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**Emerging issue
The gender perspectives of the Financial Crisis**

Written statement*

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***The Global Financial Crisis:
Assessing Vulnerability for Women and Children, Identifying
Policy Responses¹***

The current global financial crisis, on top of recent food price increases (which, while down from their peak last year continue to affect the poor in developing countries), will have serious *gender specific* consequences for women in poor countries and their children. While women (and men) in most developing countries are vulnerable to increased risk of poverty and hardship, exposure to gender-specific negative impacts are particularly high in a subset of countries. These are countries where pre-existing high infant mortality rates and/or low rates of female schooling, combined with decelerating growth rates, substantially raise the vulnerability of women and girls to the deleterious effects of the crisis. Their situation is even more precarious in the sub-set of countries where limited fiscal resources constrain governments' ability to cushion human impacts.

If left unchecked, these crisis consequences on women will reverse progress in gender equality and women's empowerment (and in meeting the MDGs), increase current poverty and imperil future development. Fortunately, policy responses which build on women's roles as economic agents and their preference for investing resources in child well-being can go a long way towards mitigating these negative effects. These responses are good for women and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.

Assessing women's and girls' vulnerability

Women and girls in poor households in developing countries everywhere, but especially 33 countries characterized by pre-existing high infant mortality rates and/or low female schooling and undergoing declining growth, are highly vulnerable to the effects of the global economic and food crises. Their situation is especially precarious in the sub-set of 15 countries, mostly in Africa, that are affected by both low female schooling and high infant and child deaths as well as decelerating growth.² Another group of 19 countries have yet to suffer reduced growth but have one or both of the pre-existing conditions that put women and girls at high risk of being disproportionately affected, if and when the crisis engulfs these countries.³

¹ Prepared for the 53rd Session of the UN Commission on the Status of Women. Paper based on power point presentation on 'Impact of Financial Crisis on Women and Families' by Shwetlena Sabarwal and Nistha Sinha, PREM Gender and Development, World Bank, February 2009.

² Six of these 15 countries are known to be facing the likelihood of restricted fiscal space in the coming year according to World Bank staff estimates using World Development Indicators 2009.

³ We defined countries with high infant mortality rates as countries in the highest quartile of the distribution of under five mortality rate scores for 151 developing countries (per 1,000 live births) in the year 2007. Similarly, countries with low female schooling are countries in the lowest quartile of the distribution of the ratio of girls to boys in primary and secondary enrolment (per cent) for 131 developing countries for the latest year between 2004 and 2007. Source: World Development Indicators, 2009. Countries with decelerating growth identified by using WEO 2009 projections and calculations by World Bank Staff.

It is worth emphasizing that in poor countries with pre-existing high infant and child mortality rates the fall in household incomes is likely to further increase child deaths. This increased mortality of infants and children is concerning in its own right, but also worrying is the disproportionate burden it places on women and girls. Specifically, it exposes women to the multiple costs of additional infant deaths and increases the probability that these deaths will affect girls disproportionately. It is estimated that between 200,000 and 400,000 additional infant deaths per year on average between 2009 and the MDG target year of 2015 will be the result of the financial shock—an additional 1.4 million to 2.8 million more infant deaths if the crisis persists (World Bank 2009).⁴

Infant deaths negatively affect mothers (more so than fathers) since women are exposed to the health risks of additional pregnancies (if parents choose to have additional births); in addition, mothers are the main care providers in poor households and sick children increase mothers' time and psychic costs. Evidence from 59 developing countries covering 1.7 million births suggests that while boys and girls benefit equally from positive shocks in per capita GDP, negative shocks are much more harmful to girls than to boys: a one or more unit fall in GDP increases average infant mortality of 7.4 deaths for 1,000 births for girls and 1.5 deaths for 1,000 births for boys (Baird et al 2007).⁵

Girls in poor countries with pre-existing low female schooling are highly vulnerable to being pulled out of school as households cope with declining household income. In other low income countries girls and boys may similarly drop out of school because households no longer can afford school fees and/or children need to contribute with their labor to household income. An example of the former group of countries is Madagascar, a country with low female enrolment rates, where girls were more likely to drop out of school than boys as agricultural income plummeted.⁶ In Côte d'Ivoire, however, both girls and boys were pulled out of school as result of a drought, but boys' enrolments dropped 14 percentage points compared to 11 percentage points for girls.⁷

These household coping strategies are less apparent in middle-income countries, where children are more likely to be kept in school, cushioned perhaps by the presence of social safety nets and/or relatively easier access to loans (formal or informal). In Peru, for instance, the economic crisis of the late 1980s had no discernible effect on children's school enrolments.⁸

⁴ "The Impact of the Financial Crisis on Progress towards the Millennium Development Goals in Human Development". World Bank Internal Policy Note, 2009.

⁵ Baird, S., J. Friedman, and N. Schady. 2007. "Aggregate Income Shocks and Infant Mortality in the Developing World." World Bank Policy Research Working Paper No. 4346.

⁶ Gubert, F. and A-S Robilliard. 2007. "Risk and Schooling Decisions in Rural Madagascar: A Panel Data Analysis." *Journal of African Economies*.

⁷ Jensen, R. 2000. "Agriculture Volatility and Investments in Children." *American Economic Review*. Vol. 90 (2).

⁸ Schady, N. 2004. "Do Macroeconomic Crises Always Slow Human Capital Accumulation?" *World Bank Economic Review*, Vol. 18 (2).

Women losing income and joining the work force

The experience of past crises suggests gender-specific first and second round impacts of the current crisis on women's income and their work choices. First round impacts include the fall in women's income in developing countries as result of employment losses in export oriented industries, tightening micro-finance lending, and/or drop in remittances. Second round impacts are part of households coping strategies and result in women joining the work force to help poor families weather drops in family income.

While some women in developing countries may be 'protected' from the short term impacts of the financial crisis because they do not have access to global markets (and are solely involved in subsistence or home production), other women who dominate employment in export manufacturing (for instance, Nicaragua, Bangladesh, and the Philippines) and high value agriculture (for instance, Uganda, Thailand, Ecuador) are likely to suffer direct employment losses from the contraction in industrial countries' demand for developing country exports. The banking crisis and formal credit squeeze should have a larger direct impact on men, who are the majority of users of financial services and formal sector borrowers, than women. However, women are the majority of clients of micro finance institutions (85 per cent of the poorest 93 million clients of microfinance institutions in 2006)⁹ and as credit dries out their earnings from micro-businesses will drop—this should be especially true in Latin America and Eastern Europe and Central Asia, where micro finance institutions obtain a significant portion of their lending from commercial rather than concessional (grant) sources. Lastly, the household income of many poor women in developing countries will decline as remittances flows slow down. World Bank projections show that in 2008 a decline in the growth of remittances had already begun in a majority of countries where remittances are a significant portion of families' income.

Sending women to the work force has been a common, although by no means universal, household coping strategy to economic shocks. The 'added worker' effect for women was witnessed more recently in the Latin American crisis in the mid 1990s (Argentina, Brazil and Mexico) and in the East Asian crisis at the end of the same decade (Indonesia, Philippines), with the exception of South Korea, where instead both female and male labor force participation shrunk.¹⁰ While there is more to learn about the factors behind gender specific 'added worker' effects, this data shows the importance of women's income to weathering economic crises.

The predominance of women beneficiaries in selected, women-friendly public works programmes that have been designed over time to cushion the effects of economic shocks corroborates the importance of sending women to work as a household strategy to cope with economic crises. It also shows that design features of public works programme matter for reaching women and that public works can be designed to respond to women's employment needs.

⁹ Microcredit Summit Campaign Report 2007.

¹⁰ World Bank staff estimates using World Development Indicators data (2009).

Examples of women-friendly public works have included the Employment Guarantee Scheme in India, where up to 73 per cent of those employed in the scheme (1998-9) were women, public works programmes in Peru (PAIT) and in Chile (PEM) in the 1980s, where up to 84 per cent of the workers in the first case (1986) and 72 per cent in the second case (1987) were women and, more recently the Argentina Heads of household Programme where 70 per cent of the employed in 2005 were females.¹¹ These programmes variously targeted women explicitly; provided work close to home, flexible hours and options for child care; used women-based intermediaries and included a range of employment options, among them, home based production. (Other noted public works programmes have included design features, such as working through construction companies, which have largely excluded women.)

Policy options

The design of policy responses to cope with the current global crisis in developing countries should invest in increasing women's incomes in poor households as a priority strategy, especially in those countries (a total of 33 to 52 countries, according to our estimates) where women are most vulnerable to the negative gender-specific effects of the crisis and where fiscal space is constrained. This should help women and children and should work to help contain infant malnutrition and additional infant deaths.

The loss of women's income has long-term negative implications for the welfare of poor households (that may be greater than a similar loss in men's income) because of both the contributions women make to current household income and their 'preference' to invest scarce resources on child well-being and, therefore, on future development. In Bangladesh, Brazil, Kenya and South Africa, among other countries, rigorous studies unequivocally show that children's welfare (nutritional status, schooling attendance) in poor households improves more when income is in women's hands rather than in men's.

Expanding economic opportunities for poor women, therefore, should be a core theme of public works and other employment schemes, safety nets, and financial sector operations. In particular, micro-finance institutions should be capitalized so that they continue to offer credit and other financial services to poor borrowers, the majority of whom are women. The development payoffs of these investments should be large – both in terms of mitigating current hardships and preventing future ones, and are a smart use of development assistance.

The World Bank Group Gender Action Plan will allocate the majority of its financial resources in 2009 to assist in insuring that the World Bank Group responses to the crisis maximize

¹¹ Swamy, Gurushri *Gender Dimensions of Public Employment Schemes* Unpublished manuscript. Washington, D.C.: World Bank. August 2003. Gaiha, R. 2000. On the Targeting of the Employment Guarantee Scheme in the State of Maharashtra. *Economics of Planning* 33: 203-219. Buvinic, M. 1996. Promoting employment among the urban poor in Latin America and the Caribbean: A gender analysis. *Issues in Development Discussion Paper* 12. ILO. Geneva. See Galasso and Ravallion (2004) and Tcherneva, Pavlina and L. Randall Wray. (2005) "Gender and the job guarantee: The impact of Argentina's Jefes programme on female heads of poor households". C-FEPS Working Paper.

women's incomes, especially in those countries when women and girls are most vulnerable to the effects of the crisis. This includes efforts to en-gender the US\$1.3 billion food crisis response facility and a planned vulnerability fund, and its proposed priority investments in safety nets, infrastructure, and finance for microfinance and small and medium enterprises. The International Finance Corporation (IFC) has already launched a US\$500 million facility to assist with microfinance institutions' financing that should largely benefit women who are the majority of poor borrowers. Gender Action Plan funds will also assist in producing badly needed analytical work and research on gender-specific short-term impacts of the crisis.