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**Emerging issue:
The gender perspectives of the financial crisis**

Written statement*

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*The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

The gender perspectives of the financial crisis

I. Introduction

The current global financial crisis is still unfolding and no one knows whether the world economy has yet hit the bottom. It is still too early to comprehend the full social implications of the crisis. First, I will briefly look at economic impacts so far. Second, I will compare this crisis to the Asian crisis of 1997 to understand the similarities and differences—because the nature and the responses to a crisis would determine the nature and depth of socioeconomic impacts. Then I will present lessons from past economic crises and emerging trends from this crisis to put in context the enormous socio-economic impacts on the poor and women. Finally, I will discuss what more needs to be done to protect the most vulnerable segments of our societies—within short-term stimulus packages and in long-term policy formulations. The discussion is largely based on data from the Asia-Pacific region. But lessons and policy implications are equally valid to all other developing regions.

II. Housing crisis turns into a truly global financial crisis

By the third-quarter of 2008, what started as a housing-sector crisis in the United States has turned into a full-blown global financial crisis with far reaching and still unfolding consequences. Equity markets across emerging economies of Asia experienced sharp declines immediately, and property markets promptly followed. Excessive *short-term capital inflows*, so called “hot money,” of the last several years rapidly turned into excessive *short-term capital outflows*. Since the mid-2008, exchange rates have been depreciating across the board, and foreign exchange reserves, guardedly built and held over the years, were being drawn down rapidly to fight the free fall of currencies. The biggest blow to the region came at the end of 2008, when exports orders started to get cancelled, export financing cut back, and layoffs after layoffs being announced. In the Republic of Korea, exports fell a year-on-year 32.8 per cent in January 2009. In Japan, the drop in December 2008 was 35 per cent and in Taiwan, Province of China, it was a record 41.9 per cent. In China, the engine of much of Asia-Pacific region's growth, exports fell 2.8 per cent just in December 2008, its second consecutive drop and its largest in a decade.

Notwithstanding the heightened vulnerability by the end of 2008, the developing Asia-Pacific region is estimated to have grown by a robust 6 per cent in 2008—though down from a high of 8.8 per cent in 2007. In 2009, however, the region will feel the full brunt of the global financial crisis, with a projected growth of around 4 per cent—the worst performance since the Asian crisis (UNESCAP, 2009). All sub-regions are expected to slowdown. Small open economies will be affected the most and those that are less reliant on exports may suffer less. Countries that are suffering political instability may see harsher punishment by investors. The slowdown may translate into millions more unemployed and the closure of many factories—posing a grave threat to the gains made in reducing poverty and improving social indicators in the last decade.

III. Current global financial crisis versus 1997 Asian crisis: what lessons?

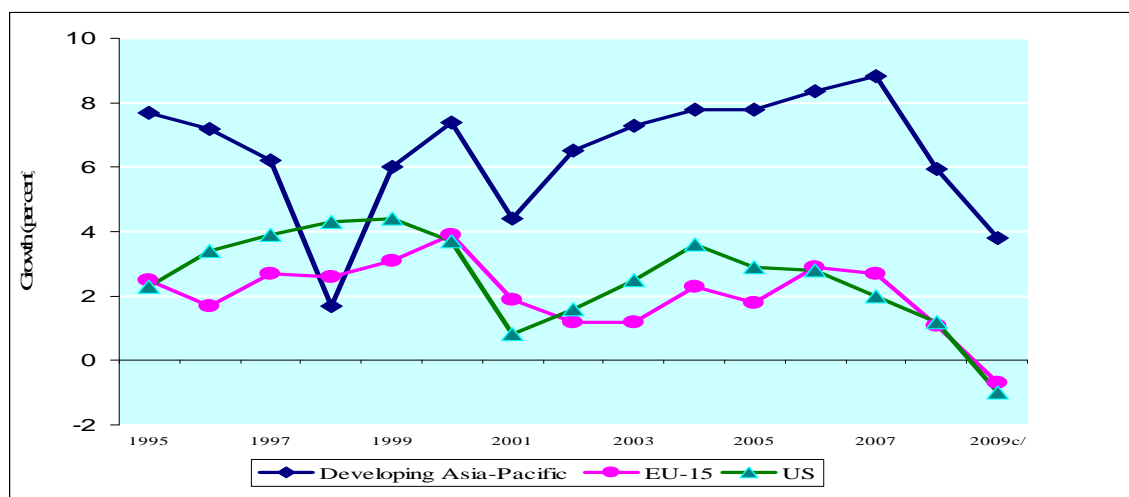
There are some crucial differences between the current global financial crisis and the 1997 Asian crisis in terms of the genesis of the crisis, economic and financial conditions at the onset of the

crisis, and different policy responses. These differences will have a great bearing on the nature and impacts on the poor and women.

Then...: Asia was the epicenter of the 1997 economic crisis. Crisis-affected economies experienced sharp and deep economic contractions, exacerbated by tight monetary and fiscal policies that were part of the rescue strategy. While tremors of the crisis were felt across the world, especially in other emerging economies across the world, the damage was largely contained in Asia. Economic growth was steady in the United States and the European Union, the main trading partners of the region (see figure 1). So the crisis-affected countries managed to “*export*” out of the crisis and stage a “V” shape economic recovery.

Stringent reforms were put in place to revive the financial sector and achieve macroeconomic stability. The most painful, perhaps, was the inability to fully address the social consequences of the crisis. The lack of experience in the Asia-Pacific region in handling a crisis of this magnitude, the unexpected nature of the crisis and the weakened macroeconomic fundamentals led to hasten and reactionary rescue packages. These packages largely focused on macroeconomic and financial sector stability without giving much regard, especially at the beginning, to social consequences. Low-income households fell swiftly and deeply into poverty many crisis-affected countries (see section IV).

Figure 1: Real GDP Growth in the United States (US), the European Union (EU) and Developing Asia-Pacific Region, 1995-2009



Sources: World Economic Situation and Prospects (UN), several issues; UNESCAP (2009)

Notes: Data for 2008 are estimates and those for 2009 are forecasts.

And now...: The United States, the largest economy in the world, is the epicentre of the crisis. Except for highly open economies in the region, economic fallout in other economies is expected to be *protracted*—rather than the swift and virulent meltdown of 1997. On the positive side, it gives countries more “*time*,” compared to 1997, to put together more thoughtful and effective policies.

The majority of developing countries in the Asia-Pacific region also have more “*policy space*” to adopt supportive fiscal and monetary policies. Having learnt bitter lessons in 1997, the region has painstakingly put in place sound macroeconomic fundamentals. While there are some exceptions, healthier fiscal balances, low current account deficits, more flexible exchange rates, stronger financial sectors and large reserves are the norm. As a result, in much of the region,

Central Banks have been able to supply much needed liquidity to the financial sector. And large fiscal stimulus packages that focus on minimising hardship on low-income households have been introduced by several developing countries in recent months.

However, the looming danger of the global economic crisis is clearly set out in figure 1. With the major trading partners of the Asia-Pacific region in deep economic slump, there is no way for the region to “*export*” out of this crisis. Also, as no one knows how deep the financial sector problems of industrial countries, it is not known whether the world economy has hit the bottom. How long would the global credit crunch—that is devastating financial markets and manufacturing industries—last? How long can the fragile social safety nets in developing countries bear the adjustment burden? Such questions are circulating in policy circles in the region. Unfortunately, the “*worst case scenario*” of not only a *protracted* but also a *deep* economic slowdown cannot be ruled out. If that happens, it would be much more devastating than the Asian crisis.

IV. The poor, women and children hardest hit in economic downturns: lessons from the past

The poor are hit the hardest by any economic downturn. During the Asian crisis, 19 million Indonesians and 1.1 million Thais fell below the poverty line as real earnings slumped and jobs disappeared (World Bank, 2007). The 2001-2002 financial crisis in Argentina increased the national poverty rate by 15 percentage points (Cruces and Wodon, 2003), and the 1998-1999 crisis in Ecuador increased poverty by 13 percentage points (Hall and Patrinos, 2005).

The poor take much longer to recover, as recovery in real wages and employment take much longer than recovery in GDP. Many districts of Indonesia suffered from persistent poverty effects five years after the 1997 Asian crisis and three years after the country’s rapid recovery in GDP (Lokshin and Ravallion, 2005). A review of financial crises in 80 countries finds that real wages take an average of three years to pick up again. Employment growth does not regain pre-crisis levels for several years after that (UNDP, 1999).

Poorer people are affected more than others because they have fewer buffers, and because the range and effectiveness of their buffers are inadequate. The poor predominantly possess unskilled-labour and engage in the informal sector. This restricts their ability to cope by switching jobs, and expose them to unregulated labour markets. They lack assets, such as bank deposits and land, and have only limited and expensive access to credit.

In addition, economic downturns push poor households into a vicious cycle of poverty. They are forced to respond with measures that keep them poor: reducing the number and quality of meals, postponing health-related expenditure and withdrawing children from school. These actions lead to lower future income-earning potential for current and future generations, resulting in persistent poverty.

Women are more vulnerable: In the developing Asia-Pacific region, women still constitute the majority of temporary, casual, seasonal and contract labourers, and low-skilled workers. The vulnerable contractual status of women seems to be a common denominator across Asia, though agriculture still remains the biggest employer of female workers in South Asia (60 per cent in 2007), whereas the majority of women workers in East Asia and South East Asia and the Pacific have moved onto industry and services (around 60 per cent in 2007).

These workers are the most vulnerable to job loss because they are unlikely to be covered by formal unemployment insurance or social protection schemes. Lacking education and skills, they tend to be less mobile across sectors than better educated workers. As women represent a large proportion of the workers in the informal economy, their poverty deepens when formal sector workers switch to the informal economy during crises, as it depresses the wages of the informal economy.

Men and women may be affected differently because of the gender-specific inequalities in the labour markets and prevailing norms about men and women's role in the economy and society (ILO, 2009; and UNESCAP, 2007):

- Because of the precarious labour market arrangements discussed above, women workers are considered as part of the “flexible” workforce that can be easily discarded during economic downturns. In Asian crisis-affected countries, except the Republic of Korea, displacement in unskilled jobs, and less educated, less skilled worker categories were much higher than the professional and better educated categories (Betcherman *et al*, 2001). While labour flexibility makes enterprises and countries more resilient to downturns, social costs to the affected households would be considerable;
- Due to the mix of education and skill set required, men and women may concentrate in different industries. For example, women constitute the majority of low-skilled, labour-intensive manufacturing industries, such as textiles and apparels, leather products, and electronics. While men's occupation types are more diverse, they constitute an overwhelming majority in capital-intensive industries and construction;
- The notion that men are “breadwinners” of a family may lead to unequal treatment of men and women in terms of dismissal, social security entitlements and rehiring. Such practices were observed during the Asian crisis (Pilwa, 1998; and Horton *et al*, 2001);
- During difficult times, families often rely on women for care for the sick, elderly and the extended family, despite women being already engaged in paid-work. It would mean longer-work hours and heavier work-load for women;
- The coping strategies of the poor in terms of cutting down on meals, health-care spending, and withdrawing children from schools, invariably affect women and girls the most. Also, girls and women may end up being trafficked to cities and neighboring countries with a promise of a job and pushed into prostitution; and
- When societies are in danger of collapse, for example, during severe economic turmoil as experienced by some Asian countries in 1997, there is evidence of significant rises in suicide and crime rates; abuse and violence against women; and ethnic tensions (Heyzer *et al*, 1999; Knowles *et al*, 1999). Women bear the brunt of these social fallouts.

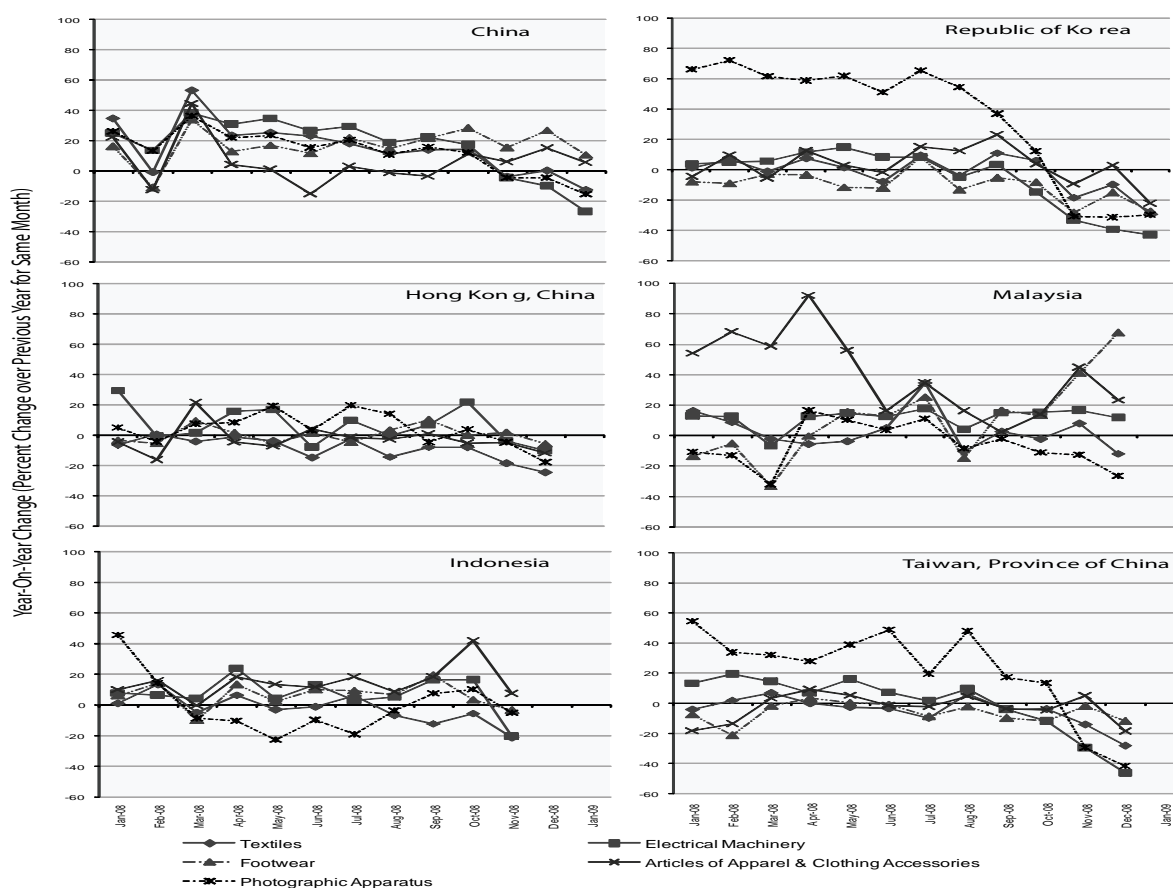
V. Emerging impacts and gender dimensions of the current crisis

The current global financial crisis is still unfolding. The developing Asia-Pacific region started to feel its impact deeply from the third quarter of 2008. It is still too early to comprehend the full social implications of the crisis. The following emerging trends, however, indicate that women could be affected significantly.

Labour intensive sectors early casualties: Low-skilled labour intensive manufacturing exports (the female-dominated industries) have been hit hard. As figure 2 shows exports are declining rapidly in textiles, apparel and clothing, footwear, and electronics—an emerging trend across Asia. Other female dominated sectors, tourism and related services, are also affected. The burden is borne not only by women. Male-dominated industries, car and auto parts, and construction, have been equally hard hit. Several countries have experienced layoffs in financial services, ICT based back-office services, and telemarketing. The gender composition of these sectors is fairly equal. As observed during other crises (see section IV), the main casualty is the “flexible” labour force—low-skill, temporary, casual workers. Women constitute the majority of these workers in the Asia-Pacific region.

Impacts on migrant workers sector-specific: Overseas migrant workers are often hired as temporary workers, so they get dismissed first during economic downturns. Sufficient data is not available to discern clear trends. But press reports and other evidence lead to conclude that impacts would depend on the sector. Women workers are mostly engaged in skilled health care and education related activities; and low-skill intensive domestic care services and tourism. Since there is a conscious effort to protect social spending, especially the health budgets, in developed countries and the Middle East, job losses in these categories are expected to be low. But those engaged by private firms, private institutions and as domestic help would be more at risk.

Figure 2: Change in export earnings, selected countries in Asia-Pacific, 2007- Jan 2009



Sources: CEIC Data Company Ltd; and ESCAP estimates based on official sources

Impacts on micro-credit still unfolding: Poor, in general, and women, in particular, are considered “subprime” borrowers by commercial banks. Having shunned by the formal banking sector, poor women largely rely on micro-credit facilities for financing their businesses and smoothing consumption during difficult times. Micro-credit institutions are largely funded by commercial banks and through aid. Commercial banks in most developing countries, faced with a global liquidity crisis, have significantly cut down on lending across the board. And there is early evidence from South Asia that the impacts are already felt on microfinance programs (Chandran, 2008; and Littlefield 2008). Aid is expected to decline, and may exacerbate the problem.

High food prices add to the burden: While food prices have come down from the historical peaks observed in early-2008, the prices of many staples remain higher than the pre-food-price-crisis levels. This means that the poor face a “twin” crisis—high cost of food on which they spend around 60-80 per cent of their incomes; and the threat to their livelihoods from the still unfolding global financial crisis. Women, who have the responsibility to put food on the table, bear the brunt of the burden.

VI. Policy responses to the crisis and what more needs to be done

Having learnt bitterly in 1997, this time, many developing countries of Asia-Pacific are pursuing supportive monetary and fiscal policies. The focus is three-fold: maintain macroeconomic fundamentals, minimize the social consequences of the crisis; and undertake strategic long-term investments in physical and human capital. As discussed earlier, so far, the “*policy space*” and “*time*” have been on their side.

In general, policy responses of developing countries to the current crisis are pro-poor. Monetary policies are geared to keeping the financial sector liquid so that enterprises can survive. Large fiscal stimulus packages introduced in recent months across Asia and the Pacific carry specific measures to minimize unemployment, protect small enterprises, protect/encourage consumption spending, direct income support to low-income households, embark on rural development, and increase spending on health care.

What more needs to be done to address the disproportionate burden on the poor and women during economic crises?

Engender fiscal stimulus packages: Large public infrastructure and public work projects are a common feature in all stimulus packages. They are the most effective in reaching a wide range of unemployed workers without regarding their skill mix. However, these jobs are mostly in construction where 80-90 per cent of jobs are held by men (ILO 2009). Similarly the “Green Recovery” package of the Republic of Korea, while crucial to build a foundation for an eco-efficient society, may create more jobs for men in male-dominant engineering and physical sciences fields. Since the stimulus packages are still at early design stages in many countries, there is room to incorporate gender dimensions. Social services such as health, education, and agricultural extension services that would open equal opportunities for women need to be incorporated into public work programs.

Protect social spending: Many stimulus packages, not only aim to protect spending in social sectors, especially on education and health, but also take steps to increase these. China, for example, introduced a \$123 billion package in January 2009 to improve its health care system. All packages have strong measures to bolster social safety nets and provide income support to low-income households. This is commendable. However, if the “*worst-case*” scenario outlined

above becomes the reality and economies in the region fall into a *deep* and *protracted* crisis, then the “*policy space*” would quickly evaporate. In the past episodes of crises everywhere, when Governments have limited fiscal space, they tend to cut down on the least politically resistant social spending. Close monitoring of fiscal spending is key to avoid this tendency.

Place more emphasis on gender budgeting--and tracking too: In Asia and the Pacific some progress is made in introducing gender budgeting into formal budget processes. The gains made in this front need to be protected during the current crisis. Since funding is fungible, it is especially important to make sure that fiscal stimulus measures are additional and do not divert funds already set aside for gender budgeting initiatives. What is equally important is insisting on strong and effective public expenditure monitoring systems to ensure that budgetary allocations do reach the intended groups. Uganda, one of the first developing countries to successfully implement a public expenditure tracking system, saw a dramatic rise in allocated funding to education actually reaching schools—from 13 per cent before setting up the tracking system to 80-90 per cent after (UNECA 2003).

Increase public spending and investments in agriculture: Agriculture is the main livelihood of the poor and still provides employment for 60 per cent of the working population in Asia and the Pacific—the majority of them women. ESCAP (2008) shows that unless decades of neglect in agriculture is addressed, the persistent poverty and widening inequality in the region will continue. And the silent crisis in agriculture would continue with grave repercussions on food safety. While the agriculture sector received considerable attention in 2008 amidst rising food prices, faced with the global financial crisis and less inflationary pressures, policy attention has been shifted to other issues. While some stimulus packages introduce direct spending measures for agriculture and rural development, the overwhelming emphasis is on other sectors. Rural infrastructure features in China stimulus package in November 2008, and in Malaysia and Indonesia, while subsidised loans to farmers feature in Thailand and Viet Nam. More needs to be done to revive agriculture.

Protect micro-credit: As discussed earlier, micro-credit is a lifeline for women and need special protection during economic crises. Some countries have taken steps in fiscal stimulus packages to protect and increase funding to these institutions. But more needs to be done. Monetary authorities, for example, could make sure that (i) state owned banks provide uninterrupted financing for micro-credit schemes and institutions; and (ii) commercial banks that receive liquidity support from Central Banks maintain present levels of funding for micro-credit.

Sustain aid flows, improve aid quality: Bilateral aid depends very much on the prevailing sentiments of the taxpayers in donor countries. And aid might not rate high on their priorities right now. While putting all efforts to sustain bilateral aid levels, developing countries should make sure that multilateral assistance continues into priority areas and with better terms—more concessionary, quick disbursing, and with less conditionality and administrative requirements. As learnt in the Asian crisis, the gains made in poverty and social indicators could be easily lost, but once lost, it takes a long time to regain them.

VII. Turn crisis into an opportunity—Practice “smart economics”

ESCAP (2007) research finds that restricting women’s access to work, education and health services, so often considered as “social” issues, also comes at significant economic costs. The region is losing \$42–47 billion a year because of restrictions on women’s access to employment opportunities—and another \$16–30 billion a year because of gender gaps in education. Those are just the economic costs—added to them are social and personal costs.

For example, if female work-force participation in India were on a par with that in the United States, it would add an additional 1.08 percentage points to India's growth—an annual gain of \$19 billion. Significant gains could also be achieved in Malaysia and Indonesia, but less for China, where female labour-force participation is already high.

Gender discrimination in education is equally costly for some countries. In the Asia-Pacific region, female primary school enrolment is as much as 26 per cent lower than that of males. Yet, the returns from educating women are higher, going beyond personal gains to inter-generational benefits. It is well known that literate women invest more in children's health and education. Women's inadequate access to health services also extracts an alarming toll. In some Asian and Pacific countries, one in every 10 girls dies before reaching her first birthday, while one in every 50 women dies during pregnancy or delivery.

Low-cost interventions go a long way: The developing Asia-Pacific region has made significant progress over the decades on addressing gender discrimination. But much more needs to be done, and a lot could be achieved by taking fairly simple and low-cost interventions—but it requires the vision and commitment at the highest political level.

Some of these interventions include making secure access for girls to schools, providing separate toilets and wash areas for girls, and allowing more women to enter the teaching profession. To improve health services for women, it is critical to address malnutrition and infant and maternal mortality. Providing free lunch at school for children and special nutritional packages for pregnant women will go a long way in improving their health. Mobile clinics in remote areas and community-based emergency transport could drastically reduce maternal and infant deaths. Women are often denied access to health services because of cultural practices and misconceptions. Implementing legislation to ensure equal rights of women to basic health services is therefore crucial.

To reduce discrimination against women in recruitment, wages and promotions, Governments should take the lead with the public sector acting as a role model. Legislation against harassment at the workplace needs to be in place. Removing restrictions on women's right to asset ownership should be a priority.

While social progresses could be served by economic progress, the reverse is equally true—economic growth could be spurred on by advances in social policy. This should be pursued with even more vigour today, as countries search for new economic growth drivers. Addressing discrimination against women is simply “smart economics”.

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