

# Chapter One

## The Crisis in Perspective

### I. INTRODUCTION

1.1 The unequal position of women vis-a-vis men is as old as society: in most eras, in most places, women have borne a disproportionately large share of the work, and have received a disproportionately small share of the benefits from work—of income, of food, and of services. In certain respects, it appears that there was some reduction in the age old inequality, as well as an absolute improvement in the conditions of both men and women in the three decades from 1950. But in many developing countries this progress was halted, and even reversed, as a result of the economic crisis of the 1980s and the stabilisation and adjustment measures taken in response to the crisis. As we shall show in this Report, in the widespread suffering that has occurred over this decade in much of the developing world, women appear to have suffered disproportionately.

1.2 The situations differ, of course, between countries. But in most women account for a high proportion—at least a third—of the formal work force; for a greater proportion of the workers in the informal sector; and are almost exclusively responsible for the care and upbringing of children and the general welfare of their families. Consequently, deterioration in the condition of women, adversely affecting their capacities, has severely negative effects not only on the women themselves but also on the economy as a whole, and on family welfare, especially of children.

1.3 This Report documents the adverse effects the economic crisis and adjustment have had on women, and through them on society as a whole, over the past decade. It finds that these adverse effects **were not**

**necessary** and suggests improved approaches to adjustment that would protect the role of women and enhance rather than diminish their contribution to economic and social welfare. The report thus recommends that the crisis of restructuring should be turned to opportunity—the opportunity of regaining momentum for women’s advance and setting the stage for further progress in the decade ahead, just as earlier the Second World War and the struggle for Independence provided a context favourable for three decades of advance for women.

1.4 In this Chapter we show how in many developing countries the crisis of the 1980s brought to an end much of the economic and social progress of previous decades; we describe the adjustment efforts taken in response to the crisis, and indicate the economic and social consequences of these developments.

## II. PROGRESS, 1950–1980

1.5 The three decades following the Second World War were years of economic and social progress in most regions of the world. In the 1960s and 1970s, per capita income grew by almost 2 per cent per annum among low-income countries and double that among middle-income developing countries. Social progress paralleled or even exceeded economic progress: between 1950 and 1980, life expectancy increased; infant mortality rates fell rapidly; and enrolment rates increased fast at every level of education.

1.6 Women shared in this progress, despite inequality in access to income, work and basic services. In the developing world as a whole female life expectancy at birth rose from 44 years in 1950 to 61 years in 1980, an increase of nearly 50 per cent; in Latin America/Caribbean it rose from 53 to 67 years; in Asia (including Japan), from 45 to 63 years; and in sub-Saharan Africa, from 37 to 50 years. Over the same three decades the average infant mortality rate in developing countries fell from 163 to 91 per 1000 births.<sup>1\*</sup> The gap between the highest and lowest national levels narrowed significantly, suggesting that the improvement was widespread.

1.7 Women’s access to education also showed a striking improvement in virtually all countries. This is a crucial advance since education is a precondition for a fully productive life in the modern world. School enrolment for girls rose more sharply than for boys at every level. By 1980 females accounted for 44 per cent of developing country enrolment at primary level, compared with 37 per cent in 1950, and at secondary

---

\*All references are given at the end of the Chapter.

level they accounted for 40 per cent of enrolment in 1980 compared with 24 per cent in 1950.<sup>2</sup>

1.8 Women's employment in the formal sector also rose over these decades, giving them greater access to monetary income. In 1980, 42 per cent of women in developing countries were estimated to be participating in the labour force compared with 37 per cent in 1950.<sup>3</sup>

1.9 The general improvements in health and nutrition that occurred over this period were also shared by women, who benefited particularly from the decline in fertility rates that affected most regions in the latter part of the period. The average fertility rate in developing countries declined from 5.9 children per woman of child-bearing age in 1950 to 4.1 in 1980, with sharp falls in both Asia and Latin America/Caribbean, but not in Africa.<sup>4</sup>

1.10 Nonetheless women's position remained one of inequality compared with men. Despite regional variations, it has been shown that women (especially of poor households) work longer hours than men in virtually every part of the world. Studies show that women's daily workload extends upto 16 hours in rural India,<sup>5</sup> in rural Nepal to 12 hours (relative to 10 for men), and in Burkina Faso to 9.6 hours (compared to 7.6 for men).<sup>6</sup> At the same time, the remuneration for women's work remains lower than for men's. Women are more likely to be found in the informal sector, where average earnings are lower and more subject to uncertainty. But even in the formal manufacturing sector, women's earnings as a proportion of men's vary from 45 per cent (in South Korea) to 89 per cent (in Burma), with a survey of eight countries showing an average of 70 per cent. These differences are due particularly to the concentration of women in low wage industries, and in less skilled positions within industries. Women also have less access to education, especially at higher levels, as well as to vocational training. They take major responsibility for care of the family, despite being increasingly involved in outside work. Yet, until the economic crisis of the 1980s, it is clear that progress was being made in both the economic and the social dimensions of female welfare in most countries.

### III. THE ECONOMIC CRISIS OF THE 1980s

1.11 Women have been badly affected by the economic crisis. To understand their situation, we need to turn to the source of this crisis.

1.12 World economic growth had begun to slow down in the early 1970s, and became subject to wide fluctuations. Even so, the economies of most developing countries were able to continue growing during that decade. Whereas the trend growth rate of industrial countries nearly

halved after 1973, developing countries as a whole suffered only a small deceleration, from 6.3 to 5.2 per cent per annum during 1973–1979.<sup>7</sup> An important element in sustaining growth in middle-income developing countries was the rapid increase in their borrowing from private banks.

1.13 In the late 1970s and early 1980s very large imbalances developed in many countries' balance of payments on current account. In 1980, non-oil developing countries as a whole faced a deficit of \$89 billion. These imbalances differed from the earlier ones of the 1970s because bank lending was not forthcoming to finance them, and because the crisis was so widely shared—with at least two-thirds of the countries of Latin America, the Caribbean and sub-Saharan Africa, as well as a number of Asian countries, finding themselves simultaneously in a similar acute situation.

1.14 The crisis had its main origin in developments in the world economy, outside the control of developing countries, although policy decisions by some developing country governments in the 1970s aggravated the effects. A basic problem in the 1980s was a sharp worsening in both the trade and capital accounts **simultaneously**, whereas previously a worsening in the trade account had often been offset by an improvement in the capital account.

1.15 A series of adverse developments in the world economy worsened the trade prospects for developing countries at the end of the 1970s. A sharp rise in oil prices during 1979–80 led to a deterioration in the terms of trade of non-oil developing countries, and also precipitated a slow-down in world economic growth. There was a major recession among the industrial countries in the early 1980s; although economic recovery followed and has been sustained, world growth never picked up to its previous rate. Over the 1980s it has been about two-thirds of that of the previous decade. Commodity prices were sharply affected by these events: they fell by 1.7 per cent per annum during 1980–1987. A further problem for developing country exports was the rising protectionism among industrial countries in the 1980s. A review concluded: “By the early 1980s, protection was unambiguously growing with only minor offsets. This was most pronounced in industrialised countries' trade with developing countries”.<sup>8</sup>

1.16 Developing countries' exports thus suffered from the combined effects of a slower growth in world trade, deteriorating terms of trade and increasing restrictions on market access. However, it was the deterioration on the capital account which precipitated and prolonged the crisis.

1.17 Interest rates rose sharply at the end of the 1970s, as governments of industrial countries espoused monetarist policies, and they remained high, in real terms, throughout the 1980s. These high rates, payable on the large debt accumulated in the 1970s, led to a huge debt-service burden for some countries. Certain of them could no longer meet their debt-servicing obligations. Mexico's near default in August 1982 caused great concern among bankers and led to the collapse of voluntary bank lending to developing countries. Although aid flows held up, they did not expand to fill the gap. The result was a turnaround in the capital account of enormous proportions. Net external borrowing by developing countries from commercial banks—which had been as much as \$88 billion in 1981—became negative in 1988, to the tune of some \$10 billion. Net borrowing from all sources fell from \$117 billion in 1981 to \$29 billion in 1988. The net transfer\* from developed to developing countries was transformed from an inflow into developing countries of \$43 billion in 1981 to an outflow from them of \$34 billion in 1988.† There was a particularly large negative transfer from Latin America.

1.18 Huge debts have accumulated which, for many countries, thwart most development efforts, since additional resources are committed to debt payments, at the expense of meeting economic and social needs. By the end of 1988, the accumulated debt of developing countries as a whole was over \$1,300 billion. In Africa over one-quarter of export earnings were needed for debt-servicing; and over 40 per cent in Latin America/Caribbean. Debt-servicing also preempts a very large proportion of the government budget—over 40 per cent in Jamaica, Zambia and the Philippines, for example.

1.19 While the sharp deterioration in the external environment was due to exogenous events, the impact on developing countries depended in part on their previous condition. The countries most affected and least able to adapt to the crisis were those which relied heavily on primary products for export earnings and had borrowed a substantial amount; these included both low-income countries with a weak industrial base and countries which had industrialised on the basis of prolonged and deepening import substitution and had not developed manufactured exports.

1.20 The two regions most affected were Latin America/Caribbean and sub-Saharan Africa, though some countries in Asia were also affected. Latin America and the Caribbean suffered particularly from a heavy debt burden, while finding it difficult to develop non-traditional

---

\*The net capital inflows of all kinds less the outflows for amortisation, interest and dividends on existing capital.

†Data relate to a sample of 98 developing countries for which details are available to the United Nations.

exports. GDP per capita for the region as a whole was 6.5 per cent lower in 1988 than in 1980,<sup>9</sup> while there was a dramatic increase in inflation. Sub-Saharan African countries are particularly dependent on a few primary commodities for export earnings, and they experienced sharply worsening terms of trade and also poor supply performance. In addition, the region was badly affected by the disruptions of war, poor weather and worsening ecological conditions. In sub-Saharan Africa as a whole per capita incomes fell continuously throughout the 1980s. In both regions economic performance and living standards are now significantly worse than in the early 1970s.

1.21 The situation in Asia was considerably better than elsewhere in the developing world. On the one hand, India and China were less affected by the economic crisis. Being large and less dependent on the international economy, they were less vulnerable to the deterioration in trade access and financial flows. Sustained growth of agricultural production—the fruit of improved policies, extensive investment and technical improvements in the previous decade—also made an important contribution. On the other hand, the East Asian countries which had diversified into manufactured exports, were less subject to terms of trade deterioration, and they were more able to adjust rapidly to new conditions.

#### IV. STABILISATION AND ADJUSTMENT

1.22 The debt burden, the deteriorating economic situation and persistent balance of payments crises necessitated major adjustments in most developing countries. The question at issue was not whether to adjust but how to adjust.

1.23 Adjustment—consisting of the reallocation of resources from one part of the economy to another, the redeployment of labour, creation of new skills to participate in new opportunities, leading to a changing economic structure and changing patterns of life—is a normal, indeed essential, aspect of economic development as incomes grow, new technologies emerge and opportunities alter. The economic crisis, however, imposed special adjustment requirements. Substantial resources had to be moved into exporting and import-substituting sectors and out of sectors mainly serving domestic needs, so as to generate and save the foreign exchange required. Moreover, these changes had to take place **rapidly** because of the acute nature of the crisis and the minimal finance available. Yet, to build up new industries for such adjustment often requires investment and time. Neither was forthcoming to the extent needed. Hence the failure of most countries to combine structural adjustment and economic growth; instead, too often, the reality has been of prolonged austerity and cutbacks.

1.24 The majority of countries in difficulties approached the International Monetary Fund, as the institution charged with the responsibility for helping countries to tide over balance of payments problems. The number of countries with Fund programmes in the 1980s was almost double the number in the 1970s, with 30 or more countries typically having one at any given time. However, not all countries in difficulties approached the Fund: some tried to adjust on their own; others started negotiations but failed to come to an agreement; while others broke with the Fund, having failed to meet agreed performance criteria, or considered the policies prescribed would impose what were viewed as excessive costs, and subsequently attempted to adjust on their own.

1.25 Fund support was initially intended to met temporary imbalances, deemed to have short-term and reversible causes, with a standby credit being agreed for 12 to 18 months. As the difficulties persisted, successive standby arrangements were often negotiated. The Fund has typically taken a short-term view. Fund programmes have put heavy emphasis on expenditure restrictions which can be expected to have an immediate effect on the balance of payments. They are thus primarily **stabilisation** programmes, since their main intent is to cutback expenditure in the short run.

1.26 The Extended Fund Facility (EFF), introduced in 1974 and available for three consecutive years, was intended to contribute more to solving problems due to structural maladjustments. But little use was made of the facility and in practice its conditions were very similar to those of successive standbys.

1.27 As the 1980s progressed, it became evident that stabilisation programmes alone were not appropriate because the source of the difficulties was not temporary and reversible, but prolonged and longer-term. Moreover, it also became apparent that stabilisation policies were very costly in terms of loss of output, incomes and investment and non-fulfilment of social needs, which made them intolerable as a solution to such a prolonged crisis. Consequently, the need for medium-term structural adjustment policies was recognised—policies that would focus on restructuring affected economies in the medium term, so that they could adjust to the new economic realities, while sustaining economic growth.

1.28 The World Bank initiated structural adjustment loans partly in response to the evident need for more growth-oriented adjustment. The Bank's structural adjustment policy packages have taken two forms—the Structural Adjustment Loans (SALs) which are comprehensive and economy-wide, and the Sector Adjustment Loans (SECALs), linked to

specific segments of the economy. During 1980–1988 Bank adjustment lending totalled \$21.4 billion to 57 countries, mostly in sub-Saharan Africa and Latin America. Structural adjustment lending had risen to one-quarter of total Bank commitments by 1988. These loans have mostly supplemented rather than replaced IMF stabilisation programmes. All the SALs, and all but seven of the SECALs, have been implemented in the context of an IMF facility or monitoring programme.

1.29 The IMF has also introduced some longer-term policy reforms into its conditionality, and a revitalised EFF extending over four years. New facilities, combining Fund and Bank conditionality and financing (the Structural Adjustment Facility and the Enhanced Structural Adjustment Facility) were initiated for low-income countries. At the end of February 1989, 17 countries had standby arrangements, two had extended arrangements and six had loans from the Enhanced Structural Adjustment Facility.

1.30 The main thrust of the IMF stabilisation programmes has been, as noted above, to cutback on expenditure, through controls on credit creation and public expenditure levels, reductions in subsidies, especially food subsidies, and cuts in real wages and public sector employment. In addition, the programmes include measures to encourage resource reallocation to more productive uses and the internationally traded sector, through devaluation, price decontrol and wage restraints. Longer-term measures include financial reforms.

1.31 The Bank's SALs and SECALs reflect a similar market-oriented philosophy to that of the IMF, and include price reform (with increases in agricultural prices a critical element in many programmes) and import liberalisation. The SALs also frequently involve reform of the public sector, with reduced public sector employment and privatisation of parastatals, and measures to increase administrative and institutional capacity. The majority of SECALs have been concerned with the internationally traded sector, providing finance to secure trade liberalisation. To date few SECALs have been related to the social sectors, where the emphasis has been on increasing efficiency and cost-recovery wherever possible.

1.32 Some countries have followed their own adjustment programmes without association with the Bretton Woods institutions. In many cases countries' positions have changed over time, sometimes adjusting with Fund and Bank support, and at other times following more independent policies. There is thus a considerable range of experience of alternatives, but no single pattern has been followed. Most programmes have been heavily influenced by the Fund/Bank prototype, but several countries have tried more expansionary programmes and have made greater use of controls and other interventions than in typical Fund programmes.

Independent adjustment efforts have mostly been stymied by lack of finance, not only from the Fund and Bank but also from bilateral donors and the private sector, generally forcing these countries back into the IMF regime.

## V. ECONOMIC AND SOCIAL PERFORMANCE DURING CRISIS AND ADJUSTMENT

1.33 The 1980s have been a decade of nearly continuous adjustment efforts in many developing countries in Latin America, the Caribbean and Africa, and in some countries in Asia. Yet in most of them the decade has seen economic and social regress. Per capita incomes have fallen significantly in the regions affected and, despite the adjustment efforts, most countries are as far from being in a satisfactory external position from which they can resume economic growth as they were at the beginning of the decade. The falling incomes and rigorous adjustment experienced by at least half the countries of the developing world have been accompanied by a significant deterioration in the human condition.

### **Latin America and the Caribbean**

1.34 The Latin America and Caribbean region has suffered a deep economic crisis in the 1980s. Real per capita GDP in 1988 was about 7 per cent below the level in 1980, with a much greater fall (around 16 per cent) if account is taken of the net resource flows out of the region and the deterioration in the terms of trade.

1.35 Adjustment efforts led to an increase of 56 per cent in export volumes between 1980 and 1988, and a decrease of 13 per cent in import volumes, leading to a major improvement in the trade balance. But this improvement was virtually wiped out by the growing debt-service obligations. Interest charges continued to mount, very large amounts of money were transmitted overseas in the form of capital flight (estimated to amount to \$65 billion during 1980–84 from eight major countries<sup>10</sup>), and very little new lending occurred. Consequently, there was a massive transfer of resources out of the region (cumulatively of around \$150 billion from 1982 to 1987), and the current account remained in substantial deficit. The reductions in imports were achieved largely by cutting back on investment and intermediate goods, severely weakening the future growth potential of the region. Net investment per capita is estimated to have fallen over 50 per cent during 1980–85.

1.36 The human impact of the crisis and adjustments was devastating. Rising unemployment, falling real wages and rising food prices combined to make it impossible for poor households to meet their minimum nutritional needs. For example, in Jamaica in 1984 it was estimated

that a five-person household with two wage-earners could afford only 50 per cent of a nutritionally adequate minimum basket of goods (see also Box 1.1). Between 1980 and 1985, open unemployment in the ECLAC region rose by one million; real minimum wages fell by between 30 and 55 per cent; and informal sector wages dropped by 27 per cent.<sup>11</sup> Food prices increased faster than other prices, and the price of basic foods increased even faster as subsidies were withdrawn.

### **Box 1.1. A View of Adjustment in Jamaica**

At a Caribbean regional meeting of non-governmental organisations, held in Grenada in March 1989 under the auspices of the Caribbean Peoples' Development Agency and OXFAM, USA, Jamaica's experience of crisis and structural adjustment was outlined as follows:

“Before the inception of the structural adjustment programme in Jamaica, the external debt stood at some US\$1.7 billion in 1980. However, after Jamaica had undergone eight years of structural adjustment, the external debt was US\$4.3 billion. At fiscal year end 87/88, Jamaica's external debt represented 120 per cent of its GDP. What this meant in terms of human suffering was frightening. A study conducted in May of 1985 by OXFAM, USA indicated that 30 per cent of Jamaica's labour force was unemployed and 66 per cent of the female labour force aged 14–24 was unemployed; that one third of the labour force was earning less than J\$30.00 a week while the cost of feeding a family of five was J\$143.21 a week; that 50,000 children under three years of age were suffering from malnutrition; that one third of all pregnant mothers were found to be anaemic; that the cost of basic drugs had increased since 1982 by 50 per cent to 300 per cent, and all of this in the face of declining health services.

“Much of this was as a direct result of the implementation of structural adjustment strategies which included devaluation of the currency to reduce local consumption; higher direct and indirect taxation on the poor and middle classes; decreasing public spending on social services; reduction of the number of government employees and ownership of enterprises; reduced wages; and the opening of the domestic market to foreign investors”.

*Source:* CAFRA News (Newsletter of the Caribbean Association for Feminist Research and Action) Vol 3, No 1, March 1989.

1.37 The nutritional status of women and children declined in a considerable number of countries: in seven out of 15 countries for which data are available, the proportion of low birth-weight babies rose at this time; there is also evidence of growing malnutrition among children under five years of age in seven countries, including Bolivia, Dominican Republic, Jamaica, Peru and Uruguay.<sup>12</sup>

1.38 Cuts in household incomes and in public expenditure on health services led to worsening health. Real per capita expenditure by central governments on health fell in 14 out of 23 countries for which there is evidence.<sup>13</sup> Out of 19 countries, there was an increase in infant mortality rates in seven, a slow-down or halt to their improvement in six, and a continued improvement in six.<sup>14</sup>

1.39 There were also sharp cutbacks in real expenditure per capita in education. From 1979 to 1983, 60 per cent of countries in Latin America reduced their education expenditure per capita. Indications of deterioration in education—in numbers and in achievements—were found in at least six Latin American countries.<sup>15</sup>

## **Africa**

1.40 Much the same story can be told for African countries. But here the economic crisis was compounded by severe disruptions caused by drought and war. In sub-Saharan Africa per capita incomes fell by over a quarter in the 1980s. If account is taken of the deterioration in the terms of trade the drop was about 30 per cent. By any standards this is a staggering loss of income. With a per capita GNP of only \$370 (1986) or 35 times less than the industrial market economies, it represents a burden of overwhelming proportions. While some countries did significantly better than the average, only eight out of 25 countries for which data are available avoided a fall in per capita income.<sup>16</sup>

1.41 African export earnings continued to fall and the adjustment to the foreign exchange crisis was concentrated on imports, which diminished by nearly 8 per cent per annum. Gross investment fell by over 9 per cent per annum. The brunt of the crisis was borne by the urban population: real wages in the formal sector declined by 30 per cent during 1980–85, with at least a parallel fall in informal sector earnings. There were cutbacks in government expenditure on the social services and on food subsidies. In one-fifth of African countries the primary health-care system was curtailed. In Zambia, the real value of the drugs budget in 1986 was one quarter of its 1983 value (see also Box 1.2). Real expenditure per head on education fell in half the countries for which there are data. “If things continue like this, Africa will have more illiterate people as a proportion of the population than at indepen-

dence”, according to Professor Adeybayo Adedeji (Executive Secretary of the ECA), and he added “How can you develop an illiterate society?”

**Box 1.2. Striving to Satisfy Basic Needs in an Urban Setting**

Jessy lives in a low-income area of a town in Zambia. Her husband was recently laid off from his construction job and is now employed part-time as a night watchman. Jessy works in the home and grows vegetables, selling what she can and keeping the rest for the family. Her earnings are minute. They have two daughters in school and two much younger children. Both of them have parents in the rural areas who rely on the small remittances they send.

Since 1983, prices of food and clothing have risen markedly and her husband’s income has failed to keep pace. His recent change of job meant a further drop in income. Most protein foods are now too expensive for them, including kapenta which was always considered an inexpensive protein food. Bread and cooking oil are rapidly becoming luxuries. Mealie meal prices have also increased, and Jessy is no longer able to buy it for breakfast. The children go off to school having had only a bowl of boiled sweet potato or sometimes nothing at all. She worries about their health.

The youngest child fell ill earlier with a respiratory infection. She was not admitted to the hospital because of bed and staff shortages. The drugs she needed were only available at a high price. Jessy had to borrow to pay the bill. The child is now better but the cost of looking after her at home was very high and Jessy is worried that the same thing will happen again before she is able to repay her loan.

One item that has become much more expensive recently is education. There have been increases in school charges, books and uniforms. Jessy and her husband feel it is a priority that their children go through school, but are already worried that they will not be able to afford to send the eldest to secondary school. They may send the middle children to Jessy’s parents in an attempt to get the eldest through secondary school. Otherwise, they will have to find ways of earning more income in the formal sector, but that is becoming saturated and the earnings to be made are declining.

(Extract from a case study prepared for the Commonwealth Secretariat by Alison Evans, Institute of Development Studies, University of Sussex.)

1.42 After nearly a decade of adjustment, African economies are still exhibiting major imbalances, and are not in a position to resume sustained growth. Moreover, the debt burden has risen further. Some evidence has been presented to argue that countries following Fund/Bank adjustment programmes—which have received large financial inflows to permit them to import essential inputs—have had a somewhat better performance than non-adjusters.<sup>17</sup> But the evidence is fragile and has been disputed.<sup>18</sup> The external position of African countries has continued to deteriorate. There was a continued fall in commodity prices up to 1987, and poor output performance has led to reductions in export earnings. The debt-servicing burden has risen sharply since the early 1980s; the IMF and the World Bank now contribute heavily to the continent's debt repayment obligations. Cuts in investment in infrastructure, the productive and the social sectors have reduced the economic growth potential, while continued population expansion has further weakened the ecological balance.

1.43 Indicators of the sharp deterioration in the human condition in Africa are abundant. In the mid-1980s, when the crisis was compounded by drought, malnutrition among those under five years of age rose significantly in all countries for which there was evidence. The adjustment policies hit the urban sector hardest, where in many countries most households had grossly inadequate incomes to meet even minimum dietary needs.<sup>19</sup> The rural areas were less badly affected by adjustment policies, and in some cases even gained, but they were badly affected by ecological and climatic problems, as well as by war in a few countries. When the economic crisis coincided with drought, mass starvation threatened.

### **Asia and the Pacific**

1.44 While the overall economic performance was much better in Asia, some countries, for example the Philippines, exhibited severe adjustment problems and were forced to cutback sharply on social and economic programmes, as did certain of the Pacific Island countries. Sri Lanka's shift to more market oriented policies involved a marked reduction in food subsidies, which was followed by evidence of worsening nutrition (see also Box 1.3). In China dismantling some of the social security system has had adverse effects on health and nutrition. In other countries, less affected by the economic crisis, population pressure and environmental degradation combined to make survival a daily problem for many millions.

### **Box 1.3. Adversities Faced by Poor Women Under Adjustment**

K. Leelawathie, aged 46, has three children and lives in a temporary structure in a 'shanty' area of Colombo. She works as a daily wage labourer on construction sites. Pay is Rs.60 a day but there are long spells of unemployment during the rainy season or when work is slack. Family poverty has forced her 14 year old son to take paid work as well. He works along side her on the construction site, receiving the same wage. The work is gruelling, beginning at 7 a.m. and often ending at midnight; lunch and tea are provided on site.

Earlier, as a casual labourer, K. Leelawathie and her family had been able to survive as a result of assistance from her sisters and from state subsidies, which supplemented her own meagre income. But with a reduction in the rice and fuel subsidies and increasing inflation, her main concern had been to feed the children : "we could not live for more than a few days on food and kerosene stamp cards. The prices of food and kerosene increased so much". She then contracted tuberculosis and had a long period without paid work : the ensuing difficulties and poverty compelled her son to drop out of school in Grade 3 and her elder daughter in Grade 2. Her younger daughter (aged nine) longs to go to school. "Where can I find the means?", she asks.

Their housing conditions have deteriorated over the years : the hut which is her home is 20x15 feet, constructed of metal sheets with a mud floor. The roof leaks when it rains and drinking water is provided for the neighbourhood by a common tap across the road.

After the reduction of public expenditure on subsidies and the increase in prices which eroded the value of food stamps and kerosene stamps, life for the women who head such families is one long struggle for survival, in an economic climate which has increased their vulnerability.

(Extract from a case study prepared for the Commonwealth Secretariat by S. Jayaweera, Centre for Women's Research, Sri Lanka.)

1.45 The economies of Pacific Island countries have been expanding very slowly in the 1980s—only 2 per cent during 1981–87—and per capita incomes have frequently declined. All the countries are very vulnerable to external economic shocks. Most of them have suffered deteriorating terms of trade, sometimes of devastating proportions

because of the narrow range of their export products. Severe balance of payments difficulties have led some countries to negotiate stand-by programmes with the IMF. Although social indicators deteriorated in only a few countries—such as Vanuatu as regards nutritional levels and Tuvalu in relation to school enrolment rates—the slowdown in progress was widespread.

1.46 Asia as a whole was subject to less acute economic shocks, and adjusted quickly, as shown by the much smaller use of Fund and Bank facilities. On average, countries continued to show progress in most social and economic indicators. Between 1980 and 1986 GNP per capita in south Asia rose 20 per cent and in south-east and east Asia almost 50 per cent. The Asian region also experienced the fastest reduction in mortality rates for children under five years (3.4 per cent per annum—compared with a fall of only 1.4 per cent per annum in Africa and 1.9 per cent per annum in Latin America/Caribbean). The contrast with other parts of the world indicates the close relationships between economic and social progress. Asian countries, for the most part, showed continued progress in social achievements in the 1980s.

### **Overall**

1.47 In summary, the adjustment decade has seen significant economic and social regress in most developing countries, stopping and even reversing the progress of previous decades. The adjustment efforts have however had some positive results in terms of redirecting resources towards the internationally traded sectors. In Africa, there has been progress in agriculture, but not enough given the continued adverse movement in some commodity prices and the rising debt service. In Latin America and the Caribbean, considerable success in raising exports has been offset by debt problems. But in both regions the adjustment efforts have involved cuts in expenditure on both physical and human capital, which will weaken the future economic potential. Yet, the need for adjustment is by no means over. This has not been a temporary belt-tightening; adjustment efforts of some sort will be necessary for most countries for at least the next five to ten years.

## **VI. THE CRISIS AND WOMEN**

1.48 Women are at the epicentre of the crisis and bear the brunt of the adjustment efforts: it is women who have been most severely affected by the deteriorating balance between incomes and prices, and who have desperately sought means for their families to survive. It is women who have had to find extra work to supplement family income; it is women who have rearranged family budgets, switching to cheaper foods, economising on fuel, and disposing of consumer durables, wherever

possible. It is women who have organised and participated in efforts to counter the crisis by communal buying and cooking; and it is women who have been most immediately affected by cuts in health and educational facilities, and by the rising morbidity and deaths among their children. Women are in the frontline of the crisis in the developing world—and it is they who have been most severely affected and have had the greatest responsibility for adjusting their lives to ensure survival.

1.49 Effective adjustment requires the full participation of women. As producers, women's labour is critical to the output of food and labour-intensive manufactures, both of which are vital to the adjustment efforts, while their earnings are essential to contain the cuts in household incomes. Moreover, these income cuts, which currently form such a big part of adjustment, would have far worse effects on health and nutrition without women's domestic management and adjustment. The economic success of adjustment efforts and the minimisation of social costs are critically dependent on the creative response of women.

1.50 The object of our Report is to consider how adjustment policies should be designed to maximise this creative response, and to minimise the adverse effects of economic recession and adjustment on women.

## References

1. Sivard R., "Women .... a World Survey", World Priorities, Washington, D.C., 1985.
2. Ibid. Also UNESCO Statistical Yearbook, Paris, 1988.
3. ILO/INSTRAW, "Women in Economic Activity : A Global Statistical Survey (1950-2000)", INSTRAW, Santo Domingo, 1985.
4. Sivard, op.cit.
5. Dasgupta, S. and A. Maiti, "The Rural Energy Crisis, Poverty and Women's Roles in Five Indian Villages", ILO, Geneva, 1986.
6. Leslie, J., M.Lycette and M.Buvinic, "Weathering Economic Crises: The Crucial Role of Women in Health", International Centre for Research on Women, Washington D.C., 1986.
7. World Bank, "World Development Report", Washington, D.C., 1984.
8. Page, S., "The Rise in Protection Since 1974", *Oxford Review of Economic Policy*, Oxford, 1987.
9. ECLAC, "Preliminary Overview of the Latin American Economy in 1988", Santiago, 1989.

10. Lessard, D. and J. Williamson, "Capital Flight and Third World Debt", Institute for International Economics, Washington, D.C., 1987.
11. Tokman, V., "Adjustment and Employment in Latin America : The Current Challenge", *International Labour Review*, Geneva, 1986. Also Cornia, G., "Economic Decline and Child Survival : the Plight of Latin America in the 1980s"; paper for Workshop on Under-5 Mortality Trends and Prospects in Latin America, Mexico, mimeo, 1988.
12. Cornia, op.cit.
13. UNICEF (Cornia G., R. Jolly, and F. Stewart, eds.), "Adjustment with a Human Face", OUP, Oxford, 1987.
14. Cornia, op.cit.
15. UNICEF, op.cit.
16. Ghai, D. and C. Hewitt de Alcantara, "The Crisis of the 1980s in Africa, Latin America and the Caribbean : Economic Impact, Social Change and Political Implications". Paper prepared for Workshop on *Economic Crisis and Third World Countries : Impact and Response*, University of the West Indies and UN Research Institute for Social Development, Kingston, Jamaica, April 1989.
17. World Bank and UNDP, "Africa's Adjustment and Growth in the 1980s", The World Bank, Washington, D.C., 1988.
18. UN Economic Commission for Africa, "African Alternative to Structural Adjustment Programmes : A Framework for Transformation and Recovery", UNECA, Addis Ababa, 1989.
19. UNICEF op.cit. Also Clark. J. and D. Keen, "Debt and Poverty: A Case Study of Zambia", OXFAM, Oxford, 1988.