Feminist Economics
Research Notes

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Estimating the Impact of the 2008-09 Economic Crisis on Work Time in Turkey

Seçil A. Kaya Bahçe and Emel Memiş

The most salient effects of the 2008–09 economic crisis on the developing world have been higher unemployment and vulnerable employment caused by dramatic declines in aggregate demand and falling exports. Since the crisis emerged, empirical research has mainly explored the changes in employment status in labor markets; however, the consequences for work time, both market and nonmarket, have been neglected. To remedy this lacuna, Bahçe and Memiş introduce a new and flexible method for estimating the potential effects of the 2008–09 economic crisis on unpaid and paid work time in Turkey. They find that increases in men's unemployment risk directly affect their female spouses – who must then spend more time in both paid and unpaid work.

Using the data from the Turkish Time-Use Survey of 2006, Bahçe and Memiş provide a simulated measure of the change in work time due to the crisis based on two-step estimation. First, they estimate the probability of being unemployed (defined as the unemployment risk) for individuals; they next estimate the effect of this probability on unpaid and paid work time of spouses. Assuming that a change in the probability of being unemployed equals the change in the official rates of unemployment seen over the crisis period, the authors estimate the impact of the crisis on each individual's work time based on their spouse's unemployment risk. Bahçe and Memiş argue that this method can be applied to other countries where infrequent collection of time-use data does not allow direct comparisons of time-use patterns from before and after the crisis.

The results of the study indicate differences between women and men. A one percentage point increase in a male spouse's unemployment risk increases a woman's total work time by 5 percent, while the corresponding rise for a man is only 0.7 percent. This increase widens the existing work-time gap between women and men by 25 percent (or 18 minutes per day). Differences between women and men are more pronounced in urban areas, where the gender gap in total work time increases by 50 percent (27 minutes per day). When these effects are compared in absolute terms, nationwide averages show that in Turkey, women's total work time rises approximately eleven times more than that of men. While women's total work time rises by 22 minutes per day (from 440 to 462 minutes), the corresponding figure for men is 2 minutes per day (from 369 to 371 minutes).

Empirical evidence obtained from Turkey supports the argument that pre-existing gender inequalities in work time are deepened by economic crises and that the impact of economic crises takes a gender-biased form, putting most of the work burden upon women. Assessments of such crises often overlook this impact, particularly within the unpaid domain, even though the unpaid economy is more vulnerable and unprotected during crises. The current contribution aims to help complete the picture of the costs of the economic crisis by focusing on a usually neglected dimension: the hidden costs in the unpaid sphere of the economy.
Did the 2007-2009 US recession affect how men and women divide household tasks and allocate leisure and personal time? While several studies have examined the labor market impacts of the recession, studies of change in time allocation within the family have been sparse. Using the American Time Use Survey (ATUS), Günseli Berik and Ebru Kongar examine whether the US recession of 2007–09 served as a force for more equitable sharing of workload in the household. To tell the gendered time-allocation story of the recession the authors focus on married mothers and fathers who live in the same household with their spouse and at least one child.

The US recession of 2007-2009 hit when trends in mothers’ and fathers’ paid and unpaid work hours were relatively stagnant. After decades of steady increases in women’s labor force participation, the early 2000s actually saw a slight reversal. The movement toward greater sharing of housework and childcare stalled even earlier. The recession jumpstarted the gender convergence in paid work: men were laid off earlier and experienced higher unemployment rates than women, and women entered the labor force to make up for the shortfall in family incomes. As a result, in 2009 women’s share in payrolls reached the 50 percent threshold for the first time in US history. In theory, these asymmetric employment effects should have created room for more equitable sharing of household tasks. Did they?

Using trend analysis that isolates the recession’s effect from the prerecession trend, Berik and Kongar show that during the US recession married mothers increased their paid hours mainly by spending less time on household tasks – childcare, housework, shopping. Married fathers, on the other hand, worked fewer hours in the labor market but were not led to do additional unpaid work, which meant their total work hours declined. As a result, mothers and fathers worked similar numbers of paid hours. Since mothers were doing less unpaid work than previously, the recession contributed to greater equality in unpaid work hours in the household. However, the convergence in unpaid work hours was considerably smaller than that in paid work hours, which meant total workloads (combined hours of paid plus unpaid work) became unequal.

Total workload inequality was even larger (about 4.5 hours per week) when the combination of the recession and the subsequent jobless recovery (December 2007–December 2010) is considered. Berik and Kongar show that during the extended recession, with the decline in their total workload, fathers had more leisure time than before the slump and relative to mothers.

Thus, the extended US recession did not provide the context for greater equality in unpaid work; and it created greater equality in paid work only through the hardship of lost labor market hours for men. Berik and Kongar attribute the resistance to change in the realm of household work to the shift in the unemployment burden from men to women over the course of the prolonged stagnation in the labor market, which likely undermined the impetus for change in the household. They point out that the path to achieving gender equality in unpaid work requires policies to ensure gender-equitable job growth, decent pay, and work-life balance.
Most economic explanations of the U.S. subprime mortgage crisis of 2008–09 point to lack of government oversight, a widespread if unsubstantiated belief that housing values would rise indefinitely, and moral hazard (the conviction of risk-taking dealmakers that individual credit failures wouldn’t affect them). Many believe that these three phenomena distorted the financial markets and spurred the crisis. Yet the explanations fail to answer two key questions about subprime lending (issuing loans with high interest rates).

First, why were minority and women applicants, who had historically lacked equal access to mortgage credit, “super-included” in subprime mortgage lending? Second, why didn’t the flood of mortgage credit in the early 2000s housing boom – an oversupply of credit suggesting supercompetition – reduce the high proportions of minority and women borrowers burdened with unpayable subprime or otherwise high-cost mortgages? The answers, according to Gary Dymski, Jesus Hernandez, and Lisa Mohanty, lie in the intersections of subprime lending with structures of social and market power.

Missing from economists’ accounts of the crisis is a “meso” level of analysis, which calls attention to the social construction of the institutional mechanisms that created and distributed subprime loans. The authors argue that this approach enables us to see how lenders attained market power and used it in the long history of unequal access to housing and mortgage credit. Their analysis unfolds the co-evolution of banking strategies, minority communities, and financial markets, and calls attention to a history of housing-market exclusion in which women and minority mortgage applicants have occupied marginal market locations in the US system of housing finance. Lenders capitalized on these historically weak positions through subprime lending, in which charging fees to applicants served as a substitute for assessing the capacity for repayment, and encouraged the targeting of borrowers traditionally excluded from housing credit. The authors review the history of the subprime crisis and show that by 2006, nearly one in four loans originated were subprime, with a disproportionate share made to minorities and women.

When sorting subprime loan activity by race, gender, and neighborhood, the study finds that disproportionate rates of conventional loan denials during the period 1990 to 2007 helped create the oversupply of minority and women subprime loan applicants. In the peak subprime lending year of 2005, African American women and Latinas received subprime loans at a much higher rate than whites. Further, as the percent of nonwhites increased in a neighborhood, so did subprime loan activity for women, revealing a spatial dimension to credit access. Even in neighborhoods with the highest concentration of nonwhites, white men had rates of subprime activity approximately 23 percentage points lower than African American women in predominantly white areas.

So, while much economic analysis of racial and gender inequality anticipates that market innovation and increased competition should expand consumer choice and reduce the incidence of discriminatory lending, this extended episode did not have that result. Instead, it created a racialized and gendered economic cartel that concentrated wealth in the suburbs while minorities and women bore the brunt of the financial crisis.

Finally, the authors note the empirical invisibility of the racialized and gendered cartel driving the crisis. The lack of transaction-level mortgage data undermines the ability of fair housing advocates to effectively monitor predatory lending and pursue corrective action. Unfortunately, restrictions on access to data allow continued exploitation against women and minorities via the marketplace, creating the illusion that our markets remain race and gender neutral. Although the recent Dodd-Frank Wall Street Reform and Consumer Protection Act provides for enhanced data reporting, it is too soon to know whether improvements in data availability will support more effective fair-lending enforcement.
Critical Perspectives on Financial and Economic Crises:
Heterodox Macroeconomics Meets Feminist Economics

Sakiko Fukuda-Parr, James Heintz, and Stephanie Seguino

Periodic economic crises that lead to widespread unemployment and sharp declines in living standards are a common feature of unregulated capitalist economies. Such crises weigh more heavily on economically and socially subordinate groups and widen income inequalities. The Great Recession that unfurled in 2008 is no exception. But increased inequality is not only an effect of crises – it can also contribute to the kind of fragility that leads to crises. The current, extended recession follows on the heels of over 100 financial and economic crises throughout the world since the 1970s, and underscores the need to deepen our understanding of the relationship between inequality and economic instability.

Sakiko Fukuda-Parr, James Heintz, and Stephanie Seguino take up this task, exploring the interplay between the economics of stratification and theories of macroeconomic crisis. Taking the 2008 global recession as an example, they outline the connections between inequality and crisis, noting first that growing income inequality led to greater indebtedness, as households tried to “keep up with the Joneses” – in this case, those at the higher end of income distribution. This consumption was unsustainable, given stagnating wages and incomes. In addition, predatory lending practices aimed at groups that had been excluded from credit markets in the past – people of color and single mothers, among others – made these groups vulnerable to default. Financialization, or the growing dominance of financial institutions and interests in the global economy, was another factor that worsened inequalities while contributing to economic fragility. The growing power of the financial sector also fueled deregulation of the sector itself and contributed to the failure to adequately regulate new financial products and arrangements – including the risky mortgages that found willing buyers in US financial markets, as international investors flush with investible funds went after US financial assets. All of these developments increased the vulnerability of economies to shocks that could precipitate a crisis.

Within this context, Fukuda-Parr, Heintz, and Seguino consider whether there is a unique contribution that feminist economics makes to our understanding of economic and financial crises. They note that the primary contribution of gender analysis has been on gender effects of economic crises on wages, consumption, health outcomes, and the burden of unpaid work. In contrast, scant feminist attention has been paid to the macro-structural causes of the crisis or to the role played by other forms of stratification.

The authors suggest that feminist analyses of economic crises could benefit from critical work on the economics of stratification and theories of macroeconomic crisis. They note that the framework for a unified theory of the causes and consequences of economic crisis requires scholars to link and integrate several areas of research in macroeconomics and stratification theory. These should be coupled with an expanded gender focus to include the effects of masculinities and a broader framework for evaluating well-being that includes the nonmarket dimensions of the economy.
Financialization, The Great Recession, and the Stratification of the US Labor Market

Philip Arestis, Aurélie Charles, and Giuseppe Fontana

One striking feature of the Great Recession has escaped most commentators: the gender and race stratification of the US labor market, in which the earnings of gender and racial groups follow a hierarchical pattern across occupations. This study analyzes the effects of the recession on gender and race stratification, and explores the possibility that at least some of these effects are the long-term result of the increasing weight of the financial sector in Western economies – the so-called financialization process.

Building on the stratification economics literature, Arestis, Charles, and Fontana argue that over the last three decades the financialization process has rewarded managerial and financial occupations with increasingly high earnings. Such earnings were in turn linked to the social status of the largest demographic group in the US labor force, namely white men. The study empirically assesses the validity of this theoretical proposition by testing the following two hypotheses: 1) the existence of a wage premium for individuals working in managerial and financial occupations, that is, the reality of a “finance wage premium”; and 2) the existence of an unequal distribution of the finance wage premium among different ethnic and gender groups. The data used is provided by the US Bureau of Labor Statistics of the Current Population Survey (2010). It covers the period from 1983 to 2009 and offers a breakdown of the annual averages of weekly earnings of full-time workers of the US labor force by occupations, ethnicity and gender.

The methodology employed to test the two hypotheses is cointegration analysis. This empirical approach is based on the proposition that there is a long-run relationship describing the interdependence of the earnings among different demographic groups over the financialization process, along with the short-run dynamics describing the redistribution of earnings in the short-run necessary to reach the long-run relationship. Informed by the above theoretical proposition, and the empirical method just explained, the empirical results reveal the long-term relationships between earnings variables for each of the hypotheses stated above.

The results of the cointegration analysis are consistent with the theoretical hypotheses, namely that a finance wage premium exists for individuals working in managerial and financial occupations over the period from 1983 to 2009, and it is unequally distributed across ethnic and gender groups in the US labor market. For each ethnic group, excluding Asian Americans for lack of data before the 2000s, white and Hispanic men have taken an increasing share of the wage premium at the expense of black men, white women, and Hispanic women. More generally, white and Hispanic men have enjoyed a disproportionate share of a rising wage premium. Therefore, the theoretical and empirical analyses presented in this study suggest that financialization has been neither race nor gender neutral. It has in fact intensified gender and ethnic stratification in the US labor market. From this perspective, the gender and race stratification effects of the Great Recession are at least in part the long-run outcome of structural processes generated by the financialization process.
Global Financial Governance and Development
Finance in the Wake of the 2008 Financial Crisis

Ilene Grabel

As many feminists have shown, financial crises and the austerity measures imposed in their wake have unequal effects on men and women, male and female children, and the poor. Many civil society groups and academics hope that the global financial crisis of 2008 has altered the economic development landscape in beneficial ways, not least by provoking changes in the governance of global finance. The reform of financial governance is of paramount importance for feminists since financial flows and crises influence economic opportunities and constraints.

Ilene Grabel examines the effects of the global financial crisis on financial governance from three angles: How is the crisis affecting International Monetary Fund (IMF) governance and the influence that developing countries have within the institution? What effect, if any, has the crisis had on the ability of developing countries to pursue economic policies of their own choosing (a concept known as “policy space for development”) rather than those imposed by other countries or the IMF? And, what are the prospects for alternative financial architectures (such as regional and bilateral financial institutions) as competitors or important complements to the IMF?

While it is too early to draw definitive conclusions about how financial governance will evolve as a consequence of the crisis, Grabel’s research reveals that several important changes have already occurred. First, it appears the IMF has substantially altered its own practices regarding capital controls – policies that manage international flows of capital to enhance financial stability. Second, many developing countries now enjoy a degree of autonomy enabling them to deploy policies essentially barred by the IMF during earlier crises, such as capital controls. This autonomy results, in part, from developing countries – China, India, South Africa, Brazil, Russia, South Korea – becoming important lenders to the IMF for the first time in the institution’s history. Third, the global financial architecture is growing more heterogeneous and less centrally dominated by the IMF. This architectural evolution can be seen in the increasing importance of regional, sub-regional, and bilateral financial institutions and arrangements in the developing world. Fourth, and less positively, Grabel finds that developing countries have not yet secured greater formal influence at the IMF. But, she argues, other changes at the IMF – particularly the emergence of developing countries as lenders to the institution – may ultimately reconfigure channels of informal influence in ways that enhance developmental policy space.

At the broadest level, maintaining the status quo no longer seems possible: the pre-crisis global financial architecture is unlikely to be restored, and the transformations now underway provide hope for the first substantive reform in global financial governance in thirty years. The emerging financial architectures will almost certainly be heterogeneous and will provide greater policy space for developing countries than in recent decades.

Whether this rupture in the old financial order will result in lasting policy reform that points in a developmentalist direction or whether it will yield any institutionalization of gender awareness remains to be seen. But, from a feminist perspective, the turmoil in global financial governance is an opportunity for positive change. Indeed, the fracturing of the old order implies new opportunities for feminists to insert themselves more fully into debates about what a just and inclusive financial regime would entail.
Economic Recession and Recovery in the UK: What’s Gender Got to Do with It?

Ailsa McKay, Jim Campbell, Emily Thomson, and Susanne Ross

In the UK, as in many parts of the world, men and women have felt the impact of the Great Recession very differently. The UK economy entered recession in the second quarter of 2008 and by early 2010 had contracted more than 6 percent. Employment levels fell and unemployment rose. As in most recessions, the fields experiencing the most job losses in the UK were male-dominated ones such as construction and manufacturing. True to this pattern, from early 2008 to early 2010, British men experienced the majority of job losses: they saw a 3.7 percent decline in employment, compared to a 0.5 percent decline for women. While this gender differential suggests women fared better than men, Ailsa McKay, Jim Campbell, Emily Thomson, and Susanne Ross argue that relying on labor market statistics to measure the impact of the Great Recession results in only a partial analysis of its consequences.

From a feminist economics perspective, a more inclusive understanding of the range of impacts on both men and women would result in the formulation of gender-aware rather than gender-blind policy responses to recession and recovery.

Importantly, the recession of 2008-09 differs from previous ones in terms of how governments reacted to the financial crisis that sparked it. The UK, US, and some European countries bailed out major financial institutions by spending considerable sums of public money. This approach, combined with contractions in the real economy, raised levels of government spending relative to national income. The UK government budget deficit for 2009–2010 soared to 11.6 percent – the highest recorded since the end of World War II. The UK’s Conservative-Liberal Democrat government responded by sharply reducing public-sector expenditure, with a goal of reducing the public-sector deficit. Since women in the UK are more likely than men to be public-sector employees, the pattern of job losses reversed: by the second quarter of 2010, women were losing their jobs at a faster rate than men, even though the UK was officially out of recession in the fourth quarter of 2009.

Between June 2011 and June 2013 the female-dominated public sector experienced a 7 percent fall in employment while the male-dominated private sector experienced a 5 percent increase in employment levels. From the Dec.-Feb. 2010 quarter to the Dec.-Feb. 2012 quarter, 96 percent of the total job growth went to men. And, because the public-spending cuts target welfare benefits and core public services for women and children, women experienced a secondary negative effect on income and well-being.

The authors argue that while the narrowly defined effects of the recession on the labor market, such as changes in employment/unemployment rates, are readily identifiable by gender, many of the wider consequences on women in particular are not immediately visible and have long-term ramifications. Public spending cuts, framed as a strategy to promote economic recovery, have negative effects on women's incomes, access to services, and future job and training opportunities. Services more likely to be accessed by women, such as early-years care and education, have been dramatically reduced. Extensive changes in the way social security benefits are administered and the eligibility criteria for many benefits, including those for children, have reduced women's incomes relative to men's. Similarly, given that public-sector employment is dominated by women, a public-sector pay freeze disproportionately affects female earnings.

In order to fully understand and accurately account for the effect of the Great Recession and its aftermath, impact analysis from a gender perspective must be an integral feature of the policymaking process. The evidence as of mid 2013 suggests that the gender-blind approach adopted by the current UK government has resulted in a marked deterioration in the economic welfare of women both relative to that of men and in absolute terms.
Austerity Measures in Developing Countries: Public Expenditure Trends and the Risks to Children and Women

Isabel Ortiz and Matthew Cummins

Between 2010 and 2012, fiscal austerity dominated European and North American headlines. Yet little attention was paid to the situation in developing countries. Were they also slashing budgets? If so, what would be the impact be on vulnerable populations? The global economic crisis imposed food, fuel, and financial shocks on developing economies. A fourth shock – fiscal austerity – would likely have severe effects.

Isabel Ortiz and Matthew Cummins find that austerity is not just a high-income country phenomenon. To gauge the depth and scope of austerity in the developing world, they analyze International Monetary Fund (IMF) government spending projections for 128 low- and middle-income countries, comparing three periods: 2005–7 (pre-crisis), 2008–9 (crisis phase I: fiscal expansion) and 2010–12 (crisis phase II: fiscal contraction). They review policy discussions in 124 IMF reports to identify specific options that governments were considering to achieve budget consolidation during 2010–12.

While many governments in developing countries introduced fiscal stimuli to buffer their populations from the impacts of the crisis during 2008–9, premature expenditure contraction became widespread beginning in 2010. Ortiz and Cummins confirm that the scope of austerity was severe and widened quickly, with 70 developing countries reducing total expenditures by nearly 3 percent of GDP, on average, during 2010, which increased to 91 developing countries in 2012. Moreover, comparing the 2010–12 and 2005–7 periods suggests that nearly one-quarter of developing countries underwent excessive contraction, defined as cutting public expenditures below pre-crisis levels (in terms of percent of GDP).

To implement austerity, governments weighed four main cost-saving policies that have particular risks for vulnerable populations: (1) 56 developing countries considered wage bill cuts or caps, which included reducing the salaries and/or size of public-sector workers who deliver essential services, including basic health and education; (2) 56 countries discussed phasing out subsidies, predominately on fuel, but also on electricity and food items, despite record-high food prices in many regions; (3) 34 developing countries assessed reducing spending on safety nets and welfare benefits, often by revising eligibility criteria and targeting the poorest recipients, a de facto reduction of social protection coverage; and (4) 28 developing countries examined old-age pension reforms, including eligibility periods, extending retirement age, and lowering benefits.

Many governments also considered introducing or broadening consumption taxes, such as value-added taxes (VATs), as part of adjustment strategies. Although such taxes are a revenue- rather than a spending-side approach, they are important to highlight because increasing the costs of basic goods, like food and household items, can erode the already limited disposable incomes of vulnerable households as well as stifle economic activity. Moreover, since consumption-tax policy does not differentiate among consumers, it can be regressive, shifting the tax burden to families in the bottom income quintiles of societies and further exacerbating inequalities. Overall, at least one of the cost-saving policy options was discussed in 106 developing countries, with two or more options considered in 69 developing countries and all four options in ten developing countries—in addition to the heavy budget cuts already made.

In light of these findings, the authors question if the fiscal-contraction trajectory – its timing, scope, and magnitude – as well as the specific austerity measures considered are conducive to adequately protecting children and poor households. The authors encourage policymakers and development partners to evaluate the potential human and development costs of foregone social expenditures and, going forward, to consider alternative policy measures to ensure that economic recovery applies to all persons, including children and women.
Economic Crisis, Gender Equality, and Policy Responses in Spain and Canada

Kathleen A. Lahey and Paloma de Villota

While national budgets appear to be gender neutral, they can actually perpetuate the persistent economic disadvantages women face, especially during periods of global economic crisis. To explore how large tax and spending programs affect women, Kathleen Lahey and Paloma de Villota compare the probable gender impact of major budgetary policies enacted in Canada and Spain in response to the 2007–08 global economic crisis and subsequent recessions. As background, they note that before the crisis Spain and Canada pursued divergent political agendas: Canada's conservative government, elected in 2006, began permanently reducing the size of government by slashing revenues and continued that policy throughout the recession, while Spain's social democratic government (2004–11) embarked on programs aimed at increasing social inclusion and gender equality.

Using women's shares of market incomes (from labor and capital) and after-tax incomes as equality indicators, the authors find that neither Spain nor Canada lived up to their international commitments as signatories to the UN Convention on the Elimination of All Forms of Discrimination against Women and the Beijing Platform for Action to undertake gender-based analyses when developing interventions in response to the crisis. However, if Spain's initial attempts to carry out gender-equal crisis policies had been maintained, they would have had less damaging effects on women in the long term than the policies Canada put in place.

Lahey and de Villota use national-level taxation, budgetary, and spending data to demonstrate how gender gaps can be expanded -- or minimized -- in large tax and spending programs that respond to economic disruptions. Comparing the distributional effects of major changes to personal income tax, corporate income tax, and VAT systems by gender, the authors find that when tax cuts are designed to reach only those with moderate and high incomes, and will disproportionately benefit those with moderate and high incomes, and will provide limited benefits to those with low incomes. In both Spain and Canada, women's earnings are concentrated in the first tax bracket, which means that as compared with men, women are structurally under-benefited from such tax cuts. For example, in Canada, across-the-board rate cuts delivered no tax benefits to 40% of women. In Spain, where rates were actually raised to generate additional revenue, women bore a smaller share of the tax burden since the largest rate increases were to those with the highest incomes.

Similarly, corporate income tax cuts overwhelmingly benefit men, because men own and control the substantial majority of corporate shares. In addition, corporate tax cuts only benefit companies with positive tax liabilities. During the recession, Canada made a series of permanent cuts to corporate tax rates, but did nothing to assist small and medium enterprises (SMEs) with credit problems and losses, where more women are involved as shareholders and CEOs. In contrast, Spain used credit support to financially stabilize companies, especially SMEs, thereby increasing women's chances of benefiting from these policies.

On the spending side, the authors demonstrate that when major infrastructure spending programs are limited to building and renovation projects, they do not serve women's social and economic needs. Not only do the benefits of such programs go overwhelmingly to companies that hire more men than women, but the projects tend to reflect male interests (sports facilities) and not women's. By contrast, in Spain, in regions where substantial allocations to social infrastructure and spending (educational and care facilities and services) were made during the crisis, women's labor force participation rates increased; elsewhere, women's participation was much lower.

The implications of this study? Countries that formally incorporate gender-budget analysis into all major policy processes are more likely to benefit women to a greater extent than when gender effects are ignored, and women's needs will be addressed more effectively when gender is kept in the forefront of the policy process.