

*Kashf Foundation Roundtable Policy Brief
January 2021*

Impact of Covid-19 and Inflation on Low Income Households, Especially Women: Roundtable Policy Brief

Kashf Foundation hosted a roundtable on 20th January 2021 to bring to light the impact of COVID 19 on low income households, especially women. This document gives a brief summary of the discussions from the roundtable and posits policy recommendations based on the discussions.

INTRODUCTION

Kashf Foundation hosted a roundtable on 20th January 2021 to bring to light the impact of COVID 19 on low income households, especially women. The objectives of the roundtable were:

- I. To understand the economic consequences of Covid 19 in Pakistan;
- II. To highlight the underlying factors that have contributed to women facing the brunt of the recession, rightly termed as a 'she-cession';
- III. To discuss the role of MFIs in building resilience of women against economic shocks and policy actions which need to be adopted for a gender inclusive economic recovery.

The panelists included the following esteemed academics and practitioners; **Dr. Ali Cheema** - Associate Professor and Director Mehboob-ul-Haq Center, Lahore University of Management Sciences, **Dr. Hadia Majid** - Assistant Professor and Director Saida Waheed Gender Initiative, Lahore University of Management Sciences, **Dr. Hafiz Pasha** – Academic and Former Civil Servant and **Ms. Roshaneh Zafar** - Founder and Managing Director Kashf Foundation.

The roundtable began with Dr. Ali Cheema highlighting the impact of Covid 19 on the economy alongside exploring some of the gaps and areas of improvement in terms of public and private response to the economic recession. This was followed by a session by Dr. Hadia Majid, who brought to light the systemic issues that limit women's economic role, focusing particularly on the problems faced by women in the informal sector. Dr. Hafiz Pasha talked about the impact of pandemic on women and its consequences on the low to middle income households. He also presented a policy framework to enhance gender equity in the labor market. In the end, Ms. Roshaneh Zafar talked about the

impact of Covid 19 and inflation on low income households, particularly microbusinesses, the response by the microfinance sector and the areas of intervention for microfinance providers to improve the social agency of women.

The following sections provide main points from each of the speaker's sessions, followed by a section on key policy recommendations.

DR ALI CHEEMA - COVID 19: ECONOMIC LOSS, RECOVERY AND VULNERABILITIES IN PAKISTAN

Dr. Ali Cheema used data from the PBS to demonstrate the economic shock brought about by the pandemic on income and employment. Dr. Cheema shared that a decrease of 40% was reported in the mean income as a result of lockdown while unemployment also increased by about a similar percentage (37%). He further shared that the analysis showed that the impact of the lockdown was unevenly distributed across localities with the urban economy being affected more than the rural economy. Moreover, off-farm activities in rural areas were also impacted more than on-farm activities. The analysis also showed that the mean income (in November) was still lower than the pre-Covid level and approximately 3 million people were still out of work months after the lockdown was lifted (November).

With respect to policy recommendations Dr. Cheema proposed that a public awareness campaign needs to be designed using economic statistics on the negative impact of lock-down to impress upon the public the importance of social distancing and related Covid prevention behaviors. Furthermore, he proposed that a clear and targeted vaccination strategy needs to be devised by the Government. In the long term, investments towards the enhancement of the public health system will be pivotal for increasing the capacity

to deal with any future pandemics. Moreover, well designed and accessible social safety nets to increase citizen's ability to cope with shocks and vulnerabilities need to be designed and mainstreamed. Lastly, Dr. Cheema proposed that development and promotion of digital platforms to enable market access, especially for the informal sector, are essential for promoting efficiency and ensuring business continuity during any future lockdowns.

DR HADIA MAJID - THE ECONOMIC ROLE OF WOMEN IN PAKISTAN; THE VULNERABILITIES AND HURDLES

Dr. Hadia Majid shared findings from her work with informal workers and home based workers and the vulnerabilities and hurdles they face vis-à-vis the labor market. Using a gendered lens on LFS 2014-2015, Dr. Majid shared that the female labor force participation rate for Pakistan is 22% whilst women's employment to population equal 23%. Of the female paid employees in Pakistan, 62.5% work on casual contracts whilst 73.5% of female employment is in the informal sector. She also shared that 7.7% of girls aged 10-14 are in the labor force out of whom 86.1% work in agriculture. There is a massive wage differential when women are compared to men, with women earning 70% of what men earn for the same work. Moreover, there has also been an increasing feminization of the informal sector, and agriculture over the years in Pakistan. A majority of women employed in the agriculture sector work as unpaid family labor and do not earn wages which limits incremental economic well-being.

Talking about the impact of Covid 19 on women, Dr. Majid shared that since women workers occupy a secondary status when compared with men elasticity analysis shows that women are the first to be laid off during economic crisis. The double burden of household management which women carry was exacerbated even more during the lockdown. Moreover, as a majority of women work in the informal sector, there were minimal legal or contractual requirements to retain or compensate women workers. Domestic workers, who generally work in unfavorable conditions, were very negatively impacted as a majority of them were laid off to prevent risk of infection.

With respect to the policy recommendations, Dr. Majid stressed that a majority of issues faced by women in the labor market result from the social set-up in Pakistan which is geared against women. Data needs to thus be collected, gender segregated and leveraged to

understand issues faced by women workers and create strategies to address them. More work needs to be undertaken to not just ensure the creation of women centric legislation but enabling conditions to ensure the implementation of the legislation is required.

DR. HAFIZ PASHA - COVID-19 IMPACT ON JOBS AND HOUSEHOLDS

Using a data from a special survey undertaken by the PBS on the impact of Covid 19 on the economy, Dr. Hafiz Pasha talked about the impact of the pandemic on household wellbeing, specifically looking at the impact on women. Dr. Pasha shared that it is estimated that between April to July 2020; 20.6 million people could not work due the lockdown, 6.7 million people lost their jobs, and there was an average decrease of 53% in incomes. 74% of those who lost jobs were part of the informal sector. Segregating the job loss by gender it is estimated that about 1/3rd women lost jobs; in terms of numbers, it means job losses for 2.5 million women and 4.5 million men. And whilst there had been recovery of around 67% of jobs between August to November 2020 – the remaining people were still out of jobs.

Speaking on the impact that women's unemployment has on households, Dr. Pasha explained that about half of the households (46%) in the lowest two quintiles rely on women to bring in income. Considering that there has been a 27% rise in the cost of living over the last two years, 35% increase in food prices, no nominal increase in income and loss of employment of the female member, households even approaching the 3rd quintile (middle class) run the risk of not being able to meet the consumption standard (which is Rs.6,000 per adult per month). It indicates that up to half the population of Pakistan, where households does not have a female working, would struggle to meet the minimum nutrition requirement (household income and expenditure survey of 17-18, updated to 19-20).

Turning his focus on the path to recovery, Dr. Pasha was hopeful that of the estimated 7 million who lost jobs, 5 million would have found a job by the end of 2021. He also appreciated the financing packages put forward by the State Bank of Pakistan (SBP) like extending special financing schemes, deferring loan repayments etc., leading to Rs.1,300 billion being forwarded to borrowers. However, he pointed out that there has been no focus on SMEs, MFPS and gender inclusivity. He suggested a special wholesale credit line through SBP at zero interest rate for the MFPS, keeping

in view the high cost of business because of small loan size.

On the social protection front, he disagreed with the government's decision to cut the outreach of the Ehsas/BISP program to 7.5 million people from 15 million. He posited that considering that income loss due to COVID 19 and increase in food prices have significantly impacted households, it is important that social protection be extended to the maximum citizens. Elaborating on how the social protection program will be financed, he suggested a super tax to be levied on large profitable corporate entities earning above 15% of their equity (under the Income Support Levy Act 2013).

Dr. Pasha highlighted that a woman's probability of securing a job is only 1/3rd to that of a man. Therefore, it is important to promote employment for women in the formal economy, where their presence is extremely limited. He suggested schemes such as tax credit for companies on hiring fresh female graduates and other formal employment measures. Moreover, he recommended enforcing quotas for women jobs in government departments, state owned enterprises and financial institution.

MS. ROSHANEH ZAFAR- ROLE OF MICROFINANCE IN POST COVID-19 RECESSION

Ms. Roshaneh Zafar talked about the impact of Covid 19 and rising food inflation on low-income households, and highlighted the response by the microfinance sector to empower and facilitate microcredit borrowers to better cope with the economic recession and rising food prices. Talking about the impact of the pandemic, Ms. Zafar referred to research undertaken by the World Bank and UNWOMEN which posit that gains achieved with respect to poverty alleviation in the past decade have been reversed as a result of the pandemic, and an additional 88 -115 million people have been pushed into extreme poverty globally. Alarmingly, 63% of these people are estimated to be from South Asia. On the gender front, she shared that 118 women compared to 100 men will be living in poverty by 2021. Moreover, the poverty rate among women is expected to grow by 9.1% annually. Referring to Kashf Foundation's research on the impact of Covid 19 and food inflation on its clients, Ms. Zafar shared that in October 2020, Kashf's borrowers reported a 16% decrease in overall income (despite no change in average number of earners) compared to February 2020. This was accompanied by an increase of 26% in food expenditure

over the same time period. Kashf's research also showed that with increasing food expenses, in the face of reducing incomes, low-income households have begun resorting to regressive coping mechanisms such as decrease in the quality and quantity of food consumed, cutting back on other important expenses, and taking on further debt.

Highlighting the response of microfinance providers to the pandemic, as documented by the CGAP, Ms. Zafar pointed out that globally 85% of microfinance providers have rescheduled loans and provided ease of repayment to their borrowers. Moreover, 31% of microfinance providers continued lending and introduced readjustment and recapitalization loans to help sustain microbusinesses whilst 40% introduced digital solutions to facilitate clients in accessing financial services. With respect to Kashf's own response to the pandemic, apart from ensuring continued access to finance for borrowers, Kashf also offered trainings to its borrowers entitled 'Don't Let Corona Happen to Your Business' which focused on business continuity through digital platforms. Kashf also started a pilot of disbursements through digital wallets; the results of which seem promising with 38% of the participants in the pilot reported being "very comfortable" and 44% being "comfortable" in operating a digital wallet account. Kashf hopes that walking them through the digital space will help them adapt to the use of it with time. Such interventions have enabled microbusinesses to slowly recover from the impact of Covid 19. An assessment of Kashf's client businesses revealed that in October 30% micro enterprises reported running their business at pre-Covid levels compared to only 3% stating the same in April 2020 and June 2020.

Talking about further areas of intervention, Ms. Zafar emphasized that the microfinance sector needs to invest more in enhancing the social and economic capacity of women. This can be achieved through providing financial education, enhancing access to financial products, developing business acumen and engaging in social advocacy interventions to enhance women's decision making power and thus their capacity to influence change in their household. She also stressed on investment on micro entrepreneurs to facilitate them in leveraging technology to enable access to market and financial services.

KEY OUTCOMES

Covid 19 has had far-reaching negative impact on low income households, especially the economic agency of women. Existing gendered inequalities and patriarchal social structures further contributed to women bearing the major brunt of the economic and social consequences of the lock-down. Based on the evidence put forward by the panelists and the discussion that ensued as a result, the following key recommendations have come to light:

1. The serious economic consequences of the lock-down need to be documented and shared as a means for public advocacy on social distancing and Corona prevention practices.
2. The efficacy of safety net programs and relief packages by the Government needs to be enhanced by targeting the most affected segments, such as the urban poor and the off-farm rural sector.
3. The government needs to consider the development consequences of the feminization of the agriculture workforce as most of this is unpaid labor. Policy level interventions to formalize agriculture labor, along with providing rural women access to the formal economy are required to address this.
4. Legislation on the protection of women workers – including domestic workers and home based workers, needs to be created and implemented.
5. To promote women's formal labor force participation the Government should consider special incentives and quotas for hiring, developing, and retaining women staff.
6. Data needs to be collected and segregated on sectors and gender to better understand the state of economic development so appropriate and targeted interventions can be designed.
7. The government should allow further space for Civil Society and NGOs that are working for recovery from Covid 19 in priority areas such as urban poor, off-farm rural sectors, and women.