Women and the Global Economy

By Isobel Coleman

Closing gender gaps and bringing women in emerging markets into the global economic mainstream represents a tremendous force for stability and prosperity worldwide. As multinational corporations increasingly search for growth in developing countries, they should focus on creating opportunities for women—not simply out of the goodness of their hearts, but because it makes strong business sense. The private sector can and should be a powerful partner to governments and non-governmental organizations in a transformative 21st century push for improvements for women around the world. Companies stand to improve the world and their own bottom lines at the same time.

The low status of women in much of the world is not only a critical human rights issue, but also a pressing economic issue. Women’s disempowerment causes staggering losses in human capital, productivity, and economic activity. Indeed, entrenched gender discrimination remains a defining characteristic of life for the majority of the world’s bottom two billion—a key factor widening the gulf that exists between the chronically destitute and the other nearly five billion people who share this planet. Conversely, when women are educated and can earn and control income, the benefits are large: infant mortality declines, child health and nutrition improve, agricultural productivity rises, population growth slows, economies expand and cycles of poverty are broken.

In coming decades, the majority of the world’s population growth will be in those countries where gender disparities are greatest and where conservative religious, patriarchal traditions, and tribal customs work against an expansion of women’s rights.
As multinational companies increasingly search for growth in the developing world, they should explicitly focus on breaking down barriers and creating opportunities for women—not simply out of the goodness of their hearts, but because it makes strong business sense. Just as corporations have found that “going green” can improve their bottom lines, companies that recognize women’s empowerment as critical for increasing labor-force productivity, improving the quality of their global supply chains and expanding their customer base and distribution networks will enjoy a competitive advantage. With their influential brands and promises of investment and employment, the private sector can be a powerful partner to governments and non-governmental organizations in a transformative twenty-first century push for improvements for women.

Unleashing the potential of women is an enormous opportunity for the global economy, akin to stumbling upon a relatively untapped emerging market.

The Third Billion

Unleashing the potential of women is an enormous opportunity for the global economy, akin to stumbling upon a relatively untapped emerging market. Indeed, a recent Booz & Company study suggests that underserved and disempowered women around the world represent the “third billion,” equivalent to the billion-plus population markets of India and China. Booz & Company estimates that over the next decade, as many as 870 million women could join the economic mainstream, with that figure possibly surpassing one billion by 2030. Yet, this potential will only be realized if women are better prepared in terms of education and are more enabled by their families and communities to participate in the global economy.

The inclusion of previously disenfranchised women in the global economy could help drive growth in times of prosperity, and temper the negative effects of economic downturns. Booz & Company suggests that integrating the “third billion” could have an even greater global impact than the emergence of China and India because the benefits of women’s empowerment would be spread widely rather than concentrated in single countries. Companies that help speed the process of female empowerment and economic integration will realize the benefits.

According to a 2009 McKinsey & Company study, however, less than 20 percent of global companies surveyed—companies that are already engaged in emerging markets—are doing anything specifically focused on women. More than half of the respondents admitted that they simply had not considered making women’s empowerment a distinct strategic priority.

Among those companies that are engaged in women’s economic empowerment initiatives in developing countries, nearly three quarters of respondents stated that their investments in women were already increasing their profits or they expected them to do so soon. Some forward-looking companies are experimenting with different programs to support female employees in emerging markets—providing them with training, education and mentoring, access to financial services, healthcare, and family
planning. They are also incorporating women-owned businesses into their supply chains, tailoring products for women, and accessing new customers through female distribution models—and beginning to realize results.

Doing Good and Doing Well

Tupperware is one such company that is deploying its assets to improve the lives of women in emerging markets. Tupperware is the iconic American company that literally invented the party-based sales model—by women, for women—back in the 1950s when fewer than a third of American women worked outside the home. Today, Tupperware is replicating that model overseas, and driving social change in emerging markets around the world. Eighty-five percent of company revenue comes from outside the United States, and nearly 50 percent comes from emerging markets such as Egypt, India and Indonesia. In India alone, its all-female sales force numbers more than 50,000, with new consultants able to make as much as teachers and nurses. These Tupperware ladies provide critical income for their families, with many reporting that their earnings pay for school fees, better healthcare and improved nutrition for their children. As breadwinners, managers and trainers, Tupperware ladies enjoy greater self-confidence and stature and become leaders in their communities.

Standard Chartered Bank (SCB) is another example of a company that understands the positive effect of women's empowerment on economic development, and its own bottom line. A financial services company whose history is intertwined with the British Empire, Standard Chartered generates 90 percent of its income today from operations in seventy-one countries in Africa, the Middle East and Asia. In the last three years, it has provided $540 million of credit and financial instruments to sixty-three microfinance institutions (MFIs) across Asia, the Middle East, and Africa. It also focuses on agricultural finance due to the large growth potential and important development role agriculture plays in many countries where the bank operates. In addition, SCB is helping finance a shift toward a low-carbon economy, in accordance with a five-year clean technology and renewable energy commitment it made at the 2007 Clinton Global Initiative. Although SCB does not explicitly state that these measures have been adopted to empower women in developing countries, women are the group that stands to benefit most from them, as small businesses and agriculture are female-dominated sectors in many countries where SCB operates. Clean technology and renewable energy sources can help women avoid many of the health and other hazards associated with traditional methods of cooking, heating, and agriculture. In a further move to differentiate itself, SCB some years ago decided to focus on women as customers and clients in markets where they have traditionally been underserved. In December 2008, SCB launched a women’s empowerment program to enhance financial literacy, financial planning, investment and capacity building for women owners of small businesses, aiming to reach 5,000 women in Asia by 2011. In India and Pakistan, the bank operates all-female branches; in Africa, it runs its “Diva Club,” a savings program that encourages women to save in groups and facilitates networking among female clients. SCB sees these programs as valuable in building customer loyalty and creating a first-mover advantage for the bank. Along the way, these initiatives also
bring underserved women into the financial mainstream, helping them become savers for their families, expand their decision-making and build their businesses through improved financial literacy and access to credit.

Other corporations are beginning to understand the vast potential of the “third billion.” Walmart, for example, is rapidly expanding in emerging markets like India, Brazil, Mexico, and South Africa. Since 75 percent of its employees are women, it recognizes that it has a clear interest in promoting women’s economic empowerment in its new markets. Working alongside CARE, a humanitarian organization that combats global poverty, Walmart has launched several pilot programs to teach literacy and workplace skills in the developing world. In Peru, it is helping female farmers meet the company’s quality-control standards. In Bangladesh, it is training local women in the garment industry to move up from fabric sorters to seamstresses and cutters. Similarly, it is developing the skills of female cashew farmers in India so that they can progress from low-level pickers to high-end processors. Walmart expects to see increased productivity, higher quality, and greater diversity in its supply chain as a result. Still, the potential to do more is huge. With more than $400 billion in revenues (more than the GDP of Norway), Walmart is the world’s largest retailer and its purchasing decisions have a cascading effect throughout the global supply chain. If it sourced just 1 percent of its sales from women-owned businesses, this alone could channel billions of dollars toward women’s economic empowerment—far more than what international development agencies can muster for such efforts.

Impetus for Change

Given the cultural sensitivities surrounding the status of girls and women in many emerging markets, it is not surprising that multinational companies often approach the topic gingerly. The fact that the senior management of local subsidiaries is often overwhelmingly male, with strong patriarchal views themselves, presents additional obstacles.

Companies, however, are becoming increasingly proactive today with respect to women’s rights not only because they see opportunity, but also partly in response to shareholder demands on social issues and in some cases, home-country diversity laws. The rise of female senior managers, board members and CEOs in Western companies can also put the issue higher on a corporation’s agenda. Michael Shtender-Auerbach, a consultant with Control Risks who advises multinational companies on various social risk factors, including gender issues, sees this as an increasingly important dynamic. “When corporations request social impact assessments prior to making overseas investments, women’s rights are rarely the primary concern, but they are definitely getting more priority these days,” he says. With more than $2 trillion in socially responsible investment (SRI) funds, and women’s rights an increasingly high-profile component of the social justice agenda that concerns SRI funds, that trend is likely to continue.

Root Capital is one such social investment fund that encourages its portfolio companies to leverage the talents of women. While women’s empowerment is not its explicit social mandate, it does so because, for business reasons, it wants to encourage inclusion of women among its clients. “We are more inclined to invest in companies

28  Yale Journal of International Affairs
that have figured out how to integrate women as employees and managers,” explains William Foote, Root Capital’s founder and CEO. “It is a sign that they are seeking talent and opportunities.” Root Capital’s mission is to provide capital and financial education to small and growing businesses in rural areas of developing countries. Approximately 20 percent of Root Capital’s investments are in women-led businesses, but the company sees real opportunity in influencing the other 80 percent of its portfolio to think more carefully about how they are integrating and promoting women. “We are considering offering a discount on our loans—and/or providing financial management training alongside the credit—for companies that meet certain gender-balance criteria. This isn’t about social engineering—we see this as a good business practice that we want to encourage among our portfolio companies. We know it will pay off for them, and for us,” says Foote.

Private-sector interventions such as these, if replicated across the global economy, can play a significant role in breaking down barriers and changing deeply entrenched detrimental cultural practices for women. In India, for example, the government has tried for decades to get parents to place more value in girls, but patriarchy dies hard. With the spread of low-cost sonogram technology across rural India, parents show their continuing preference for boys by illegally aborting unwanted girls. In some parts of the country, as many as 140 boys are born for every one hundred girls. Some fascinating new studies, however, indicate that maybe the private sector can succeed in changing this pernicious dynamic more effectively than government policy. Professor Robert Jensen of UCLA’s School of Public Affairs conducted a study providing three years of recruiting services to young girls in randomly selected Indian villages to help them get jobs in the business process outsourcing industry. At the end of the study, girls in the selected villages were more likely to be in school and had greater measured body mass index (BMI) than girls in control villages (an indication of improved caloric consumption). Paid employment was also 2.4 percent higher for women aged 18–24. According to Jensen’s research, this small, low-cost intervention not only contributed to raising girls’ education and health, but even weakened couples’ strong preference to give birth to sons. As the private sector expands economic opportunities for women in India, girls’ value to their families will grow and more parents should welcome the birth of a daughter.

General Electric (GE) is a company with a significant stake in seeing the attitudes of parents in India become more favorable to girls. GE makes the sonogram technology that is widely used for sex-selective abortion in the country, although that practice has been illegal since 1994. To further deter the widespread practice, the Indian government passed a law in 2002 holding the manufacturers and distributors of sonogram equipment responsible for preventing female feticide. GE’s response was to create a series of training programs, sales-screening procedures, and post-sale
auditing processes designed to detect misuse, and it also puts warning labels on its equipment. Nonetheless, abortion providers continue to flout the law. With Indian activists accusing GE of being complicit in female feticide, the company recognized that it had more than just a public relations problem on its hands. If it hoped to continue to dominate India’s ultrasound market, it would have to confront the low status of women in Indian society. In recent years, it has met with activist groups and launched a poster campaign to change attitudes about women’s rights. It has also begun to fund education for girls and sponsor progressive role models, including a hip, young tennis star. Ingrained cultural attitudes of course do not change overnight, but the private sector has an important role to play in revaluing the life of girls in traditional societies.

**Getting Serious**

For companies operating in emerging markets that are just now considering women’s empowerment as a core business objective, here are five principles that can help guide a strategy:

First, define and measure success appropriately. Obstacles to female empowerment differ across regions, so companies must identify the relevant issues in each market. For example, do female employees need a male family member’s permission to work? Do they have transportation and safety constraints different from men? Do they have access to financial services so that they can actually control their incomes? Do they have identity cards that allow them to be counted as citizens? Is family planning and maternal health care available, so women can choose the number and timing of their children and deliver them safely? Are they able to send their girls and boys to school at equal rates? It is critical that companies understand the context of gender issues in the markets in which they operate.

Second, although donating money to women’s initiatives is a good start, incorporating the goal of women’s empowerment into actual business practices is even better. Bringing female farmers into the global supply chain presents a significant economic opportunity for women: in sub-Saharan Africa and South Asia, farm labor is more than 70 percent female, yet women tend to focus on subsistence crops rather than cash crops, a sector still dominated by men. Developing women to create new sales force capacity and distribution models also holds great potential, as the experience of Tupperware shows. Even sectors that employ a low percentage of women, such as the extractive industries, could encourage women-owned businesses in support service areas, such as catering, laundry, office cleaning, and transportation.

Third, companies should concentrate on providing skills and resources to female entrepreneurs and business leaders. This could mean expanding financial services to female clients—not just credit but savings products, too—as Standard Chartered Bank has done. Or it could take the form of supporting an existing local organization that helps women obtain access to health care, identity cards, or property rights. Leadership training, as well as secondary and university education, is central to developing the next generation of female business leaders and managers.
Fourth, companies should not shy away from taking on thorny issues. Although corporations understandably resist being associated with controversy, they do have an interest in engaging in sensitive topics such as child marriage and women’s access to reproductive health care (runaway population growth can strain resources and threaten a country’s stability) and domestic violence (the lost productivity of both men and women in the aftermath of domestic violence is enormous).

Fifth, corporations should not try to reinvent methods that have already been perfected by others simply to appear innovative and committed. Instead, they should look to partner with the many excellent nonprofit organizations that have been working on issues of women’s empowerment for decades. Organizations such as CARE, Vital Voices, and Women’s World Banking are eager to work with the private sector to develop programs that can take advantage of corporations’ expertise and assets, including their brands, employees, supplier bases, technology, and funding. Nike, Walmart, and ExxonMobil have formed a number of such partnerships. Likewise, Goldman Sachs is working with more than seventy academic institutions and nongovernmental organizations around the world to develop its 10,000 Women initiative.

Closing the gender gap and improving women’s rights in the Middle East, South Asia, and sub-Saharan Africa may take many generations, but the benefits will be huge—not only for the individual women and their families but also for global markets. As companies seek new sources of revenue in emerging economies, they will find that gender disparities pose an obstacle to doing business. The sooner the private sector works to overcome gender inequality, the better off the world—and companies’ own bottom lines—will be.

– Deborah Gim and Suchitra Vijayan served as lead editors of this article.

NOTES

2 Ibid.
4 McKinsey & Company, “Business of Empowering Women,” 8. In McKinsey’s survey of 2,300 private-sector executives, 34 percent of respondents reported increased profits, and 38 percent the expectation of increased profits, as a result of their companies’ efforts to empower women in developing countries and emerging markets.
10 William Foote (Founder and CEO, Root Capital), interview by Isobel Coleman, July 22, 2010, New York, NY.