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# Cities as Global Assemblages in the Aftermath of the Financial and Economic Crises: The Gendered Impact

## 1. Globalization and the Dispersal of Territorial, Political, Economic and Normative Power

The rise of economic globalization has meant a major transformation of territorial and political exclusivity. While some (the winners) celebrate the unfettered workings of the global markets others (the loser which are mostly poor women) are disillusioned by the destructive effects of the unregulated free market. Not only is the battle being fought over the superiority of respective economic models and ideas, the arguments are also very much about the moral superiority of "free markets". Merrill Lynch, Inc. an investment firm, unabashedly declared in 1999 that "The world is 10 years old". It was born when the Berlin Wall fell in 1989 and that capitalism has ushered in "The End of History" (Fukuyama 1992). It is an ironic twist of history that Merrill Lynch was one of the first investment firms that collapsed as a result of the financial crisis starting in 2007 and was taken over by Bank of America Corporation in 2009.

Karl Marx and Friedrich Engels might have reason to feel exonerated at a time when Marxism no longer holds much sway around the globe. Marx warned of the destructive aspects of 19$^{th}$-century capitalism, forces which in today's globalized world has led to a Darwinist struggle for survival in which all battle against all, and in which cynicism reigns as the highest principle of the survival of the fittest (Bourdieu 1998).

Finance plays an important role in this territorial transformation from a Keynesian welfare state to a global 'borderless' finance system and its shift to private international capital markets. This shift, as Sassen (2006) points out is associated with the increasing privatization of norm-making which was in times of the Keynesian welfare state the prerogative of the state. “This brings with it strengthened possibilities of norm-making in the interest of the few rather than the majority” (2006: 247). Important in this increase of privatized power is the withdrawal of accountability from the public sphere. Surely, the strict financial regulation as part of the Bretton Woods System was responsible for the low volatility and near absence of financial crisis in the after war period. This changed drastically after the collapse of Bretton Woods in the early 1970s when US-president Richard Nixon abandoned the link of the Dollar to gold. Since then, the International Monetary Fund has identified 158 financial crises in the period 1975-97 (IMF 1998). That financial crises have severe asymmetrical effects on gender relations was shown by the Latin American debt crisis of the 1980s. Mexico in 1982 was the first country to be forced into virtual bankruptcy, followed by Brazil in November 1982. While Latin American countries languished in debt during the 1980s, US investment flowed increasingly into Asia destabilizing the state-led Asian economies. Huge capital movements were combined with the imposition of specific neoliberal models of restructuring these countries toward free market systems with its emphasis on deregulation, liberalization, and privatization. “Globalization from above” in the form of transnational capital and international financial institutions created the conditions that made these countries hospitable to neo-liberal governance. The resulting dislocations in social reproduction, care and provisioning in Asia and Latin America was thus not just a result of economic forces. Due to the neo-liberal strategies of state consolidation and fiscal austerity, public goods necessary to serve as safety nets have been cut intensifying the human insecurity for a large part of the population (mainly poor women, but also men) living at the margin (Young, 2003).

## 2. Financialization and the Cities as gendered hubs of financial power

Financialization refers to the new geography of finance as dominant economic activity which differs from the previous periods in which finance as ‘boring finance’ functioned to provide capital for the real economy. It was based on closed domestic markets in which each national center duplicated all financial functions for its own economy. The new de-nationalized global finance puts ‘boring finance’ on its head in that finance dominates and shapes the behavior of firms, the every-day living of households, and the functions of the state. In contrast to economic growth achieved via investment in real economic production, the goal of global finance is to extract huge profits particularly through speculative activities. Finance operations are set up across global cities such as London, New York, Zurich, Frankfurt, Paris, but also in Tokyo, Sao Paulo, New Delhi, Hong Kong, Singapore and others. Sassen (1998) points out that by the end of 1997, 25 cities controlled 83 percent of the world's equities and accounted for roughly half of global market capitalization. Although London and New York are still the lead centers, the number of cities joining the global financial club has grown sharply as countries have liberalized, digitalized and deregulated their economies.

As global cities have become the center of new financial and economic activities, the master image in the media and policy circles, as Sassen (1998, 2000) has pointed out is a hyper mobile, professional, information and communication savvy young (overwhelmingly white) male. The financial crisis starting in 2007 has turned a spotlight on the low or even non-existent female representation in top positions of financial institutions, and also in the decision-making bodies of key regulatory institutions, central banks, and formal and informal financial networks. Worldwide women are underrepresented in the top decision making bodies of financial institutions. In the UK, 11.7 per cent of FTSE 100 directors are female – up barely five percentage points over 10 years, and one-fifth of the FTSE 100 have all male boards. Only 7.5 per cent of the directors of the French enterprise represented in the CAC 40 are women (Young/Schuberth 2010). The situation for women in German management boards has even worsened from 6,2 per in 2014 to 5,5 per cent in 2015. Only 20 per cent of the 160 firms studied had a single female member on the board. In three there were two, and none had more than two members (BöcklerImpuls 2015).

The situation has not significantly changed by 2015, since the number of US portfolio manager positions held by women has fallen for six years straight. Female portfolio managers now account for less than 7 percent of the 7,293 money managers running US mutual funds, down from just over 10 per cent in 2009. The imbalance is not confined to the US. Only 7 per cent of UK retail investment funds are managed or co-managed by female fund managers (FTfm 2015: 6-7). Whether the absence is due to gender norms in networks of knowledge-based experts, who hold a common set of causal beliefs, share common policy objective and normative commitments to finance as an abstract model or the discriminatory behavior in the fund industry (FTfm 2013: 9), finance centers and thus the global cities remain the playground for mostly (white) males.

### 3. Cities as Under-bellies for the "Serving Classes"

In this master narrative of global cities with its high wages and bonus cultures, there is also a largely invisible and thus unnoticed "serving class" which is necessary for the functioning of the global cities and financial operations. These include the cleaning personnel and window cleaners of the buildings where bankers and financial analysts work, the vendors selling and delivering food to the high-paid professional, the domestic servants and baby sitters of this class, the dog walkers, the low level secretarial support staff, the truck drivers and a host of other low-skilled blue collar workers who as a group produce and reproduce the organization of management of global finance. Mostly made up of women and immigrants, these production laborers often work in the shadow economy and on the border of 'licit' activities. Sassen (1998, 1998a) has referred to these activities as cross-border circuits in that women make up this under-belly of the global cities that service strategic sectors in both shadow and formal economic activities. These activities for many women are also an important income source so that they can remit money to their families and at the same time they are a source of revenue for some governments in transitional and developing economies.

Thus the invisibility and silencing of this service class is problematic, since they bear the brunt of losing employment during financial crisis without this being reported in the media. Saskia Sassen (1996) observed that as a result of the stock market crash in 1987 the media reported the massive unemployment among high-income bankers on Wall Street, but said little about the unemployment crisis affecting secretaries and blue collar workers. The crisis had a terrible impact on the Dominican immigrant community in northern Manhattan where a lot of the Wall Street cleaners live.

While the globalization and financialization literature focuses on the transformation of finance and the increasing role of global cities as the hub to create values in this global information age, the gendered low-wage manual and service working class where women and immigrants predominate are mostly left out of the equation of economic activities in global cities. To quote Saskia Sassen again (2006), "(I)n these trends towards multiple forms of polarization lie conditions for the creation of employment-centered urban poverty and marginality, and for new class formations" (1996: 23).

## 4. Three Transmission Channels of how Finance Impacts Gender in Terms of Employment and the Care Service

On the surface, men seem to have borne the brunt of job losses in the first phase of recession. In the 27-country European Union, male unemployment rates overtook female rates for the first time since records began nearly a decade ago (FT 3.6.2009). This has to do with the highly segregated labour markets. Women predominate in the retail sector, financial activities (mostly at the lower end), real estate, as well as in government, education, and health. Men predominate in construction, manufacturing, transportation, but also in some retail professions, such as the sale of automobiles and electronic appliances, and the upper echelons of the financial service industry (Schubert/Young 2011).

One might think of at least three ways in which the financial structure impacts gender relations. Most importantly and directly is the impact of corporate governance modes on resource allocation among stakeholders and shareholders. Secondly, financial governance shapes how risks are 'down-loaded' and individualized. Thirdly, financial markets have led to a 'fiscal Squeeze' and austerity which increases the pressure to downsize public expenditure.

*Increased Shareholder Value*

In regard to the first channel of transmission, the financial system's focus on increasing shareholder value restricts the ability to transfer resources from profitable sectors to less profitable ones. In an established market for corporate control, the increased focus on short-termism in an attempt to increase returns on equity will distribute income from stakeholders to shareholders. The transfer of revenues to shareholders and to the growing financial sector has meant that in the United States the profit share of the financial sector in relation to the total share of economic profit has increased from 10 per cent in the early 1980s to 40 per cent in 2007. In response to the shift to shareholder capitalism together with globalization and the spread of information technology, standard employment relationships are on the decline and a dramatic increase in precarious work has occurred. Women and minority groups in OECD countries are specifically affected by these tendencies because they make up the majority of those in part-time employment, self-employment, fixed-term work, temporary work, on-call work and at home work (Young/Schuberth 2010).

Individualization of Risks

Financial governance arrangements have a decisive impact on how risk sharing is organized in society. With few if any savings and limited ownership of financial and real wealth, women are affected in a particularly negative way by the individualization of risk. The subprime crisis in the United States is a case in point. There is considerable evidence showing that subprime lending was disproportionally sold to women from minority groups, as well as single white female heads of household. These trends are reflected in mounting debt levels and crippling costs of servicing these debts, compared to relatively flat income growth. Women not only experience a gender-pay gap, they are typically part-time or flexible workers with commensurate wage-differentials, and they are incidental to America's financial explosion, it is indicative of the individualization of risks of those who can least afford it.

*Budget Consolidation and Austerity*

Increased pressure from the financial industry has made fiscal restraint (austerity) the dominant strategy of many governments. The liberalization policies that underpin global finance have had costly repercussions on public budgets at the national level. These costs stem from additional spending required for societies to adjust to fast economic change while at the same time confronting declining public resources. The result is a 'fiscal squeeze" which increases the pressure for downsize public expenditures by 'reprivatizing' what was once public, and at the same time, devote an increasing share of annual income to service the staggering debt levels (Sassen 2000). This puts continued financial pressure on already financially insecure households. The intensification of the financialization in the economy over the past three decades has increased the financial risks as well as the human insecurities experiences by low-income households, affecting in particular many low-skilled women, minorities and immigrants (Schubert/Young 2011).

## 5. Financial Crisis Impact on Employment in Transition Countries

Women in former CEE countries are hit doubly hard in that they had to shoulder job losses during the transition from the socialist economy to a market economy, and now again as a result of financial and Eurozone debt crisis and the resulting economic recession. While women were obliged to work during the socialist period, they faced gender-based inequalities in the labor markets among economic sectors, branches and activities. In many Eastern European countries, women lost jobs due to the closure of textile, clothing and food enterprises, and the economic growth since 2000 seems to have benefitted men more than women. Saskia Sassen (2000) showed that as a result of the implementation of market policies, unemployment rates among women in Armenia, Russia, Bulgaria and Croatia reached 70 per cent and in the Ukraine 80 per cent. High unemployment in the former Soviet republics has been one factor promoting growth of criminal gangs as well as trafficking women. Studies have shown that economic need is fundamental for entry into prostitution (Sassen 2000: 516).

The CEE countries exemplify the expansion of the informal sector and the trend toward self-employment during the transition as formal opportunities declined. Thus even before the present global recession hit Eastern Europe, many women faced a greater risk outside the formal labor markets. The lower pay, absence of social security benefits and in many cases the broken unemployment histories indicate that many women are unable to build up savings to cope with job losses. The female share of employment shrunk between the previous crisis in the early 1990s and the onset of the recession in 2007, and the female unemployment rate increased over that of men in the Czech Republic, Poland, Romania, and Slovakia (Young/Schuberth 2010).

## 6. Global Cities: The New Hierarchy between the West European 'Mistress' and the East European 'Maid'

The expansion to include former Eastern European countries as members of the European Union has created in addition to the free flow of capital, goods, and services, also the free movement of labor within the European Union. While the media focus has been on low pay and poor labor conditions of Eastern European men in such professions as building sites and meat packing firms in Germany, Austria, England, Holland, and Ireland. Little attention has been paid to Eastern European women largely occupying jobs in the care and health industries in Germany and Austria, and less documented in other West European large cities. In fact, nursing in hospitals and the care of the elderly in care facilities as well as in private homes in German cities is overwhelmingly done by Eastern European women. The same is true for housework, cleaning and private child care.

The free movement of labor within the European Union is surely a positive freedom, however there is also the more negative side in that it creates a new hierarchy which resembles the labor relations of the 'mistress' and the 'maid' of the late 19$^{th}$ century (Young 2001). The flexibilization of the labor market has opened job opportunities for many West European educated women in the middle-tier sector of the global economy, but it has also created a largely invisible new division among women of different nationalities. High value is placed on the integration of professional women into the formal economy while the 'paid' reproductive work of women remains part of the informal household economy. These changes have produced two categories of women within the household: professional women and maids. What we are seeing now in the globalized economy is a new version of what went before in the 19$^{th}$ century with one large difference. While domestic workers in that period were invariably from the lower classes, today they include unemployed professionals – especially academics – from Eastern Europe.

The growing participation of women in the labor market is accompanied by the largely invisible development of paid work in the private household by East European women. Growing numbers are employed in undeclared jobs in the household-oriented service industry, in cleaning, in child caretakers, allowing more West European women to have careers. An invisible link has thus emerged between women's increasing participation in the formal labor market and the informal labor market role of East European women.

It is important to recognize, however, that this development is directly linked to the neoliberal character of globalization as this is reflected in state policy. As long as most national states are reluctant to provide, and some due to austerity measures are in the process of scaling back, the support structures for working women, as is the case in the highly indebted countries of Spain, Portugal and Greece, the conditions upon which women enter 'male work structures' are not just gender but also class and race specific. Professional women have the advantage of falling back upon mostly cheap, often not socially insured, women to perform household tasks and child rearing. And even if they work in the health industries, they often are not employed at their erstwhile qualification level as doctors and nurses, and work instead in jobs below their qualification.

But without adequate public child-care services, and without being able to fall back on the services of women from Eastern European and developing countries, West European educated women would not be able to climb professional ladders that demand great personal mobility and flexibility. Whether these activities are performed by mostly over-qualified East European women in Germany and Austria, by Filipina women in Italy and Canada, or by African-Americans or Latin and Central American immigrants in the United States, they involve a new international division of labor. In the European Union, we have created the West European 'mistress' and on the other the East European 'maid', separated by different ethnic, class and national belongings and backgrounds (Young 2001).

## 7. What Strategies are Necessary to counter the Invisibility of Women in Cities?

First, the invisibility of East European women working in the informal and formal labor market has to be recognized and data has to be collected to make visible this mostly cheap labor reservoir in EU cities.

Second, the EU has to ensure that the qualifications of East European women as doctors, nurses, care personnel, data and information specialists, have to be recognized so that women can be employed according to their professional status.

Third, research in Eastern European cities has to focus on the hidden impact of this labor pool outflow of both professional and low-skilled workers to their economic system.

Fourth, what is the gendered impact of austerity on the social and care economies in Eastern European cities and the countries as a whole?

Sixth, what kind of investment is needed to stem the outflow of workers and ensure that Eastern European cities are attractive places for its citizens to live, work, play, and raise a family.

Seventh, to focus on tax policies of the state, and how they are distributed through the cities. Here the Gender Budget Initiative has played an important role in highlighting how taxes are distributed. Who benefits, who pays?

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