



# POLICY BRIEF



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## Who pays the price? Economic shocks and gendered asset loss in Ecuador, Ghana and Karnataka, India

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Policy responses to the direct and indirect loss of assets due to shocks must consider the role of gender, since the experience of shocks, the ownership (and loss) of assets, and coping strategies all differ for men and women.

### WHAT'S AT STAKE?

Asset shocks have serious short- and long-term implications for income-poor households as the loss of assets can hinder a household's ability to transition out of poverty (Carter and Barrett 2006). Men and women often experience shocks differently depending on what assets, if any, they own, and the manner by which asset ownership impacts their post-shock coping strategies. If patterns of asset loss are gendered, then shocks will have long-term impacts on dynamics and power relations within households. Since a woman's asset ownership is important for her own welfare and that of her family (Quisumbing and Maluccio 2003), it is crucial to consider what kind of asset loss occurs due to a shock as well as its impact on the distribution of assets within a household.

### KEY RESULTS

- **Direct loss of physical assets (the destruction or loss of assets, for instance when land or housing is damaged by a natural disaster) is more common than indirect loss (selling or pawning of assets, as a result of shocks).**
- **Indirect asset loss is relatively uncommon; where it does occur, whose assets are affected and who makes the decision to sell or pawn differs by country.**
- **Perception of the number and impact of shocks, as well as coping mechanisms differ for men and women suggesting that they may respond differently to the same shock.**

To analyze the gendered relationship between shocks, asset loss and use of assets as a coping response, researchers Cheryl Doss (University of Oxford), Abena D. Oduro and William Baah-Boateng (University of Ghana), Carmen Diana Deere (University of Florida), Hema Swaminathan and Suchitra J.Y. (Indian Institute of Management Bangalore) compared cross-sectional household survey data from Ecuador, Ghana and Karnataka, India that collected individual-level asset ownership data.

## KEY FINDINGS

### **Direct loss of physical assets is more common than indirect loss as a result of shocks**

Direct effects refer to the destruction or loss of assets, for instance when land or housing is damaged by a natural disaster. While the most common economic shock in all three was illness or death, in Ecuador and Ghana the next most common was direct asset loss due to crime and accidents; in Karnataka, India, natural disasters were the next most frequent.

### **Indirect asset loss, in the form of selling or pawning of assets, as a result of a shock is relatively uncommon; in addition, whose assets are affected and who makes the decision to sell or pawn differs by country**

Overall, the most common coping strategies were drawing down savings (Ecuador and Ghana) and borrowing or salary advances (Karnataka). Where households drew on physical assets, the gendered effects differed: in Ghana and Ecuador, both men's and women's assets were at risk of disposal and owners were involved in the decision to sell; only in Karnataka were women's assets (primarily jewellery) more likely to be sold or pawned. While the decision to sell or pawn an asset was strongly related to who owns the asset, in Karnataka, decisions regarding women's assets were sometimes made by men.

### **Perceptions of the impact of shocks and coping mechanisms differ by gender, suggesting that couples may respond differently to the same shock**

In only about one-third of households do spouses report having experienced the same number of economic shocks; and where they did, its impact was perceived differentially. In Karnataka, for instance, in some households both spouses reported the same flood as an asset shock, but the wife reported "damage to the house due to flood" while the husband reported "crop failure due to flood". Couples also differed in the coping strategies employed; in more than one third of cases they reported different strategies in response to the same shock.

## POLICY INSIGHTS

### **To address direct asset loss, insurance packages should protect against the most common types of asset shocks in an area**

The high incidence of direct asset loss due to theft or robbery (in Ecuador and Ghana) and natural disasters (in Karnataka) suggests that insurance packages should insure property against such shocks as floods, droughts, accidents and crime. Relatedly, the low take-up of formal social protection mechanisms in response to shocks, where available, suggests the need for improvements and reform of such programs.

### **To address indirect asset loss, intra-household effects must be taken into account to ensure both spouses are supported in recovering from a shock**

The use of different coping strategies by spouses may be part of a joint strategy. However, when assets are individually owned, selling or pawning them will impact husbands and wives differently. Policy responses must take gendered coping strategies and the disproportionate effect of indirect asset loss on women into account.

Distribution of types of shocks resulting in asset loss			
	Ecuador	Ghana	Karnataka
Crime and accidents	67.0	38.4	6.5
Loss of property due to other reasons	N/A	35.5	16.8
Income shocks	12.6	9.6	9.8
Abandonment/divorce/separation	7.9	2.7	0
Natural disasters	11.9	10.3	67.0
Other	0.6	3.6	0
Total	100%	100%	100%
N= Shocks resulting in asset loss	673	488	738

## Considerations of gendered patterns of asset ownership must guide any policy aimed at alleviating the effects of asset shocks

Since in Ghana and Karnataka women are substantially less wealthy than men, the loss of their individually owned assets will have serious welfare consequences. For instance, the high likelihood of jewellery being sold to cope after a shock in Karnataka, India will disadvantage women in the long run by eroding the few assets that they own. Policy makers should therefore consider the strengthening and better enforcement of women's property rights to facilitate their asset accumulation, which would reduce their vulnerability when faced with shocks.

## References:

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