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**RESPONSES TO THE ECONOMIC CRISIS—WOMEN'S ECONOMIC
SECURITY AND RIGHTS**

(Item 6 of the provisional agenda)

Note by the secretariat

SUMMARY

The Asian and Pacific region is in the midst of a global economic crisis that has already taken a great toll on the region's economy; hard-won development gains are in danger of being rolled back. The present document briefly examines the impact of the economic crisis on women, focusing specifically on women's loss of employment and the rise in vulnerable employment. It also discusses the impact on women of a drop in remittances and reductions in microfinancing and lending. It goes on to address household coping strategies to mitigate the adverse effects of the crisis. Finally, the document discusses policy responses aimed at addressing imbalances and turning the crisis into an opportunity to advance economic opportunities for women in the Asia-Pacific region.

* The late submission of the present document is due to an effort to include the most up-to-date information in consultation with other United Nations agencies and other partners.

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Introduction

1. The Asia-Pacific region is in the midst of a global economic crisis that has already taken a great toll on the region’s economy. What started as a crisis in the subprime markets in the United States of America quickly spread across the world and transformed itself into an economic crisis, which is threatening to become a crisis for development and humanity at large, causing immense hardship for millions of poor and vulnerable people in developing countries. Despite tentative signs of recovery in recent weeks, the economic and human costs of the crisis have been considerable. The crisis may cause the region’s development gains and progress made towards the achievement of the Millennium Development Goals to be rolled back, with serious implications for women.

2. Lessons from past crises show that it is the poor, women and children who are hardest hit in economic downturns. During the Asian crisis, 19 million Indonesians and 1.1 million Thais fell below the poverty line as real earnings slumped and jobs disappeared.¹ The poor take much longer to recover, as recovery in real wages and employment takes much longer than recovery in gross domestic product (GDP). Many districts in Indonesia suffered from persistent poverty effects five years after the 1997 Asian crisis and three years after the country’s rapid recovery in GDP. A review of financial crises in 80 countries found that real wages took an average of three years to pick up again. Employment growth did not regain pre-crisis levels for several years after that.²

I. LOSS OF WOMEN’S EMPLOYMENT AND RISE IN VULNERABLE EMPLOYMENT AS A RESULT OF FALLING AGGREGATE DEMAND AND EXPORTS

3. The major and most immediate concern today is that of rising unemployment. As the crisis unfolds, it is estimated that as many as 24 million people in the Asia-

¹ World Bank, *East Asia & Pacific Update—10 Years after the Crisis* (Washington, D.C., 2007).

² United Nations Development Programme, *Human Development Report 1999* (New York, Oxford University Press, 1999).

Pacific region could lose their jobs, with women and young people showing greater vulnerability.³ While such female-dominated sectors as tourism and related services are likely to be affected, job losses for women are expected to be highest in labour-intensive export manufacturing, which has been hit hard by the fall in aggregate demand in developed countries. Women make up the bulk of the workforce in export manufacturing: in Thailand, the Philippines and Viet Nam, women account for substantial percentages of the total workforce in garments, textiles and electronics, with a ratio of two to five female workers for every male worker.⁴ In the Philippines, women account for more than half of the total workforce in electronics manufacturing, while they account for 78 and 85 per cent of the workforce in garments manufacturing in Malaysia and Bangladesh, respectively.⁵

4. Women are more likely to lose their jobs, as they constitute the majority of low-skilled, low-salaried and temporary workers—the flexible workforce that can easily be drawn upon or dropped depending on market conditions. Women are also more likely to be laid off because of male breadwinner bias: male workers tend to be kept at work because they are considered to be the primary providers for their families,⁶ leading to women's paid work becoming increasingly informal.⁷ Based on the worst case scenario, the International Labour Organization has estimated that an additional 9 million women in the region will become unemployed in 2009 as a result of the crisis.⁸

II. DROP IN REMITTANCES DUE TO REVERSALS IN INTERNAL AND EXTERNAL MIGRATION

5. In addition to falling export demand, the current global economic crisis has led to a decline in demand for migrant labour, leading to massive reversals in internal and external migration. Millions of migrant workers are being forced to return home, as more and more companies face closure and bankruptcy, and as more and more countries tighten controls on immigration. Women form nearly two thirds of the total Asian migrant population.⁹

6. The economic slowdown in the United States will deal a huge blow to East Asia and the Pacific and to South Asia, where remittances from the United States account for 44 per cent and 28 per cent of their inflows, respectively.¹⁰ The World Bank estimates that, in 2009, remittances will decrease in nominal dollar terms by 4.2-7.5 per cent in East Asia and the Pacific, and by 4.2-7.3 per cent in South Asia.

³ *Economic and Social Survey of Asia and the Pacific 2009—Addressing Triple Threats to Development* (United Nations publication, Sales No. E.09.II.F.11).

⁴ A.K. Dejardin and J. Owens, "Asia in the global economic crisis: Impacts and responses from a gender perspective", technical note for the meeting: Responding to the Economic Crisis—Coherent Policies for Growth, Employment and Decent Work in Asia and the Pacific, Manila, 18-20 February 2009.

⁵ R. Newfarmer, "The financial crisis, trade and effects on women", paper presented at the meeting: Women Leading Change: Traction for Change, Geneva, Switzerland, 4 March 2009.

⁶ D. Elson, "Gender equality and the economic crisis", paper presented at the IDRC/SID-OG meeting, Ottawa, Canada, 27 November 2008; D. Elson, "Macroeconomics and macroeconomic policy from a gender perspective", paper presented at the Public Hearing Commission on Globalization of the World Economy—Challenges and Responses, Deutscher Bundestag, 2002; and S. Fukuda-Parr, "The gender perspectives of the financial crisis", written statement prepared for the Interactive Expert Panel at the Commission on the Status of Women, fifty-third session, New York, 2-13 March 2009.

⁷ See note 6, D. Elson, 2008.

⁸ International Labour Organization, *Global Employment Trends for Women* (March 2009).

⁹ United Nations Development Fund for Women (UNIFEM), *Making the MDGs Work for All: Gender-Responsive Rights-Based Approaches to the MDGs* (New York, 2008).

¹⁰ J. Knowles, E. Pernia and M. Racelis, *Social Consequences of the Financial Crisis in Asia*, Asian Development Bank, Economic Staff Paper No. 60 (Manila, 1999).

These represent significant declines given the double-digit annual growth in remittances in previous years.¹¹

7. The reversals in migration can be expected to impact male and female migrant workers differently. Job losses are likely to have a disproportionate impact on women migrants, who are overrepresented in the informal and low-skilled sectors of the economy.¹² Women migrants are typically found in traditionally “female” occupations—such as domestic work, care work, nursing and sex work—which are characterized by instability, low wages, dismal working conditions and a lack of social services. During a crisis, women migrants in these sectors are at the greatest risk of being subjected to layoffs or poorer working conditions, due not only to their weak bargaining positions, but also their ethnicity.¹³ Dislocation and return could also mean the loss of the independence gained by women migrants, which in turn would affect the changes in gender roles that had been brought about by migration. A decrease in remittance flows is also likely to affect women, who are often the main recipients of these flows.

III. FALL IN MICROFINANCE RESOURCES AND LENDING DUE TO TIGHTER CREDIT MARKETS

8. The global financial crisis has had a relatively weak impact on the region’s economy via the financial channel. Asian financial institutions remain fairly robust; however, there is a very real threat that liquidity could shrink and funds available for loans could dry up. This poses a problem for microfinance resources and lending, particularly for microfinance institutions that source their financing from commercial sources.¹⁴

9. Women make up the bulk of microfinance clients. In 2006, over 3,330 microfinance institutions reached some 133 million clients, of which roughly 60 per cent were women.¹⁵ There are indications that the credit squeeze could hurt microfinance lending in South Asia, which accounts for more than half of global demand for microfinance. Faced with tighter credit markets and higher costs of funds, commercial institutions may choose to scale back microfinance lending, staunching the flow of much-needed loans to South Asian women,¹⁶ who rely on them to start up small, home-based enterprises or to augment income to fund their children’s education and health needs.¹⁷

IV. FUTURE DROP IN SOCIAL SPENDING DUE TO WIDENING FISCAL DEFICITS

10. In many countries in Asia and the Pacific, social protection mechanisms were virtually non-existent prior to the 1997 Asian financial crisis. Social protection was

¹¹ D. Ratha and S. Mohapatra, *Revised Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 5 to 8 percent in 2009*, Migration and Development Brief 9, Migration and Remittances Team, Development Prospects Group, World Bank (2009).

¹² International Organization for Migration, *The Impact of the Global Financial Crisis on Migration*, Policy Brief (Geneva, January 2009).

¹³ M. Abella and G. Ducanes, “The effect of the global economic crisis on Asian migrant workers and governments’ responses”, technical note for the meeting: Responding to the Economic Crisis—Coherent Policies for Growth, Employment and Decent Work in Asia and Pacific, Manila, 18-20 February 2009.

¹⁴ S. Sabarwal, N. Sinha and M. Buvinic, *The Global Financial Crisis: Assessing Vulnerability for Women and Children*, World Bank Policy Brief (Washington, D.C., 2009).

¹⁵ See note 5.

¹⁶ Reuters, “Credit crisis crimps microfinance in Asia”, *Financial Chronicle*, 17 November 2008, accessed from www.mydigitalfc.com/economy/credit-crisis-crimps-microfinance-asia-973 on 13 October 2009.

¹⁷ International Trade Centre, “Women in trade: Can they lead the way out of the global financial crisis?”, press release (Geneva, 6 March 2009).

principally provided by communities and families, and when the crisis hit, only 10 per cent of Asia's population was covered by formal social security or safety net measures against a limited set of risks.¹⁸ As the crisis unfolded, governments and donors alike began establishing social protection mechanisms to mitigate the human impact of the crisis.

11. Government initiatives to provide social protection in response to the current crisis have been timely and appropriate; elements of social protection can be found in the economic stimulus packages that have been announced by various countries in the region. The form and extent of intervention vary across countries—in the more developed countries, such as Singapore, for instance, housing assistance for low- and middle-income households is the main type of intervention, while in developing countries, more direct and targeted measures, such as cash transfers or subsidies to the poor, are prominent. Nevertheless, all of these initiatives suggest a greater emphasis on providing some form of social floor to cushion the impact of the crisis on the poor and the vulnerable.

12. Social spending, particularly on basic social services and safety nets, will be critical to augment falling household incomes, which typically impose greater adjustment costs for women and children. Women tend to use publicly provided basic social services more than men because women's traditional gender roles depend more directly on such services and because women have more limited access to non-public goods.¹⁹

13. Cuts in such spending will therefore hurt women and girls more and could potentially lead to massive reversals of the gains made towards achieving gender-related Millennium Development Goal targets. Spending cuts that result in service delivery failures will affect women more acutely, particularly poor women, who are often less able to substitute for poor public provision by paying fees for better services.²⁰

V. HOUSEHOLD COPING STRATEGIES

14. As household incomes fall, and credit and social services become less accessible, households tend to cope with the adverse effects of the crisis by increasing their work effort, adjusting their consumption and saving patterns or changing their utilization of social services.²¹ During the 1997 Asian financial crisis, the number of women in Indonesia leaving the labour force was surpassed by the number of women entering it as self-employed or unpaid family workers. In this way, women are typically forced to seek "distress employment", characterized by under-employment or informal employment, to augment falling household incomes.²² In the Philippines, housewives responded to the 1997 Asian financial crisis by reducing consumption, eating only two meals a day in order to feed their children three meals. Poor households pulled their children out of school and reduced their utilization of health services, resorting instead to herbal remedies, indigenous health practitioners or self-medication.²³ Previous crises affecting low-income countries have also shown that girls in poor countries with low pre-existing levels of female schooling are highly vulnerable to being withdrawn from school to cope with declining income.²⁴

¹⁸ S. Cook, *Social Protection in East and South East Asia: A Regional Review*, Social Protection in Asia, Working Paper Issue 02 (May 2009).

¹⁹ See note 9.

²⁰ UNIFEM, *Who Answers to Women? Gender and Accountability*, Progress of the World's Women 2008/2009 (New York, 2008).

²¹ See note 10.

²² See note 4.

²³ See note 10.

²⁴ See note 14.

15. As the consumption of marketed goods and the utilization of public services fell, households turned to women's unpaid work as substitutes. This included, among other things, food production, food preparation, fuel and water collection, and home-based health care.²⁵ Unpaid work acts as a constraint on women's options for paid work, and for those who manage to be employed, greater unpaid work significantly increases their double burden.

VI. RECOMMENDED POLICY RESPONSES

16. The economic crisis has provided the region with a unique opportunity to restore stability and sustainability, and to advance economic opportunities for women. The huge scale of government spending in many countries offers an unprecedented opportunity to design development policies that will bring about more inclusive and sustainable development. Pro-poor policies aimed at strengthening social protection systems create the social foundations for more inclusive societies. Asian and Pacific financial stimulus packages and reforms can be used as opportunities to address systemic imbalances to make development more inclusive.

(a) *Engender fiscal stimulus packages.* Large public infrastructure and public works projects are a common feature in all stimulus packages. They are the most effective in reaching a wide range of unemployed workers without regard to their skill mix. Social services, such as health, education, and agricultural extension services, that would provide equal opportunities for women need to be incorporated into public works programmes;

(b) *Protect social spending.* In past episodes of crises everywhere, when governments had limited fiscal space, they tended to cut down on the least politically resistant social spending. Many stimulus packages not only aim to protect spending in social sectors, especially on education and health, but also take steps to increase them;

(c) *Place more emphasis on gender budgeting and tracking.* The region has made some progress in introducing gender budgeting into formal budget processes. The gains made on this front need to be protected during the current crisis. Since funding is fungible, it is important to ensure that fiscal stimulus measures are additional and do not divert funds already set aside for gender budgeting initiatives. It is equally important to insist on strong and effective public expenditure monitoring systems to ensure that budgetary allocations actually reach the intended groups;

(d) *Increase public spending and investments in agriculture.* Agriculture is the main livelihood of the poor and still provides employment for 60 per cent of the working population in Asia and the Pacific. The majority of the region's farmers are women. Unless the consequences of decades of neglect of agriculture are addressed, the persistent poverty and widening inequality in the region will continue. This will extend the silent crisis in agriculture, with grave repercussions for food security. The agricultural sector received considerable attention in 2008 amidst rising food prices; however, policy attention has shifted to other issues in the face of the global financial crisis and lower inflationary pressures. While some stimulus packages are introducing direct spending measures for agricultural and rural development, the overwhelming emphasis is on other sectors. Investments in sustainable agriculture and measures to improve national food security need to ensure that they include women as an intrinsic part of local food production systems;

²⁵ See note 6.

(e) *Protect microcredit.* Microcredit is a lifeline for women and needs special protection during economic crises. Monetary authorities need to make sure that State-owned banks provide uninterrupted financing for microcredit schemes and institutions, and that commercial banks that receive liquidity support from central banks maintain present levels of funding for microcredit;

(f) *Seek to sustain aid flows and improve aid quality.* Bilateral aid depends very much on the prevailing sentiments of the taxpayers in donor countries. Given the current economic climate, aid might not rate high on their priorities right now. While making every effort to convince donor countries to sustain bilateral aid levels, developing countries should also strive to negotiate multilateral assistance that is more concessionary, quickly disbursed and directed towards priority areas, while being bound by fewer conditions and administrative requirements. The lessons from the Asian crisis show that gains made in poverty and social indicators could be easily lost, but once lost, it will take a long time to regain them.

VII. CONCLUSION

17. The current economic crisis can be turned into an opportunity. Women represent an untapped resource for most economies in Asia and the Pacific. ESCAP research indicates that restricting women's access to work, education and health services comes at a significant cost. Women are in a position to contribute an additional \$80 billion a year to the economy if their access to employment and education is improved. While social progress is spurred by economic progress, the reverse is also true—economic growth can be driven by advances in social policy. By taking ownership of the process of reviving their economies, Asia-Pacific countries can ensure that the recovery is built on a new development paradigm that is both inclusive and sustainable. The collaboration of all stakeholders in the development process, including the private sector, is required for this development paradigm to emerge.

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