The Impact of the Crisis on Women in Eastern Europe

By Ewa Charkiewicz

2010 Edition
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Banks are doing well, but how much women can take? The financial crisis as the crisis of social reproduction

Between 2004 and 2009 five women sales representatives and debt collectors of the Provident Poland Company were brutally murdered by clients whom they approached for payback of loans to their employer. Provident Poland is a daughter company of the UK-based Personal International Finance Company, which in turn is a daughter company of Provident Financial, established in 1880 to provide loans to poor working class neighborhoods in Britain. The company profits from door to door loans to the poor, or as they have been called nowadays with eugenic connotations, ‘sub-prime debtors’ or ‘non-standard customers.’ In Poland, Provident offered loans at up to a 350 percent interest rate. The majority of home credit agents (sales representatives) and over half of its 2.03 million customers in Eastern Europe are women who manage household budgets. The company portrays itself as ‘finance with a human face,’ and a ‘woman-to-woman business.’ Some women climb up its corporate ladders - but the rest are left in a deep ditch. All but one of the top managers are middle-aged men.

Among the murdered women was a jobless former factory worker, a single mother desperately seeking income, and a student who wanted to earn money to pay for her studies - hacked to death with a kitchen knife, strangled with a transmission belt, and beaten to death. The logic of profit maximizing from debt, and violence and exploitation, is embedded in the relationship between Provident and women as sources of revenue - both its clients and its workforce - all of which is emblematic of the financial crisis.

Provident received a new lease on corporate life with its expansion to Eastern Europe (with an eye to expanding to Mexico). Apart from a different customer niche, Provident is managed in the same way as any other bank or corporation. In reports to investors the company projects ever increasing profits and is managed with the singular goal of increasing dividend pay-out. Integrated with the corporate profit maximizing logic and hyper-competition for extraction of profits, employees are pushed to work more and faster. Monthly reviewed work plans and performance based remunerations of all managers along corporate command chains are linked to and depend on constantly increasing profit targets.

Footnotes


2 - Iza Michalewicz. The price of a sales representative [Cena Repa] Polityka no 22/2009
The targets trickle down to lower level managers who push women home agents on the ground to give and reclaim more loans. Competitions are organized among staff to select the best achievers who set the norm for others. To cheapen labor costs, women sales representatives are self-employed. Clients have no history of employment and steady income. For women sales representatives and their clients in depressed local labor markets, the jobs or loans from Provident are a last resort source of livelihood.

Parts of Warsaw, Bratislava or Moscow resemble any global city, but in poor areas bus stops are littered with offers of credit with no documents required, and pawn shops and loaning institutions are easier to find than kindergardens, grocery stores and libraries. The schools are there, most of them built by socialist state, but kindergardens have been closed, privatized, etc and are really difficult to find.

In 2006, the Polish government, represented by the Foreign Office, the Office for European Integration, and the Treasury, with the Association of Polish Employers Leviathan hailed Provident as a success story of transition to encourage more FDI flows from the United Kingdom, and offered higher and faster returns on investments in Poland (Poland’s Roadshow in London, 2006).

By adopting policies that led to the political and economic abandonment of large sections of its population, the Polish state is implicated in the tragic deaths of the women sales representatives and debt collectors of the Provident Poland Company. Political and economic restructuring in Poland and in all other countries in Eastern Europe were organized by ideological salesmen who equated a free market with democracy and prosperity for all. In the techno-economic jargon of neoliberal governance, the only way to prosperity was via the deregulation of markets, privatization, reduction of taxes, and marketization of social sectors. The richest 10 percent of the Polish population generate a larger amount of their wealth from the market, and contribute less to taxes than the richest 10 percent in the USA (OECD, 1998). As result of these policies, Poland, population 38 million, incurred a 5 million net loss of jobs between 1992 and 2004. Unemployment and the rise of the working poor created a demand for last resort loans and substandard jobs such as those with Provident.

In the new brave world of financial capitalism, Provident is not an exception. ‘Respectable’ banks, investment firms and corporations operate within the same management paradigm. In virtual and real economy, management remunerations are locked with ever increasing performance quotas and profit targets. The rationality of value management is to speed up turnover of capital and to maximize profits. The returns on investments have to be generated in ever shrinking project time. The hyper-competitive neoliberal economy is organized as a war for securing the extraction of profits. The five murdered women sales reps of Provident are the collateral damage of this war. While commentators frame the cause of the financial crisis as a burst credit bubble and insufficient regulatory oversight, or moralize it by putting the blame on corporate greed, this pervasive logic and the resulting effects of market expansion on human life are rarely addressed. Women, in particular women from low income households, positioned between production and reproduction (Sen & Beneria, 1981), responsible for care and contributing to family income, bear the brunt of economic restructuring and the financial crisis.

The story of five murdered women in Provident shows the crisis is not, as neoliberal media and decision makers put it, the effect of contagion of otherwise healthy economies by toxic assets from the crisis that began in the USA and UK in 2007. From human rights,
sustainable livelihoods, and social and ecological justice perspective, it is the neoliberal economic transition project that has been unhealthy in the first place. The vector of contagion was toxic neoliberal discourse. The causes of financial instability and economic volatility are inseparable from the neoliberal logic of restructuring of states, firms, and subjectivities. Among all so called ‘emerging economies,’ Eastern Europe was the most vulnerable to the crisis and experienced the deepest economic downturn precisely because the region was subjected to neoliberal reforms in their crudest form. Now, given the responses to the crisis as outlined below, women and men in the region are receiving more of the same toxic treatment that caused crisis in the first place. Even before the crisis, the economic transition project in Eastern Europe created new wealth at the cost of dismantling social rights, exacerbating poverty and rampant extraction of environmental resources. Following the collapse of the Soviet Union, the transition provided the world with cheap new sources of skilled labor, low-tax locations and low-cost raw materials (Association of Chartered Accountants, 2009:2). Governments pursued “killing the geese” policies, closing down pre-existing industries and integrating national economies into global production networks (Kattel, 2010). Social protection systems were dismantled without putting new measures in place (Hoelscher & Alexander, 2009). Previous coping strategies such as migration, borrowing, selling household assets, and reducing non-essential expenditures, are no longer available. Compounded with inadequate social protection, this makes populations extremely vulnerable to crisis. Given the gendered experiences and responses to poverty, the burden of household survival falls on women (Jackson, 1998).

The causes of financial instability, economic volatility and existential insecurity are inseparable from the neoliberal policies and ideologies of restructuring states, marketization and privatization of social sectors, flexibilizing labor, restructuring of corporations to maximize shareholder value, and adjustment of subjectivities to the ‘free market’ instead of socializing markets to make them work with the baseline of meeting human needs and ensuring human rights.

**Transition and Financial Crisis**

Eastern Europe is a region, that over the past 20 years, has been designated a number of different names, based on its progress in implementing neoliberal reforms. It is now broadly partitioned into the European Union 10 (EU 10), the Western Balkans, and the New Independent States (NIS). The EU 10 member states are composed of the Czech Republic, Slovakia, Hungary, Slovenia, Bulgaria, Romania, Lithuania, Latvia, Estonia and Poland; the Western Balkans contains Croatia, Serbia, Bosnia and Herzegovina and Albania; and the NIS consists of Belarus, Ukraine, Moldova and Russia. The economic performance indicators of the EU 10 are better compared than the rest of Eastern Europe, largely due to substantial fiscal transfers from the ‘old’ EU and the loans from western banks and financial institutions.

For the population in the former Yugoslavia (now renamed Western
Poor women and men pay the cost of transition

While some women benefited from the transition, those in low-income households live in permanent insecurity, with an increase in suicide rates and declining life spans. In Warsaw, Poland, where income, health and life span indicators are better than the country average, the life span of women in the unemployment-stricken Warsaw district of Praga-South is 9.5 years shorter compared to that of women in affluent neighborhoods, while for men gap is 14.5 years.

Eight million premature deaths was the price paid for the rapid restructuring in Russia (Gavrilova et al, 1999, UNICEF 2010, Stuckler et al, 2009). The Russian government is not concerned about pensions for their male citizens, whose life expectancy ends before reaching pension age. The calorie intakes of men and women in higher income households in Russia from 1992 to 2000 have increased slightly, while women from low income households have experienced declining caloric intakes since 1995 (Jahns et al, 2003).

The countries of Eastern Europe commonly share the experiences of the post-socialist transition that consisted of the neoliberal destruction of preexisting means of livelihoods and social protection systems, and unequal integration into the regional and global economy. While the transition benefited small sections of the population, in particular a micro-class of transition managers, the “neoliberal trickle-down ideology... was so economically destructive that it is almost as if nations were invaded militarily (Hudson & Sommers, 2020:4).” Across the region, the restructuring produced new gender and class divisions in income and economic and political power (True, 2000), while offloading the social costs of the transition to a majority of low-income households and newly emerging vulnerable groups, such as migrant women and men, the new working poor, or precarious workers.

In the early years of transition, millions of households in Eastern Europe were driven into income poverty (Milanovic, 1998). The benefits of the transition were concentrated in small sections of the population and in select metropolitan locations (OECD, 2008).

Balkans), the neoliberal restructuring came after the ravages of war. In Serbia, the devastation of industry and infrastructure and the loss of income from trade due to war was estimated at USD 17 billion. Except for Slovenia, once the most developed part of the former Yugoslavia and which became a member of the European Union in 2004, the economic performances of the rest are dismal when compared to 1989, a benchmark year for the region (Zimonjik, 2010). Although not ravished by war, even before the crisis, Ukraine still did not reach its GDP levels of 1991, the year of the collapse of the USSR. Moldova’s GDP was also half of its pre-transition level (UN, 2009).

The crisis will have long-term effects on the majority of the population as it strikes the region after decades of harsh social adjustment.
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In Eastern Europe the fall in GDP as a result of the financial crisis is the highest among the so-called emerging economies (Darvas, 2009). The actual GDP in the region (minus the new EU members) fell by 14.1 % from 7.6 % in 2007 to negative 6.5 % in 2009. Due to the crisis, Russia’s GDP dipped to negative 10 %, i.e., the level of the country’s GDP in 1989 (UN, 2009). Latvia’s GDP fell by close to 20 % in a single year. The same goes for employment, which in the period from 2008 to 2009 declined by 4.3 % regionally, but declined in Latvia by 20 %. In Bosnia and Herzegovina unemployment is at 43 %. Meanwhile, women’s unemployment is rising faster than in any other region in the world (Jansen & Uexkall, 2010, ACCA, 2009).

After 20 years of transition, most countries in Eastern Europe are increasingly financially integrated and further dependent on foreign trade. The region’s corporate sectors are more dependent on credit from Western European banks than any other developing region. Financial integration resulted in the major financial portfolio of inflows acquisition of local banks (e.g. Poland) or the establishment of branches and subsidiaries where no commercial banks existed (e.g. Latvia). In all countries, the private sector, including household mortgage borrowing, incurred debts in foreign currencies. In 2009, the private sectors’ debt to Western European banks was 1,307.5 billion Euros (ACCA, 2009). The debt was mainly used to finance private sector investments, consumer credit (mostly mortgages), and the pre-financing of the EU’s structural and regional projects by local governments in the EU 10. With the exception of Poland and Hungary, all countries in the region entered the transition with almost no debt. Now, they are all indebted to international financial institutions and private banks, at a level of up to 100 % of their GDP (e.g. Hungary). With the fluctuations in the exchange rates and the credit squeeze, the costs of debt servicing have skyrocketed. The Association for Chartered Accountants calculated a finance gap in the region of 100 billion Euros (ACCA, 2009).

The financial crises and its aftershocks have spread to economies in Eastern Europe through the speculative bubble, drop in commodity prices, credit freeze, volatile fluctuations in exchange rates, currency pegging, fall in demand for exports, rising import costs, disinvestment, asset seizing or downsizing by mother companies in Western Europe and elsewhere, and decline in remittances from migrants (e.g. by 20 % in Moldova). Those hit first and the hardest were countries particularly open to foreign trade and investment, as well as the hydrocarbon-exporting economies.

For decision-makers in international institutions, the financial crisis in Eastern Europe came as a surprise. Although since the middle of 2000, the World Bank, the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) provided funding and expertise for creating derivatives markets in Eastern Europe (OECD, 2007), they believed that the countries were immune to risks as they did not have many toxic assets. By 2009, because of the extent of exposure of European banks in Eastern Europe, the decision makers in the EU became concerned that the economic downturn could lead to sovereign debt defaults to Western European banks.
Russia

One of the unexpected losers was the Russian economy, which prior to 2007 had little government debt, a substantial fiscal surplus, a large current account surplus, as well as huge export revenue. This suddenly changed with the fall of oil prices, the credit squeeze, and the rising cost of private sector debt servicing in foreign banks. In 2008, the outflow of assets from Russia was USD 130 billion. With the real estate bubble burst, local production decreased, and eventually unemployment grew to 12% last year, leading to steep increases in poverty (UN, 2009, Bogetic 2009). In the aftermath of the latest financial crisis, poverty rose by 5.6 million (for 2008 and 2009), increasing the total number of those living in poverty to 22 million (Bogetic, 2009).

The Russian government responded to the crisis with large fiscal stimulus package to private sector and banks. The stimulus included tax cuts to businesses and individuals, investments in infrastructure, and liquidity and funding support to businesses. The first stimulus package amounted to USD 86 billion, with USD 52 billion allotted to selected strategic firms in manufacturing, the military-industrial complex, the beef and dairy industries, car manufacturing, as well as the banking sector (UN, 2009, DBG, 2010). Since Russia is not a WTO member, it protected its local automobile industry by imposing tariffs on foreign produced cars. Russia’s early fiscal policy response focused on supporting the financial sector and enterprises, with rather limited support to households. The total fiscal cost of measures implemented in 2008 and planned for 2009 amounted to more than 2.9 trillion rubles or about 6.7% of the GDP. This is larger than that implemented in most G-20 countries (Bogetic, 2009).

Russia also provided support to neighboring countries, including a USD 2 billion loan to Belarus, as well as a USD 7.5 billion anti-crisis fund to the NIS in Central Asia (UN, 2009). The support was undertaken with an eye to creating a new regional trading block on the basis of countries that had been a part of the former Soviet Union.

Russia’s economy is organized into over 140 big private enterprises involved in resource extraction, manufacturing, military industrial complex, building, and retail trading. The stimulus plan focused on funding and providing liquidity support to the banking and corporate sector, as well as the protection of domestic industries rather than improving household capacities to fend off the crisis. While some measures to support the households have been taken, e.g., the government’s purchase plan for medications and the increase in unemployment benefits, these have marginal impacts as the initial benefits are small and only one-third of the unemployed are registered to receive these benefits (Bogetic, 2009).

The neglect of the poor continues after the impoverishment created during the transition. “The transition was designed to solve the hardships of everyday life in the Soviet Union, the material problems of the family, and the unbearable ‘double shift’ of hired work and domestic labor. However, the shift to market mechanisms did not relieve these problems, but exacerbated them” (Ochkina, 2009). In Russia, poverty and health problems related to the rapid restructuring of the economy increased substantially after perestroika, aptly renamed by one author as katastrojka (Ellman, 1994 in Bezemer, 2006). According to the Independent Institute for Social Policy (2002), by the early 2000s, one-third of the population lived in poverty. These included those categorized as the new poor, such as the newly unemployed, those in single-parent households, and ‘dual-earner’ households with combined income below subsistence level.

In a study of poverty trends in Russia between 1985 and 1999, it was pointed out that the major cause of poverty is steep and persistent income inequalities that rapidly emerged at the onset of the transition in the 1990s (Shorrocks, 2001).
The 1999 earnings of low-income groups constituted only 21% of earnings in 1993. Most of the working poor are employed in the public sector (Volkov and Denenberg, 2005) and the majority of public sector employees are women.

A longitudinal study of gender relations and employment in the 1990s in Russia (Satre-Ahlander, 2001) shows that women’s employment remains concentrated in low-paid sectors, with persisting wage gaps. More recent data confirms that these trends continue into the 2000s. Women’s economic activity rates declined from 90% in 1990 to 57.7% in 2009. In 2009, the gender wage gaps were highest among top managers. (Satre-Ahlander, 2001, Rosstat, 2009).

After the financial crisis hit the country, one major concern has been the lack of income in households. The decline in women’s employment was steeper compared to the men. Due to women’s responsibilities for provisioning households and care work at home, and the fact that 40% of households in Russia are headed by women, the social costs of financial crisis are borne more by women than by men.

Poland

Poland is the only country in the region and in the European Union which maintained positive GDP growth in 2009, but at the expense of transferring the costs of the crisis to individual households. Like Russia, the population in Poland was greatly affected by harsh adjustment policies. The impact of the crisis was first felt by employees of private sector companies which speculated in currency options (e.g. in Krosno Glassworks Company where women workers in their 40s and 50s were the most affected by the retrenchment, with no chance of finding new jobs in the depressed labor market), as well as by employees and subcontractors in the real estate sector who were heavily dependent on credit. Soon after, the impact of the crisis reached the manufacturing sector, in particular the automobile industry.

The Polish government’s budget deficit was affected by increased costs of debt servicing. The government’s response was to stabilize the budget by taking in new loans, including a flexible credit line from the IMF amounting to USD 20.58 billion and a USD 2.55 billion loan from the World Bank. These loans were in addition to the earlier USD 7.5 billion in loans taken to finance the transition. A stimulus plan was also negotiated with businesses and trade unions; the plan included changes in the accounting of work time. Without any public consultations, the government introduced discretionary “tax relaxation” measures (tax cuts, changes in the tax income thresholds and corporate accounting), and guaranteed bank deposits. These measures amounted to 4.5% of the GDP, and increased the budget deficit from 3 or 4% to almost 7 percent (Thomsen, 2010). The remaining Polish state bank, BGK, was subsidized with 975 million Euros to support the repayment of interest and insurance costs of corporate credits to Western European banks. The costs of adjustment to the crisis were passed on to households and in particular to labor, where 29% of the workforce; 70% of whom are young women, are employed on flexible, temporary contracts. These workers are therefore the first to lose their jobs when companies adjust to the crisis.

While the Polish companies responded to the crisis with massive job cuts, the government responded with decreased subsidies for employment (GUS, 2009). Citing the problems of the financial crisis and the need to ‘share’ the costs of the crisis, the state froze the income thresholds for social protection allowances. The move resulted in an increase in the number of poor who do not receive the already meager handouts (the average monthly cash allowance for social welfare recipients in Krosno was 25 zlotys or 6.25 Euros). Women, who constituted the majority of welfare recipients, were the most affected by this measure.
Unemployment rose to 12.9 percent in March 2010, equivalent to 1.9 million registered unemployed, with women’s unemployment rates rising faster than men’s (GUS, 2010). At the same time, the profits of major banks listed in the Warsaw stock exchange (which are subsidiaries of major EU banks) increased by 40%³. The Polish Employers Association Leviathan states that the crisis has strengthened large and medium-sized firms, which are expected to chalk up a profit growth of 20 percent, or 20 billion Euros, in 2010. Among the reasons for the record profit growth in 2010 is the decline in labor costs (Glapiak, 2010).

In Poland, the crisis has become a convenient excuse to press for neoliberal reforms, in particular the implementation of pension reforms, dependent on individual contributions and linked to the performance of the stock markets. Since women take maternity leave and therefore take time out from their working lives and as they typically also work in temporary low-paid contract jobs, the reforms will leave them without any old-age security in the future. Although the fiscal stimulus package is a major expense that has increased the government’s budget deficit, the deficit is blamed on ‘bloated social budgets’ and current and future pensioners, in particular old women, are treated as a liability by the state.

The Baltic States, in particular Latvia (a member of the EU since 2004), has experienced the biggest economic downturn in the region. Over the two years from 2008 to 2009, Latvia’s GDP declined by 25.5%, wages dropped by 12%, and production output plummeted by 30%. This puts the Latvian economic crisis in the league of the 1929-1933 Great Depression in the United States. Latvia’s debt skyrocketed from 7.9% of the GDP in 2007 to a record 74% of the GDP in 2009, and it is expected to increase further. Western borrowings were not used to upgrade capital investment, public investment and living standards. The great bulk of the loans were extended mainly against assets inherited from the Soviet period (Hudson & Sommers, 2010). The crisis in Latvia was triggered by the bursting of the real estate bubble, when households were ordered by banks to overpay their arrears on apartment loans by 30% plus. These policies benefited Western banks (as no Latvian bank has been established after 1991), in particular the Swedish banks, which created the credit schemes and loaded down the economy with interest charges.

Faced with bad debt from Latvia, the Swedish banks received subsidies from their own government, as well as Swedish taxpayers’ money used for Latvian bail-out loans. The EU, the IMF and the Nordic countries granted bail out loans in the amount of 9.5 billion Euros. As a condition for bailing out Latvia’s Central Bank (so that it can pay the Swedish banks, mostly Swedbanka and Nordea), the EU and the IMF pressed for the implementation of more neoliberal policies (Harrison, 2009, Hudson & Sommers, 2010). Painful austerity measures are being introduced in Latvia, including the pegging of the currency to the Euro and the minimizing of government investments in the domestic economy. With its future profits securitized, Nordea now plans to expand in Poland by bidding for the Irish bank AIB’s acquisitions in Poland, i.e. the Polish Bank Zachodni WBK.
Faced with the deepening crisis, the Latvian authorities have confirmed their commitment to implement major economic adjustments. This includes slashing public expenditures by 1 billion Euros, which resulted in the closing of hospitals, cutting pensions, reducing public sector wages by 15%; passing a wage ceiling bill that mandates a 30% cut on wage expenditures; and, increasing the rate of the value added tax (VAT) or consumption tax (Phillipse, 2008). These measures will push the remaining middle classes into poverty, further increasing the burden on low-income households, especially women. These conditionalities (similar to those attached to the bailout loans of other Eastern European countries) are authored and enforced by the IMF and the EU Council of Economic and Finance Ministers. The currency peg and the IMF/EU conditionalities put Latvia in the same situation as Argentina in the 1990s. According to the Telegraph, the IMF suggested in 2008, Latvia could withdraw from the currency peg, but it was overruled by the European Union, which wanted to buy time and prevent a domino effect throughout Europe (from the Baltic’s to Greece) of a default shock on Western European banks, which had an exposure of 1.6 trillion Euros in Eastern Europe.

Meanwhile, at the 2010 Business Forum in Davos, Latvian Prime Minister Valtis Zanger announced the ‘success’ of the austerity measures in terms of meeting EU requirements and the Maastricht criteria of entering the euro zone by 2014. The Prime Minister, however, ignored the social costs and civil society protests against the austerity measures, thus demonstrating that in the neoliberal political and ideological framework, these costs are deemed irrelevant.

**Ukraine**

Ukraine is one of the biggest countries in Europe, with the largest proportion of the population living in poverty. It was among the most wracked by the financial crisis. In the two decades of transition, the Ukrainian GDP never recovered to 1991 levels (Ukraine’s first year of independence) when economic ties with the Soviet Union were dismantled and the factory closures began.

In contrast to the hardships encountered by most people, Ukraine’s big business and underground economy thrived. Large amounts of money were sent out of the country to tax heavens in Cyprus, which in turn became the biggest source of foreign direct investments (FDI) into Ukraine. This was due to the liberal capital controls in Ukraine which permitted the outflow of capital and, subsequently, its tax-free reinvestment in Ukraine. After a period of recovery in the early 2000s, Ukraine’s GDP took a dive in 2009, and the gains in poverty reduction from 83.7% of the population in 2003 to 67.7% in 2005, measured by a subsistence minimum (World Bank, 2007), were reversed by growing unemployment, wage cuts, and rising inflation. Poor women wracked by the transition and crisis in Ukraine

“After the factories were closed in early 1990s, my children could never find work,” said Melania, a 59-year old migrant from Ukraine, in an interview conducted in August 2009. Melania supported her extended family through informal trade across the Polish-Ukrainian border, but with Poland’s accession to the EU, the cross-border trade and movement of people has been restricted. Melania turned to cleaning jobs, but her income dropped and whatever she could send home was determined by volatile exchange rates. Like many grandmothers in poor households, a few of whom still have pension entitlements from the previous socialist state, she despair of how her grandchildren will survive after she dies. Economic migration has been a typical poverty-coping strategy in all countries across Eastern Europe.

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In the Ukraine in 2008, women’s salaries were 75.2% of men’s salaries and women received only 67.3% of men’s pensions (UNDP, 2009). The average pension in Ukraine is extremely small, i.e., USD -113 per month (UNDP, 2009a).

Although the plans to recapitalize the banks amount to 4.5% of the GDP (IMF, 2010), the pension system in the Ukraine is seen by planners as a major threat to fiscal stability (World Bank 2010). The new Ukrainian president has already declared the extension of women’s retirement age and pension reforms in his inauguration speech. The reforms will create a three-pillar system (similar to Poland), which links the pension payments to individual contribution and stock market performance.

The crisis hit Ukraine’s trading system towards the end of 2008 and in 2009 through a fall in export demands by foreign countries (40% of Ukrainian exports is steel, and its prices went down by 60%) and the volatility of exchange rates. Ukraine’s private sector debt, among the highest in the region, was denominated in foreign currencies, mostly in Russian Rubles (ILO, 2009, 2010). With the economic downturn and the volatility of exchange rates, several banks collapsed, and the state had to step in to bail them out.

The measures to recapitalize the banks amounted to 4.5% GDP (IMF, 2010), in a country where the GDP had dipped to negative 14 percent. In October 2009, radical measures involving currency control and restriction of investment flows and cross border lending were introduced, but these were lifted by parliament six months later. The state protected the local businesses, construction industry and real estate, by buying out apartments or financing unfinished construction projects and by refinancing loans and providing credit to farmers.

In 2008, the government signed an agreement with the IMF for a new loan of USD 16.4 billion with a commitment to reduce social sector expenditures, cut wages in the public sector and reverse indexation for social transfers (ILO, 2009). Cuts in public sector wages especially affect women who constitute 70% of public employees. In 2009, the promised indexation of the minimum wage at subsistence level, was canceled, currently the minimum wage is one-third of the subsistence level.

Following the 2010 presidential elections in Ukraine, the World Bank office in Kiev directed the new government to keep as its primary goal the recovery of market confidence, stabilization of private finance, stimulation of public investment, and the restructuring of the financial sector. In order to regain market confidence and achieve a sound budget, the Bank demanded the implementation of social sector reforms, reforms in social assistance policies, and pension cuts. The Ukrainian government was also told that it spends too much on education, in comparison to other countries in their income group.

The government was also directed to shift to targeting and means-tested approaches for poverty measurements, in line with the Bank’s revision of its methodologies. Previously, the Bank defined poverty based on minimum required calorie intakes plus one more basic expenditure item (Klugman, 1999). Now, it demands the re-targeting of state support only to the extremely poor. This demand, if realized, implies the move from universal indivisible rights, as a framework for redistributive social policy, to a framework based on one’s income capacity to pay insurance premiums and invest in private pension plans. For the majority of the population what should be a human right is now transformed into an unattainable luxury. By basing social policy on the market dogma of efficiency, the IMF is ignoring increasing evidence that targeting on the basis of income is problematic, as it entails high administrative costs, significant leakages, substantial under-coverage of the rightful beneficiaries, and in effect socially stigmatizing the extremely poor beneficiaries (Huo, 2010).

In the framework of the post-crisis recovery program, the IMF and the World Bank also demanded an increase in utility rates. The experience of imposing energy price hikes in Poland, in 2005, was that 33.6% of the households reported that they could not afford to heat their dwellings (OECD, 2008). The World Bank’s neoliberal ‘orders’ to the Ukrainian government, did not refer to any job creation measures. The World Bank directives, under the title “Making Ukraine stronger post crisis,” were written in the style of military marching orders, and begs the question: for whose benefit?

Footnotes

The Crisis of Social Reproduction

In Eastern Europe, as elsewhere, the main ingredient used by policy makers has been the same – fiscal stimulus. Put in plain language, it means providing subsidies to banks and businesses. It must be noted that the governments in the region have a relatively small fiscal space, with taxes and labor costs much lower than in Western Europe. Bulgaria, Romania, Poland and the Baltic States have the lowest corporate and personal income tax rates, as well as the lowest tax share in labor costs, of all Europe (DGP & Price-waterhouse, 2010). The imposition of low corporate tax rates is how Eastern Europe’s governments make their economies ‘attractive’ to foreign investors, such as the likes of Provident.

Latvia, Bulgaria and Hungary are among the countries that increased their consumption tax (VAT), which was already around 18 or 20 percent prior to the crisis. Through consumption taxes, poor households, which spend all their income on basic needs, stand to contribute a larger share of their income to state revenue, compared to the rich. The proposed VAT increases in Latvia and Bulgaria (introduced in the name of saving the currency peg with the euro) disproportionately burden low-income households and put a further squeeze on the income of women, trying to provide for their families.

In comparison to direct and indirect subsidies given to banks and corporations, the government’s measures and provisions to ease the burden of households were minimal. The crisis is being used to cut down on social expenditures, and to implement further marketization and privatization of public services. In her book “Shock Doctrine, The Rise of Disaster Capitalism,” Naomi Klein (2007) describes how shock therapies, Hurricane Mitch and other natural or man-made disasters were used to facilitate neoliberal restructuring. Similarly, the financial crisis was being used in Eastern Europe as another opportunity to push for intensified neoliberal restructuring, which had contributed to the crisis in the first place. Neoliberal decision makers govern the state as if it were a business firm: through the ‘lens’ of budgets and financial statements with their two principle categories: assets and liabilities. The neoliberal viewpoint does not consider the social sectors to be an asset. Instead they are considered to be liabilities to the economy. These decision makers make use of social and economic disasters, not only as an opportunity to cut social expenditures, but to also introduce reforms that will limit the expenditures on people.

It is not enough to focus on how women can access a fair share of jobs created by fiscal stimulus or how they can be protected by measures such as cash transfers. If post-crisis economies are to meet goals of equality and social justice and environmental sustainability, we need to consider more basic questions, such as questions about the role of markets in society; about what kinds of goods and services are being produced and for whom; and what criteria are going to be used to judge success and how we define progress. Women’s organizations need to engage with “macro-finance” as well as with “micro-finance.” Measures to end the crisis will fail if they simply seek to restore growth and greed (Jain & Elson, 2010:12).

There is a crisis of livelihoods taking place, to varying degrees, in all regions of the world. In Eastern Europe, the financial and economic crisis and the rapid loss of economic and social security are not new. The recent crises come on top of the effects of radical and rapid structural change. Continuing reforms and adjustments to the global economy and financial markets over the last two decades have created a permanent financial crisis for low-income households.

One of the key features of the transition was the growth of income inequalities, the dismantling of social protection systems, and the abandonment of social rights. Some scholars point to the persistence of inequalities created at the onset of the transition (Shorrocks, 2009). While pre-transition social protection systems were dismantled, “the reforms undertaken during the last ten or fifteen years have been either incomplete or too narrow, leaving large groups of vulnerable population unprotected, and certain groups, including children, out of focus.” (Hoelscher & Alexander, 2009). Marketization or privatization of public services increased households’ costs and claims on women's time.

The responsibility for social reproduction, once shared between households and the socialist state (e.g., by the state providing childcare facilities, education, health care, social security), has now shifted to the households, increasing women’s time spent in daily duties caring for their families.

When the reforms started in the mid 1990s, the social security systems were gradually dismantled or privatized. With the exception of Belarus, none of the countries in the region have a functional comprehensive social security system. Under the ‘guidance’ of the World Bank, support to the poor has been limited to ‘safety net’ measures, for those falling within the extreme poverty line (UNICEF, 2009).
The major cause of poverty in Eastern Europe is unemployment and low-paid insecure jobs. The economic downturn exacerbated existing poverty. From 2007 to 2009 the unemployment rates for the region (without the EU 10) rose from 8.3% to 10.3 percent; and for women, it rose from 6% to 8.5 percent (Jansen & von Uexkull: 2010). Households living below the national poverty line have exhausted their coping strategies, which are now affected by wage and pension cuts, strategies such as: living extended households with several generations living together in overcrowded apartments, and the pooling of income from work or pensions to pay for basic necessities (Ahmed & Emigh: 2005). Hardest hit are the female-headed households, 40% of whom live below the poverty line in Russia (Ochkina 2009).

Prior to the crisis, women from low-income households had already juggled their income to either buy bread and milk or pay rent and utilities. Poor households survived by borrowing money from family and neighbors or by incurring debts to purchase food from local shops. With the economic downturn, these possibilities have been exhausted. At the same time, the inflation and volatile exchange rates have increased the cost of living. Over the decades of transition, local food production and processing has declined, while food export has grown. In the context of the economic crisis, this is expected to lead to an added crisis in food security.

From the onset of the transition, migration has been a typical response to poverty and insecurity. This entailed formal employment in the recipient countries, or work in the informal sector, without benefits. The psycho-social costs of migration are high: vulnerability to violence, abuse by police and employers, insecurity of dislocation, no entitlements to social security, and in the case of women informal domestic workers, insecurity for their future; such as in times of illness, disability or old age. Now, even the possibilities of migration as a coping strategy appear to be exhausted.

Remittances have been an important source of income for households, and for state budgets. In Moldova, they amounted to 34% of the GDP in 2007; in Bosnia/Herzegovina 17%, in Albania 13%, in Bulgaria and Romania 5%, and between 2 and 4% for eight other Central, Eastern and South-eastern European countries (CEE-SEE) (Darvis, 2009). Central and Eastern Europe and the Newly Independent States (CEE/NIS) is the only region with declining remittances from migrants (World Bank 2009 in UNICEF 2009). In Moldova, for instance, the remittance dropped by 20% despite the fact that changes in exchange rates had allowed migrants to send more money home. In late 2009, according to a UK governmental report, half a million Polish migrants disappeared from labor market statistics5. It is assumed that they have returned to depressed labor markets at home.

Footnotes

5 - Polish Press Agency PAP, January 22, 2010, 11:22
Responses from Women’s Movements

There are local small-scale responses to the loss of employment and increasing hardships of the population. In Serbia in 2009, trade unions created SOS shops, where people with incomes below 268 Euros per month receive special cards to purchase goods priced at 70% less than the prices at regular shops (Development. Challengers. South South Solutions, 2009).

Local communities, including women’s movements, have organized political protests against specific cases of neoliberal reforms. The highway blockades and the solidarity mobilization by various organizations and the media led to the payment of wage claims in Pikalievo, Russia, where three cement factories closed as result of the crisis in the construction sector. In Riga, Budapest, Bucharest, Sofia, Moscow, and Warsaw, protests were organized in front of parliament against the stimulus packages that transferred the costs of crisis to the people. In 2010, the March 8th women’s march was organized together with trade unions under the banner proclaiming “We will not pay for your crisis”. Such protests were deliberately ignored by governments.

On 2 June, 2009, two thousands protestors [RM] blocked a road in Pikalievo.

The institutionalization of protests requires that various social movements form alliances to jointly develop critiques of the transition project and the financial crisis. Some regional and interregional networks have been doing this, such as Karat, WIDE, The Network of Women Towards Another Europe, and the European section of the World’s Women March. However, there are hardly any like-minded networks organized at the national level.

In Poland, two different events regarding women’s rights took place in the spring and early summer of 2010. The Polish Women’s Congress, sponsored and led by the chairwoman of the Polish Employers Association Leviathan, held its second annual meeting. Speaking on behalf of ‘all women in Poland’, the Congress affirmed the neoliberal political agenda and supported a presidential candidate of the governing neoliberal party. Not surprisingly, the government provided funding to the Congress. Two weeks earlier, a garage meeting of several women’s organizations committed to human rights and social justice took place. The meeting included feminist activists, women from trade unions, LBTO women, migrants, single mothers, care workers, and radical intellectuals, who initiated the formation of the Left Wing Feminist Network Rozgzwizda, to intervene in politics, stand up for social rights, and extend the space for women voices – for women migrants, Roma women and poor women. At the meeting participants addressed the question: ‘What kind of state do we want?’ Participants from the Rozgzwizda Network clarified that rather than speak on behalf of women as an interest group, they seek to develop feminist analyses and strategies, relevant for women as well as for men.

Gender mainstreaming?

The biggest challenge faced by feminists engaged with women’s rights and social justice is to institutionalize the initiatives and actions by women. Feminism in Eastern Europe is divided in terms of responses to the crisis women are facing. In Poland, and in many countries in Eastern Europe, feminists and women’s NGOs have been influenced by the language and strategy of gender mainstreaming as defined by the EU, i.e. formal, statistically calculable, equality between women and men. What has been a political compromise in the EU or the UN, has become feminist ideology in Eastern Europe. Some NGOs are even engaged in projects that are based on the neoliberal assumption that transition and globalization are good for women. In this framework, the main challenge is identified as how to better prepare women to adapt to global markets. The financial crisis has shown that engagement with state-led gender mainstreaming strategies has to be critically reviewed, from the perspective of the situation and position of women today, vis-à-vis the neoliberal state. Do women really want an equal part of the toxic cake?

Footnotes

Conclusions

While the financial crisis erupted in the USA only three years ago, in the European media it has already undergone an intriguing discursive transformation. It is no longer described as the crisis triggered by a speculative bubble, fictitious debt based financial products, or due to the deregulation of the financial sector. Critiques such as those by George Soros, who had framed the crisis as the crisis of financial capitalism, faded away. Suddenly the responsibility for solving the crises shifted to the people, who have been reconstituted as the major cause of the crisis.

How has this shift occurred?

- Step one has been to put the spotlight on budget deficits, while the causes of the budgetary deficits, such as the bailing out of failing banks, are removed from the agenda.
- Step two has been to reconstitute the budget deficit and public debt as major causes of crises that need to be addressed with a variety of social austerity measures. In this way public spending, such as on maternal health and reproduction, is constituted as the cause of the crises.
- Step three: with the crisis re-invented, what actually caused it? Neoliberal governance with its mantra of deregulating social rights in the name of facilitating business growth, and cutting public spending and privatizing social sectors as solutions to the problems that contributed to the crisis in the first place.

Following the G20 meeting in March, the IMF recommended a four pillar strategy to preserve fiscal solvency: 1) temporary stimulus measures; 2) clear government commitment to fiscal correction once conditions improve; 3) structural reforms to improve growth and medium-term revenues and 4) commitment to health and pension reforms in countries facing demographic pressures.

I began this paper with the example of five murdered women sales representatives from Provident to make the point that the financial crisis is not only the problem of a myopic quest for profits, but a problem of speeding up the turnover of profits and the expansion of financial, debt based markets, and an issue of corporate management, and government policies with far reaching implications for human lives.

It can hardly be called a financial crisis; financial markets, bailed out banks and subsidized investors are doing well thanks to anti-crisis measures to strengthen investors and businesses at the expense of protecting households. Now the increased budget deficits and growth in public debt are treated as an excuse to continue neoliberal public sector reforms. Thus, it is not a crisis of the financial sectors, but rather a crisis of social reproduction, of people’s capacities to maintain theirs and their families’ lives. As the experience of former crises has taught us, markets can rebound quickly, but it takes a long time for households to recover, if they recover at all (Young, 2000).

This crisis is a political crisis of fundamental democratic deficits where decision making powers have migrated to ministries of finance and international financial institutions to business lobby groups, to unaccountable expert groups and committees. Decisions made by these powers and taken up in ministerial cabinets, enacted in terms of economic emergency laws, have now committed generations to pay for a crisis they did not cause (Sheurman, 2000). From a political perspective, this is a systemic crisis due to a neoliberal techno-economic paradigm of governance. The neoliberal state operates according to the logic of the investment firm, where the government has become the head state budget accountant, with its citizens, and all of the country’s resources recategorized as assets or liabilities.

The key issues at stake are regaining democratic control, challenging the shift of political sovereignty to capital, and demanding that markets account for universal and indivisible human rights, including women’s rights. ◆

Neoliberal anti-crisis policies: A form of social euthanasia

In its own studies, the World Bank admits that the existing coping strategies have been exhausted, yet continues to implement neoliberal anti-crisis policies that will no-doubt kill peoples already ravished by war and poverty.

Krystyna, a retrenched 54 year old worker from Krosno Glassworks in Poland and one of the participants of the research project on women and poverty in the context of the financial crisis, succinctly summarized what is taking place: “They are not allowing the people who are in terminal pain to die, but they are making us die. If this is not social euthanasia, what is it?”

The Impact of the Crisis on Women in Eastern Europe, Charkiewicz, AWID

References


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Impacts of the Crisis on Women’s Rights: Sub regional perspectives

New from AWID is this 2010 edition of the brief series: Impacts of the Crisis on Women’s Rights: Sub regional perspectives. We are excited to present an update, by region, to the exceptional research conducted in 2009 on the impact of the global financial crisis on women’s rights. This update provides relevant new data, testimonies, and voices from women activists on the ground. Each case presents an opportunity to unpack the in-depth challenges faced by different women in diverse contexts while examining possible policy solutions from a feminist perspective. This work takes us on a journey to help us think beyond the financial crisis and its implications, and start reflecting about the new world being created. At AWID we believe these studies contribute to building and supporting women’s movements.

Brief 1: The impact of the crisis on women in Latin America
By Alma Espino and Norma Sanchis

Brief 2: Impact of the global crisis on women in developing Asia — an update
By Jayati Ghosh

Brief 3: Women of the Pacific and the global economic crisis
By Karanina Sumeo

Brief 4: Impacts of the global economic and financial crisis on women in Central Asia
By Nurgul Djanaeva

Brief 5: The Impact of the Deepening Economic Crisis on Women and Gender Equality in Western Europe
By Wendy Harcourt and Lois Woestman

Brief 6: The Impact of the Crisis on Women in Eastern Europe
By Eva Charkiewicz

Brief 7: The Global Economic Crisis and Gender Relations: The Greek Case
By Lois Woestman

Brief 8: United States: The Continued Need for Social Sector Stimulus
By Rania Antonopoulos and Taun Toay

Brief 9: The Impact of the Deepening Economic Crisis on Women in Eastern and Southern Africa
By Zo Randriamaro

These publications can be found on the AWID website: www.awid.org.
This publication is part of AWID’s initiative: Influencing Development Actors and Practices for Women’s Rights (IDeA) that seeks to contribute to advancing feminist understandings of the relationship between development and women’s rights issues with a particular focus on the aid effectiveness agenda and the Financing for Development process at the UN.