Impact of Financial Crisis on Women and Families

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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: Loss of employment
- Drop in aggregate demand/exports
- Tightened credit markets
- Drop in remittances
- Food price shocks

Impact 2: Fall in MFI lending resources
- Drop in household income. Increased risk of poverty

Impact 3: Vulnerable hhd coping strategies

First round impacts

Second round impacts
### 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>
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

Falling Remittances to Developing Countries (as % of GDP) 2008-2009

- Afghanistan
- Tajikistan
- Uzbekistan
- Kyrgyz Republic
- Haiti
- Cape Verde

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

Source: WDI, 2008
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).
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:
Put income in women’s hands in poor hh 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)
- Drop in female earnings
- Fall in women’s control over household decisions
- Greater impact on well-being of children
- Drop in current poverty reduction and economic growth
- 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).

Impact of a 10% increase in borrowing from Grameen Bank

- Per Capita HH expend.
- Women's Labor Supply
- Girls' height for age

Source: Khandker (1998)
..especially in more than half in a sample of countries, where women are most vulnerable to effects of the crisis.
Decelerating growth

High Child Mortality

Low gender parity in schooling

Women & girls in 50% of 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
Bank’s Response

- World Bank Group’s Gender Action Plan will allocate its financial resources in 2009 to assist in ensuring that WBG responses to the crisis maximize women’s income, especially in those countries where women and girls are most vulnerable to the effects of the crisis.