

The Global Economic Crisis, Its Gender Implications, and Policy Responses

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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. This paper focuses 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

A central feature of 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 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 US, 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.

One cause of this growing gap is the increased freedom of firms and finance to move across borders. Corporations now have the option 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 negatively affected wage growth not only in high income but also semi-industrialized economies.² Women have been particularly negatively affected because they are concentrated in just the kinds of labor-intensive export firms that are mobile. In some cases, low and middle income groups have relied on borrowing to maintain their living standard, and in the US in particular, the consequences of this are apparent in the subprime mortgage crisis. Unsustainable credit expansion was one way to maintain growth in the face of inequality. The wave of foreclosures in the US, however, was a symptom of the bigger problem of stagnating incomes for workers and debt-financed consumption.

This creates a macroeconomic problem: as wages fall, or wage growth slows, so does workers' consumption. This has led to the central problem the global economy faces,

which is one of insufficient global demand. Without sufficient buying power on the part of workers, businesses have little motivation to invest, expand output, and create jobs.

A second and related aspect of this problem is the rise in the share of national income going to profits on financial activities and interest payments.³ High interest rates and low inflation, helped by anti-inflation policies of central banks, have raised the real rate of return on financial investments. But it has also meant that borrowing costs for households, small producers, and businesses have been high. This has held back job growth, further exacerbating 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 expected to have ripple effects on middle and low income countries via declines in the demand for manufactured and commodity 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 living 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 in Europe and elsewhere 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 have already contributed to substantial increases in unemployment. Many 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.

Gendered employment effects in developed economies The differential employment impact on women versus men will vary across countries. The effects depend on whether more jobs are lost in female or male dominated sectors of the economy. In some developed economies such as the US, mostly men are employed in construction and durable goods manufacturing industries that have been hardest hit by the sharp drop in demand, with mounting job losses hurting men more than women. But women, too, will be affected in coming months. Female joblessness can be expected to rise disproportionately as public sector budget cuts are made, since women workers are concentrated in education, health, and social services. There is already evidence from the UK that women's unemployment is rising, after the initial surge of male layoffs in construction and manufacturing. Since the beginning of 2008, women's unemployment there has increased at double the male rate, 2.3 and 1.2 percentage points, respectively.⁶

Gendered employment effects in developing countries In developing countries in which women are concentrated in export manufacturing industries, such as in Latin America and Asia, or in tourism in the Caribbean, the job losses for women will be greater than for men. This is particularly worrisome, given the large percentage of female headed households, almost 40 percent in the Caribbean, for example. In regions such as Sub-Saharan Africa, women are mainly involved in subsistence agriculture with some off-farm work for wages or work in the informal sector. The effects of this crisis will hit this group differently than in Asia and Latin America. For the bulk of women in Sub-Saharan Africa, the crisis will become apparent with the decline in remittances, and any cuts to public sector spending on education, health, and other services.

Gender norms and employment Whatever sectors are most harmed by the economic crisis, in some countries, gender norms are such that women are first fired, because men are perceived to be the legitimate jobholders when jobs are scarce. A global survey conducted in 2005 found that almost 40% of those interviewed agreed that when jobs are scarce, men have more right to a job than women.⁷ Experience with the Asian financial crisis confirmed this tendency, with women laid off at 7 times the rate of men in South Korea. We can expect this to be a dominant feature of layoffs in a large number of countries in the current crisis, and it is likely that in developing economies, many more women will be pushed into the informal sector as a result. Official unemployment data are likely to miss this trend because, even if underemployed, women will be counted among the ranks of the employed in labor force surveys. In developed economies, there is evidence that some unemployed women withdraw from the labor force as a response to joblessness. This too will result in the underestimation of the unemployment effects of the crisis on women. It should be noted that firing females first during the crisis takes place in a context in which women's unemployment rates globally are already higher than men's.

Ethnic inequality Less powerful ethnic groups and immigrants will suffer in many of the same ways as women because they are similarly situated in the paid economy. That same global survey mentioned above found that 72% of respondents believed that employers should give jobs to nationals over immigrants when jobs are scarce.⁸ Europe's

immigrants are likely to disproportionately bear the impact of the crisis with consequent negative effects on remittances to developing countries.⁹

Gendered welfare effects While men are of course also expected to lose jobs, the impact will differ from the impact on women. In developed and middle income countries, men are better positioned to weather the crisis. They have higher paying jobs, more assets and wealth; their jobs are more likely to offer benefits and be covered by unemployment insurance. 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. Over half of all women in the world are in "vulnerable jobs," that is, they are self-employed in the informal sector or work as unpaid family workers. Their livelihoods are thus extremely vulnerable during economic downturns.¹⁰ This already high percentage is expected to rise during the crisis. 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.

Income shocks and children Women and children are also likely to suffer substantially because, when men experience declines in income, they are unable to contribute financial support for their children, and in particular are expected to reduce their contributions to female headed households. During such times, women try to shield children from economic insecurity but are not able to fully protect them, on average. Lower spending power has been linked to malnutrition in children, and there is evidence that poor nutrition can have serious long-term implications for children's health and psycho-social well-being, as well as their educational achievements. Because this crisis threatens to be deeper and longer than all other crises in memory, it will require larger state intervention. The alternative to such expenditures is dire. The long run costs to society of under investment in children are well-documented.

The effect on families of the loss of income through remittances can be harsh and gendered. Studies in Uganda have found, for example, that when household incomes decline, girls are likely to be withdrawn from school, and withdrawal rates rise for older girls. Boys' education is largely sheltered from such shocks. Similar evidence of the gendered effect of economic crisis on education was found for Sub-Saharan Africa in the 1980s.¹¹ It will be important in this crisis therefore to develop mechanisms to respond to the reduced ability of parents to send girls to school.¹²

The effects on women and therefore children will also be transmitted through cuts in public sector budgets, due to falling tax revenues and foreign aid. In Africa, for example, more than 50% of the total public health spending come from aid commitments. Important groups like the *Global Fund to Fight HIV/AIDs, Tuberculosis, and Malaria* already are facing funding shortfalls. Women who bear a huge burden for care of the sick in Sub-Saharan Africa will see those pressures mount.

IV. Responses to the Crisis

Two key approaches to addressing the global economic crisis are via fiscal policy (in some cases requiring assistance from advanced countries), and a reformed role for central banks.

A. Fiscal policy and external assistance

This crisis provides the opportunity to rethink the direction that economic development policies have taken in recent years. Greater income and wealth equality – a system in which growth is compatible with equality is a key goal, rather than approaches that are dependent on inequality for growth. The latter has proven to be an unsustainable strategy. How do we create the conditions for macroeconomic expansion *and* greater equality? As a first step, fiscal policies and credit allocation (discussed in more detail in the next section) should aim at not only alleviating short run demand side problems but should also fund expenditures that will promote longer run productivity growth, and interrupt processes of inequality that have been in place during the neoliberal period. Fiscal policies should therefore be transformational in their goals and effects.

Stimulus packages The poorest of countries will not have the ability to engage in fiscal stimulus to generate jobs without donor funding, an issue discussed in more detail below. However, developed and middle income countries do have the means to do so. In those cases, there are several criteria that should guide expenditures. Stimulus packages should not only address the short term demand side contraction. They should aim to be transformational, emphasizing three key goals: job creation, gender equality, and a shift to a “green” economy.

In view of this goal, governments should ensure that spending is gender equitable in job creation. Concretely, that means governments should not only spend on physical infrastructure projects to create jobs and stimulate demand. In many countries, jobs in that sector largely employ male workers (an exception is India), and women will have little benefit from such job creation.

Social infrastructure spending Governments should therefore also allocate funding for social infrastructure investment, in areas such as public health, education, child care, and other social services. This has two benefits. First, it will generate jobs for women, since women are heavily represented in those occupations. Second, funding activities that help women with their care burden – e.g., child care services, contraception, and school feeding programs – can attenuate some of the negative effects of the crisis on them and the children they care for. In countries with social safety nets, governments can alter rules of unemployment insurance to ensure coverage of the type of work women do, that is, part time and intermittent. Governments should also allocate funds for apprenticeship and training programs, especially targeting women for training in skilled occupations. This

will help to overcome the severe gender occupational segregation that has kept women out of employment in well-paid high-tech, skilled industries. Affirmative action programs will also further the important goal of reducing gender job segregation.

In developing countries, programming should also focus on alleviating the problem of parents withdrawing girls from school. Expanding and increasing payments in conditional cash transfer programs can help to reduce the incidence of this problem. These programs, already in place in a number of countries, can offer a rapid and targeted response to the crisis.

Fiscal oversight bodies Establishment of independent fiscal oversight bodies with a quota requiring equal representation of women could help monitor expenditures and provide policy advice to ensure stimulus expenditures have gender equitable effects and reduce the possibility of political bias. Gender responsive budgeting is key and women's groups are likely to be able to develop a variety of proposals that will benefit women and children.

Balance of payments pressures In some regions, such as Sub Saharan Africa, where export demand is projected to fall as a result of the decline in demand from the US and Europe, countries will face shortfalls of foreign exchange with which to purchase imports. Some countries may respond with currency devaluations in order to spur exports. But devaluations also make imports more expensive, and the increased cost weighs heavily on women. Costs of imported food and medicines would rise, making it harder for women to make ends meet in the household.

There are alternative approaches to dealing with the problem of financing imports if exports decline. In the short term, countries can address the shortfall by drawing down international reserves. Estimates indicate that developing countries are holding excess international reserves equal to about 1% of GDP. Using that 1% to alleviate short run current account stresses resulting from the crisis is a viable option.¹³ Spending reserves will not necessarily result in macroeconomic instability because counter-cyclical measures are what are needed at this time.

Women, agricultural productivity, and food imports In the longer term, governments in LDCs, especially Sub Saharan Africa, can address the problem both of gender inequality and balance of payments stresses by directing government funding toward resources for women farmers. Well-targeted expenditures will help women farmers increase their productivity, providing more food for families and reducing the demand for imports. Examples of ways to help women include expanding their access to credit (discussed in more detail below) and inputs, as well as technical assistance. This strategy has big payoffs. By some estimates, agricultural productivity would rise between 10-15% in a number of Sub-Saharan countries if women farmers' access to inputs, credit and technical assistance were equalized with men's.¹⁴

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 expenditures. Moreover, investments that benefit women farmers in the short run will raise their income, helping attenuate the other negative effects of the crisis that they will experience. At the same time, government policies that help to stabilize commodity price fluctuation can shield farmers from resulting income variability. Responses are required both at the international level, such as commodity price stabilization funds, and at the national level such as agricultural market boards, most of which were dismantled under structural adjustment programs.

The suggested expenditures outlined here on the social infrastructure, aside from cushioning women and children, have the added effect of contributing to long run health of the economy by raising productivity. That is, by directing public sector spending at job creation and social safety nets that protect women, governments are in effect financing development for the future, generating increased productive capacity. Seen in this way, social safety net spending has both short and long run benefits, serving as an investment in the country's social infrastructure and future productivity. In short, it is not only humanitarian. It makes good economic sense.

Shared employment In cases where government budgets have to be cut, officials can implement these by sharing employment. This can be attained by reducing worker hours or instituting unpaid furloughs rather than eliminating jobs. Government can also play a leadership role, encouraging businesses to adopt a similar approach in order to avoid massive job layoffs. As an example of this approach, South Korea's top 30 *chaebol* are cutting wages of entry-level college graduates this year, and using those funds to hire more interns and part time workers.¹⁵ This method of dealing with excess workers during a crisis is preferable because it spreads the costs of the job losses more evenly across households. Although more households will have lower incomes as a result, the macroeconomic benefits are substantial. With each household losing a little income, average household saving rates will fall, and spending will be prevented from falling further than if income losses were concentrated in a smaller number of households. This also reduces pressure to fire women first.

Sources of funding For poor countries, commercial borrowing will be more difficult to secure and more expensive. What other sources of funding to stimulate the economy are available? Official external finance will be required. New estimates by Nancy Birdsall estimate that one trillion dollars in aid is needed, and the World Bank and IMF currently have those resources.¹⁶ Developed country governments also need to maintain their bilateral aid budgets. One of the key strategies that rich countries can adopt is to provide climate change investment support to developing economies. This kind of targeted productive investment can substitute for the anticipated decline in foreign direct investment while addressing the longer run global environmental challenge. Poor countries with limited fiscal space should also focus on financial markets and credit (discussed in more detail below), and in addressing budget imbalances, should pay attention to the gender implications of any cuts.

Currency Transactions Taxes Another option that has been proposed is a very small currency transactions tax (CCT). This source of funding has several benefits. Globally, approximately \$3 trillion dollars is traded in foreign exchange markets daily, and only a very small percentage – less than 5% – is to facilitate trade. Speculative currency transactions increase financial and macroeconomic volatility, imposing costs on households not party to the transactions, especially in times of crisis. A second channel by which currency trading produces social costs is the higher level of foreign exchange reserves countries have been forced to hold to self-insure against a speculative attack. The opportunity cost of those reserves, as noted, is roughly 1% of GDP that could be spent on social infrastructure to the benefit of poor households, and in particular, to reduce women's unpaid care burden.

A CCT would be similar to a pollution tax in the sense that it seeks to discourage a behavior that can have negative social effects whose cost is not captured in the existing cost of trading, and in any case, is not fully born by trading parties. The CCT would offer a disincentive to engage in short-term speculative transactions, and estimates of the response of trading to a modest tax are on the order of -0.43 .¹⁷ That is a one percent increase in a tax on currency trades would result in less than half of one percent decline in trades.¹⁸ Rich countries would generate the bulk of the tax revenues, and more generally, the tax would be highly progressive. A CCT also makes tax avoidance legal and socially useful. That is, currency speculators can avoid the tax by reducing their transactions, a response that would have socially beneficial effects on macroeconomies.

Tax revenues generated from a global CCT could be pooled and earmarked for a variety of developmental purposes, including public investments in water and sanitation, a global insurance fund to respond to developing country budgetary constraints in times of economic crisis, and the MDGs. The project of establishing a CCT will require international cooperation, and it should be at the top of the list of developed economies as a means to fund social insurance, enhance macroeconomic stability, and discourage unproductive speculative financial activity by shifting the cost of the insurance to those who create systemic risk.

A global CCT could be a useful source of revenue to target gender equalizing expenditures. Proposals for CCT rates vary, from 0.005% to 0.25%, generating between \$35 and \$300 billion in revenues a year. Caren Grown, *et al* (2006) estimate the cost of MDG 3-specific and gender-mainstreaming interventions in low-income countries at \$47 billion per year, with an expenditure stream extending for 5 years.¹⁹ That amount could easily be funded with a CCT, with remaining funds used for a global insurance fund and other agreed upon investments in developing country physical and social infrastructure.

Other Taxes In all cases, addressing the demand-side problems with tax cuts on business and high income households should be avoided. This approach will not result in significant increase in spending or job creation. The tax cuts instead are likely to be used to retire debt or will be saved with no impact on the macroeconomy except to worsen the budget deficit. An argument can be made, instead, for raising income taxes on wealthy households to help fund and strengthen existing automatic stabilizers – that is, social

safety net programs. Raising income taxes on this group can be justified on grounds of more evenly and fairly spreading the cost of the economic crisis, which currently is disproportionately borne by women, and more generally, the poor.

B. Credit policy

Governments have the opportunity to rethink laissez-faire attitudes towards investment, and shift incentives that encourage speculative financial activities to support for long-term patient investment. A key to changing the incentive structure is to reform the role of the central bank.

Reformulated role for central banks The current crisis provides an opportunity to reconsider the role of central banks. Historically, monetary policy relied on broader set of goals that included full employment, and central banks used a wide variety of instruments, including credit allocation techniques to fund social sectors of the economy and develop dynamic industries, and capital management to control inflows and outflows of international capital. Central banks in the recent period have not used, and indeed have been discouraged from using, these instruments by donors. As a result, central banks have narrowed the scope of their functions to focus almost exclusively on inflation, and in the process, have become delinked from government policymaking.

Constraints of inflation targeting 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 bank 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% to 20% do not have harmful effects on economic growth.²⁰ Inflation targeting has not only been 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 LDCs.²¹

Inflationary pressures are in any case receding due to the decline in global demand, with inflation in advanced countries predicted to fall to ¼ percent this year and in developing countries, from 9 to 5 percent.²² It is thus an ideal moment to rethink the role of central banks.²³

Central banks as engines of employment growth A reformulated role for central banks should be focused on job creation. In order to expand employment opportunities, central banks could utilize expansionary monetary policy, development banking, and credit

subsidies. To undertake this effort, governments would have to begin by outlining national goals for investment. A comprehensive development banking plan focused on job expansion in high unemployment countries might include subsidized credit to small-scale agriculture, small- and medium-sized businesses, and large-scale businesses that can demonstrate their ability to promote significant increases in employment relative to their total spending. Women's enterprises and cooperatives could be targeted for such subsidies and the cost to the public budget will be limited, given women's strong track record for loan repayment. The set of goals outlined by the government would then determine the central bank's credit policy.

An example of credit policy tools that could be employed to attain the country's development goals is the combination of government loan guarantees with asset portfolio requirements – requiring banks to direct a certain percentage of their loans to targeted activities.²⁴ The loan guarantees induce banks to lower their interest rates, since the government has agreed to absorb some of the risk of the loans. The lower interest rate makes credit more accessible to some borrowers. Social benefits are achieved when credit is directed to activities that stimulate job creation and raise productivity.

Capital management techniques Central banks can also help stabilize their economies through the use of capital management techniques that help reduce variability of financial flows, especially those associated with short-term portfolio flows or speculative flows. A good example of the benefits of applying capital controls is Malaysia, which was, as a result, one of the first countries to recover from the Asian financial crisis. Financial liberalization is the root cause of volatility. Developing countries have been forced, as a consequence, to hold high levels of foreign reserves in order to self-insure against a financial crisis.²⁵ Reserves drain the economy by restricting the ability of governments to spend aid and loan money on physical and social infrastructure needed to boost the domestic economy, create jobs, and invest in expenditures that alleviate women's care burden. Capital controls help to alleviate this leakage of needed resources from the economy.

V. Conclusion

Many policymakers and academic economists made the mistake of believing that unregulated markets – financial, trade, and business investment – could identify the most profitable investments, assuming these would also be the most socially beneficial. This has not been the case. It is more clear than ever that economies require state regulation to provide incentives for private investors to align their own profit goals with broadly shared well-being.

A central goal of policy-making should be to shift from simply a focus on liberalized trade, investment, and financial markets and protection of intellectual property rights. These goals are not ends in themselves. Rather, the yardstick by which we measure the usefulness of policies should be their ability of policy to generate broadly shared capabilities expansion and well-being. However, it is also clear that there is no “one size fits all” solution to the economic crisis or development plan for long run growth. Indeed,

a major flaw of IMF and World Bank solutions in recent decades has been the assumption that what is good for developed economies is also good for developing economies.

Reviving the global economy will require policies that focus heavily on job creation, putting money into the hands of low and middle income households. As that income is spent, rising sales will give businesses the incentive to hire workers and expand output further.

But policies should also take a longer view. This crisis provides the opportunity to rethink the role of government and central banks in the economy. Key to effective government policy will be efforts to direct 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. For agricultural countries, the immediate needs are to raise productivity of farmers, especially women farmers, and finance public services such as health care and education, with targeted investments that are gender sensitive.

This is, in many ways, a transformative moment in history, providing a window of opportunity to challenge the restrictions on growth and development enforced by developed countries and the international financial institutions. It is an opportune moment to reconsider the view that developing countries should rely heavily on exports as a stimulus to growth. The economic contraction in rich countries, leading to a sharp decline in export demand, will in any case, force a greater reliance on domestic demand. The policy space that has been narrowed by WTO regulations and conditionalities of IMF and World Bank loans should be revisited, and industrial policy that helps developing countries stimulate the expansion of productive capacity should be reconsidered.²⁶

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. Channeling public sector spending to activities that employ women benefits not only them but also their children. It is also an investment in long run growth. The danger in the current crisis is that governments will overlook the needs of women when deciding how to allocate funding in stimulus packages and external aid, or in making cuts. It is more imperative than ever that women have equal representation in decision-making on public spending, both within governments and in advisory bodies.

ENDNOTES

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²³ For more on this topic, see Epstein, Gerald. 2003. "Alternatives to Inflation Targeting Monetary Policy For Stable and Egalitarian Growth: A Brief Research Summary." PERI Working Paper No. 62.

²⁴ See Pollin, Robert, James Heintz, Gerald Epstein, and Leonce Ndikumama. 2006. *An Employment-targeted Economic Programme for South Africa*, Edward Elgar, for an application of this approach to the case of South Africa.

²⁵ Some countries such as China, however, appear to hold high levels of reserves to prevent an appreciation of their currency. This reflects their strategy to rely on exports as a vent for surplus. There are other options to amassing reserves. One would be to permit the currency to appreciate, and then allow domestic wages and public sector spending to increase, thereby generating the domestic demand to replace lost export sales from the currency appreciation. Women would benefit substantially from this strategy. They had been very negatively affected by the government retrenchments in previous years, absorbing a large share of the layoffs.

²⁶ For an insightful discussion of industrial policy for developing countries, see Wade, Robert. 2003. "What Strategies are Viable for Developing Countries Today? The World Trade Organization and the Shrinking of "Development Space." *Review of International Political Economy* 10(4): 621-44.