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**The impact of European Union austerity policy
on women's work in Southern Europe**

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Abstract

Contrary to consolidated economic theory principles, in Europe (but also in other world regions), austerity policy has been implemented instead of stimulus measures which have proven to be successful in crisis associated with credit crunch and insufficient demand. These policies cannot be only considered as an "austericide" due to ideological blindness. They also need to be considered as a strategy for imposing an economic and social reform which proved too difficult to be implemented in the years previous to the great recession.

The ongoing fiscal contraction policies include the typical adjustment measures which are now driving the European economy towards a new type of insertion within the international economy. And as a consequence, they imply deep changes on the gender division of work deepening gender inequality. This article analyses the different effects of European Union austerity policy on women and men's participation in the labour markets in two Southern European countries beaten by the Debt crisis: Spain and Italy.

During the first part of this economics crisis, unemployment grew higher for men than for women, but in the second phase with the all sectors hit by the recession and the implementation of harsh austerity policies affecting public-sector jobs, women are also losing their jobs at the same rate than men. We have estimated labour supply models for individuals aged 25 to 54 living in couples with or without children by gender by using the EU-SILC 2011 micro data for Spain and Italy. The analysis carried out shows a strong countercyclical added-worker effect for women in response to transitory shocks in partner's earnings, in contrast with a procyclical discouraged-worker effect for men. However though the added-worker effect prevails for women in Spain, in Italy still the discouraged worker effect dominates. The results show also a positive effect of the provision of childcare services on women's labour supply. A cut in social and care services due to austerity promotion may turn the tendency to a decline in women's participation and employment rates in the labour force with the subsequent loss of total well-being, due to gender differences in education performance, and especially of women's well-being.

Keywords: gender, labour supply, austerity policy, Great Recession

JEL codes: J22, J16, H53, E62

1. Introduction¹

Women and men are affected differently by the different political and economic circumstances, especially in the case of an economic crisis of the magnitude of this Great Recession. This is because women and men occupy different positions and have, in most cases, an unbalanced and unequal access to economic resources, including employment, credit, land and other natural resources, time and work sharing, or positions of power.² Economic crises either emphasize or modify previous gender imbalances. One recurring effect underscored in the literature is the intensification of women's work, both paid and unpaid work. For example, during the Great Depression of the 30s not only female employment increased, but also the household's provision of goods and services that were previously acquired in the market (Milkman, 1976).

This intensification affects future employment possibilities and working conditions, mainly related with less availability for labour supply, human capital formation, flexibility or mobility. In fact, this intensification and the more speedy recovery of male employment once the recession phase of the cycle is overcome are the two constants identified by Gálvez & Rodríguez-Modroño (2011) in their historical analysis of economic crises. Business cycles have an impact on time allocation. Aguiar et al. (2013) argue that home production sector is a viable margin of substitution during business cycles, allowing some degree of substitution between market consumption and leisure. They find that roughly 30% of the market working hours forgone due to the business cycle are reallocated to non-market production. Although with important gender differences, as Giménez-Nadal & Molina (2013) have shown in their study on the effects of regional unemployment on time allocation. While men increase time devoted to study, women increase their time devoted to household production.

In this paper, we analyze the different effects that this Great Recession, due to the financial and economic crisis which started in 2007 and the austerity policies implemented since 2010, have had on labour markets in two peripheral countries deeply hit by the recession, Spain and Italy, and consequently, on women and men's participation in the labour market. The economically active population ratio can generally be decomposed into a trend and a cyclical component. This last one can be of different sign: the added-worker effect (AWE), when labour supply behaviour is countercyclical since it implies an increase in a person's labour supply (hours worked or participation) in response to transitory shocks in his/her partner's earnings, or the discouraged-worker effect (DWE) when it is procyclical. Women's decisions to enter the labour market have always been more sensitive than male ones to economic cycles (Lundberg, 1985; Tano, 1993) because of the traditional secondary nature of female labour and lower women's activity rates linked to their historical specialisation in unpaid domestic work (Sarasúa & Gálvez, 2003). It is therefore very difficult to grasp the complexity of how economic cycles affect the labour supply without taking into account gender differences (Rubery & Rafferty, 2013).

¹ This paper is part of the research activities carried out within the PRIN09 research project "Measuring human development and capabilities in Italy: methodological and empirical issues". This paper has been presented at the International Working Party on Labour Market Segmentation 34th Annual Conference "Austerity without end? European employment in the crisis" held in Trinity College Dublin, Ireland on 12-14 September 2013. We thank the participants to the conference for their thoughtful comments on the paper. The usual disclaimers apply.

² Benería & Feldman (1992), Floro (1995), Elson (1995, 2010), Antonopoulos (2009); Gálvez & Torres (2010); Sabarwal et al. (2011), Seguino (2011), Pearson & Sweetman (2011), Jain & Elson (2011), Rodríguez-Modroño (2012).

Studies like that of Sabarwal et al. (2011) warn about the fact that the present economic crisis appears to be altering the predictions and the gendered behaviours common to previous crises as a result of the recent increase in women's attachment to the workforce and the contraction of the global demand. Therefore, in addition to studying the differences in women and men's labour supply, the differentiated effects by gender of their partner's employment condition and individual and family characteristics, such as income, age, educational level, children, regional differences in unemployment rates and availability of childcare services, are analysed, so that we can contribute to the analysis of the specificities of this Great Recession by introducing a more complex gendered approach. In order to do so, two probit models of labour supply by gender are proposed, using the Spanish and Italian data from the EU SILC 2011 and the EU Labour Force Survey.

The paper is structured as follows. In Section 2, we present the austerity policies, which have been promoted worldwide, especially within the EU –with an institutional framework especially favourable for implementing such measures (Blyth, 2013)-, discussing in detail the austerity measures in Spain and Italy and its gendered impacts on these economies, and specifically on their labour markets. Section 3 presents the methodology and data used to estimate the labour supply models by gender, while section 4 discusses the results of the estimation. Policy suggestions are subsequently provided together with some concluding remarks in section 5.

2. Austerity policies and their gendered impacts on Spain and Italy economies and labour markets

In a first phase of the global economic crisis (2008-09), most governments introduced fiscal stimulus programs; however, expenditure contraction became widespread in the spring of 2010, which marked the beginning of a second phase of the crisis characterized by austerity policies and a second deep recession.

While stimulus programs did have an important gender impact in job creation mainly linked to male sectors such as building and specific traditional manufacturing industries –more than 95% of all jobs created in Spain through stimulus packages were occupied by men-, austerity measures are the ones showing the most important gendered effects mainly in the long-run. As it happened already in other regions and crisis characterized by the implementation of those measures, the intensification of women's work have seriously limited their working opportunities and conditions. In fact, the last Spanish labour survey (2013 QII) has been the first one in two years showing a net employment creation, but more than 70% of this employment has been occupied by men. In Italy, in 2013 QI (Istat, 2013c) and in June 2013 (Istat, 2013d) employment levels were still decreasing. With respect to 2012 QI men's employment decrease appears to be higher than women's (-2.5% for men and -0.9% for women and a similar trend is to be observed in June 2013 with respect to June 2012). The decrease (-1.3%) has been more relevant for women aged between 25 and 34 (Bank of Italy, 2013b). Turning to specific sectors, in the manufacturing sector the decrease in employment has been higher for women than for men while in the service sector there has been a loss of jobs of women in skilled positions in the public, education and health sectors and an increase in women employed in the lower positions in services to firms & families (Istat, 2011). On the whole, in Italy the raise in female employment occurred due to the persistence of occupational segregation by gender and with most of the

increase in women's employment being in lower ranked job positions, mainly connected to an increase of employment rates of migrants - who appear to be concentrated in two jobs: care takers and family helpers - and to a redistribution of employment by age with the increase in employment rates of women aged over 49 that more than offsets the sharp decrease of youngest female employment rates. The increase in elder women's employment is connected both to the increase in the retirement age introduced in the Fornero Labour Reform and to the current increasing trend in women's participation that can be seen as a strategy to sustain the decreased standard of living related to the experience of unemployment or being into a wage supplementation fund (CIG) scheme by the partner (Istat, 2013b).

Austerity policy is a new form of referring to old deflationary policies implemented since the 1980s as a liberal answer to the great structural crisis that affected the capitalist economy even before the beginning of the seventies of the last century, i.e. a set of measures and regulatory strategies in economic policies aimed to produce a structural adjustment by reducing wages, prices and public spending. However, this updated version of austerity brings two novelties, especially in the European case, which is where they are being applied most intensively and against the social equilibrium and the mainstreaming social and gender equality discourses that have been preponderant for decades and are being questioned now. Firstly, they are driven in a long recession period characterized by a credit crunch and a demand shock. Secondly, they bring a moral discourse that passes on the responsibility to citizens together with a feeling of guilt, making easier for governments to impose public expenditure cuts and to increase social control of the population (Gálvez, 2013).

Austerity has led to a deterioration and privatization of social services, including childcare and long term care services, that goes beyond the simple transfer of assets or services from the public sector to the private. It is a much more relevant change, as it means the transfer of public responsibilities to the private sphere, the reduction of the public sector, and therefore, the disappearance of collective spaces for negotiation and the loss in social control over political decisions (Michalitsch, 2011). All this results, according to Habermas, in the denial or dismantling of democracy through the privatization of the power to decide over the community and the elimination of the power of the *polis* on politics (Diez, 2011).

While this process is unfinished, we can already state that austerity is increasing inequalities in economies and decreasing people's well-being, due to the intensification of paid and unpaid work, particularly of women, precariousness of labour markets and reduction of transfers and services available to households. And that is why women are being adversely affected in three different ways. On the one hand, income declines affect them to a great extent, since women-headed households are concentrated at the lowest income levels. On the other hand, because women are the main employees and beneficiaries of public services, and a weakening of them increases the demand for female provision. Finally, because this re-privatization of care may lead to an ideology pushing women to go back home as a key tool for social control and submission.

Regarding the austerity measures being implemented since 2010, and following Ortiz & Cummins (2013) analysis of 188 countries –information from IMF country reports–, many governments, including Italy and Spain, are weighing various adjustment strategies that include: (i) prioritizing fiscal balances over employment; (ii) elimination or reduction of subsidies; (iii) wage bill cuts/caps, including the salaries of education, health and other public sector workers; (iv) increasing consumption taxes, such as value

added taxes (VATs), on basic products that are disproportionately consumed by poor households; (v) pension and healthcare reform; (vi) rationalizing and further targeting of safety nets; and (vii) labour flexibilization. All seven adjustment measures are being implemented or at least discussed by governments in Italy and Spain, where we can even add an eighth measure, which is the reform of local administration.

(i) Prioritizing fiscal balances over employment. Since 2010, rising concerns over sovereign debt levels and fiscal deficits promoted by IMF (2010a & 2010b) and OECD (2010) led most governments to abandon fiscal stimuli and introduce austerity measures, prioritizing fiscal balances, which are then supposedly to be followed by economic growth and job creation. According to IMF's *World Economic Outlook* (2012), changes in total government expenditures as a percentage of GDP have been of -1.4, -0.6 and +1.1 in Italy and -0.5, -1.2 and -1.7 in Spain during 2010-12. However, historical evidence indicates that fiscal consolidation is much more likely to contract economic activity, lower aggregate demand and ultimately lead to higher unemployment (Blyth, 2013; Ortiz & Cummins, 2013).

(ii) Eliminating or reducing subsidies is the most widespread adjustment measure being considered by governments, which are often accompanied by discussions of developing targeted social safety nets as a way to compensate the poor. For example, Spain's government has reduced unemployment benefits, affecting mostly those jobseekers with lower salaries, which are mainly women, and plans for 2013 to slash subsidies for unemployed people over 61 years old and raise electricity bills this year. In Italy, the unemployment benefits system matched with the most typical discontinuous work profile and precarious job positions held by women is still creating a lower coverage of jobless women's income.

(iii) Cuts in wages and jobs, especially in the public sector. This poses a decrease in quality of life and opportunities for the entire population in general and for women in particular. In Spain, women represent the majority of public employment (55 per cent in 2012) and the public sector (mainly education, health and social services) constitutes 31 per cent of total female employment. Public salaries cuts have been implemented in Spain in 2010 and 2012 together with additional regional cuts and extending working hours, and it is the OECD country with the lowest replacement rate in public employment. The Spanish long-term care system is being wholly revised, having suffered various budget cuttings accounting for more than 25 per cent of its initial budget. Among them, the 2012 pay cuts to family carers by 15% and the elimination of their social security contributions are the most significant. This overturn means that these workers (93% women) are being expelled from the labour market and be driven to inactivity. Also Italy has been affected by a sensible decrease in the current expenditure on Public Sector employment. Since its peak in 2006, public administration employment decreased continuously showing on the whole a decrease by 8% (Bank of Italy, 2013a). Moreover, cuts of national government transfers to local governments that are responsible for social services are most likely to produce a lower provision of services. Women are likely to substitute in both countries the public provision of these services by unpaid work within the household.

(iv) Measures to raise government revenues through increases in regressive taxes like VAT. In Spain, VAT rates increased from 16% to 18% in 2010 and, again, in 2012, to 21%. In Italy, VAT was increased to 21% in 2011 and a further increase in VAT to 22% has been postponed to October 2013. However, other ways to increase taxation

more progressively, to fight capital evasion or to restructure debt have not been explored.

(v) Pension & healthcare reforms. Pension systems reforms have been taking place in Spain and Italy and further reforms are on debate. The Pension Reform implemented in Italy by the Monti Government (known as Fornero reform) increased the retirement age for women. Critical assessment of this reform underlines how if it may reduce the risk of being in poverty when retired it increases the risk of being elderly without a job and limited access to welfare, moreover women together with other workers that are more likely to be exposed to the risk of a discontinuous work profile and in non standard low income job positions are bound to be penalized by the contributory system (Raitano, 2012).

In Spain, a pension increase freeze was approved in 2010 and in 2011 the Law 27/2011 raised the retirement age from 65 to 67, the entitlement to receive the full pension will require paying contributions for 38.5 years instead of the current 35 years and the pension calculation basis will take into account the last 25 years of working life, 10 more than previously. These reforms may have serious effects particularly among women, since their women's labour market participation is shorter, a larger number of women than men have less disposable income and future companies' private pension schemes will concentrate on male sectors and full-time workers.

Moreover, the increase in the retirement age without an increase in the provision of public child care services can penalize the younger generation who with a rationed and limited public child care supply relied on grandmothers' child care leading to a discouraging effect on mothers' labour supply. Actually, recent data on employment in both countries shows a decrease in employment rates of women from 25 to 34 years old.

As to the public health system, the Spanish one has suffered a significant reform to reduce public spending, including reducing health personnel and closing or privatisation of public hospitals and health centres. Many important services (non urgent ambulance transport, for instance) will be excluded from the basic service list and a new co-payment for some services has been introduced. Primary care for illegal immigrants has been cancelled (except for emergencies, children and pregnancies). Additionally, pensioners are now subject to a co-payment of 10 per cent of their costs of medicines, up to a monthly maximum of 8€ (for those with annual pensions below 18,000€). And the co-payment rate increases also for active workers (from the current 40 per cent to 50 or 60 per cent depending on income). In Italy, in kind social expenditure (mostly in health) in 2013 decreased by 3.2% for the second year (Bank of Italy, 2013a). As Stuckler and Basu (2013) recent study points out it is austerity which increases mortality or suicide, and not recessions.

(vi) Rationalization of social safety nets. Targeting social programs is a common policy proposed to contain overall expenditures, as a way to reconcile poverty reduction with fiscal austerity. However, these programs are costly, administratively complicated and generate perverse incentives being more advisable to go to universal programs, especially in countries such as Italy and Spain with an extended informal economy. Moreover, targeting may dismantle public service provision for the middle classes and create two-tier services, generally private services for the upper income groups and public services for low-income groups, which often leads middle-income groups to wish not to see their taxes go to the poor while they are required to pay for expensive private services; therefore, breaking the progressiveness of tax systems and social cohesion.

(vii) Labour reforms to increase flexibility with the justification of job creation, while there is very little evidence that these reforms will help to create jobs (Howell, 2005; Rodgers, 2007; Standing, 2011) and instead of that affect especially women and create, especially in a context of crisis, insecurity and unemployment depressing incomes and demand (Ghosh, 2013). Spain introduced reforms in 2012³ to ease firing and lay-offs, curb severance pay and limit collective bargaining rights. For example, individual dismissal notice has been reduced from 30 to 15 days and the employee is now only entitled to 33 days salary per year of service (compared to 45 previously). The changes in the collective bargaining system can be seen as one of the most serious attempts to transform relations within the labour market. Changes affect three main features: employers' management decisions can effectively suspend collective agreements on economic grounds (defined as current or expected losses during two consecutive quarters); the collective agreements at firm level are given priority over other levels; the so-called ultra-activity is no longer valid which specifically means that in case a collective agreement is denounced or social partners do not reach a new agreement, the prevailing agreement can no longer hold for more than one year. In Italy, Law 138 allows for company-level agreements to deviate from sectoral agreements. High levels of unemployment and the dismantling and discrediting of trade unions in the past decades, have facilitated the implementation of these measures.

(viii) Finally, local administration reform. Although this is not included as a separated group of measures in international austerity literature, its relevance and multidimensional gendered impact make important to include it as a specific austerity strategy. In the Spanish case, it is estimated that 70,800 jobs in social services may be lost as a result of the new Local Administration Law approved by the Council of Ministers this past July 26th. In addition to that, a deterioration of wages and labour conditions on services externalised by local authorities is expected, since a homogenization on contracts and conditions will be applied in the whole country favouring large firms in detriment of women owned cooperatives that were mainly in charge of those services in many municipalities. And last but not least, this local administration reform brings the disappearance of women local information centres, which are highly used for consultations on many different aspects such as labour and education opportunities, abortion or gender violence. In Italy, the provision of social services by local governments has been seriously undermined by the focus on the achievement of a balanced budget at the national level. The cuts in public transfers from the National to Local Government Budgets bring about a higher rationing of those services that can reduce women's unpaid work and sustain women's employment. Another negative effect of austerity on Italian women's employment is related to the previous cuts and constraints in public spending in the Public Sector, a major employer of women in Italy. Actually, employment in the public administration, health and education has seen a decrease of 2.4% just in the last year (Bank of Italy, 2013). Also, lower transfers to local governments and the current suspension in property income tax for first homeowners can further decrease the ability of local governments to provide social services that can positively affect and sustain women's employment.

All these austerity strategies are being implemented in Spain and Italy, worsening the economic and financial crisis and leading these countries to a new and long period of recession, with strong impacts on the Italian and Spanish labour markets. Table 1 shows the evolution of main variables in the labour market by gender during the

³ The Spanish government approved on February 10, 2012 the Royal Decree Law 3/2012 on urgent measures to reform the labour market.

first period of the crisis and fiscal expansion (2008-09), a light economic recovery with a lower intensity of job losses in 2009-10 and the period of austerity (2010-2012) and a second recession from 2011 onwards. We can see that total unemployment rate increases in Italy have been of 4.4 per cent points for men and 3.4 for women in Italy and of 17.2 and 13.2 in Spain, respectively. Though unemployment has increased globally more for men due to labour market segregation, women are the most adversely affected by austerity measures as public employment is declining very fast and public provision of services are disappearing or deteriorating.

Table 1 - Evolution of the labour market by country & gender, 2007-2012

Italy												
Variables	Women						Men					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Activity rate (15 to 64 years)	50,7	51,6	51,1	51,1	51,5	53,5	74,4	74,4	73,7	73,3	73,1	73,9
Employment rate (25-64 years)	51,5	52,2	51,6	51,4	51,9	52,7	78,5	78	76,6	75,8	75,7	74,8
Unemployment rate (25-64 years)	6,7	7,3	7,9	8,3	8,1	10,1	3,9	4,5	5,6	6,2	6,3	8,3
Part-time employment as % of total employment (25-64 years)	26,6	27,4	27,5	28,4	28,9	30,4	4,1	4,3	4,2	4,5	4,9	6,1
Underemployed part-time workers as % of total employment (25-74 years)		2,8	3	3,1	3,1	3,9		0,9	0,9	1	1,1	1,6
Discouraged workers as % of inactive population (25-74 years)	13	13,5	12,7	13,5	13,9	15,3	10,7	11,5	12,6	13,7	15	14,8
Spain												
Variables	Women						Men					
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012
Activity rate (15 to 64 years)	61,4	63,2	64,8	65,9	67	67,9	81,4	81,8	81	80,7	80,4	80,1
Employment rate (25-64 years)	58,8	59,2	57,6	57,3	57,3	56,1	82,7	80,2	73,6	71,9	70,6	67,6
Unemployment rate (25-64 years)	9,5	11,5	16,5	18,7	20,2	23,2	5,3	8,6	15,6	17,6	19	22,5
Part-time employment as % of total employment (25-64 years)	21,8	21,5	22	22	22,2	23,3	2,8	2,9	3,7	4,1	4,8	5,5
Underemployed part-time workers as % of total employment (25-74 years)		7	8,7	9,3	10	11,8		1,2	2	2,5	3,1	3,8
Discouraged workers as % of inactive population (25-74 years)	7,3	7,6	9	9,7	9,8	11	3,9	4,4	5,8	6,3	6,2	6,8

Source: Eurostat, Labour Force Survey.

In fact, despite a bigger increase on male unemployment, female unemployment rates continue to be higher in both countries and higher unemployment rates usually mean a deterioration of labour opportunities and conditions. Specially due to gender segregation, female employment in Spain is concentrated on five out of thirty five economic sectors. Also, it is necessary to add the effects of the reallocation of female unemployed on household production and the intensification of working time on employment search, opportunities and flexibility. In fact, the last Spanish labour survey (2013 QII) shows an increase in occupation of 149,000 people and a decrease in the unemployment rate of 0.9 per cent compared to the previous survey. Although the majority of this job creation is due to seasonal effects and 62 per cent on a part-time basis, 72 per cent of all new jobs were occupied by men. This is not a novelty. In the last year, while male unemployment has increased on 49,100, female one has increased by 235,400. This is mainly due to a higher AWE for women and a higher DWE for men we report in the next section and the increased commitment of women with labour

market participation despite the expulsion effect included in austerity measures. As Gálvez, Rodríguez & Torres (2013) advance, female part-time promotion may be the European Union partner to austerity measures.

Data on labour supply shows in Italy the presence of different trends: on one hand women are increasing their participation in the labour force and contributing to the decreasing inactivity trend in 2012 in 7 out of 10 cases (Istat, 2013b). On the other hand, there is an increase in the discouragement in active search of employment especially for women in the South of Italy that has led to an increase in potential labour force (those who are inactive but state they are available for work & do not actively search or are not immediately available). From the beginning of the crisis Istat (2013b) shows a sharp increase in female employment in less qualified jobs (employment in these jobs increased for women at a 24.9% rate from 2008 to 2012 against an increase by 10% for men) and more than triple as regards to the Trade and Services Sectors where women's employment increased by 14% against 4% increase of men's employment (Istat, 2013b).

3. Model, data and descriptive statistics

The model used to test the AWE and DWE hypotheses is a probit model of individual's labour supply. The labour supply variable Y is a dichotomous variable taking the value of 1 if the individual is in the labour force. Among the X regressors the partner's employment status has also been included and it is assumed that the model takes the form of:

$$Pr(Y = 1|X) = \Phi(X'\beta)$$

where Φ is the cumulative distribution function of the standard normal distribution and β is estimated by using maximum likelihood.

Among the regressors, imputed wages have been included. In the case of women, they have been estimated by using a Heckman two-step model so as to take into account their non-random selection into employment (Heckman, 1979). Table A1 in the Appendix shows the results of the estimation for 2011.

To test the DWE hypothesis, region-specific unemployment rates have been considered. They have been computed with reference to the NUTS2 (Nomenclature of Territorial Units for Statistics) since as shown in the literature on regional unemployment in Spain (Jimeno & Bentolila, 1998; Moral, 2005), this classification presents an excessive high regional variation at least in the case of Spain.

We have drawn a sample of individuals living in a couple aged from 25 to 54 made up of 4,712 women and 4,135 men in Spain and 6,306 women and 5,383 men in Italy. Women are characterized by a lower labour force participation and employment rates than men in both countries with a higher gender gap in participation in Italy than in Spain. The gross wage differential at the disadvantage of women is higher in Italy. In both countries the percentage of graduated women is higher than men, however the percentage of individuals holding a degree is much lower in Italy than in Spain for both women and men. Unemployment rates are higher for women than men in both countries though the level of unemployment is higher (almost double) in the Spanish sample (Table 2). Women are more likely to be chronically ill in both countries. As far as the children in the household is concerned about 12% have at least one child aged less than 3 in both countries, 18% in Spain and 16% in Italy from 3 to 5, 27% in Spain and 25%

in Italy from 6 to 10 and 18% in Spain and 20% in Italy from 11 to 14. The literature on labour supply shows the existence of a discouragement effect of the presence of small children on women's labour supply. The presence of child care services can mitigate the negative effect of young children on their mothers' labour supply; however, child-care services are not equally distributed across regions in both countries.

Table 2 - Descriptive statistics on the sample by country & gender

Variables	Italy				Spain			
	Women		Men		Women		Men	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Age	41,77	7,59	43,03	7,03	41,80	7,41	42,71	6,99
Wage	4,25	5,88	6,86	6,47	4,44	6,66	6,14	5,83
At least one child in the household aged less than 3	0,12	0,32	0,14	0,34	0,12	0,33	0,13	0,34
At least one child in the household aged 3-5	0,16	0,36	0,18	0,38	0,18	0,39	0,20	0,40
At least one child in the household aged 6-10	0,25	0,43	0,27	0,45	0,27	0,44	0,28	0,45
At least one child in the household aged 11-14	0,20	0,40	0,21	0,41	0,18	0,39	0,19	0,39
Elementary education	0,05	0,21	0,05	0,21	0,13	0,34	0,14	0,35
Secondary education	0,34	0,47	0,41	0,49	0,26	0,44	0,30	0,46
High school	0,44	0,50	0,41	0,49	0,24	0,43	0,25	0,43
University degree	0,15	0,36	0,12	0,33	0,35	0,48	0,29	0,46
Labour force rate	0,62	0,49	0,97	0,17	0,74	0,44	0,97	0,18
Employment rate	0,46	0,50	0,67	0,47	0,59	0,49	0,83	0,38
Unemployed rate (on the Labour force)	0,12	0,33	0,08	0,27	0,20	0,40	0,15	0,35
Chronic ill	0,15	0,36	0,14	0,35	0,14	0,35	0,12	0,33
Number of observations	6306		5383		4712		4135	

Source: Our elaborations from ES SILC and IT SILC 2011 microdata.

In Italy, 35% of employed women work part-time against 3.7% of men, in Spain a lower percentage of women work part-time (20%) against 1.58% of employed men in the sample. If one looks at the reasons part-timers state for working part-time, though underemployment is highly spread amongst both men and women, the known gender difference occurs with married women more likely to work part-time for family reasons (housework, looking after children or other persons, 42% in Spain and 43% in Italy) and men more likely to be working part-time because they have not found a full-time job (68% in Spain and 62% in Italy). However in Italy there is a higher percentage of part-timers especially amongst men, who state to work part-time for illness or disability. On this regard we remind that Law 276/2003 (known as Biagi's Law) introduced in Italy the right for workers with onchological diseases to turn part-time (with the possibility to revert to full-time). In Spain this possibility is only offered to both parents of a child with severe illness, including cancer. We notice that though to a much lesser extent than for women, more men in Spain (12%) than in Italy (2%) state they do work part-time to accomplish housework tasks (Table 3).

Table 3 - Reasons for part-time work by country & gender

Reasons for part-time work	Italy			Spain		
	W	M	Total	W	M	Total
Education	0,3	0	0,3	0,7	0	0,7
Illness disability	2,4	11,6	3,4	1,3	1,7	1,4
Underemployed	29,9	61,8	33,6	37,9	68	40,1
Voluntary	11,1	1,4	9,9	6,7	2,7	6,4
Housework	43	2,2	38,3	42,5	12,2	40,3
Other reasons	13,3	23,1	14,4	10,8	15,6	11,2
Total	100	100	100	100	100	100

Source: Our elaborations from ES SILC and IT SILC 2011 microdata.

4. Labour supply behaviour by gender in a time of recession and austerity policy: a comparative analysis on Italy and Spain

In order to analyse the labour supply behaviour by gender & country we have selected a similar sample of men and women living with a partner in the two countries⁴ and estimated the models presented in Section 3 comparing the marginal effects of each variable introduced in the model.⁵

To test the added versus discouraged worker hypotheses we have included in the model together with variables on education level, age and the presence of children aged less than 15, and health status, variables that account for the partner's employment status and regional unemployment rates. The two countries are characterized by a sharp heterogeneity in regional unemployment rates and by introducing dummies on gender specific regional unemployment rates we can take into account the discouraging effect connected with living in a region characterized by a higher probability to be unemployed.

The results shown in Table 4 deliver a different result in the two countries, with Italian women living with a partner characterized by a higher discouraging and added worker effects than Spanish women and, with respect to the latter, by the predominance of the discouraging worker effect. Though women's labour force participation increased since 2011 to sustain the lack of household's income (Istat, 2012, 2013) still women living in areas characterized by a higher level of women's unemployment are discouraged in their labour supply whereas in Spain the added worker effect during the crisis prevails. The discouraging effect, though much lower than for female, is still prevalent also for men's labour supply in Italy. Married men show a lower reaction (consistently with labour supply theory) to their partner's labour condition with respect to women in both countries.

Though the discouraging effect dominates in Italy one should notice the higher impulse on women's labour supply when their partner is self employed (+15%) or part-

⁴ For a deeper analysis of the Spanish case, see Addabbo, Rodríguez-Modroño, & Gálvez (2013).

⁵ Wage equations have been estimated to impute wages to those who are not employed by using Heckman two-step method to account for the non-random selection of women to employment. Table A1 in the Appendix shows the results of the estimation.

timer (+41%) as compared to what happens in the Spanish labour market (+9% if the partner is self-employed and +27% if the partner works part-time).

Differently from Spain, Italian women's labour supply significantly decreases as other income of the household's increases and the effect is similar to the positive effect of their imputed wages on labour supply. This is also consistent with the results obtained on the effect of partner's type of work since part-time work is found to consistently reduce labour income.

Turning to the effect of education in both countries, higher education has a higher positive effect for women than for their partners, the effect being approximately 10% higher for women's labour supply if they have secondary or tertiary education with respect to a lower level of education, whereas it is around 1-1.7% for their partners.

The depressing effect of chronic illness on labour supply is higher for women than for men in Italy whereas it does not differ by gender in Spain where the negative effect of being chronic ill on labour supply is higher than in Italy.

Turning to the presence of children in different age groups we notice that in both countries mothers' labour supply decreases with the presence of children while fathers' is not significantly affected. Spanish mothers' are more significantly discouraged than Italian mothers by the presence of 0 to 2 years old children. In Italy, though it increased since 2004, only 14% of children aged less than 3 had access to public kindergarten in 2010 (Istat, 2013a), with a much less coverage in the South of Italy where only 5% of children aged less than 3 accesses kindergarten against almost 18.6% in the Centre North. Maternity leaves are very generous in Italy for mothers who are employees, they are compulsory and last 5 months paying up to 80% of last wages for employees (Addabbo & Giovannini, 2013). In Spain, employees mothers are obliged to 6 weeks maternity leaves after childbirth with 100% of previous wages payment with a ceiling (€3,262.5 a month) and they can take other 10 weeks before or after childbirth (Escobedo & Meil, 2013).

On the other hand, mother's labour supply is more discouraged by the presence of children aged 11 to 14 in Italy than in Spain: the presence of a child in this age group decreases Italian mothers' labour supply by 13% and Spanish mothers' labour supply by 7%. In Italy the secondary school schedule is not synchronised on average with the average paid working hours. Continuous school day is predominant in Spain and family networks play still a significant role of support, making it easier to balance paid work and care work.

Table 4. Probit models on the labour supply probability women and men living in couples 25-54 years old - coefficients and marginal effects evaluated at the sample mean by country, 2011

Variables	Italy IT SILC 2011				Spain IT SILC 2011			
	Coefficients		Marginals		Coefficients		Marginals	
	Women	Men	Women	Men	Women	Men	Women	Men
Age	0.108*** (0.0409)	0.211* (0.108)	0.0385*** (0.0146)	0.00741 (0.00417)	0,038 (0.0459)	0.00981 (0.112)	0,0108 (0.0130)	0.000193 (0.00222)
Age squared	-0.00154*** (0.000489)	-0.00267** (0.00126)	-0.000549*** (0.000175)	-0.0000940 (0.0000488)	-0.00102* (0.000547)	-0.000589 (0.00128)	-0.000287* (0.000154)	-1.16e-05 (2.66e-05)
Other member of the family equivalent income	-0.194*** (0.0389)	-0.405*** (0.0879)	-0.0695*** (0.0138)	-0.0142*** (0.00252)	-0.0450 (0.0390)	-0.516*** (0.116)	-0.0127 (0.0110)	-0.0102*** (0.00215)
Imputed wage	0.202*** (0.0163)	-0.0626*** (0.0170)	0.0722*** (0.00572)	-0.00220** (0.000680)	0.182*** (0.0244)	0,0604 (0.0733)	0.0515*** (0.00685)	0.00119 (0.00152)
At least one child in the household aged less than 3	-0.0533 (0.0954)	-0.00573 (0.223)	-0.0192 (0.0347)	-0.000203 (0.00792)	-0.327*** (0.0993)	-0.0229 (0.249)	-0.101*** (0.0330)	-0.000461 (0.00513)
At least one child in the household aged 3-5	-0.346*** (0.0761)	0,22 (0.219)	-0.129*** (0.0292)	0.00662 (0.00582)	-0.418*** (0.0792)	-0.00676 (0.200)	-0.130*** (0.0265)	-0.000134 (0.00399)
At least one child in the household aged 6-10	-0.168*** (0.0627)	-0.210 (0.148)	-0.0613*** (0.0231)	-0.00832 (0.00638)	-0.330*** (0.0665)	-0.264* (0.148)	-0.0988*** (0.0208)	-0.00612 (0.00394)
At least one child in the household aged 11-14	-0.358*** (0.0643)	0,15 (0.140)	-0.133*** (0.0245)	0.00462 (0.00421)	-0.221*** (0.0710)	0,0204 (0.154)	-0.0660*** (0.0221)	0.000396 (0.00294)
Upper education (high school or degree)	0.251*** (0.0651)	0.468*** (0.119)	0.0904*** (0.0237)	0.0172*** (0.00440)	0.362*** (0.0839)	0.642*** (0.219)	0.105*** (0.0247)	0.0146** (0.00602)
Chronic ill	-0.122* (0.0712)	-0.469*** (0.115)	-0.0446* (0.0264)	-0.0239** (0.00827)	-0.315*** (0.0732)	-1.313*** (0.113)	-0.0968*** (0.0241)	-0.0917*** (0.0187)
Partner unemployed	1.134*** (0.0877)	0.327* (0.180)	0.302*** (0.0154)	0.00903* (0.00390)	0.942*** (0.0738)	0.473*** (0.149)	0.212*** (0.0131)	0.00737*** (0.00282)
Regional unemployment rate	-5.329*** (0.591)	-8.569*** (1,735)	-1.904*** (0.213)	-0.301*** (0.0720)	-0.639 (0.459)	-0.640 (1.094)	-0.181 (0.129)	-0.0126 (0.0212)
Partner part-timer	1.696*** (0.101)	0.637*** (0.168)	0.405*** (0.0123)	0.0160*** (0.00426)	1.794*** (0.166)	0.769*** (0.216)	0.268*** (0.0101)	0.00875*** (0.00299)
Partner self employed	0.454*** (0.0565)	0.588*** (0.150)	0.152*** (0.0177)	0.0156*** (0.00410)	0.365*** (0.0726)	0.617*** (0.150)	0.0925*** (0.0165)	0.00804*** (0.00269)
Constant	-1.078 (0.913)	2.367 (2,55)			-0.132 (1,005)	6.703** (2,984)		
Observations	5,755	3,538	5,755	3538	4,494	3,303	4,494	3,303
Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1								
Pseudo R ²	0,29	0,22			0,21	0,34		

Source: Our elaborations from ES SILC and IT SILC 2011 microdata.

5. Conclusions and policy implications

The current recession together with austerity policies have deeply hit the Italian and Spanish labour market increasing unemployment, inequality and poverty. Four years of crisis and of gender blind and damaging political responses have led to a downwards convergence in gender gaps in employment and unemployment, though not because of better conditions for women but to a worse situation for men. Still women continue to be worse off as regards the main indicators of the labour market. The effects of unemployment and policy adjustments, including to their welfare systems, have raised poverty rates. In 2011 Eurostat data shows an increase in poverty of 6.5% in Italy and 11.7% in Spain compared to 2009, being women always predominant among the poor.

This paper has analysed the effects of the recession and austerity measures on labour supply by gender within the family. For this purpose the 2011 EU-SILC microdata for Italy and Spain have been used to implement labour supply models and estimate these effects by gender on individuals aged 25 to 54 living with their partners and having children or not. The results show evidence in both countries of the existence of an AWE, much more significant for women than for men living as a couple with unemployed women. Though, Italian women living with a partner are characterized by a higher discouraging and added worker effects than Spanish women and, with respect to the latter, by the predominance of the discouraging worker effect.

Though the discouraging effect dominates in Italy, a relevant AWE is also found among women when their partner is self employed (+15%) or part-timer (+41%) as compared to what happens in the Spanish labour market (+9% if the partner is self-employed and +27% if the partner works part-time). In the presence of joblessness or underemployment, this behaviour should reduce the household's income loss connected to the crisis. However, the larger reaction shown by women to their partner's joblessness or underemployment during the crisis may not result in a higher employment rate. Actually, a large gender gap in employment rates will occur, as shown by descriptive analyses, and higher unemployment rates may be anticipated to affect this population, according to the results presented by Signorelli et al. (2012). Moreover, if 'inactive' women step into the labour force to be unemployed, this AWE poses the question on how the welfare system can protect their income, since they are also more likely to leave the labour force than their partners.

This also brings to the forefront the question on how active labour market policies adapt to women's entry into the group of jobless searching for a job. One should not forget that, even when they are in the labour force having their partner unemployed, women are usually the ones most responsible for care and housework, especially in the Mediterranean countries (Gálvez, Rodríguez & Domínguez, 2011), and, though a gender equality-oriented public policy could possibly impact this gender imbalance in the distribution of time within the family, the current situation shows its persistence.

These gender inequalities in the Italian and Spanish labour market lead to high gender differences in pensions and to a high risk of poverty for elderly women. Evidence of higher poverty risks and gender inequalities in retirement income can be found in Mundo (2007) and Leombruni & Mosca (2012). Retired Spanish women earn

as an average a monthly pension of 652.07 € compared to 1,057.36 € for men⁶ and women represent 81% of people that receive a non-contributory pension which amounts to only 364.90 € per month.⁷ The recent reforms in the Italian and Spanish pension systems will affect women even hardly, by increasing the retirement age, the minimum years required to get 100% of the pension and the period to compute the pension.

These facts call for more investment in labour market and welfare policies to avoid a deepening of income inequalities and discontinuity in female labour supply. In Italy, some positive signs can be found in recent policies implemented. To encourage women's employment a positive sign can be found in the availability of a special fund assigned by Law 92/2012 introduced in an experimental basis for 3 years through vouchers to child care devoted to new mothers to use childcare services (both kindergarten & babysitting) instead of parental leaves and has been recently implemented (Addabbo & Giovannini, 2013). However, only 1/3 of the 20 million euro devoted to this policy has been assigned this year (Prioschi, 2013), still it is to be determined if the lower number of vouchers is due to too strict criteria for eligibility or to a low number of applications. However, the low number of vouchers can also in part be related to the procedure of application by childcare institutions that has been considered too complex and to be done within a very strict time leading to only a few number of institutions amongst the eligible ones (Prioschi, 2013).

Another positive but yet very weak in its extension concerns the introduction of paternity leaves. Paternity leaves have been introduced in Italy on an experimental basis for 3 years until the end of 2015 by the same reform implemented in January 2013, though just one day compulsory paternity leave plus two additional days that the father can take only if the mother gave up to 2 compulsory maternity leaves (Addabbo, Giovannini, 2013).

In 2012, new measures to encourage women's and youth employment have also been implemented by Italian Law 214 22/12/2011 with the aim of easing the flow from temporary and precarious job positions to permanent contracts. First evaluation (Anastasia, 2013) shows a positive impact on the transformation of precarious to permanent employment that otherwise would not have occurred. Also, a proposal for the establishment of an Observatory of the gender impacts of public policies has been presented to the Italian Parliament on July 16th 2013.⁸

Another important result reached by our focus on households with at least one child aged less than 14 is related to the positive impact of the presence of child care services on women's labour supply. This positive and significant effect of the presence of childcare services on mothers' labour supply confirmed in this article suggests the need to make a greater effort in the diffusion of childcare services. The availability, quality and affordability of childcare facilities remain a key driver to enhance women's employment and contribution to economic growth. Although some progress has been made since 2002 to meet the Barcelona targets⁹, Italy and Spain have not yet achieved both targets (European Commission, 2013), and fiscal consolidated measures in Spain have even reversed the level of childcare provision for children older than 3 years old in 2011. Not only the quantity but the price of these services can also be an important

⁶ Data at January 1st, 2013 from the Spanish Social Security.

⁷ Data from Imserso for December 2012.

⁸ *Disposizioni per la valutazione dell'impatto di genere della regolamentazione e delle statistiche.*

⁹ *'Member States should strive (...) to provide childcare by 2010 to at least 90 % of children between 3 years old and the mandatory school age and at least 33 % of children under 3 years of age'.*

obstacle for mothers who do not work or work part-time. Therefore, if the target is to reduce income inequality and to ensure an increase in female labour supply, no cut in social expenditure devoted to childcare should take place.

However, austerity measures are focusing on the public sector and the social services, not only reducing the quantity and quality of women's jobs but also hampering women's opportunities to supply their labour in the same terms as men. Though the specific impact of the recession cannot yet be gleaned from time use data, the fall in the expenditure on goods and services for household provision, care services and meals has been sufficiently pronounced to support the hypothesis that unpaid women's work has primarily contributed to offset lower purchases (Bettio et al., 2012). This increase in women's unpaid work, as in other crises throughout history (Harcourt, 2009), may neutralise the fall and better distribution of unpaid work between the sexes that was starting to take place in the last decade.

Thus, although evidence exists that austerity policies have not worked and indeed that the most important problems have not been adequately addressed, the approach currently adopted is to call for more austerity and with more intensity. The tackling of this crisis by the EU is posing a serious challenge to the European institutional capacity-building with uncertain consequences for its credibility among citizens. In addition to that, the increasing participation of women in the labour force due to the AWE effect reported in this paper together with the difficulties that austerity measures have for female employment and employability poses important challenges to the EU social model and its gender regimes pushing women towards a part-time commitment to labour market without guaranteeing advances in gender equality included in its principles and legislation.

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Appendix

Table A1. Wage equations by gender - individuals aged 25-54, 2011, Italy and Spain

Variables	Italy			Spain		
	Women		Men	Women		Men
	Log Wage	Employment	Log Wage	Log Wage	Employment	Log Wage
Age	0.0329*	0.155***	0.0852***	0.0347*	0,182	0,085
	(0.0174)	(0.0353)	(0.0199)	(0.0179)	(0.0398)	(0.0185)
Age squared	-0.000243	-0.00189***	-0.000816***	-0.000286	-0.000435	-1.23e-05
	(0.000207)	(0.000425)	(0.000228)	(0.000216)	(0.000480)	(0.000220)
At least one child in the household aged less than 3		-0.124			-0.0377	
		(0.0798)			(0.0874)	
At least one child in the household aged 3-5		-0.257***			-0.123*	
		(0.0684)			(0.0741)	
At least one child in the household aged 6-10		-0.144***			-0.144**	
		(0.0558)			(0.0597)	
At least one child in the household aged 11-14		-0.0893			-0.0866	
		(0.0565)			(0.0622)	
High school	0.262***	0.491***	0.215***	0.166***	0.384***	0.153***
	(0.0297)	(0.0492)	(0.0214)	(0.0411)	(0.0599)	(0.0295)
Degree	0.485***	0.917***	0.421***	0.563***	0.848***	0.417***
	(0.0320)	(0.0682)	(0.0287)	(0.0699)	(0.0568)	(0.0254)
Chronic ill		-0.123**			-0.200***	
		(0.0588)			(0.0678)	
Regional unemployment rate	-2.070***	-6.366***	-2.316***	-0.637*	-3.229***	-0.668***
	(0.339)	(0.499)	(0.305)	(0.329)	(0.392)	(0.233)
Constant	1.135***	-2.760***	0,12	0.947**	0,091	1.624***
	(0.358)	(0.717)	(0.434)	(0.370)	(0.809)	(0.387)
Observations	6,025	6,025	3,351	4,634	4,634	2,563
Robust standard errors in parentheses						
*** p<0.01, ** p<0.05, * p<0.1						
Heckman lambda	.051			0,023		
R ²			0,14			0,16

Source: Our elaborations from ES SILC and IT SILC 2011 microdata.