
Impact of Financial Crisis on Women and Families

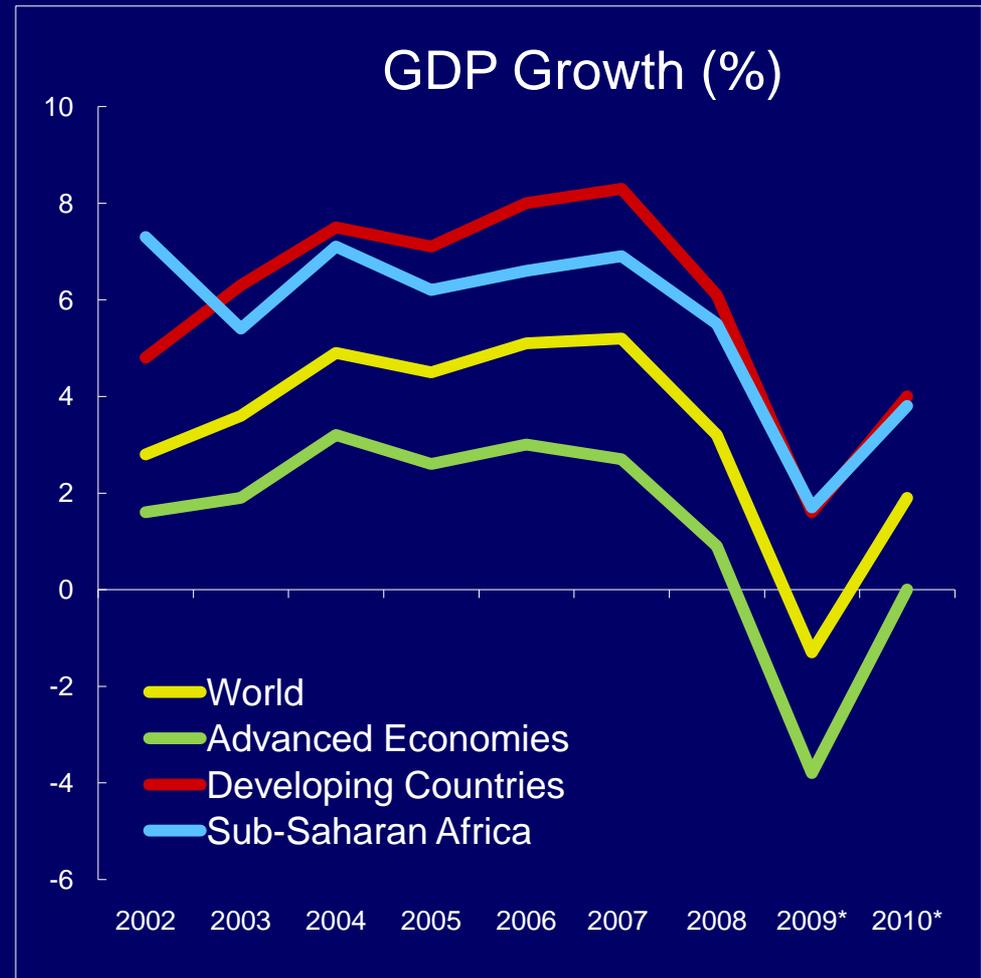
PREM Gender and Development

World Bank

April 2009

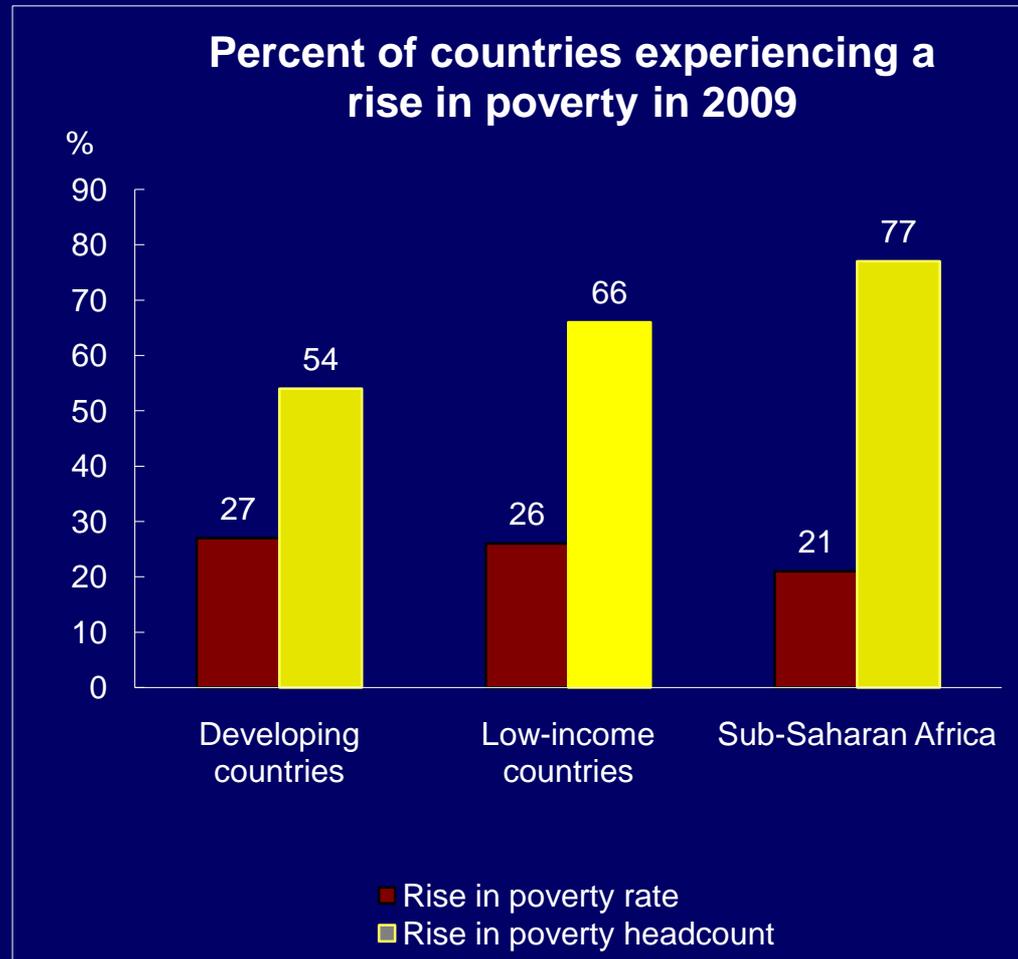
Real Crisis: Economic growth in developing countries is plummeting

- Severest crisis since the Great Depression.
- World output to fall by 1.3% in 2009.
- Growth will be 1.7% in Sub-Saharan Africa and negative in Europe & Central Asia and Latin America & the Caribbean.
- Per capita income will fall in more than 60 developing countries.



Poverty is rising in many countries

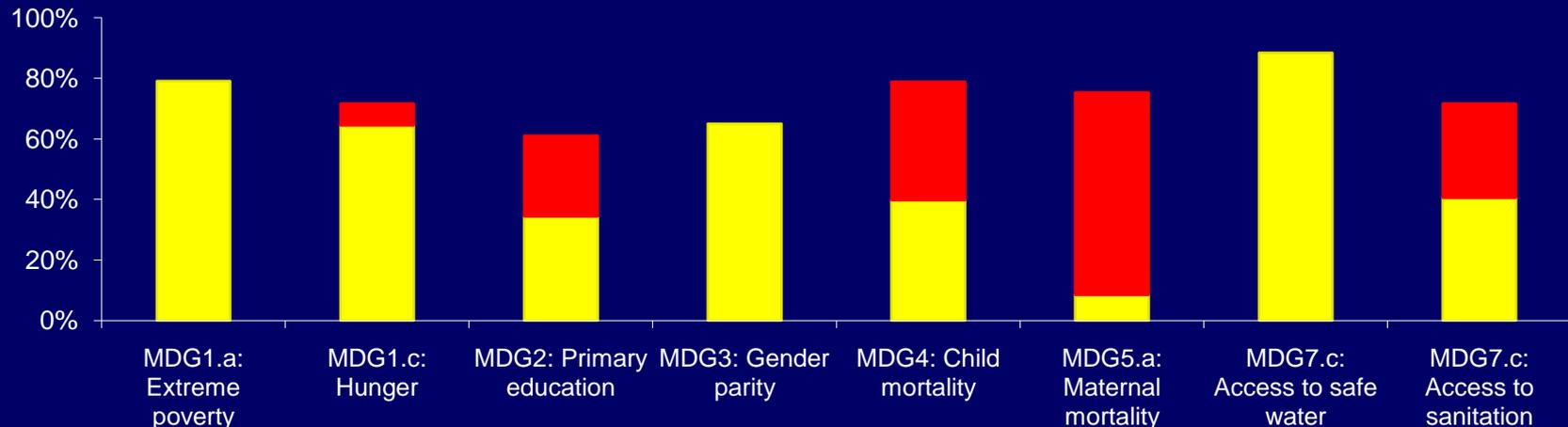
- Growth slowdown will trap 55-90 million more people in poverty in 2009.
- Number of poor people will rise in more than half of all developing countries, two-thirds of low-income countries, and three-quarters of countries in Sub-Saharan Africa.
- Food crisis is not over; it will continue to trap up to 100 million people in poverty in 2009.



Implications for MDGs:

The goals, many already in jeopardy, face serious further setbacks

- Most human development MDGs are unlikely to be achieved on current trends; prospects are gravest in health.
- Sub-Saharan Africa is falling short on all MDGs.
- South Asia lags on all human development MDGs. Achievement of the poverty reduction goal also is now threatened.



■ % of goal achieved by 2007 ■ % of goal needed to be achieved by 2007 to be on track

Regarding gender, 3 main messages

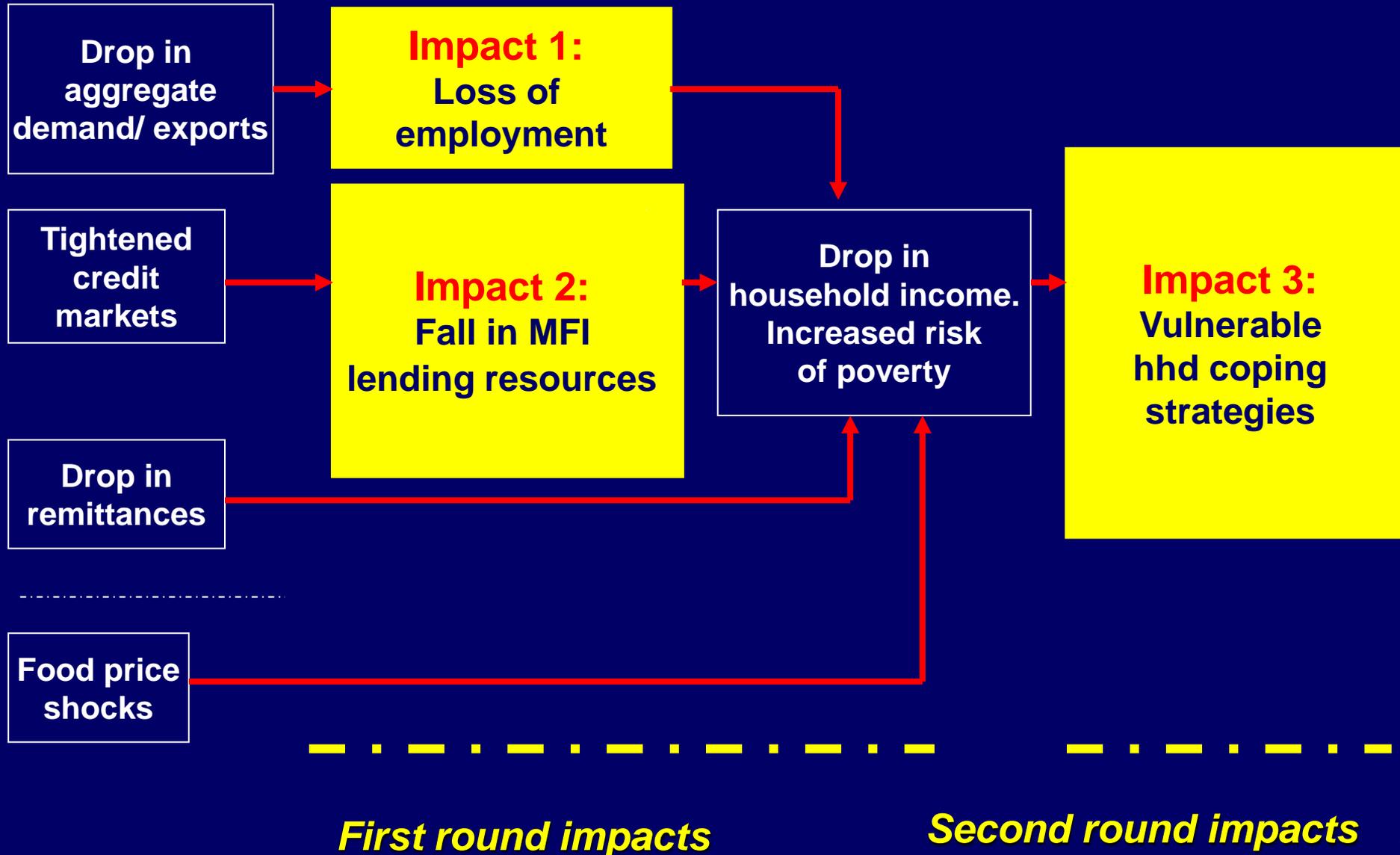
- The financial crisis will have **gender-specific impacts**.
- Effects on women and children, if ignored, will both increase current poverty and imperil future development.
- Effective policy responses should build on women's roles as economic agents.



Impacts



The crisis has first and second round impact on women and families



Impact 1: Women workers in export industries lose jobs

Export Manufacturing

Country	Industry	% of workforce female
Malaysia	Garments	78%
Bangladesh	Garments	85%
Philippines	Electronics	More than 50%



High Value Export Agriculture

Country	Industry	% of workforce female
Uganda	Cut flower	85%
Ecuador	Cut flower	70%
Thailand	Fruits	80%



Job losses

- Cambodia's garment industry has laid off 30,000 workers (10% of workforce of the sector).
- Bangladesh Jute Spinners Association reported a layoff of 20,000 workers in January/February 2009.
- In China more than 67,000 labor-intensive SMEs have closed down, with total job losses of up to 2.7 million.
- **Women informal sector producers may also lose jobs**
(even if informal sector usually cushions impacts of crisis).
 - In Ahmedabad, India, garment sector workers' monthly earnings have dropped by 50% and days of work by 69% since Nov 2008 (SEWA).
 - In Ahmedabad, India, women construction workers' monthly earning have dropped by 25% and days of work by 30% (SEWA).

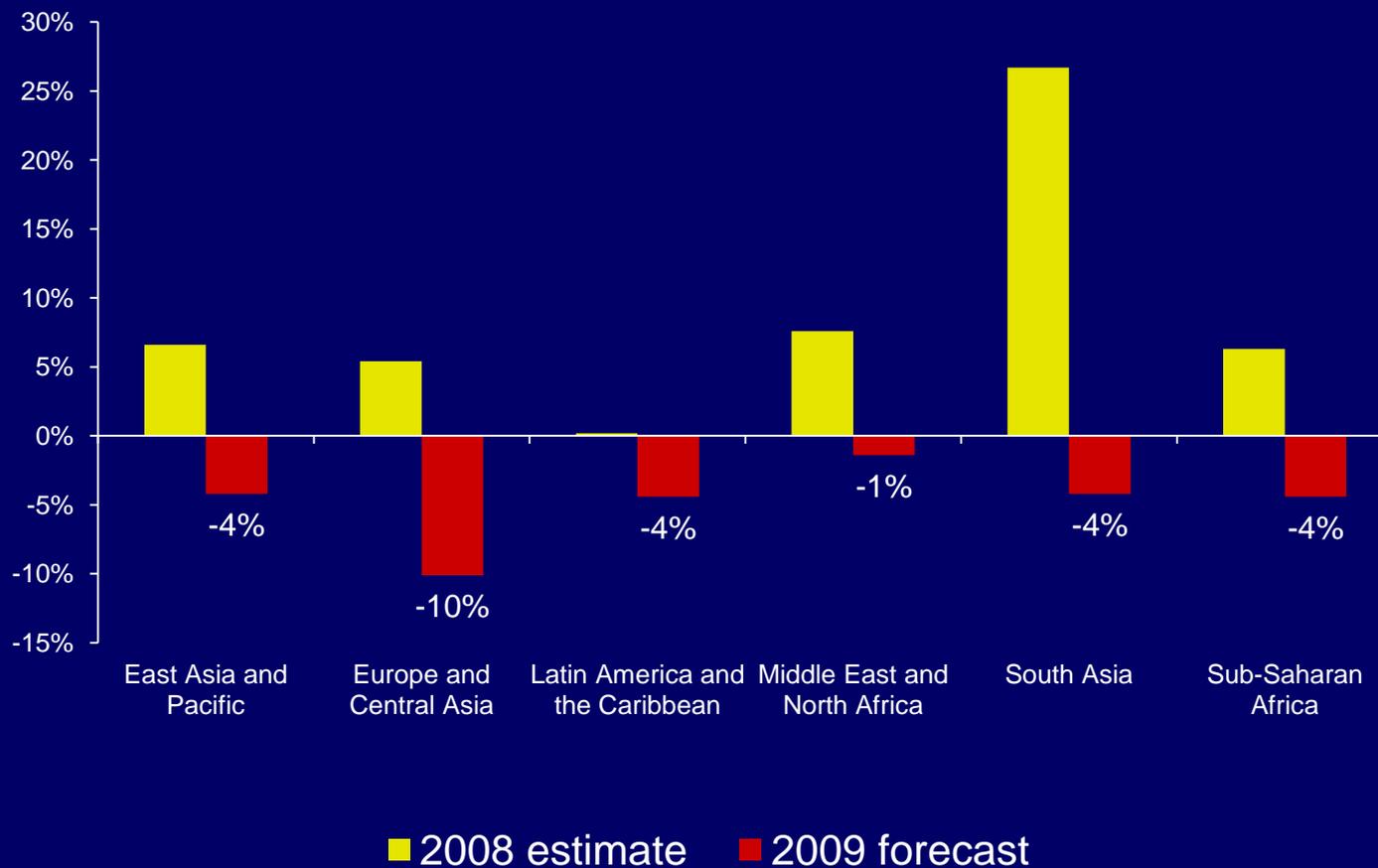
Impact 2: Tightening credit markets can squeeze MFI loans to women producers

- **MFIs typically lend to women:**
 - **Over 3,330 MFIs reached 133 million clients in 2006**
 - **93 million of the clients were among the poorest when they took their first loan**
 - **85% of these poorest clients were women**



Drop in remittances lowers income available to HHs

Outlook of Remittances flows to developing countries, 2009-10

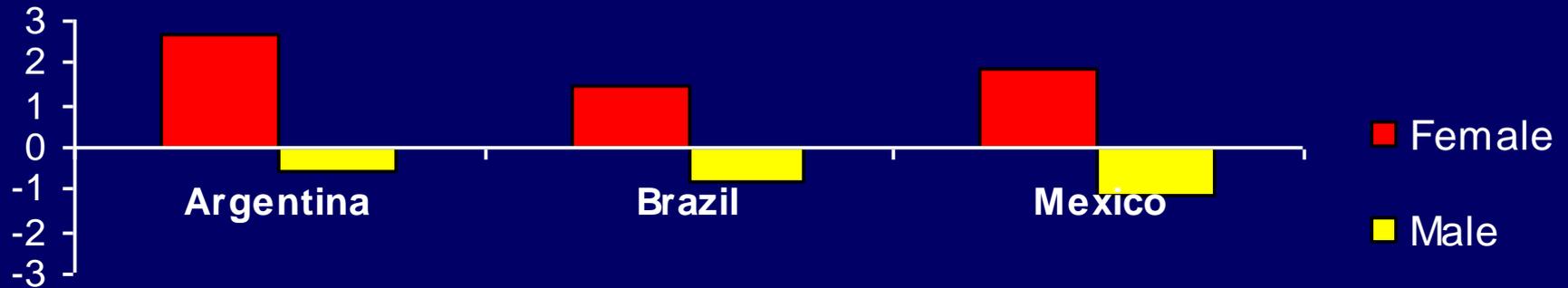


Source: World Bank, 2009, "Revised Outlook for Remittances Flows 2009-2011" Migration and Development Brief, March 23, 2009

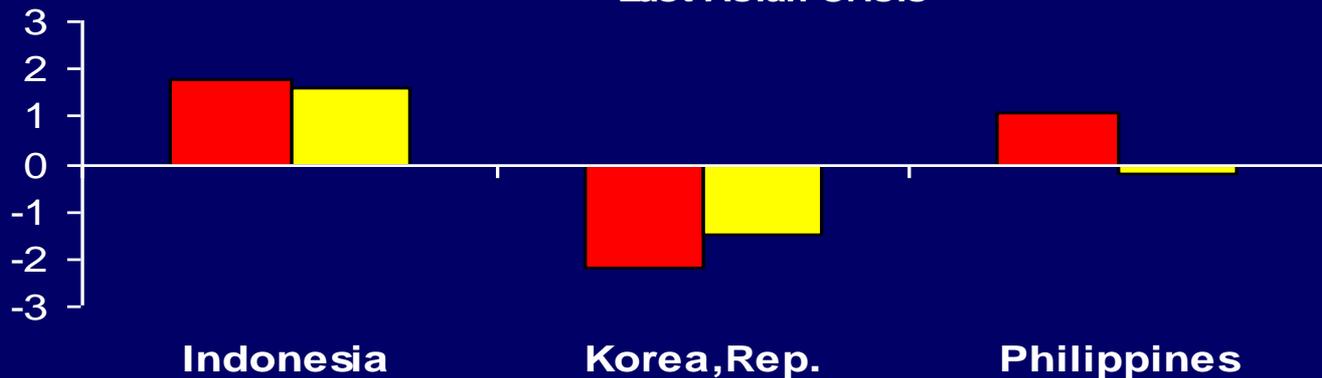
Impact 3: HH Coping Strategy

HHs send women to work

% Change in Labor Force Participation (1993-95),
Latin American Crisis



% Change in Labor Force Participation (1997-99),
East Asian Crisis



Women's labor supply is counter-cyclical in low-income HHs.

- An analysis of 66 developing countries over 1985-2006 period finds that **women's labor supply is counter-cyclical**: low-income families respond to economic crisis by sending women to work (Bhalotra and Umaña-Aponte 2009).
 - A 10% drop in GDP is associated with an average 69% increase in women's work participation.
- This 'added worker' effect happens for **unskilled women with low education**.
- In contrast, **highly-educated women behave pro-cyclically**

Impact 3: HH Coping Strategy

HHs pull girls (and boys) out of school

Low income countries:

- Madagascar (fall in ag income) → girls more likely to drop out of schools.
- Cote d'Ivoire (drought) → enrollment decreased 11 ppts for girls and 14 ppts for boys.

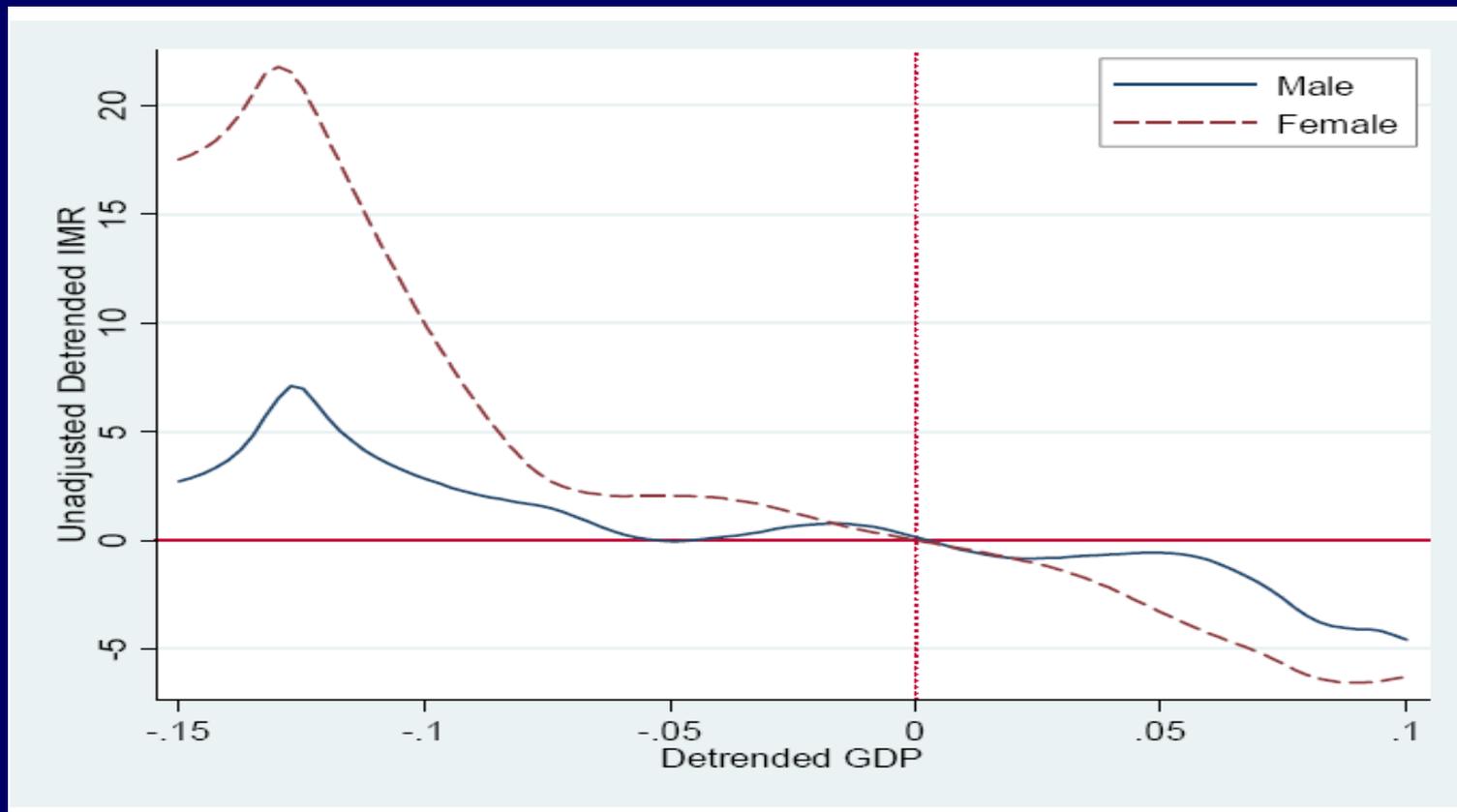
Middle income countries:

- Mexico (peso crisis) → girls attendance fell by 8%, no impact on boys.
- Peru (1980s crisis) → no impact on school enrollment for either girls or boys, schooling increased.

Impact 3: HH Coping Strategy

HHs cut back on health investments, affecting girls disproportionately

Girls' (IMR) exceeds boys' during economic downturns



Data from 59 developing countries, different years ranging from 1985 to 2004

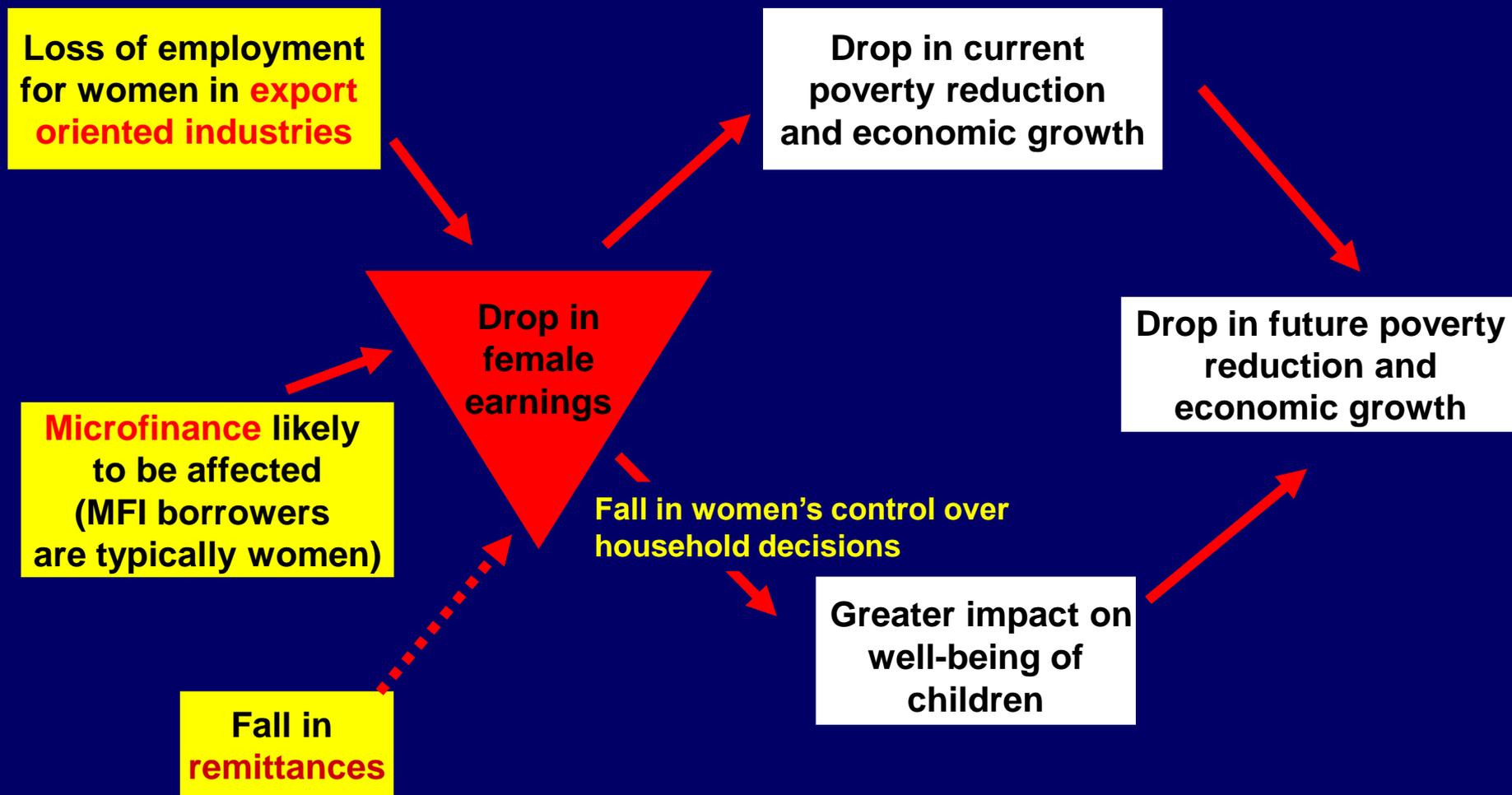
Policy implications



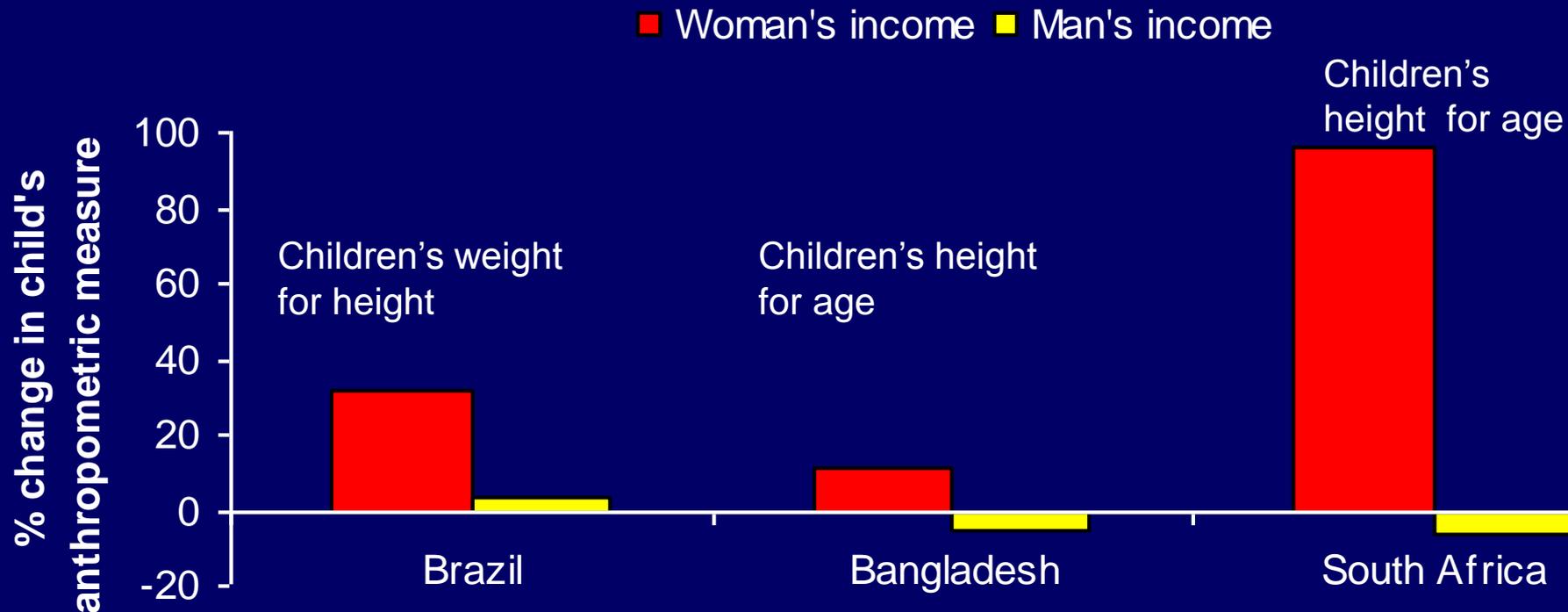
Priority Investment:

**Increase women's incomes in poor HHs
because....**

...because loss of women's earnings can have long-term welfare impacts

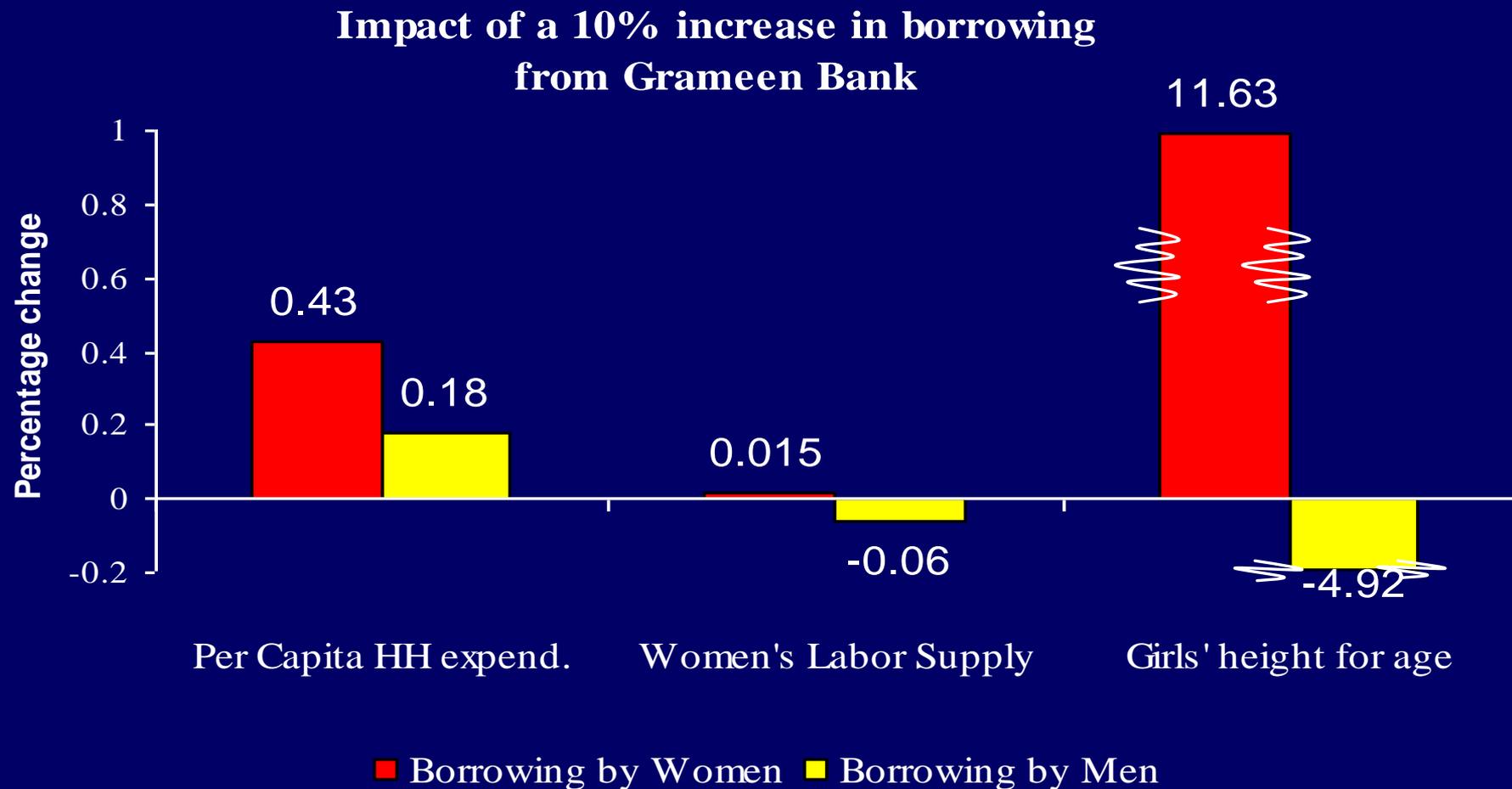


...because income transfers to women have larger effects on children's nutritional status than similar transfers to men.



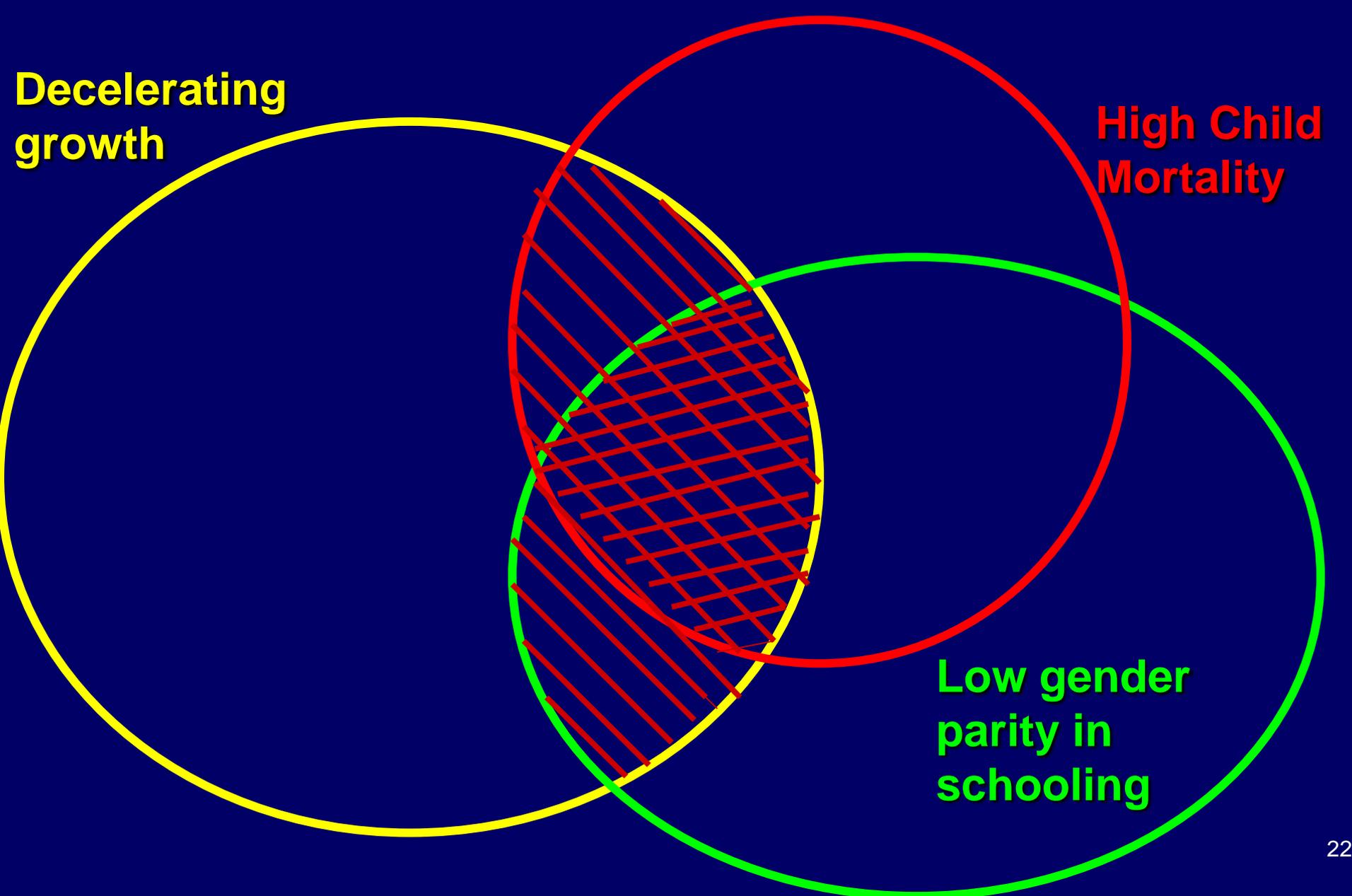
Source: Thomas (1990) for Brazil, Khandker (1998) for Bangladesh, and Duflo (2003) for South Africa.

... **because** the effect of female borrowing on hh welfare is larger than the effect of male borrowing (e.g. Bangladesh)



**.. especially in the set of 33 countries
where women are most vulnerable to
the effects of the crisis**

Women & girls in 33 countries in the sample (of 90) face moderate to high exposure to negative impact of crisis



Bank's Response



Mapping impacts to policy

Impacts

Policy/programs

Women's employment



Employment generation programs

Women and girls'
human development



Cash transfer programs
Other social safety net programs

Women producers



Capitalization of microcredit

World Bank Group Response

- **Global Food Crisis Response Program** will provide \$2 billion for immediate relief to countries hard hit by food high prices. In FY08/09 GFRP loans were processed in under 2 months.
- **Rapid Social Response Program** focuses on providing access to basic social services, safety net programs and labor market policies to assist in the income support of the unemployed. The UK has pledged £200 million to the program.
- **Infrastructure Recovery and Assets Platform** will provide \$45 billion for infrastructure over the next 3 years.
- **IFC's Microfinance Enhancement Facility** will provide \$500 million in refinancing to more than 100 microfinance institutions in up to 40 of the world's poorest countries, reaching up to 60 million low-income borrowers.

World Bank Group Response

- The **World Bank Group's Gender Action Plan in FY09-10** is allocating this year's resources to help ensure that WB's operational responses to the crisis maximize women's incomes & to fund research to study the effects of and policy responses to the crisis on women.
- **WBG President's commitment to increase gender investments in IDA16** should provide en-gendered short and medium term responses to the crisis in IDA countries.