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Emerging issue
The gender perspectives of the financial crisis

Written statement*

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* The views expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

The Global Economic Crisis and its Gender Implications

I. Introduction

The global economic crisis now underway has two key aspects that policymakers and Governments must address. The first is the dramatic decline in aggregate demand, leading to extensive destruction of jobs and livelihoods. The second is the problem of a credit freeze, which has led to a virtual halt in lending for investment and consumption. My comments will be focused primarily on the problems on the demand side of the economy – the sharp drop in spending by businesses and households that has led to massive layoffs which have further exacerbated the crisis, the gender dimensions of these demand-side problems, and policy responses that can stimulate growth with gender equity.

II. One Source of the Crisis: Rising Global Inequality and Insufficient Demand

Good policymaking requires an understanding of the precipitating factors that led to crisis. A second key to ensuring an effective response is to obtain clarity on what the critical immediate targets of policy should be. I discuss first the precipitating factors and then consider the gender implications of a response to this crisis.

A central feature in the crisis and therefore key to its long term resolution is the growth of inequality within and between countries. One window into this problem is to consider the gap between wage and productivity growth. Productivity grew in most countries over the last three decades, and this should have led to rising wages and incomes. But instead, the share of national income going to workers has been falling in the United States, Europe, Sub-Saharan Africa, the Middle East, Latin America and the Caribbean.[1] The flip side of this trend is that profits have been rising, and inequality widening.

The cause of this growing gap is related to the increased mobility of capital, among other factors. Corporations are increasingly able to respond to local cost pressures by relocating factories overseas or outsourcing production. This has undermined the bargaining power of workers, and led to a slowdown in wage growth, and in some cases, an absolute decline in real wages. Firm mobility has driven down wages not only in high income but also semi-industrialized economies.[2] This creates a macroeconomic problem: as the problem of joblessness and holding down wages. This global assessment varies by region. East Asia is an important exception to trends of falling or stagnating incomes and joblessness.

The redistribution of global income to wealth holders and corporations suggests that a key feature of a policy to rectify the global economic crisis is one that first, focuses on full employment policies, and second, seeks to resolve the problem of unequal income distribution that has led to insufficient demand. To reiterate, global joblessness is one of the central problems that macroeconomists must deal with. The most effective policy response is one that stops the destruction of jobs and sets the stage for a resumption of employment growth.

III. Gender Effects of the Global Slowdown

Before turning to a discussion of some responses to address employment goals, I would like to describe the trajectory of the crisis and address the gender aspects of job losses and the credit freeze.

The slowdown, which is projected to be most severe in advanced economies (in terms of decline in GDP), is anticipated to have ripple effects on middle and low income countries via declines in the demand for manufactured exports, plummeting tourism expenditures, and a drop in foreign direct investment. Another channel by which developing countries will be affected is the drop in remittances from family members in developed economies. The latter can be very significant. For example, remittances to the Africa region are almost 2 percent of GDP, and globally totaled roughly $238 billion in 2008 (from developed to developing countries).[4] Anti-immigrant attitudes may very well lead to immigrants being targeted for layoffs, and in any case, many work in sectors most likely to be affected by the downturn. Predictions for the Africa region are that growth rates will be halved in the coming two years.[5]

Employment losses or a slowdown in job growth can be expected to contribute to growing unemployment. And some developing countries will face balance of payments difficulties since their major trading partners – the advanced economies – will be in deep recession. The loss in public sector revenues will put downward pressure on those budgets, and the effect on women will depend on how carefully those cuts are made so as to avoid disproportionately harming women and children.

The differential impact on women versus men will vary across countries. The effects depend on the gender job segregation in a country. In developed economies, in which men have dominated in construction and durable goods manufacturing industries that have been hardest hit by sharp drop in demand, mounting job losses have affected men more than women. But women, too, will be affected in coming months. Female joblessness can be expected to rise edbeaw

Women’s jobs pay lower wages, in part because women tend to have a higher rate of part-time employment, and are often not covered by social safety nets. Moreover, in countries without social safety nets, the impact on women is even more severe. Female-headed households are at greatest risk, with few if any savings to weather the crisis, and limited ownership of wealth and other assets, as compared to men.

assistance were equalized with men's.[10] By increasing agricultural productivity, Governments help to raise output and lower food prices. This reduces inflationary pressures and the demand for imports. The productivity benefits are not likely to be felt in the short run. However, this type of targeted expenditure that raises income over the medium to long run will be cost effective, generating tax revenues to cover the cost of public expenditure

Lack of policy coordination between Governments and central banks has made it difficult for countries to reach their development goals by stimulating investment in key sectors of the economy and addressing such problems as women's unequal access to credit. The central banks' focus on inflation targeting – that is, keeping inflation low and close to zero – has two flaws. Inflation targeting has inhibited job creation and thus poverty reduction. The second flaw is that many of the problems of inflation in developing countries in particular are due to supply side bottlenecks – high food production costs, poor transportation networks, high labor costs due to pervasive poor health. Those are problems that can be best addressed by public investment, not tight money policy.

Further, evidence shows that inflation rates below 15 per cent to 20 per cent do not have harmful effects on economic growth.[12] The result is that inflation targeting has been not only unnecessary in some cases; it has also been socially costly and has contributed to the insufficient demand problem identified earlier in this paper. There is also evidence that women have suffered disproportionate job losses due to inflation targeting in the Least Developed Countries.[13] That implies that subordinate ethnic groups are first fired, as a result of the jobs losses that come with contractionary monetary policy due to inflation targeting.

Inflationary pressures are in any case receding due to the decline in global demand, with inflation in advanced countries predicted to fall to ¼ per cent this year and in developing countries, from 9 to 5 per cent. It is thus an ideal moment to rethink the role of central banks.[14]

The reformulated role for central banks should be focused on job creation. In order to expand employment opportunities, which would greatly benefit women, central banks could utilize expansionary monetary policy, development banking and credit subsidies, and modest capital manageh(474 per)T0.048 Tw 14.Donsr. o( )]TJ0.0005 Tc0.2281 Tw 13245 0 Td[unrdetaket this(efpor, G resources towards productive activity and away from speculation. Also important are measures to alleviate the downward pressure on wages that contributed to this crisis. Raising minimum wages is one strategy, though there are others. Creating jobs itself will help. As unemployment drops, workers are in a better position to bargain for higher wages and more benefits, thereby generating the income to buy back the goods and services that are produced. The largest share of low wage workers is women, so gender equality is likely to improve with this approach.

Addressing the economic crisis also requires a direct focus on women's well-being. Women are likely to be targeted first for jobs layoffs, but have the fewest reserves with which to shield themselves and their children from the drop in income. Targeting public sector spending in activities that employ women benefits not only them but also their children. It is also an investment in long run growth.

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[3] Epstein, G. (ed). 2005. *Financialization and the World Economy.* Edward Elgar.

[4]Ratha, Dilip, Sanket Mohapatra, and Zhimei Xu. 2008. "Outlook for Remittance Flows 2008-2010." World Bank *Migration and Development Brief.* http://siteresources.worldbank.org