

INTER-AGENCY TASK FORCE
ON FINANCING FOR DEVELOPMENT

Issue Brief Series



Gender and Trade

International Trade Centre (ITC)

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1. Intro

Both the Addis Ababa Agenda of Action and the 2030 Agenda recognize trade as an important engine to reach development objectives together with productive and fair work conditions. Both Agendas also stress the importance of women economic empowerment. It is however only the Addis Ababa Agenda of Action that manages to build a clear relation between international trade and gender (para. 90). The same bound can be assumed among the SDGs under target 5.5 which addresses the women full and effective participation to economic life and target 5.a, focusing on women access to economic resources. One of the indicators adopted to track progress against these targets (namely target 5.5.) is the proportion of women in managerial positions.

Notwithstanding the increasing number of initiatives worldwide aiming at empowering women producers and traders, many challenges lay ahead. First among them, the need for more disaggregated data and firm level information which are not part of official international trade statistics.

2. Stocktaking

The results of an ITC survey analysis across 20 countries (in five regions of the World) reveal that far fewer women's businesses are engaged in international trade than businesses owned by men¹.

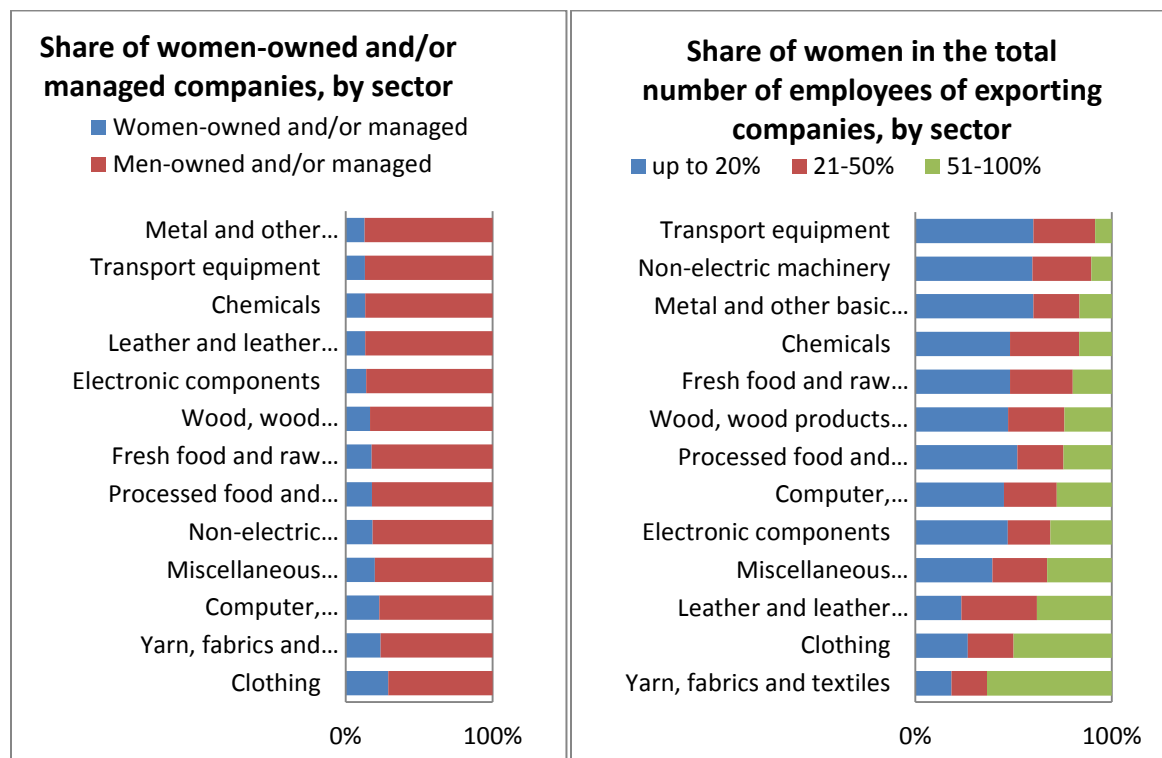
This represents a significant trade loss in terms of productivity. Women-owned businesses that export are on average more than 3.5 times more productive than women-owned businesses that do not export. Women-owned exporting firms are also about 1.2 times more productive on average than male-owned business exporters².

Results from the ITC survey also suggest that women (as managers, owners and employees) are particularly involved into the clothing and textile sectors, which represents the main source of processed and higher value exports for LDCs and developing countries.

¹ ITC (2015), Unlocking Markets for Women to Trade.

² Source: https://www.whitehouse.gov/sites/default/files/image/strategic_case_for_women_and_trade.pdf

Figure 1:

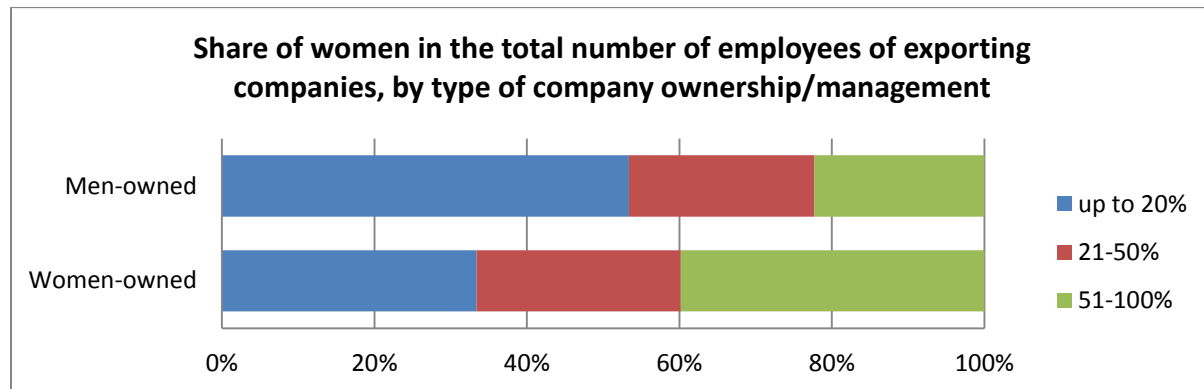


Source: ITC business survey on NTMs, 2010-2015, www.ntmsurvey.org

There is also a virtuous cycle in terms of inclusiveness that could be triggered by fostering women entrepreneurship. From survey data is observable that women entrepreneurs create more jobs for women. In 40% of women-owned firms include in the survey sample, the majority of employees are female, compared to just 22% of men-owned and managed exporting companies. Over half of male-owned managed exporters have fewer than 20% of women in the workforce³.

³ Sector activity has a greater impact than company size on women employment and ownership. Further research and statistical analysis is needed to substantiate the findings and determine the direction of causality (if any).

Figure 2:



Source: ITC business survey on NTMs, 2010-2015, www.ntmsurvey.org

In addition to that, increasing export participation by women-owned businesses may be one route to creating higher middle-class incomes and address the issue of large wage gaps faced by women workforce. The average pay by exporting women-owned businesses is approximately 1.6 times higher than the average pay at non-exporting women-owned businesses. This 'exporter premium', the amount which exporters pay more than non-exporters, is larger than the equivalent premium for male-owned businesses. Higher wages for female employees, however, are likely to have knock-on effects on the wider economy, as women in developing countries are known to have a higher propensity than men to invest in their families and in the community at large, leading to a positive impact for the country as a whole. Higher wages for female employees could therefore lead to higher expenditure on school enrolment for children, including girls, with the inclusion of an increased number of educated women in global workforce⁴.

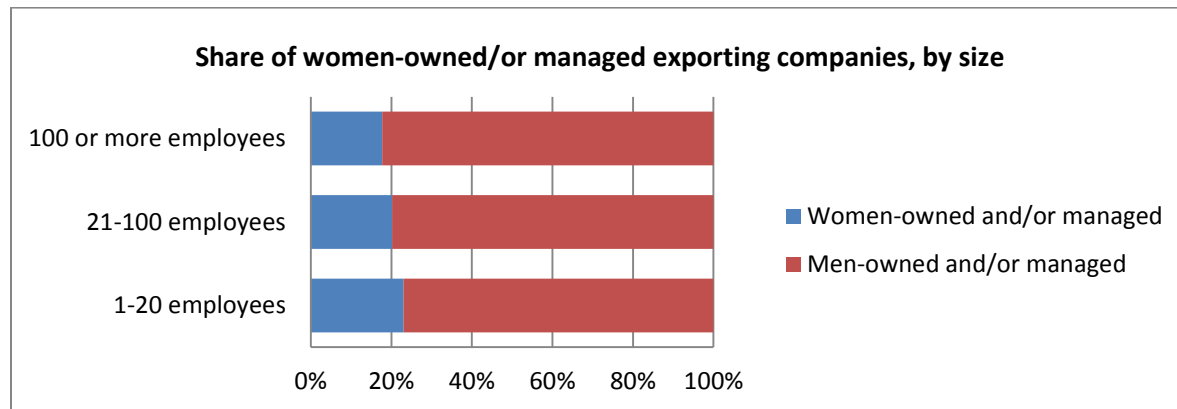
The reasons for the underrepresentation of women-owned companies in international trade are multiple. Cultural and regulatory barriers often make it difficult for women to create or run a business. In addition, time pressures on women who bear children is higher than on men and in many countries women still shoulder most of the housekeeping work. Cultural and regulatory barriers, time constraints due to unpaid family care workload, and education choices can have the following effects that can explain the lower integration of women-owned businesses in international markets:

- Time constraints on female managers;
- Limited access to productive resources like finance and land;
- Limited access to information and networks;
- Skills mismatch.

⁴ Teignier, M. and Cuberes, D. (2014), Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate.

Together, these barriers explain why women-owned businesses are on average smaller and less productive than male-owned businesses. Due to their small size, women-owned firms also suffer disproportionately from trade-related fixed costs, such as non-tariff measures.

Figure 3:



Source: ITC business survey on NTMs, 2010-2015, www.ntmsurvey.org

3. Policy recommendations

- **Ensure gender data collection and inclusion in trade policy debate:** Quantitative information related to women's economic participation remains scarce, particularly with respect to international trade activity. It is essential to marshal data in order to craft policies that harness a valuable but largely untapped resource in procurement and global value chains – women entrepreneurs. Research and analysis can be transformed into an evidence-base that informs the development of meaningful policies and programmes. Political will and the utilisation of a gender lens in evaluating data and programme outcomes are also essential. Lack of gender awareness in policy has the continued result of impeding women's access to markets. This in turn undercuts job creation and local economic vitality at a time when more women are becoming educated and skilled, and women-owned businesses are needed to bolster the economy.
- **Create more opportunities to access government and corporate procurement markets:** According to ITC research, public procurement constitutes 10% to 15% of the GDP of developed countries and up to 30% to 40% of the economies of least developed countries, but women-owned businesses receive only a tiny (and frequently undocumented) share of that market. In its combined role as buyer and policy maker, government and related public organisations have the opportunity to help shape and increase the participation of women-owned businesses in procurement markets. Inclusive public procurement legislation, regulation, executive orders, policies, practices, institutional resources and training for women-owned businesses on how to sell to governments can support the success of women-owned businesses, especially SMEs,

thus generating substantial social benefits without adding costs to taxpayers. On the other hand, businesses can create corporate procurement programmes that continue to lead the way in embedding diversity and inclusion in global value chains, and can promote collaborative efforts to advance procurement from women entrepreneurs.

- **Access to financial services.** Women entrepreneurs face a range of financial and nonfinancial challenges in realising their growth potential, and are more likely than their male counterparts to cite access to finance as a major or severe constraint on their business operations. In addition, financial institutions have not yet fully realised the business opportunities of meeting the specific financing needs of women entrepreneurs as a distinct customer group. In addition, sometimes women are held back by lack of information and financial literacy. Yet women control more than US\$20 trillion in global consumer spending. Bold steps need to be taken to close the access to financial service gap between men and women, including bank accounts, saving, housing finance, SME loans, equity, insurance products and digital payments. Mobile technology plays a significant role in helping to achieve Universal Financial Access by 2020.
- **Enforcement of Ownership Rights:** Ownership Rights are fundamental to women's business capacity. These rights make it possible for women to start businesses, and to provide the collateral necessary to finance growth and internationalisation.
- **Certification.** Globally recognised certification is required to validate the ownership and confirm eligibility of women-owned businesses.
- **Address supply side constraints.** There is increasing evidence that women face obstacles in setting up their businesses, and fewer women-owned businesses than male-owned businesses participate in the formal economy and in international trade. In addition, women's businesses tend to be smaller and concentrated in less productive sectors. While most small and medium enterprises (SMEs) face constraints in accessing markets, the barriers are disproportionately higher for women-owned SMEs. Women-owned businesses need to scale, focus on more productive sectors and move up the value chain, in order to more successfully compete in the increasingly complex trade landscape.

ANNEX 1: Presentation of relevant work done by UN system and other in the area

- The ITC-led Global Platform for Action on Sourcing from Women Vendors, established in September 2010, has grown into a network that convenes partners who purchase more than US\$ 1 trillion dollars in goods and services annually and represents more than 50,000 women entrepreneurs. The network is an avenue for organizations committed to women's economic empowerment to operationalize their pledges to increase the amount of procurement by women-owned businesses.
- In September 2015, ITC launched a five-year Call to Action to bring one million women entrepreneurs to market by 2020 by boosting women's participation in trade. This report provides valuable and practical insights into how the Call to Action can be realized. It examines women's experiences in business and trade and contemplates possible synergies among the actions undertaken by the different stakeholders who share this goal.