

Gender, Class and the Crisis

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Abstract

In the economic literature, several scholars have addressed the narrative of a two-stage European crisis. In a first stage, the so-called “he-cession”, men would have been hit the most by the economic recession induced by the financial crisis. Shortly thereafter, in the “she-austerity” stage, women would have suffered the heaviest burdens of the fiscal retrenchment measures. If that were the case, the policy response to the crisis would be producing an increase in the – already high pre-existing – gender inequality.

In this work we analyse the most recent micro-data available at the European level, the European Union Statistics on Income and Living Conditions (EU-SILC), containing information on European households’ incomes in the time span 2008 - 2015. As it turns out, the crisis and the policy response to it have impoverished several European households and increased income inequality in Europe, also in a gender dimension.

Context and aims

- It is necessary to distinguish **two phases of the European crisis**. During a first phase, of financially induced economic crisis, men have suffered higher income reductions and job losses than women. Then, with the implementation of ‘austerity’ measures (after 2010), a second phase of the crisis started. According to this periodization, since austerity in Europe is characterized by downsizing of the public sector and cuts to social spending in particular, the second phase of the crisis would be now producing a higher impact on women’s employment and incomes.
- What characterizes the current recession in the EU is that it has been simultaneously dominated in all countries by the implementation of gender blind **fiscal consolidation** programs aimed at tackling financial speculation on sovereign debts. Austerity policies have the potential to generate greater challenges to women than men due to the associated downsizing of the public sector, because (i) women are relatively more represented and concentrated in terms of public sector employment; (ii) gender equality policies are threatened by spending retrenchment; and (iii) women are more affected by the loss of social benefits that form a higher share of their incomes.
- Since the crisis, political and academic concern over **inequality** has considerably increased. In the study of inequality, mainstream economics typically focuses on the distribution of individual or household incomes. By contrast, functional income distribution, i.e. the shares of national income accruing to labour and capital, is relatively understudied in mainstream economics. When economists speak of social classes, they normally refer to loosely defined groups of people who belong to a certain quintile of the income distribution. Concerning functional income distribution, a recent body of literature has documented a structural change in factor shares during the second half of the XX century, towards higher profit incomes. **In this work, we link the analysis of household and functional income distribution in light of gender inequality, during the European crisis.**

Data and methodology

- Our empirical investigation is based on the “European Union Statistics on Income and Living Conditions” (EU-SILC) database provided by Eurostat. EU-SILC contains **data on sources of income at the household level, distinguishing incomes from rent, labour,**

dividends and profits.¹ We employ the cross-sectional version of the database containing data from 2008 to 2015, containing a representative sample of European households before the crisis and at different stages through it. We limit the analysis to household as collective entities: **1,700,415 households in 31 European countries**² **compose the final database for eight years (2008-2015).** Accordingly, we define as **men-headed (MH) households** those in which a man declares earning the highest income, and **women-headed (MH) households** those in which it is a woman to earn most. We define the different sources of households' incomes as shown in table 1.

Table 1. Households' budget composition by source of income

Wage (sum for all household members of gross employee cash or near cash income)
Labour Income (sum of cash benefits or losses from self-employment and wage)
Income from capital (interests, dividends, profit from capital investments in unincorporated business, income from rental of a property or land, imputed rent, pensions received by individual private plans)
State transfers (sum of family/children related allowances, social exclusion not elsewhere classified, housing allowances, regular inter-household cash transfers received, unemployment benefits, old-age benefits, survivor' benefits, sickness benefits, disability benefit)

- In the EU-SILC database, income from capital includes also money from rent of properties and imputed rent being a sort of in-kind house advantage impacting on household well-being. Even if the inclusion of imputed rent produces effects of income re-ranking among households, it represents an indirect income from property. In our analysis, we consider the indirect income from housing property as a source of capital income in order to define the functional “positioning” of the household between capital and labour, however the family position in the income distribution will be defined without the inclusion of the imputed rent. Household budget shares are computed as ratios of real yearly quantities of wage, capital and

¹Monetary values are expressed in euro and deflated with the Consumer Price Index (CPI) provided by Eurostat. All values are expressed in euros 2015.

² 28 EU countries plus 3 EFTA countries (Iceland, Norway and Switzerland). Croatia is missing in 2008 and 2009, while Germany and Switzerland are missing in 2015.

³ In Eurostat the gross household total income is defined as the sum for all household members of gross personal income plus EFTA countries (Iceland, Norway and Switzerland). Croatia is missing in 2008 and 2009, while Germany and Switzerland are missing in 2015.

state transfer on the total gross household income.³ Table 2 shows the composition of the sample in terms of typology of households.

Table 2. Distribution of households by gender

	2008	2009	2010	2011	2012	2013	2014	2015 (*)
MH households	61.83%	62.36%	61.59%	61.39%	61.10%	60.79%	60.49%	60.06%
WH households	38.17%	37.64%	38.41%	38.61%	38.90%	39.21%	39.51%	39.94%

(*) excluding Germany and Switzerland

Source: elaboration on EU-SILC 2008 – 2015 cross sectional data.

Empirical evidence

- Over time the percentage of WH households has increased probably due to “forced” women participation to the labour market in consequence of massive job cuts experienced by male-concentrated sectors such as manufacturing. In our sample, more than 60% are MH households where the earner (in case of single) or major income earner (in case of households with more adults) is a man.⁴

Table 3. Distribution of households by prevailing source of income

	Prevailing source of income			
	<i>Wage</i>	<i>Labour income</i>	<i>Capital</i>	<i>State transfers</i>
2008	45.93%	57.39%	3.09%	39.51%
2009	45.50%	57.11%	3.02%	39.85%
2010	44.43%	55.9%	2.94%	41.14%
2011	43.76%	55.18%	2.96%	41.83%
2012	43.51%	55.12%	2.81%	42.02%
2013	43.08%	54.47%	2.89%	42.59%
2014	43.04%	54.54%	2.88%	42.54%
2015 (*)	41.05%	53.56%	3.64%	42.79%

(*) excluding Germany and Switzerland

³ In Eurostat the gross household total income is defined as the sum for all household members of gross personal income components (gross employee cash or near cash income), gross non-cash employee income, employers’ social insurance contributions, gross cash benefits or losses from self-employment (including royalties), value of goods produced for own consumption, pensions received from individual private plans, unemployment benefits, old-age benefits, survivor’ benefits, sickness benefits, disability benefits and education-related allowances, income from rental of a property or land, family/children related allowances, social exclusion, housing allowances, regular inter-household cash transfers received, interests, dividends, profit from capital investments in unincorporated business, and imputed rent.

⁴ The gender of households based on the “bread-winner hypothesis” introduces a bias, namely it changes the proportion of women and men in the sample. In terms of individuals, we have an equal distribution between men and women. As stated before, the focus of our analysis on sources of income requires a household approach leading to a different gender proportion in the sample.

Source: elaboration on EU-SILC 2008-2015 cross sectional data.

- At European level more than 50% of households depend on labour income as prevailing source and more than 40% on wages (dependent work); while the so-called “capitalist” households represent a small proportion of the sample, less than 4% including imputed rent and private pensions.

Table 4. Income gaps (MH – WH) by sources of income (euro)

	Wage	Labour income	Capital	State transfer
2008	5,082.71	6,261.95	406.70	548.70
2009	4,836.52	5,974.96	634.71	1,111.05
2010	4,494.06	5,496.89	707.83	1,393.65
2011	4,259.02	5,236.85	559.43	1,535.88
2012	4,200.57	5,229.97	614.47	1,471.00
2013	3,820.72	4,751.01	524.72	1,510.76
2014	3,781.67	4,746.36	566.36	1,570.18
2015 (*)	3,041.54	3,935.17	461.50	1,190.55

(*) excluding Germany and Switzerland

Source: elaboration on EU-SILC 2008 - 2015 cross sectional data.

- Table 4 allows comparing mean incomes by source and gender. A consistent divergence between MH and WH households arises. WH households earn on average less than MH households. This pattern is consistent over time, however the gender gap in wage and labour income between typologies of households decreases over the period 2008-2015, probably due to job losses in male oriented sectors. The same pattern is detected for capital income, which is systematically higher for MH households over the period, and for State transfers.

Table 5. Shares of income by source and household type (%)

	Wage	Labour income	Capital	State transfer
<i>MH households</i>				
2008	45.54	53.08	13.67	33.25
2009	44.93	52.33	13.37	34.30
2010	43.47	50.71	13.22	36.07
2011	42.95	50.13	12.46	37.41

2012	42.97	50.06	12.57	37.38
2013	42.27	49.27	12.60	38.13
2014	41.52	48.55	12.97	38.48
2015 (*)	40.52	48.02	13.57	38.41
<i>WH households</i>				
2008	35.90	40.64	16.48	42.88
2009	36.81	41.51	15.69	42.80
2010	36.28	41.07	15.09	43.85
2011	35.93	40.60	14.47	44.93
2012	36.17	40.70	14.37	44.92
2013	35.80	40.33	14.40	45.27
2014	35.17	39.79	14.79	45.42
2015 (*)	34.00	38.91	15.57	45.52

(*) excluding Germany and Switzerland

Source: elaboration on EU-SILC 2008 - 2015 cross sectional data

- If we look at the budget composition, we notice that major differences in terms of income exist between MH and WH households, namely the latter register on average a lower amount of wage, labour income, capital and State transfers over the entire period. However, in terms of dependence, WH households present lower shares of wages and labour income, implying a major dependence from State transfers than MH households.
- Finally, we run OLS regressions on the pooled cross-sections of household incomes data, including educational attainments, profession (9 categorical dummy variables), work experience (in years), age (quadratic), and gender among the micro-level independent variables, as well as a set of dummy variables controlling for country- and year- specific intercepts, and two macroeconomic variables: the average yearly interest rate on 10-years bonds, and fiscal consolidation as defined above (yearly change in the primary surplus pro-capita). As shown in table 6, we find that: fiscal consolidation negatively impacts on all income forms except men's and the pooled capital incomes; interest rate spreads are negatively correlated with all sorts of incomes; and the impact of consolidation on total household incomes is significantly more negative for women-headed households, whereas the coefficient of interest rate spreads is lower for WH's than MH's capital incomes, and higher for labour incomes.

Table 6. Macroeconomic determinants of household incomes

	Total disposable incomes			Capital incomes			Labour incomes		
	All	Men	Women	All	Men	Women	All	Men	Women
Consolidation	-0.0146*** (-24.90)	-0.0133*** (-20.46)	-0.0178*** (-33.51)	0.0121*** -13.56	0.0202*** -18.02	-0.00361*** (-4.65)	-0.0522*** (-26.16)	-0.0519*** (-26.48)	-0.0519*** (-21.48)
Interest rates	-0.0225*** (-42.01)	-0.0221*** (-42.63)	-0.0220*** (-34.68)	-0.0454*** (-42.43)	-0.0305*** (-28.37)	-0.0721*** (-39.98)	-0.0263*** (-29.74)	-0.0249*** (-19.03)	-0.0311*** (-37.33)
Women * Consolidation	-0.0110* (-2.48)			-0.00576 (-0.61)			-0.00364 (-0.39)		
Women * interest rates	-0.000848 (-0.46)			0.0284*** -3.47			-0.0144* (-2.14)		
Obs.	1427027	886497	540530	1232779	766962	465817	717632	468179	249453

t-statistics in parentheses

* p < 0.05, ** p < 0.01, *** p < 0.001

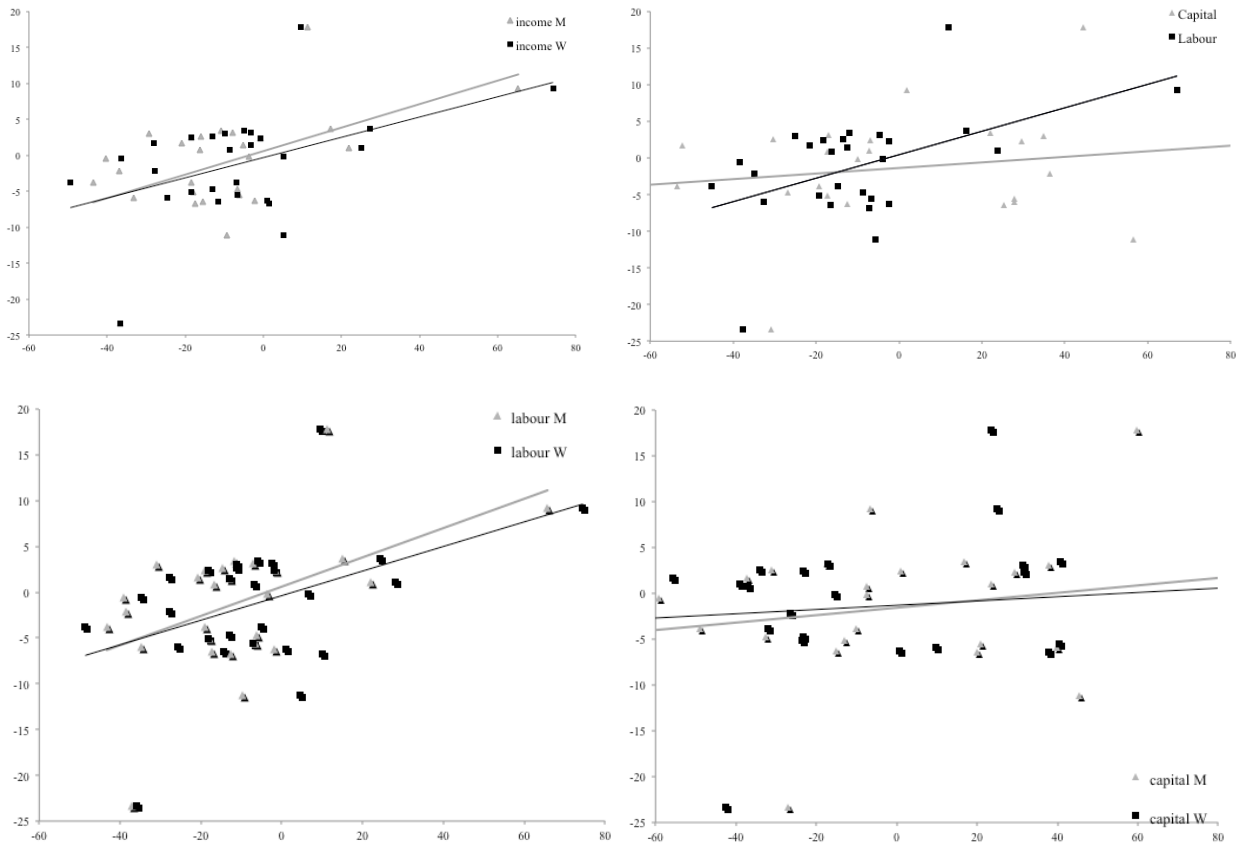
Source: elaboration on EU-SILC 2008 - 2015 cross sectional data

Conclusions: a need to re-examine gender and the crisis?

- We have computed percentage changes of average incomes for MH and WH households over the period 2008-2015, as well as for households' capital and labour incomes separately. To approximate the impact of economic recession and of austerity for the 31 European countries under consideration we have computed the cumulative rate of change of GDP and a measure of fiscal consolidation (the average yearly rate of change of the General Government primary surplus/deficit).
- As shown in figure 1, the correlation between GDP growth (or recession) and changes in households' incomes in the period considered is positive, as it could be expected. Furthermore, the relation is remarkably similar for MH and WH households, with a simple correlation of 0.5 for MH and 0.46 for WH (both statistically significant at the 5% confidence level). However, pooling MH and WH households, labour incomes are significantly correlated with GDP growth, whereas capital incomes are not.
- Austerity measures seem to be correlated in a similar way with the average incomes of MH and WH households. Similarly to the impact of GDP growth, marked differences arise, pooling all households, in their correlation with labour and capital incomes.⁵ As shown in figure 2, fiscal consolidation seems to exhibit a negative correlation with both average total incomes and average labour incomes of MH and WH households. However, due to the high variability between countries, none of these correlations is statistically significant. By contrast, the only statistically significant (positive) correlation is that between fiscal consolidation and the capital incomes of women-headed households.

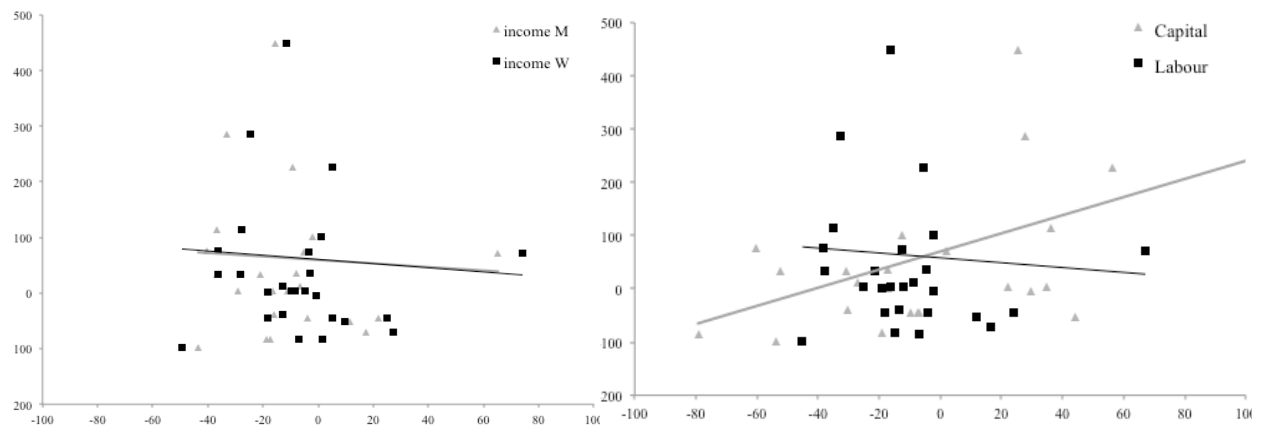
Figure 1. Cumulative GDP change and changes in average incomes by EU country (% , 2008-2014)

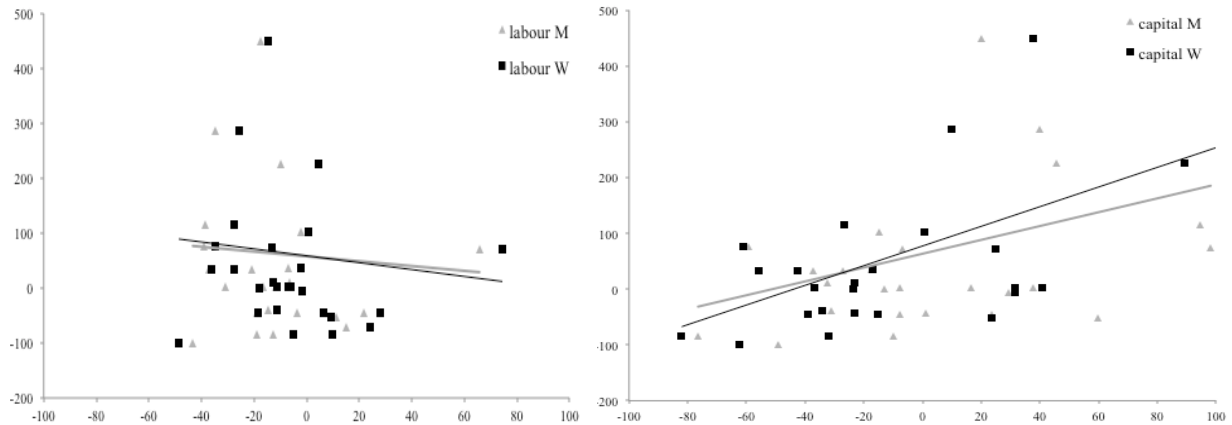
⁵ The results are not qualitatively different using alternative definitions of fiscal consolidation. The use here of the percentage change in primary surpluses, rather than e.g. the sum of primary surpluses/deficits expressed as a percentage of GDP, is aimed at capturing the impact of the policy change only, rather than the compound impact of fiscal policy and its impact on the size of the national economy. Further details are available from the authors upon request.



Source: elaboration on EU-SILC cross sectional data and European Commission, AMECO database.

Figure 2. Fiscal consolidation and changes in average incomes by EU country (% , 2008-2014)





Note: fiscal consolidation is measured by the average yearly percentage change in the primary public surplus (+) or deficit (-)
 Source: elaboration on EU-SILC cross sectional data and European Commission, AMECO database.

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