

# Finance, Production and Reproduction in the Context of Globalization and Economic Crisis

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This paper analyses the gendered global interaction of the spheres of finance, production and reproduction in the context of the financial crisis in 2008/9. It examines the gendered origins of the crisis in the West; and the gendered impact of the crisis in Asia. It argues that the crisis was generated by an economic system in which finance had come to dominate over production and reproduction; and in which the safety nets of last resort have been provided by unpaid work in the sphere of reproduction. It suggests that securing a more gender-equitable recovery from the crisis in Asia requires more than changing the gender-division of labour and gender norms in production. It requires a more fundamental reorganization of the relations between the three spheres, so that finance and production serve the needs of reproduction, the sphere in which the care essential to human well-being is provided.

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## Introduction

The extent of globalization has been amply demonstrated by the way in which, in the last four years, all countries have been impacted in some way by the financial crisis that began in autumn 2008 on Wall Street, USA, and quickly enveloped banks in Iceland, Ireland, the UK and other European countries. This financial crisis in the heartlands of global capitalism led in 2009 to recession in the USA and Europe, and to falling output and incomes and rising unemployment around the world; and in 2010/11 to rapidly rising prices for food and fuel, as large western financial companies moved their speculative operations from financial to commodities markets. The form and severity of crisis has been different in different parts of the world but no country has entirely escaped, demonstrating how quickly adverse economic events are transmitted from one country to another in the context of globalization. In this paper I argue that to understand these crises from a gender equality perspective it is helpful to situate them in the context of the gendered global interaction of the spheres of finance, production and reproduction. I apply this framework to examine the gendered origins of the crisis in the West; and the gendered impact of the crisis in Asia. I argue that the crisis was generated by an

economic system in which finance had come to dominate over production and reproduction; and in which the safety nets of last resort are provided by unpaid work in the sphere of reproduction. I suggest that securing a more gender-equitable recovery from the crisis in Asia requires more than changing the gender-division of labour and gender norms in production. It requires a more fundamental reorganization of the relations between the three spheres, so that finance and production serve the needs of reproduction, the sphere in which the care essential to human well-being is provided.

### Three Spheres of Economic Activity

The sphere of finance includes profit-oriented retail and investment banks, insurance companies, hedge funds, etc. and their regulators, including Central Banks and Ministries of Finance. As well as these “formal” institutions, there is also an “informal” sector of money lending by pawnshops, kerbside dealers, and landlords and merchants. As well as all these profit-oriented institutions, there are socially useful financial institutions, such as mutual or co-operative savings and loans funds, subsidized micro-finance and state banks.

In the sphere of production, goods and services are produced for sale, through activities such as farming, mining, construction, manufacturing, wholesaling, retailing, and supply of leisure services, etc. This sphere includes both formal and informal paid work; and people work as employees, in self-employment, and as contributing family labour in small farms and businesses.

The sphere of reproduction is a non-market sphere of social provisioning, supplying services *directly* concerned with the daily and inter-generational reproduction of people as human beings, especially through their care, socialization, and education. It includes unpaid work in families and communities, organized unpaid volunteer work, and paid (but non-profit) work in public services like health and education. It is in this sphere that the care essential for human well-being is created.

All three spheres are linked internationally through international financial markets, international direct investment, international development assistance, international trade, international migration, international information flows and international networks. The spheres are coordinated through these links. But the coordination is far from perfect, and there are frequently ruptures and crises. In the early 1980s, in the early stages of international liberalization of trade and finance, there was a Latin American debt crisis; in the late 1990s, when globalization had deepened further, there was an Asian financial crisis, and in 2008, there was a financial crisis which began in Wall Street and led to a global fall in output and employment, and a profound fall in well-being for millions of people.

All three spheres of economic activity are gendered, both in the ways they are peopled and in the norms that structure their operation. There are gendered divisions of labour and decision making, so that men and women are not randomly distributed throughout these spheres. While men and women work in all three sectors, women’s work time is disproportionately concentrated in the sphere of reproduction across all countries. In production, women and men tend to be concentrated in different occupations in different industries, but the occupations and activities seen as “women’s work” and

“men’s work” vary considerably, depending on the context. For instance, in most countries, employment in construction is seen as “men’s work” and the jobs in this sector do go mostly to men; but not in India, where it is normal for women to work in construction and the industry is a major employer of women. Norms that the primary earners in a household should be men and the primary carers should be women tend to be strong in most countries, even if in practice women’s earnings are vital to keeping families out of poverty. The task of feeding family members tends to be a female responsibility in most countries, and women try to ensure that they can do this, using whatever means possible.

Thus the institutions of an economy are bearers of gender. This is often seen as the “natural” outcome of innate differences between women and men, and the different choices they therefore make. But feminists challenge this, pointing to the ways in which choices are shaped; and that differences are created by socialization. However, gender norms are not set in stone. In a crisis, existing gender norms may be reinforced; or they may decompose, with individual men taking on roles normally associated with women, and vice versa; or they may be transformed through deliberate collective action, by civil society groups, or by governments, to overcome gender stereotypes.

### The Origins of the 2008 Financial Crisis

The gendered characteristics of the financial sphere have been referred to by some commentators as a factor in causing the 2008 financial crisis in the USA, both in terms of the domination of men in decision making and the prevalence of macho norms of behavior. For example, Nicolas Kristof, a prominent journalist on the *New York Times*, reported:

“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*, February 8, 2009.

There is some merit in this idea, but getting more women into decision-making positions in large banks would not by itself prevent recurrence of this kind of crisis, not even if they were to change the culture of banks. It would also be necessary to change the way that banks are regulated, and to change underlying structures of business and society, including the way that finance relates to production and reproduction (Young, Bakker and Elson [eds] 2011).

Underlying the financial crisis in the west are global shifts in investment and production, especially to Asia, leading to intensified competition and downward pressure on wages in the west. In the USA, for instance, productivity growth over the last 20 or so years has not been matched by growth in wages. These factors have led in the USA, UK, Ireland, and other western countries to rising fe-

male labour market participation, propelled by rising demand for low-cost labour to meet global competition; and rising supply of female labour as average households needed more than one income to be above the poverty line, and to meet the costs of housing. But most women did not get secure “breadwinner” jobs, with high wages and social benefits. Indeed, fewer men got “breadwinner” jobs. Gender gaps in labour markets fell—but so did economic and social rights for both women and men. The share of national income going to workers fell. Inequality between households rose sharply (Seguino, 2010).

Consumption growth was sustained by credit, especially in the USA, UK and Ireland, masking the downward trend in median real wages. The use of credit cards increased rapidly. The sphere of reproduction became dependent on the sphere of finance. Women got better access to credit—but often on adverse terms. This was especially the case in the USA, where there was “predatory inclusion” of women in the so-called sub-prime market for loans, especially mortgage loans related to housing (Balakrishnan, Elson and Heintz, 2011). Poor quality mortgage loans were aggressively marketed to groups that had previously been excluded from large-scale borrowing. Such loans seemed attractive to first-time borrowers. There was a fall in the availability of public housing at affordable rents. Buying a home seemed an attractive idea at a time when the value of homes was rising: it seemed you got not only a place to live but also an asset of appreciating value. In the USA financial companies targeted new borrowers with interest rates that initially were very low, though after a couple of years the interest rate would rise considerably. Previously excluded groups, such as women household heads and African Americans were over represented in those who took such sub-prime loans. Access was easier but terms were more onerous over the life of the mortgage. In 2005, a sub-prime loan on a median price American home implied \$85,000 more in total payments than a regular loan. Women borrowers in the USA were more likely to receive sub-prime loans than men at every income level. In 2007, rises in prices of fuel and food in the USA made it harder to pay the mortgage, and the number of people defaulting on their loans began to rise.

This rippled out from the housing sector because of the way that changes in financial regulation had facilitated financial innovation. Regular and sub-prime mortgages were packaged together to produce new assets, which were given the highest ratings, triple AAA ratings, by the three major ratings agencies in the USA. These derivative assets were extensively traded and ended up in the hands of banks headquartered in a wide range of other countries (though not in countries like China and India which had more stringent banking regulations). By 2006, the stability of the international financial system depended on the ability of low and middle income holders of sub-prime mortgages in the USA to service their debt. Defaults on these mortgages led to a collapse in the value of assets derived from them. Securitization and funding via global capital markets created channels of contagion in which a crisis originating in one product in one location spread to other products and throughout the world.

Putting more women in charge of banks might have led to more careful appraisal of the risks of financial innovation, but it would not have addressed the underlying problem of what some have called the “financialization of everyday life,” and the profit-seeking globalization that underpinned this. In

Iceland, where the financial crisis led to major political changes, and the election of a women prime minister, there is, perhaps, more awareness of the need to address underlying economic and social structures, as this report in a British newspaper suggests:

“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.” *Observer*, February 22, 2009.

To reinvent business and society in this way requires changing the way in which finance relates to production and reproduction, putting finance at the service of production and reproduction rather than allowing finance to dominate the other spheres of the economy. In Western Europe, the welfare state provides a system of universal social protection that helps to cushion the impact of the crisis on the sphere of reproduction. However, the severity of the crisis has reduced the tax revenue that underpins the welfare state, and it is being severely cut back in Iceland, Ireland, the UK, Portugal, Spain, Italy, and Greece.

### Asia and the 2008 Financial Crisis: A Framework for Analysis

The implications of the 2008 financial crisis for Asia can be examined in terms of the matrix presented below. The rows represent the three gendered economic spheres, finance, production and reproduction. The columns represent economic processes: the first column represents the processes through which the financial crisis was transmitted to Asia. The second column represents the immediate impact of the crisis, following its transmission; and the third column represents responses of governments, firms, and people. The matrix identifies some of the key aspects and is not exhaustive.

<b>Economic Sphere/Economic Process</b>	<b>Transmission Channels</b>	<b>Impacts</b>	<b>Responses</b>
<b>Finance</b> <i>Gender divisions</i> <i>Gender norms</i>	<i>International financial markets</i>	<i>Fall in foreign direct investment</i> <i>Fall in stock market prices</i>	<i>Some governments request IMF loan</i> <i>Some poor women increase informal debt</i>
<b>Production: Formal and Informal</b> <i>Gender divisions</i> <i>Gender norms</i>	<i>International trade</i> <i>Fall in export demand</i>	<i>Fall in output</i> <i>Fall in employment</i> <i>Fall in earnings</i> <i>Fall in enjoyment of labour rights</i>	<i>Fiscal stimulus- selected subsidies and tax breaks for business</i> <i>Increase in people seeking informal paid work</i>
<b>Reproduction</b> <i>Gender divisions</i> <i>Gender norms</i>	<i>Fall in remittances</i> <i>Returning migrants</i>	<i>Fall in earnings</i> <i>Fall in spending on food and medicines</i>	<i>Increase in unpaid work</i>

## Implications in the Sphere of Finance in Asia

In the sphere of finance, transmission took place through international financial markets, leading to falls in the value of shares in stock markets, and some falls in incoming direct investment. But there was no banking crisis in Asia, even though the financial sector is predominantly governed by men. As a result of the experience of the 1997 Asian financial crisis, many governments already had controls on banking operations, including on capital inflows and outflows, and had built up large reserves of foreign currency. Some governments did seek loans from the IMF to cover the rising balance of trade and budget deficits, and there is a risk that the conditions attached to such loans may have adverse implications for gender equality. Commercial banks were not heavily involved in lending to women. Rather it was micro credit institutions that lent to women, but these were not linked to international financial markets, and were not much affected by the financial crisis. However, poor women, trying to cope with economic hardship arising from the impact on production, may have increased their demand for loans from informal moneylenders in order to buy food, to pay health service fees, and so on. In doing so, they may have taken on debt that will be an onerous burden in the future. This might also be considered a form of predatory inclusion of women in the financial sector.

## Implications in the Sphere of Production in Asia

The financial crisis in the USA and Europe was transmitted to the sphere of production in Asia via falling demand for exports (resulting from the crisis-induced recession in the USA and Europe). This led to falling output, employment and earnings in the export sectors. The gendered implications depend on whether the export sector depends heavily on female employment, as it would if garment production is significant, or whether mostly men are employed, as would be the case in mining. In the former case, the first wave of loss of jobs and earnings will affect women more than men; in the latter case, the first wave of loss of jobs and earnings will affect men more than women.

In many Asian countries, the export sector is female intensive, and women's jobs were the first to go. According to an Oxfam report, in 2008/9, Sri Lanka and Cambodia each lost 30,000 garment industry jobs; and more than half of the 40,000 jobs lost in the Philippines were from export processing zones, which employ mainly women. There were claims of employers evading payment of severance compensation, and women in some countries mobilized to demand their compensation (Emmett, 2009). Women who kept their jobs were hit by cuts in wages and overtime rates, increasingly precarious contracts, loss of benefits such as subsidized meals and transport. Some of the improvements that pressure for fair trade had been bringing to women workers were put in jeopardy. The Oxfam report (Emmett, 2009) notes that the ethical trade manager of one major global fashion brand complained that the determination to reduce margins was pulling her company to source from enterprises that could supply at the lowest cost, despite the fact that they offered precarious employment and even used bonded and trafficked labour. Evidence was cited of UK companies abandoning suppliers with

relatively good wages and conditions in Sri Lanka and China, in their quest for ever lower prices.

Official figures for unemployment, as reported by the ILO, show a less dramatic picture (ILO and Asian Development Bank, 2011: 20). There were increases in unemployment between 2007 and 2009 in East Asia for both men and women, but rates of unemployment in both years were higher for men than for women: male unemployment increased from 4.3% to 4.9% and female unemployment increased from 3.2% to 3.7%. In ASEAN countries, male unemployment remained at 5.2% but female unemployment rose slightly, from 5.8% to 5.9%. In South Asia, reported unemployment rates actually decreased, from 4.2% to 3.9% for men and from 5.3% to 5.1% for women. In Japan, unemployment rose, for men from 3.9% to 5.3% and for women from 3.7% to 4.8%.

However, unemployment statistics may not in themselves be a good guide to the relative impact on women's and men's employment. Women who lose their jobs may disappear altogether from the labour force statistics which often just include formal sector jobs, if—as in some countries—they have no rights to unemployment insurance (and thus do not register as unemployed), or because they do not go looking for another (formal sector) job, because they do not expect any to be available (and thus do not count as unemployed in labour-force surveys). This does not necessarily mean, of course, that women become idle. Instead, they may take up informal employment—either home-based or street-based—of a kind that does not get captured by the labour-force statistics. In Korea after the 1997 financial crisis, official unemployment rates were higher for men than for women, even though the rate of job loss was higher for women (Lee, 2010). Deteriorating terms and conditions of work for women in Thailand, Indonesia, and Cambodia in 2008 and 2009 were reported by the ILO and Asian Development Bank (2011: 21, 18).

Earnings and conditions of work were not only hit in the export sectors. There was a knock-on impact in informal employment supplying the domestic market. Some evidence is provided by the study on the impact of crisis on informal workers in 10 cities, including some in Asia: Durban (South Africa), Blantyre (Malawi), Nakuru (Kenya), Lima (Peru), Bangkok (Thailand), Malang (Indonesia), Kasur (Pakistan), Pune (India), Bogota (Columbia), Santiago (Chile) (Horn, 2009). Interviews were conducted with 164 informal workers (79% of them women) in three occupations: waste pickers, home-based paid workers, street vendors. The study found that a quarter of respondents who were street vendors and home-based paid workers had increased their hours of work to try to make ends meet. But sales were falling, competition from new entrants into informal work was increasing, and they were unable to sustain their incomes (Horn, 2009).

Similar findings from other studies conducted in Indonesia, the Philippines, Cambodia, Vietnam and India are reported by the ILO and Asian Development Bank (2011: 26, 27), which conclude that women informal workers were harder hit than men. The reasons include the over-representation of women in the most vulnerable sectors; women's more limited alternatives owing to cultural constraints and household responsibilities; men's better access to networks and resources, including credit; and the neglect of women in stimulus packages.

Many governments did respond to the impact of the economic crisis on their economies with a

fiscal stimulus (i.e. an expansion of public expenditure and/or cut in taxes) which supported production via subsidies, tax breaks, and government contracts. The gender implications of fiscal stimulus vary according to the industries which are favoured by the stimulus. If the favoured industries are cars and large-scale construction (for example, the construction of major roads), then in most countries, this will do more to preserve men's jobs than women's jobs. This may be appropriate, if men have disproportionately lost their jobs. But if the opposite is true, or if the rate of job losses for women and men has been more or less similar, then a more balanced fiscal stimulus is called for. This could be one that targets small firms as well as large ones (in so far as small firms employ relatively more women than large firms), or one that supports the expansion of social infrastructure (such as health and education, in so far as these services tend to employ relatively large numbers of women).

In 2010, output recovered strongly in most of Asia (though not Japan), with GDP in Developing Asia growing at 9.3% (ILO and Asian Development Bank, 2011: 32). However, there is every likelihood that there will be a permanent impact on the labour market, with a long-lasting undermining of rights to work and rights at work for women. According to the ILO and Asian Development Bank, recovery has not been gender-equitable.

### Implications in the Sphere of Reproduction in Asia

The sphere of reproduction may be impacted by the financial crisis, both via the impact on Asian production, and via the impact on migrants to other regions, who may reduce remittances or return home, because of loss of earnings and employment. The impact via international migration turned out not to be as serious as had been anticipated (ILO and Asian Development Bank, 2011: 23-24). Many male migrants who had migrated to the construction sector did indeed lose jobs, but the large numbers of women who had migrated to care-related jobs, including nursing and paid domestic work, did not. No country that exported substantial numbers of female workers reported a large-scale return of migrants; and remittances continued to grow.

The impacts on formal and informal production in Asia, discussed above, did lead to falls in the income that households have at their disposal to support their reproduction, so that poor women had to cut spending, even on necessities. In addition, poor women found that there was often a squeeze on their time, as more household members sought work in the informal economy, and those already working in the informal economy worked longer hours to try to maintain earnings. In addition, household members and in particular poor women, undertook extra unpaid work to try to make ends meet. For instance, here is what women who had lost jobs in garment factories in Cambodia said about their experiences (Emmett, 2009):

"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. We've had to reduce our expenses on food medicine, and other necessities. I often feel dizzy and have stomach pains through feeling hungry.



Women informal workers in Asia have reported similar experiences, and also told of additional they were doing (Horn, 2009). For instance:

“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, There are no regular up-to-date statistics available on the extent of unpaid work, but a number of case studies suggest that these are not isolated experiences. The ILO and Asian Development Bank report (2011: 29) suggests that gendered norms of responsibility for childrens’ well being meant that women were pushed into doing more work, both paid and unpaid.

Through these measures, which are better described as desperation measures than coping strategies, poor women tried to secure the continued reproduction of their households. But they did not always succeed. A study of low income communities in eleven countries (Armenia, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Vietnam and Zambia) found that while many groups displayed resilience in the 2008/9 crisis, there were limits to this:

“Assets once depleted take years to recoup; working extra hours in second or third jobs leaves a legacy of exhaustion; loans taken on to finance consumption accumulate into crushing debt burdens; and meals forgone can affect children for their entire lifetimes.” (Green et al., 2010: 5).

The problem continues that finance and production are not organized to be at the service of reproduction. Rather, the sphere of reproduction has to adjust to the pressures from finance and production; and the best efforts of poor women may not be able to safeguard their children, themselves and other family members.

## Changing the Relation between Finance, Production and Reproduction

Discussions are underway in Asia on how to “rebalance” Asian economies. It is proposed that demand be redirected from public spending to private investment and consumption; that domestic-led growth should replace export-led growth; that green jobs and enterprises should be created and that there should be greater regional integration via trade. This implies a restructuring of Asia’s global links. The question of whether this will also lead to greater gender equity is discussed in a report by the ILO and Asian Development Bank (2011).

The report points out that if rebalancing involves cutting public expenditure on social services, this will impact on women more than on men because of women’s responsibilities in the sphere of reproduction. The potential adverse impact will be made worse by the aging of the population that is taking place quite rapidly in many Asian countries. Growth in demand for care services can lead to more jobs for women, because this work is disproportionately done by women. But the expansion of businesses providing these services for a profit will exclude low income old people (who are disproportionately women) as they will not be able to afford such services.

The ILO/ADB report suggests that a move to domestic-led growth will require the expansion of the middle class, and will generate more demand for paid domestic workers, who will likely be mi-

grants from the poorer areas of Asia. However, we need to be aware that such employment tends to have lower earnings and enjoys less rights than employment in labour-intensive export-oriented manufacturing. Expansion of intra-regional trade will bring benefits to some, but, as the ILO/ADB report notes, increased competition may drive down the earnings and worsen the working conditions of women in informal employment and agriculture.

The report provides many useful suggestions on how to mainstream gender equality into the re-balancing of Asian economies including more voice for women in decision making. However, I would put more emphasis on a deeper restructuring in which finance and production are re-oriented to serve the needs of reproduction. This means re-orienting monetary policy and the regulation of the banking system towards employment creation and support for public services and social protection. It is insufficient to focus on reduction of financial risks through accumulation of large foreign exchange reserves when there are so many unmet needs in the sphere of reproduction. Finance needs to be mobilized not just to provide better access to women entrepreneurs, but also to fund a redistributive system of universal social protection which includes women as beneficiaries in their own right. This would be an important step to securing the creation of an economy in which finance and production support the sphere of reproduction in which the care that is essential to human well-being is provided.

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