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The gender perspectives of the financial crisis

Written statement*

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Human Impact of the Global Economic Crisis:
Gender and Human Rights Perspectives

Introduction

There is little disagreement today that development and poverty reduction will be profoundly compromised by the financial crisis that has evolved into a global economic recession. As the leading Washington think tank president Nancy Birdsall put it 'the five billion people living in developing countries are innocent victims of the global economic crisis'.[i] The World Bank estimates that with a slowdown in global economic growth, 53 million more people could be left in poverty, and 200,000 to 300,000 more babies could die each year between now and 2015 if the crisis persists.

In response, World Bank President Zoellik has called on rich countries to set aside 0.7 per cent of their stimulus packages – or some US$15 billion - for a Vulnerability Fund that would finance stimulus packages in the poorest countries. Nancy Birdsall, noting that this is not even designed to meet the needs of emerging economies, estimates that US$1 trillion 'would make sense'.

But the critical issue is not only how much global financing will be required to stem the tide of global recession on developing countries but also how it can be designed to stem the tide of growing poverty. My remarks today will focus on the human consequences of the worldwide recession, especially from the gender and distributional perspective, and on taking human rights seriously as an ethical framework that should guide global economic integration.

Impacts on developing countries - financial contagion, global recession, the human consequences:

The history of economic shocks and other crises makes clear that the implications for people, particularly for poor people in poor countries, are particularly severe. In fact, when crisis strikes, whether it is an economic meltdown like what the Republic of Korea experienced in 1998 or a natural disaster in rich countries such as Katrina in the United States in 2005 or the Kobe earthquake in 1998 in Japan it is the poor and the disempowered whose lives are most thrown off balance and are the slowest to recover. Global governance needs to provide for safeguards against such downside risks that threaten the security of human lives - human security. I will start by setting out the types of impacts that the financial crisis could have before commenting on policy responses.

Financial contagion effects:

First, there are contagion effects on financial markets in developing countries. These are already being felt. During 2008, the Brazilian real fell 25 per cent against the dollar.[ii] The Philippine Central Bank announced that foreign direct investment (FDI) inflows for the first seven months of 2008 were 60 per cent less than what they were a year before.[iii] The Bombay Stock Exchange (BSE) fell seven per cent on October 10th, culminating in its biggest one week drop in almost 18 years.[iv] Such shocks threaten to reverse the gains of the last several years in growth and development.

But the important point is that these are contagion effects of financial turmoil originating elsewhere that these developing countries have little control over even though they have been implementing sound macroeconomic policies. To quote Joseph Stiglitz, this recession bears a 'made in America' label, however it has clearly already had impacts far beyond the borders of the United States and addressing it will require concerted international efforts.[v]

Global Recession effects

Though these contagion effects are important, particularly for such emerging market countries as Brazil and India, the more widespread and serious impacts of the financial crisis for developing countries would not be through contagion effects but through the global economic recession. The impact on the real economy and on the lives of people would be even more serious than the impact on the financial market. Such impacts will be felt by all developing countries, not just emerging economies which are more integrated into global financial markets. The International Monetary Fund (IMF) has recently revised its economic forecast for the year ahead, predicting economic growth of only 0.5 per cent in 2009 in purchasing power parity (PPP) terms.[vi] The International Labour Organization (ILO) warns that the employment impacts of global recession could increase the number of unemployed worldwide by as many as 50 million people this year.[vii] The impact of the global recession will be felt by the poorer countries which are considered to be somewhat marginalized and poorly integrated into the global economy.

The ways in which these countries will be negatively affected are several. Falling commodity prices will be serious, and that is particularly important I think for Sub-Saharan African countries whose economies have experienced positive growth and development over the past several years, buoyed by the commodity price boom. Other effects will be the contraction in markets for their exports due to global economic downturn and declines in many forms of private capital flows, especially remittances. Official development assistance (ODA) may also decline as donor countries seek to find savings in their budgets to finance rescue plans. In Latin America, falling commodity prices for leading regional exports such as oil, copper and soya are impacting growth forecasts.[viii] African economies will also be adversely affected by drops in prices for major exports like cotton, coffee and some minerals.[ix] In terms of exports, by the end of 2008 exports of Taiwan, Province of China, had declined 42 per cent and the Republic of Korea's by 17 per cent compared to the previous year.[x] Job losses in economies such as the United States', where unemployment recently reached a 16-year high of 7.6 per cent, and in the Eurozone where it exceeds 8 per cent, is hitting the remittances of migrant workers and the economies of their home countries.[xi] FDI flows, which have already dropped by 10 per cent between 2007 and 2008, may continue to shrink.[xii] Already the Inter-American Development Bank (IADB) projects that the value of remittances to Latin America for 2008 will begin to decline, reversing the rising trend of the last several years.[xiii] Donor aid through various channels is also likely to be affected by the crisis. Aid budgets in Italy, France and Ireland are already being cut and the Global Fund to

Fight AIDS, Tuberculosis and Malaria is facing a US$5 billion budget shortfall for 2009-2010. With up to 50 per cent of public health spending in some developing countries supported by ODA, any reduction in development aid will have direct consequences on health services in these countries.[xiv]

These reductions in financial flows will contribute to a spiraling process of economic contraction that is well known and familiar. A fall in aggregate production and aggregate demand will lead to shrinking production of goods for both domestic markets and exports, reduced earnings from agricultural exports, and a decline in demand for services from the informal sector. In short, a global recession is likely to set off a severe economic retrenchment in some of the poorest countries in the world while also affecting the ability and willingness of richer countries to assist them. I will return to these issues later.

Human consequences

We now go beyond these economic aggregates and consider the impact on human lives. Those consequences are often hidden from much economic analyses that drive policy choices. However, many studies on the impact of the 1990s Asian economic crisis or the 1980's structural adjustment programs by scholars such as Elson, Beneria and others and by organizations such as the United Nations Children's Fund (UNICEF) and the Economic Commission for Latin America and the Caribbean (ECLAC) have shown the complex repercussions of economic crises and inappropriate government policy responses on people's lives. As Amartya Sen wrote in the 2003 report of the Commission on Human Security, "…a sudden downturn can make the lives of the vulnerable thoroughly and uncommonly deprived. There is much economic evidence that even if people rise together as the process of economic expansion proceeds, when they fall, they tend to fall very divided."[xv]

First of all, unemployment rises and household incomes drop. Households cope to meet basic needs through a variety of mechanisms such as sending out children or the elderly to work, reducing consumption of food and other essentials with consequences for health, withdrawing children from school and so on. Such coping strategies have not only immediate consequences for well being of the individual and family, but undermine longer term development for the society as a whole.

But the impacts are more complex. There is often contraction in government social spending, particularly on essential services such as primary health care, education and transport as governments revenues plummet. Macroeconomic policy reforms aiming at balancing budgets and at stabilizing the economy end up unbalancing human lives. The experience of Nicaragua is quite a startling example of this. A 400 per cent devaluation in 1991 lead to a 360 per cent increase in prices to the point where a median salary could no longer buy a basic basket of consumption goods.

Distributional and Gender Dimensions

The distributional impacts of these recessions are highly skewed. The poor and the disempowered are the most vulnerable. For example, studies of the East Asian crisis show a rapid rise in poverty and worsening of health and education indicators due to both falling incomes and reduced services. In Indonesia, UNICEF studies found a sharp reduction in the use of public health services by people who could not afford the fees or found that services began to run out of essential supplies such as drugs. The World Bank reports a fall in school enrolment in Thailand, Philippines and Indonesia in 1998. In 1998, 1.1 million Thais and 19 million Indonesians fell below the poverty line.

There is a particularly important gender dimension which requires analysis of the domain of non-market work and social reproduction. Women bear the brunt of crisis because of the paradigm of the male bread-winner that prevails all over the world across cultural divides, from Cuba to Japan. When job retrenchment takes place, the tendency is to protect employment for men and compromise on women's jobs. But women's incomes are essential for family survival, especially when they are heads of households and/or in poor families. They cannot afford to stop working so they end up in jobs with much worse and often unacceptable conditions.

Another generalized impact, which is often neglected in economic analyses, is the impact on the unpaid care work that falls mostly on women. When people stop going to doctors for healthcare, they stay ill for longer, and have to be taken care of at home, invariably by women, adding to the workload of women who carry much of the burden of care work. This care work for ‘social reproduction' is not part of the market economy and is not counted in the gross domestic product (GDP). If you try to estimate the monetary value of such care work - the work of social reproduction - it comes up to something like 2/3 of the market economy.[xvi] There is an important relationship between the work of social reproduction and market work since there are only 24 hours a day. Demand for the unpaid work of social reproduction puts pressure on the time available for paid work in the market economy. Many studies of the impact of the 1990s Asian financial crisis and 1980s structural adjustment policies document consequences such as reduced incomes as women have to go out of work or take up less remunerative and part time work, or make compromises on time devoted to caring for children.

Policy responses

As economic crises spread, what should be the policy responses? We must learn the lessons of the experience of the Asian crises and structural adjustment responses that favoured orthodox stabilization policies with massive human costs. As Stephanie Seguino points out, the essential consideration is ‘*to keep the eye on the ball: employment, sustainability and gender’*.

To protect the poor and vulnerable, especially women, we need to pay particular attention to:

- maintaining development aid budgets;
- providing finance for stimulus packages for developing countries;
- maintaining commitments to global priorities such as combating the global warming crisis or the food crisis or the energy crisis;
- supporting expansionary growth stimulating macroeconomic policies as has been done in the developed countries. Professor Stiglitz among other eminent

economists have challenged orthodox prescriptions and recent studies critique restrictive expenditure ceilings and inflation targets;

- maintaining support to social priorities so as not to compromise on long term development and to offset the unequal burden on women. Priorities should not only be on infrastructure projects which create jobs for men but social investments in care services which reduce the pressure on unpaid work. Already, global voices such as that of the United Nations Committee on the Elimination of Discrimination against Women are warning of the likely impacts of the financial crisis on the pursuit of gender equality and are urging Governments to respond to these gender-specific effects and include women in the process of devising responses to the crisis.[xvii]

Lessons from Argentina could be instructive in thinking about policies that would stimulate the economy and could achieve greater equity. This country managed to recover from the 2001 crisis with an annual growth rate of 8 per cent from 2002, and moreover reducing poverty from 56 per cent to 20 per cent and unemployment from 30 per cent to 7 per cent. Their policies included among others, pro-poor public expenditure policies focusing on long-term development priorities such as building infrastructure and human investments. However, the recent slump in prices of major exports such as soya, which is down about 40 per cent from its historic peak last summer, are seriously impacting the government's tax revenues and may threaten its ability to continue such social investments.[xviii]

The scope of response requires provisions and policy spaces that allow developing countries to adopt stimulus and recovery plans that provide stimulus and sustained recovery, but that also build in safety nets for the poor, vulnerable and disempowered people, households and countries. The needed response clearly points to pro-cyclical policies as have been adopted in the United States and Europe. We cannot accept the double-standard of counter-cyclical measures for rich countries and pro-cyclical measures for poor countries, or, Keynesian economics for rich countries and neo-liberal economics for poor countries.

Human Rights Commitments and Global Interdependence

Neither human security nor national economic stability can be assured by national policies alone and require a global response. This is also a matter of human rights obligations in an inter-dependent world. The idea that human solidarity transcends national boundaries and extends to all people of the world is expressed in key human rights documents such as the United Nations Charter, the Universal Declaration on Human Rights (UDHR), and the Covenant on Economic, Social and Cultural Rights. Article 28 of the UDHR states, 'Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized'. The principle that States have international obligations arising from solidarity is stated in these and several other documents; most notably in the Declaration on the Right to Development, and the 1993 Vienna Declaration and Programme of Action. Yet this cherished idea has not developed beyond a statement of principle in either concept or international human rights law.

It is now time to take seriously human rights obligations to global citizens.[xix] It was in the aftermath of a global recession and war that the international community achieved a commitment to global solidarity in building a world of peace and prosperity for all. The horror of the preceding decade was motivation enough to achieve a consensus on universal human rights – in the Universal Declaration on Human Rights and the United Nations Charter - that would guarantee both freedom from fear and freedom from want. These human rights – civil, political, economic, social and cultural – define the essential conditions of a life of dignity and freedom that each individual is entitled to by virtue of their humanity. But the essential point is that these are rights, not just aspirations, and carry corresponding obligations on the part of society to make social arrangements that guarantee them. This is why we have international human rights law, and why States have made commitments to respect, protect and fulfill their citizens' human rights. This includes the subsistence rights – to quote from article 25 of UDHR – the 'right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or lack of livelihood in circumstances beyond his control'. These rights have been further codified in the International Covenant on Economic and Social Rights.

To recall the World Bank projections given at the beginning of my remarks, 53 million more people could be left in poverty, and 200,000 to 300,000 more babies could die each year between now and 2015 if the crisis persists. These may be 'innocent victims' of the financial crisis that originated in Wall Street, but these victims have rights and entitlements. The threats of falling into extreme poverty and even death stem from global financial insecurity of a systemic nature related to the design of global economic governance. These are risks that go beyond what any country and household can tackle. In fact, many of the developing countries now feeling the impacts of the crisis have been doubly diligent. Many countries have maintained strong macroeconomic balances. In addition, they have taken measures to build up huge reserves. This was a direct result of the East Asian crisis of the 1990s that demonstrated need to protect themselves against the risks of global financial instability.

The current system in fact shifts the burden of global financial risks from players in global markets to poor countries and poor households. As philosopher Thomas Pogge has argued, the international community has a duty not only to assist the poor but to reform/abolish/tackle the global social arrangements that contribute to the non-fulfillment of basic subsistence rights.[xx]

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[i] Birdsall, Nancy 'How to Unlock the $1 trillion that Developing Countries Urgently Need to Cope with the Crisis' Center for Global Development Notes, http://www.cgdev.org/content/general/detail/1421143/

[ii] From *The Economist* "Emerging Markets: A Taxonomy of trouble" Oct. 25 print edition, p.87

[iii] $960 million so far in 2008 against $2.4 billion in the first seven months of 2007; From http://www.manilatimes.net/national/2008/oct/11/yehey/top_stories/20081011top2.html

[iv] From http://www.businessworld.in/index.php/Markets-Finance/BSE-Sensex-Tumbles.html

[v] UN General Assembly News Item, "United Nations Must Intervene…" 30 October 2008. http://un.org/News/Press/docs/2008/ga10773.doc.htm

[vi] IMF (Jan 29, 2009) "World Economic Outlook Update: Global Economic Slump Challenges Priorities" http://www.imf.org/external/pubs/ft/weo/2009/update/01/pdf/0109.pdf

[vii] ILO News (January 28, 2009) "Unemployment, working poor and vulnerable employment to increase dramatically due to global economic crisis" http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_101462/index.htm

[viii] Wall Street Journal (February 12, 2009) "Commodity Price Dive Hits Latin Economies" http://online.wsj.com/article/SB123430877724170335.html#project%3DGROBO09%26articleTabs%3Darticle

[ix] IMF (Feb 6, 2009) "Africa's Reforms Have Borne Fruit, But Gains now Under Threat," http://www.imf.org/external/pubs/ft/survey/so/2009/INT020609A.htm

[x] From *The Economist*, "Emerging markets: stumble or fall?" Jan 8, 2009 print edition / accessed on-line http://www.economist.com/finance/displaystory.cfm?story_id=12896793

[xi] From *The Economist, "Global migration and the downturn: The people crunch"* and back-cover stats, print edition Jan 17, 2009 pp.58 & 93; www.nytimes.com/2009/02/07/business/economy/07jobs.html

[xii] From World Bank "MIGA Tackles Declining FDI Levels and Growth Prospects in Vulnerable Economies" January 12, 2009 accessed on-line: http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22031807~pagePK:34370~piPK:34424~theSitePK:4607,00.html

[xiii] Remittances to Latin America and the Caribbean are expected to grow to $67.5 billion in 2008, up from $66.5 billion last year. However, adjusting for rising inflation means that the real worth of remittances this year will be 1.7% less than last year; http://www.iadb.org/news/detail.cfm?Language=English&id=4779.

[xiv] Kaiser Network (Feb 10, 2009) "PBS Program Examines Impact of Global Economic Crisis on Health Funding," http://www.kaisernetwork.org/Daily_reports/rep_index.cfm?DR_ID=56879

Also Birdsall, Nancy (February 17, 2009) "How to Unlock the $1 Trillion that Developing Countries Urgently Need to Cope with the Crisis," *Center for Global Development Notes*. http://www.cgdev.org/files/1421143_file_How_to_Unlock_the_Trillion_FINAL.pdf

[xv] Amartya Sen "Development, rights and human security," in *Human Security Now* p.8

[xvi] UNDP, Human Development Report 1995

[xvii] UN News Center (Feb 6, 2009) "Women must be included in solving global economic meltdown, UN says," http://www.un.org/apps/news/story.asp?NewsID=29800&Cr=women&Cr1=economy

[xviii] Wall Street Journal (February 12, 2009) "Commodity Price Dive Hits Latin Economies" http://online.wsj.com/article/SB123430877724170335.html#project%3DGROBO09%26articleTabs%3Darticle

[xix] Not much work has been done to define these obligations over the last decades. No clear body of norms and standards has emerged. Several UN legal instruments refer to international cooperation, but essentially restate the principle set out in the Covenant on Economic, Social and Cultural Rights. No formal procedures exist to hold states accountable for their international responsibilities. In fact, as the review by Dos Santos for the former UN Sub-Commission on the Promotion and Protection of Human Rights concludes, this concept is a broad area that has not been analyzed adequately. Principles of human rights obligations have barely influenced the thinking of states, scholars, and advocates in formulating international development cooperation policies. Even the most ardent advocates of international solidarity in the fight against global poverty, invoke moral compulsion and charity, not international state obligation, as the reason why rich countries should make greater efforts.

[xx] Pogge, *World Poverty and Human Rights*