

# **Finance, Production and Reproduction in the Context of Globalization**

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# Challenge of Triple Crisis

- Financial crisis in Wall St in 2008, leading to global increases in unemployment and underemployment
- Rises in global food prices- up by 40% in last year
- Rises in global oil price-up by 20% in last year
- Different severity in different parts of the globe
- Recession worst in USA and Western Europe
- More rapid recovery in output in most of Asia – but food security in jeopardy

# Framework and Focus of Presentation

- ❑ Gendered global interaction of:
  - Finance
  - Production
  - Reproduction
- ❑ Dominance of finance
- ❑ Finance as proximate source of crisis
- ❑ Implications for women's work- paid and unpaid
- ❑ Implications for inequality between women

# Sphere of Finance

- Profit-oriented retail and investment banks, insurance companies, hedge funds;
- Central banks and ministries of finance;
- Informal money lending - pawnshops, kerb-side dealers, and landlords and merchants;
- Micro-finance, for profit and not-for-profit
- Socially useful banking, such as mutual or co-operative savings and loans funds.

# Sphere of Production

- Resource based: farming, fishing ,mining
  - Construction: roads, ports, offices, housing etc ;
  - Industry: energy, water, manufacturing;
  - Services: wholesaling, retailing, administration
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- Both formal and informal work;
  - Employment, self-employment, contributing family labour.

# Sphere of Reproduction

- Non-market sphere of social provisioning;
- Supplying services *directly* concerned with the daily and intergenerational reproduction of people as human beings;
- Especially through their care, health and education;
- Unpaid work in families and communities;
- Unpaid volunteer work ( organized through civil society organizations of many types);
- Include paid (but non-profit) work in some public services: e.g. health and education, social care of children and elderly.

# Globalization

- ❑ All three spheres linked internationally through :
  - International financial markets
  - International direct investment
  - International development assistance
  - International trade
  - International migration
  - International information flows
  - International networking
- ❑ *Co-ordination* through these links
- ❑ But also *disruption* through these links- transmission of crisis

# Gender

- ❑ All three spheres and all the flows that link them are *gendered*
- ❑ In the way that they are peopled  
( i.e. in divisions of labour and of decision-making)
- ❑ In their operation according to norms of masculinity and femininity  
(i.e. in ideas about what is 'men's work' and 'women's work')



# Gender and the Sphere of Finance

## ❑ *Gender divisions of decision-making*

“At the recent World Economic Forum in Davos, Switzerland, some of the most interesting discussions revolved around whether we would be in the same mess today if Lehman Brothers had been Lehman Sisters. The consensus (and this is among the dead white men who parade annually at Davos) is that the optimal bank would have been Lehman Brothers and Sisters. Wall Street is one of the most male-dominated bastions in the business world..... Aside from issues of fairness, there’s evidence that the result is second-rate decision-making.” Nicholas Kristof, New York Times, Feb 8 2009

## ❑ *Gender norms*

“Iceland's spectacular meltdown was caused by a banking and business culture that was buccaneering, reckless - and overwhelmingly male. Business editor Ruth Sunderland travelled to Reykjavik to meet the women now running the country, and heard how they are determined to reinvent business and society by injecting values of openness, fairness and social responsibility”. Ruth Sutherland, Observer February 22, 2009

# Underlying Causes of Financial Crisis in West

- Global shifts in investment and production
- Global competition: global pressure on wages
- Productivity growth not matched by wage growth
  
- Rising female labour market participation: average households need more than one income to be above poverty line
- But most women don't get 'breadwinner' jobs and wages
- And fewer men get 'breadwinner' jobs and wages
- Gender gaps in labour market fall-but so do rights for both women and men
- Share of national income going to workers falling
  
- Consumption growth sustained by credit, especially in USA, UK and Ireland, masking downward trend in median real wages
- Women get better access to credit- but often on adverse terms-
- "Predatory inclusion"

# Finance and Reproduction in USA and UK

- Public housing availability falling, home purchases expanding, home loans expanding
- House prices rising: fictional wealth: encourages growth in consumer debt
- In USA Sub-prime loans with 'teaser rates' to previously excluded 'risky' borrowers: women household heads and African Americans over represented
- Access is easier but terms are more onerous over the life of the mortgage. In 2005, a sub-prime loan on a median price home implied \$85000 more in total payments than a regular loan
- Women borrowers in USA more likely to receive sub-prime loans than men at every income level
- Women have the right to borrow as individuals- but gender norms construct them as more risky borrowers
- In 2007 fuel and food price rises make it harder to pay the mortgage: defaults rise

# Finance, Reproduction and Financial Crisis

- Financial innovation: slicing and dicing of regular and sub-prime mortgages to produce new saleable assets, with triple AAA ratings.
- By 2006, stability of international financial system depends on ability of low and middle income holders of sub-prime mortgages to service their debt.
- 'When problems in the housing market triggered a wave of sub-prime defaults, the value of.. derivative assets based on mortgages collapsed.... Securitization and funding via global capital market created channels of contagion in which a crisis originating in one product in one location.. spread to other products.. and throughout the world.'

'Structural Causes of the Global Financial Crisis: A Critical Assessment of the New Financial Architecture', J. Crotty, UMass-Amherst, 2008

Financial crisis 2008	Transmission from Wall Street to Asia	Impact	Response Governments and Households
Finance Gender Divisions Gender Norms	Fall in inter-bank lending Fall in aid  Fall in FDI	Credit squeeze Fall in investment Fall in asset prices	Support for banks Direction of bank credit Controls on capital outflows Loans from IMF Reduction in borrowing
Production Gender Divisions Gender Norms	Fall in export demand	Fall in output Fall in employment Fall in earnings Fall in enjoyment of labour rights	Fiscal stimulus-selected subsidies and tax breaks Increase in people seeking informal paid work
Reproduction Gender Divisions Gender Norms	Fall in remittances Returning migrants	Fall in earnings Fall in nutrition Fall in school attendance	Increase in social protection transfers Cuts in social sector investment Increases in unpaid work

# Gendered Impact in Production Sphere: some examples

Oxfam International Discussion Paper, March 2009 found

- *“Women’s jobs are first to go”*

“Women are the backbone of industries that have been hit hard “

Sri Lanka and Cambodia each lost 30,000. mostly female, garment industry jobs

More than half of the 40,000 jobs lost in Philippines were from export processing zones

Reports of employers evading payment of severance compensation. Women in some countries mobilized to demand their compensation.

# **Not Just Loss of Jobs, Loss of Earnings and Benefits**

Oxfam International Discussion Paper, March 2009 found :

- Women who kept their jobs hit by cuts in wages and overtime rates, increasingly precarious contracts, loss of benefits such as subsidised meals and transport.
- The ethical trade manager of one major global fashion brand complained that the determination to reduce margins was pulling her company to source from ever more desperate supply chains, where informal and precarious employment and bonded and trafficked labour are prevalent. Evidence of UK companies abandoning suppliers with relatively good wages and conditions in Sri Lanka and China, for even lower wage zones in their quest for ever lower prices.”

# Also in Informal Sector

WIEGO study with partners in 10 cities, Durban ( South Africa), Blantyre ( Malawi), Nakuru (Kenya), Lima ( Peru), Bangkok ( Thailand), Malang ( Indonesia), Kasur ( Pakistan), Pune (India), Bogata(Columbia), Santiago (Chile)

Interviewed 164 informal workers (79% of them women) in three occupations: Waste pickers, Home-based workers ,Street vendors

Almost all reported loss of earnings due to falling prices, falling sales, more competition from new entrants who had lost jobs in formal employment



# Long Term Implications

- ❑ Output recovers faster than employment
- ❑ Growth of “precarious work”
  - Temporary
  - Fixed term
  - Part-time
- ❑ Example of 1997 financial crisis in S Korea-
  - employment recovered
  - but more of it was precarious work, especially for women
- ❑ Labour rights may be permanently lost, especially for women
- ❑ Policy challenge: not just jobs, but decent jobs

# Impact in Sphere of Reproduction

- ❑ “I lost my job, I’ve been evicted from my house and my belongings were confiscated by the landlord. Now I rent a small room with my husband and two children. We’ve had to cut our spending on food.” *Cambodian woman worker. Oxfam study*
- ❑ “We’ve had to reduce our expenses on food medicine, and other necessities. I often feel dizzy and have stomach pains through feeling hungry.” *Cambodian woman worker, Oxfam study*
- ❑ “I try to economize by spending money only on necessary things. I take leftover cloth and make clothes for myself now.” *Home-based woman garment worker, Bangkok, WIEGO study.*

# Long Term Implications: Successful Coping Strategies or Desperation Measures?

- ☐ Gender norms mean that its women who generally have the responsibility for devising responses
- ☐ How far can additional unpaid work substitute for paid work?
- ☐ Potential for irreversible adverse impacts
- ☐ Evidence from previous crises suggests the following:
  - Children drop out of school, increase in child labour
  - Children are malnourished: wasting and stunting
  - Gender norms in many countries mean that girls are likely to be worse affected than boys
- ☐ A lost generation of poor girls?

# Strengthening Links between Production and Reproduction in Asia

- ❑ ILO and Asian Development Bank , *Women and Labour Market in Asia. Rebalancing for gender equality* , 2011
  - Re-orient Asian economies from export- led to domestic consumption –led growth
  - Expand Asian middle class
  - Expand for profit production of health and education services
- ❑ Comment:
  - good for middle class women- but what about low income women? Rising inequality between women?

# Ensuring Finance serves Production and Reproduction in Asia

- ❑ Controls on international capital flows
- ❑ Support for socially useful banking
  - co-operative
  - mutual
  - municipal
  - state
- ❑ Regulation of micro-finance
  - Growing problems of unsustainable debt burdens
- ❑ Central banks and ministries of finance that support job creation as well as control of inflation