



# **COVID 19 and Economic Influence on Women**

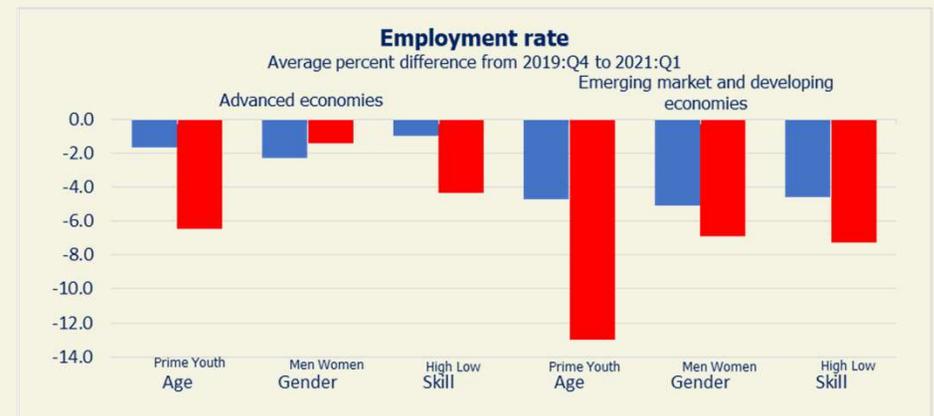
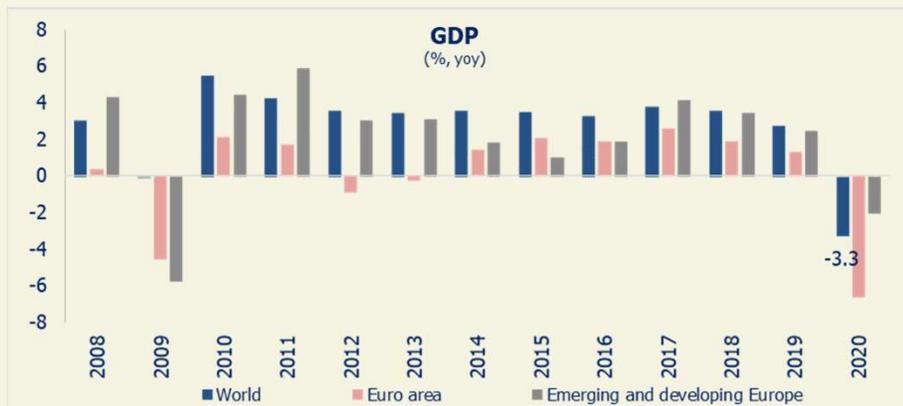
**First Annual Conference of the Ministry of Foreign Affairs  
"Women in Foreign Affairs"  
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Anita Angelovska Bezhoska  
Governor



# Last year the world economy faced the most severe economic crisis since the great depression

- Starting as a health crisis, it turned into **economic crisis that simultaneously hit all economies** with unprecedented intensity - only 27 countries in the world registered positive growth rates
- However, according to the IMF estimates, **the intensity would have been three times higher** without the monetary, fiscal and financial sector supportive policies, which this time were significantly swifter and bolder in comparison with the GFC
- **Disproportionally affected** countries, economic sectors, age and gender groups, thus increasing **income inequality** (Close to **95 million more** people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections)
- In this context, **labor market data show that youth, low-skilled workers and women** in emerging and developing economies in particular, have been hit harder (while globally employment rate for men remains 5 p.p. below the pre pandemic period, for women it is **7 p.p.**, similarly for low skilled workers 7 p.p. and high skilled 5 p.p.)

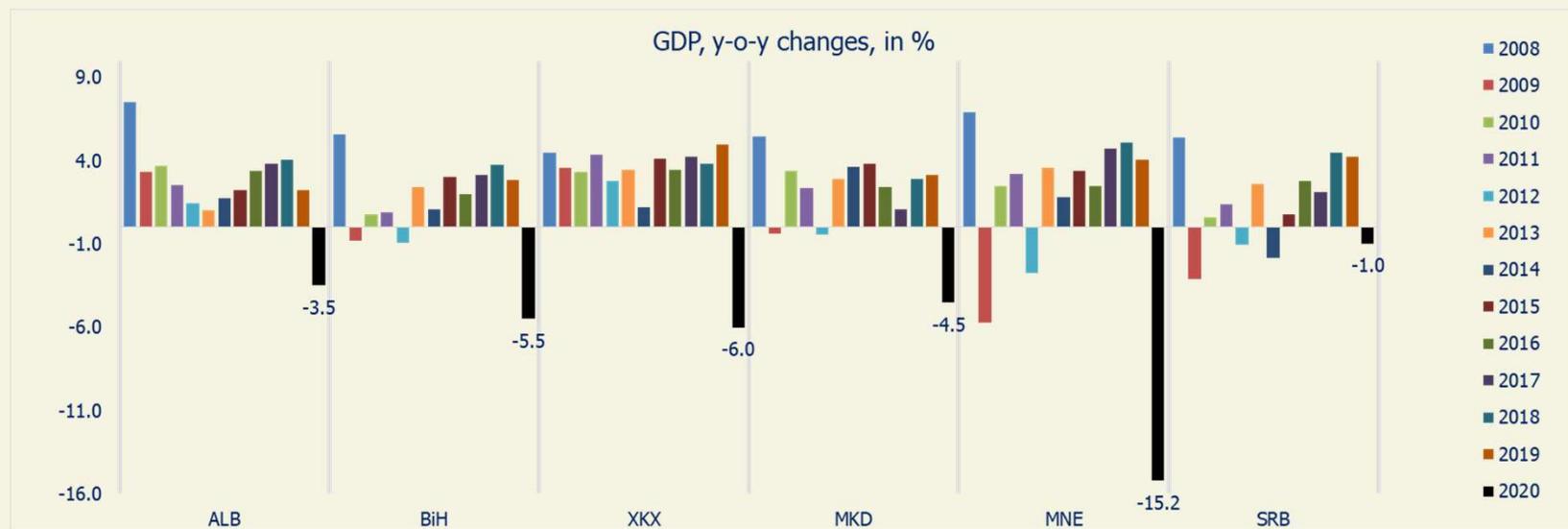


Source: IMF WEO database April/July 2021



## The story of the WB Region is similar – it was not shielded from this global shock

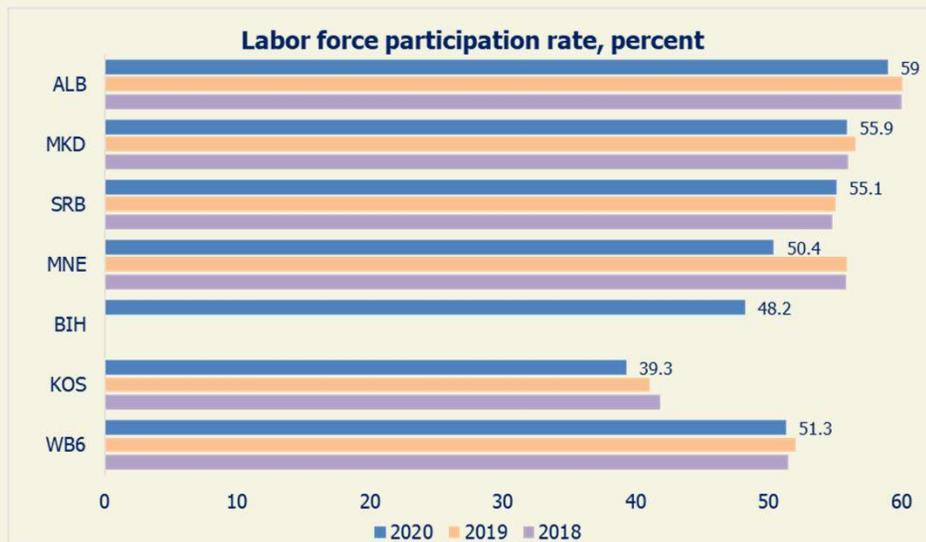
- GDP declined by 3.4%, on average (the worst downturn on record), with disproportionality, including gender disproportionality as a region specific.
- Thus labor statistics indicates that the **crisis hits women more heavily than men, thus further widening the pre-crisis gender gaps** such as lower participation in labor force, lower employment, lower wages and higher poverty:
  - **Employment rate** - it fell down for women 1.2 p.p., for men 0.9 p.p., the gap widened to 18 p.p. - only 38% of women and 56% of men work
  - **Unemployment rate** initially increased more for women than men, and then gradually went back to 2019 level, mostly due to the increased exit of women from the labor force
  - **Participation rate** of women has declined more, thus widening the gap





## Effects of the labor force participation

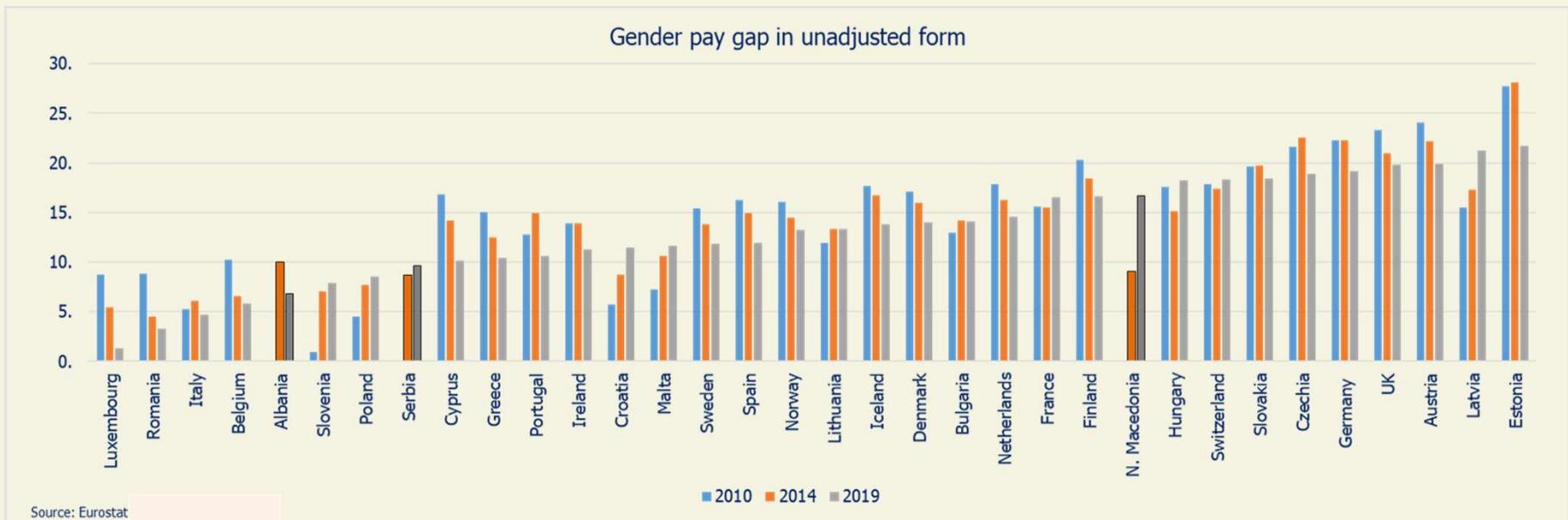
- **Participation rate dropped by 1.5 p.p. to 51 percent** – a record low since 2016, with faster drop for women (2 p.p. for women, 1 p.p. for men).
- **Female participation fell to 41 percent for the region** (only 41% of working age women are in labor force in comparison with 63% of men), although with large variations, from 52 percent of women participating in Albania to 22 percent in Kosovo. In our case, it was 46%.
- According to a survey, **about half of inactive women** (53 percent) reported that they do not seek employment due to family/caring responsibilities, twice the share of women with this reason in the EU-28.





## Effects on the income

- **Adverse economic impact is also visible through the income channel:**
  - **Remittances**, that are important source of disposable income in the region, plunged last year and according to a UN study, the decrease was more prominent among women than men especially in rural areas and among women aged 35 to 44
  - Although **wage** data is still not available, most probably the wage gap widened after the crisis.





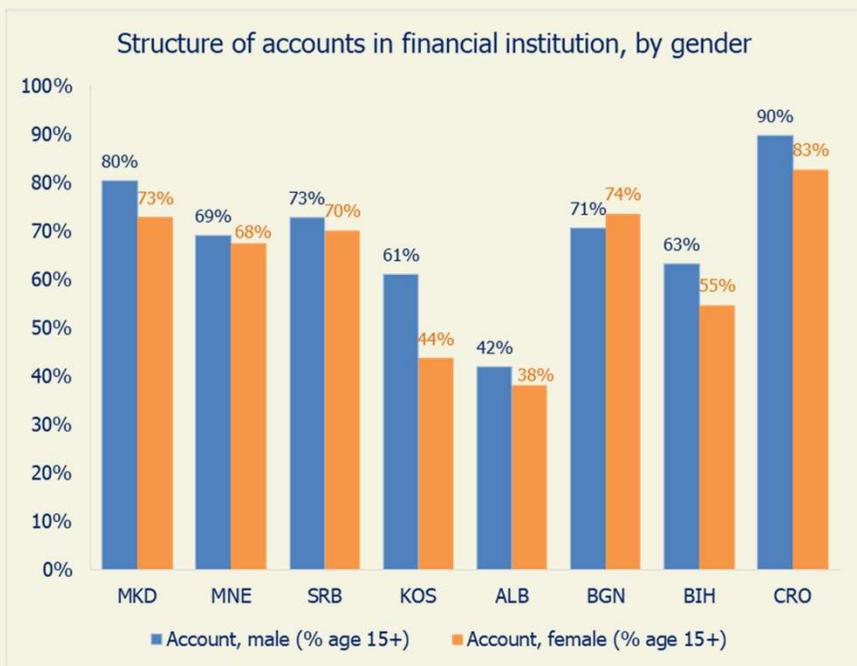
## Why has crisis hit unevenly women and men?

- **The crisis did not hit all sectors in the economy evenly;** it had more pronounced effect on services, especially services dependent on social interactions and informal economy where women tend to be more present. For example, in NM, these sectors employ 27% of all employed women and 25% of all employed men.
- In addition, according to some studies (Makenzie), the **pandemic has intensified the challenges that women have already faced in the workplace** and find that one in four women consider downshifting their careers or leaving job because of family responsibilities amid new COVID environment (interruption in schooling and childcare).

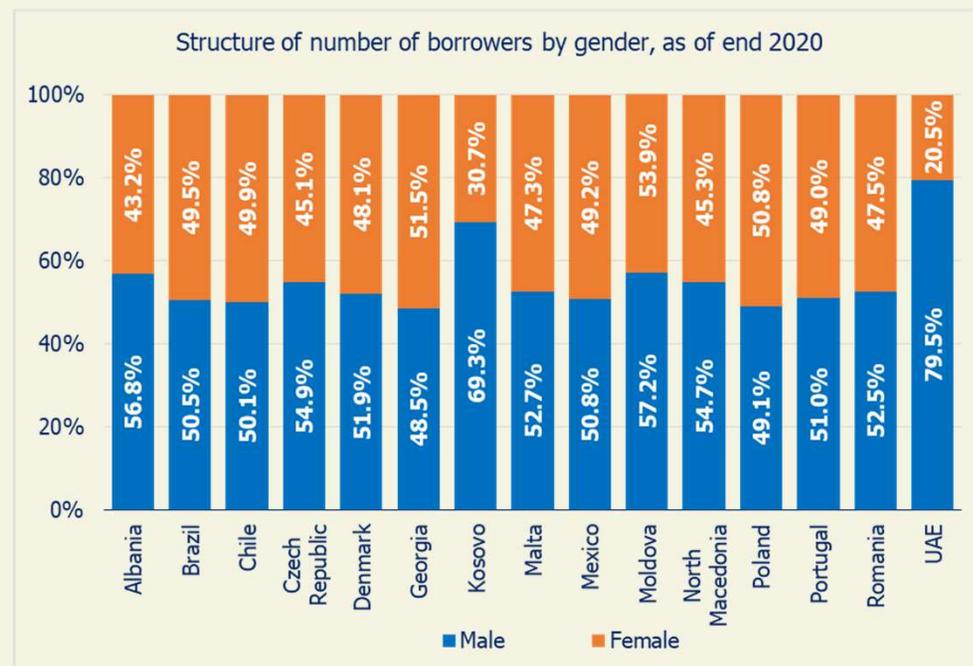


## Effects on access to finance

- **These developments (lower employment and income) can negatively affect woman access to finance** and can further widen the existing access gap:
  - 60% of all borrowers from commercial banks are men and
  - 64% of all outstanding loans are extended to men
- Access to finance is important determinant of **female entrepreneurship** that lags behind in the region



Source: World Bank Findex Database, as of 2017



Source: IMF Financial Access Survey data, as of 2020



# Summary

- **Unlike previous economic crisis, the current crisis has disproportionately affected women** in many respects, emphasizing issues that existed even before the crisis.
- **Particularly worrisome is the further increase of inactivity of women** as the region faces shrinking of working age population (demographics and immigration), and labor is one of the key determinants of growth.
- **Studies show that higher inclusion can bring a number of benefits**, not only for women, but for the whole society - higher inclusion is associated with 10% higher GDP growth in advanced economies and even 30% in developing economies
- **Focusing on the Western Balkans, a WB study estimates that countries each year lose an average of 18 percent of their total GDP due to gender gaps in the labor market**, and two thirds of the costs are explained by the low participation (one-third of this loss is due to distortions in the choice of occupations between men and women).
- **Higher growth stems not only from higher quantity of labor force**, but also from different skills and psychological virtues that women bring in, such as risk aversion, thoughtfulness, pragmatism, empathy, more diversified institutional environment. Credit Swiss finds that **Fortune 500 companies** with female representation perform better than those without.
- **So, crisis emphasized even more the need for policymakers holistic approach** to tackle all sources of gender disparities entrenched in the institutional, regulatory, educational and traditional norm settings
- Focus on overcoming the crisis as a burning issue, should not sideline the fight for gender equality, but reinforce it.