitals, some of which may close, and for spending on health care, local governments, and community service agencies, as well as libraries, museums and after-school programs [5]. New York faces \$2.25 billion in spending cuts,<sup>iii</sup> with large reductions planned in spending on hospitals and health care, nursing home reimbursements, economic development, neighborhood and rural programs, training for displaced homemakers, and the state share of spending by New York City and counties on public assistance benefits and youth detention centers [6]. California proposes cuts in school aid, Arizona proposes eliminating child care subsidies for several thousand children, Florida proposed freezing reimbursements to nursing homes and eliminating hospice care for thousands of terminally ill Medicaid patients, and so on [3].

Current state budgets were adopted a year ago – well before the economic downturn began. As a result, the economy has not yet lost jobs in private or public services that depend on state spending or subsidies. In fact, this has been the bright spot in an otherwise dismal jobs picture. That is about to change. Spending cuts by state and local governments will lead over the next year and beyond to employment declines in education and in health and care work – jobs overwhelmingly held by women.

### *Job Losses Are Cascading*

Job loss in nonagricultural private industry began in December 2007 (January 2008 for the overall economy). Unemployment, which reached 5.92 million in April 2008 (5% of the labor force), has increased by 640,000 workers in the year since April 2007. Over the year, the male unemployment rate rose from 4.6 to 5.2%; the female unemployment rate rose from 4.4 to 4.8% [8]. Women as well as men have been affected by the downturn, but cutbacks in employment in the first half of 2008 were largely (though by no means entirely) concentrated in industries that are large employers of men. This will change as the recession unfolds – cuts in jobs in which women are the main workforce can be expected to increase in the second half of 2008 and in 2009.

The first sign of trouble in the job market was the loss of 14,000 private sector jobs between November and December of 2007. By April of 2008, more than 400,000 jobs – about two-thirds of them held by men [10] – had been lost in private sector companies, with major job losses in residential building, residential contractors, real estate and rental, building material and garden stores, manufacturing, and temporary help services [7, 9].<sup>iv</sup>

Job losses started later or more slowly in other industries. More than 168,000 jobs have been lost since the start of the downturn in nonresidential building, nonresidential trade contractors, wholesale trade, retail trade (except building material and garden stores), and financial activities (except real estate and rental) [7, 9] – with job losses about evenly split between men and women. Job losses in financial activities are only now beginning to accelerate. New York

City lost 36,000 Wall Street jobs in the last recession, and the city's Independent Budget Office is projecting an "imminent" loss of 33,000 as this recession unfolds [2].

Private sector employment continued to grow in education, hospitals/healthcare, and social assistance, limiting net private sector job loss between November and April. These industries added 238,000. State and local government added 104,000 jobs. In addition, professional and business services (except temporary help) added 70,200 jobs, and food service and drinking places added 66,300 [7, 9]. More than two-thirds of these jobs are held by women [10], and many are at risk because of state cuts in spending and services made necessary by gaps in state budgets as the downturn worsens.

As happened in the 2000-2001 recession, job loss is fanning out across the economy and the threat to women's jobs is increasing. Sales receipts at eating and drinking places are down, and employment is sure to follow. States facing budget deficits are cutting services women rely on and employment in jobs women hold. States are also planning cuts in payments to vendors and nonprofits for health and social services, which will lead to cutbacks in private sector employment in hospitals, home health care, nursing care facilities, as well as child care services and other types of social assistance. There jobs range from 77 - 83% female [10], so job losses will be heavily concentrated among women if states have to cut back.

As in past economic downturns, women's employment can be expected to decrease sharply - but later in the business cycle than is the case for men. Job losses for women are likely to continue even after the official end of the recession.

### *How Will Families Cope?*

Women face job loss, reductions in hours, loss of wages, and loss of health, education, child care, and social services. Policy makers need to know how women are coping with difficulties obtaining services they need in order to work and to care for their families. What adjustments are they making? In what ways are they and their families suffering? The American Time Use Survey, an annual household survey, measures how people divide their time among paid work, care, chores, and leisure. It is useful for evaluating the effectiveness of policies designed to encourage work or to help women and others with care giving responsibilities balance the demands of work and family. The Survey is especially important today, as the economy moves from expansion to contraction. The ATUS can help policy makers understand how families alter behavior in the face of changed economic circumstances, and this, in turn, can have important implications for how the downturn plays out. It is important that this Survey be fully funded.

It is also critically important that Congress pursue policy options that reduce the likelihood that women will be fired and lose their jobs because of sickness or care giving responsibilities. In the current economic environment, finding employment if you lose your current job for family reasons will be daunting. The U.S. thinks of itself as a pro-family country, but sadly we have very few public policies that would make this a reality for working women. I especially want to thank Congresswoman Carolyn Maloney for her many efforts to improve this situation. Congresswoman Maloney has co-sponsored many important pieces of legislation. These include the Healthy Families Act, which would provide every worker with a minimum of 7 paid sick days, and the Family Leave Insurance Act, which would enable workers to draw

partial wage replacement while recovering from a serious illness or from childbirth, caring for a seriously ill family member, or bonding with a new child. Workers should not have to choose, as so many still do, between their jobs and their families. They should not have to come to work sick, endangering the health of customers, clients, and co-workers in order to keep their jobs. We are all grateful to Congresswoman Maloney for working so hard to change this.

### *States need fiscal relief from Congress*

As states take steps to balance their budgets, jobs in health, social assistance, and state and local government will be axed. Budget rules force states to take these actions that will only deepen the recession. The federal government can provide help to the states during this economic downturn to avoid some of these cuts. Congress can enact a state fiscal relief package that provides targeted temporary assistance to states in which employment is stagnant or declining, or in which property values are declining precipitously. This will lessen the need for these states to cut services and increase job losses. Fiscal relief could be divided between a temporary increase in the federal share of Medicaid and SCHIP and general grants to states to enable them to maintain other critical programs. Such a package would lessen the need for states to take actions that only exacerbate the recession and make economic recovery more difficult.

In the last recession, Congress passed a \$20 billion state fiscal relief package. That legislation provided states with \$10 billion for Medicaid and \$10 billion for other programs. While it was passed rather late in the business cycle, the package nevertheless averted an even worse impact on services cuts and job losses as states exhausted their rainy day funds. Similar legislation today, passed in a timely manner and targeted to states that are feeling the effects of the economic downturn, would cover about half the projected state shortfall for the 2008-2009 fiscal year – and would roughly reflect the effect of the slowing economy on state budgets. It would not only benefit women and families facing cuts in services and employment, but would help the economy by shortening the recession and preventing it from becoming even deeper.

### *Conclusion*

Women as well as men have lost jobs in the economic downturn that began in the private sector in December 2007, but for women, the worst is yet to come. The economic slowdown has created substantial economic stress for states, many of which are planning broad-based spending cuts in the second half of 2008 and 2009 to balance state budgets. These cuts have a disproportionately negative effect on women. They threaten programs that women and children rely on. And they reduce employment in health and care work jobs that are held overwhelmingly by women. Congressional action can be effective in shortening the recession and minimizing these effects. Already, the economic stimulus package that Congress passed earlier this year is staving off an actual decline in national income (GDP) as rebate checks go out to families. This provides breathing room for Congress to adopt further policies to shorten the recession and lessen its impact. Others have pointed out the importance of initiatives such as extending unemployment insurance benefits to the historically high number of unemployed workers who have exhausted their 26 weeks of eligibility; rebuilding the nation's basic infrastructure and expanding access to high speed Internet and communications; and investing in energy conservation and green technologies. My purpose today is to make clear that Congress should broaden its focus to include a substantial package of state fiscal relief, should add the \$6 million required to fully restore the American Time Use Survey to the BLS budget

and, most importantly, should pass the Healthy Families Act and the Family Leave Insurance Act – all of which have become even more critical for women as the economy contracts.

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<sup>i</sup> Listed in order of the size of the state budget deficit in relation to the state's general fund (a measure of the severity of the problem), the eight states are Arizona (\$1.9 billion), California (\$16.0 billion), Florida (\$3.4 billion), New York (\$4.9 billion), New Jersey (\$2.5 - \$3.5 billion), Illinois (\$1.8 billion), Massachusetts (\$1.2 billion), and Ohio (\$0.7 - \$1.3 billion).

<sup>ii</sup> In New Jersey, the proposed budget includes cuts in spending on hospitals of \$144 million and other health care cuts of \$167 million. Local governments will lose \$202 million; community service agencies will lose \$42 million, and libraries, museums, and after-school programs will be downsized and hours cut back.

<sup>iii</sup> In New York, the proposed budget includes cuts in spending on hospitals and other health care of \$980 million, and an additional \$85 million cut in nursing home reimbursements. Spending on economic development and on neighborhood and rural programs will be cut by \$55 million. The proposed budget shifts more of the costs of public assistance benefits and youth detention centers to NYC and the counties and reduces the state contribution by \$76 million. It also eliminates funding for training displaced homemakers, a cut of \$5.3 million.

<sup>iv</sup> Industries with largest job losses November 2007 to April 2008 (total private sector job loss of 403,900):

- Residential building 52,700
- Residential contractors 110,300
- Real estate & rental 23,400
- Building material & garden stores 42,900
- Manufacturing 198,000
- Temp help services 81,200