United Nations Nations Unies

Commission on the Status of Women
Fifty-third session
New York, 2 – 13 March 2009

INTERACTIVE EXPERT PANEL

Emerging issue:
The gender perspectives of the financial crisis

Written statement*

Submitted by

Shamika Sirimanne
United Nations Economic and Social Commission
for Asia and the Pacific

*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.

Not withstanding 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.

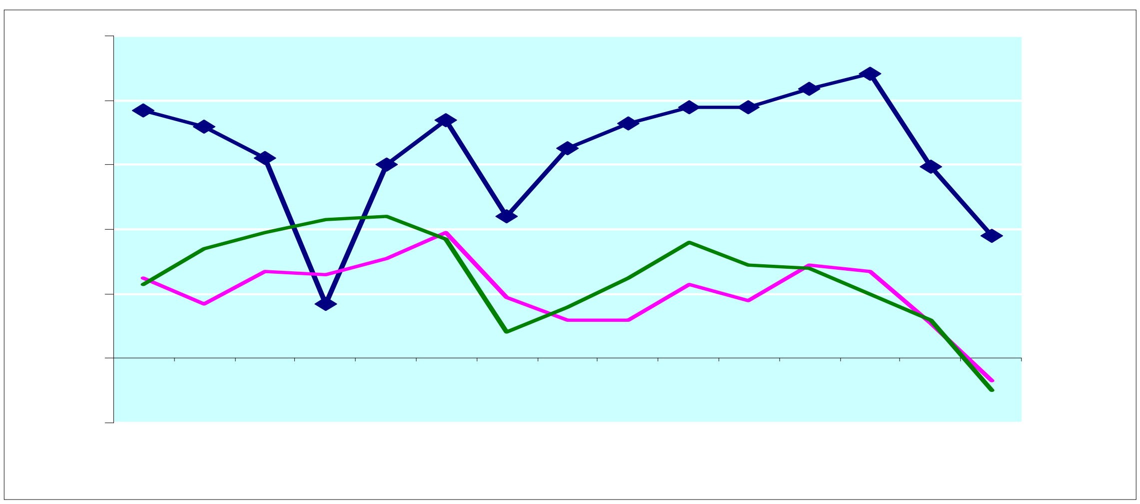
III. Current global financial crisis versus 1997 Asian crisis: what lessons?

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



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

Impacts on micro-credit still unfolding:

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

References

Betcherman, G., R. Islam. (eds). (2001).

UN Economic Commission for Africa. (2003). *Economic Report on Africa 2003*. (Addis Ababa, UNECA).

UNDP (1999). *Human Development Report 1999* (New York, Oxford University Press).

World Bank (2007). *East Asia & Pacific Update - 10 Years after the Crisis* (Washington, D.C., World Bank).