Impact of Financial Crisis on Women and Families

PREM Gender and Development
World Bank
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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.
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.

**First round impacts**
- Drop in aggregate demand/exports
- Tightened credit markets
- Drop in remittances
- Food price shocks

**Impact 1:**
Loss of employment

**Impact 2:**
Fall in MFI lending resources

**Impact 3:**
Vulnerable hhd coping strategies

**Second round impacts**
- Drop in household income. Increased risk of poverty
## Impact 1: Women workers in export industries lose jobs

### Export Manufacturing

<table>
<thead>
<tr>
<th>Country</th>
<th>Industry</th>
<th>% of workforce female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>Garments</td>
<td>78%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Garments</td>
<td>85%</td>
</tr>
<tr>
<td>Philippines</td>
<td>Electronics</td>
<td>More than 50%</td>
</tr>
</tbody>
</table>

### High Value Export Agriculture

<table>
<thead>
<tr>
<th>Country</th>
<th>Industry</th>
<th>% of workforce female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>Cut flower</td>
<td>85%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Cut flower</td>
<td>70%</td>
</tr>
<tr>
<td>Thailand</td>
<td>Fruits</td>
<td>80%</td>
</tr>
</tbody>
</table>
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

![Bar chart showing the outlook of remittances flows to different regions in 2009-10.]

Impact 3: HH Coping Strategy
HHs send women to work

% Change in Labor Force Participation (1993-95),
Latin American Crisis
-3
-2
-1
0
1
2
3
Argentina
Brazil
Mexico

% Change in Labor Force Participation (1997-99),
East Asian Crisis
-3
-2
-1
0
1
2
3
Indonesia
Korea,Rep.
Philippines

Source: WDI, 2008
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.

Source: Gubert and Robilliard 2007; Jensen (2000); Skoufias and Parker 2006; Schady (2004).
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

Source: Baird, Freedman and Schady, 1998
Policy implications
Priority Investment: Increase women's incomes in poor HHs because...
...because loss of women’s earnings can have long-term welfare impacts

- Loss of employment for women in export oriented industries
- Microfinance likely to be affected (MFI borrowers are typically women)
- Fall in remittances
- Drop in female earnings
- Fall in women’s control over household decisions
- Drop in current poverty reduction and economic growth
- Greater impact on well-being of children
- Drop in future poverty reduction and economic growth
- Fall in female earnings
- Drop in current poverty reduction and economic growth
- Greater impact on well-being of children
- Drop in future poverty reduction and economic growth
- Fall in remittances
...because income transfers to women have larger effects on children’s nutritional status than similar transfers to men.

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

Source: Khander (1998)
especially in the set of 33 countries where women are most vulnerable to the effects of the crisis
Decelerating growth

High Child Mortality

Low gender parity in schooling

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**

- Women’s employment
- Women and girls’ human development
- Women producers

**Policy/programs**

- Employment generation programs
- Cash transfer programs
- Other social safety net programs
- 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.
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.