

APEC Women and Economy Summit 3, 2013

APEC Women and Economy Forum “Women as Economic Drivers”

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Distinguished delegates, business leaders, and community leaders,
Ladies and Gentlemen

It is thoroughly an honor for me to be able to be here with prominent public figures, business leaders, and policy makers to share the same spirit of the importance of role of women in our global economy.

On this important occasion I would like to touch on three things related to the theme of this forum today. First is by way of background to reflect upon where we started this process. Where did we start? Second is to remind all of us here, and those not here, the case for women as economic drivers. Third is given the importance of the case, what should we do about it and especially what is the role of APEC.

Where did we start?

I was in San Francisco at the first Women and Economy Summit of APEC. I would like to pay tribute to Secretary Clinton who at the time convened the first summit where in the 22 year history of APEC held a meeting where all stakeholders dealing with economic and gender/women issues gathered. At the time I said that it's about time! After all the APEC Bogor Goals of free trade and investment by 2010/2020 will not be reached without women, half of the region's human capital. This is of course still true today with Indonesia's 2013 APEC theme. How can we reach a resilient Asia-Pacific and be the engine of global growth without women. Furthermore one of this year's priorities is also about sustainable growth and prosperity, in which the inclusiveness principle is paramount. Inclusive should definitely mean including 50 percent of your human capital and population.

The first APEC WES also struck an important note in emphasizing the issue today, is not simply about equality and fairness for women, but because it makes economic and business sense. There was a lot of empirical information, analysis and discussion to lay the ground for the case of mainstreaming the case of women as economic drivers.

Let me just reflect upon the case that was made since the first APEC WES and has

been resonating in other fora since then, leading to updates of various studies done at the time by McKinsey, and then followed by others.

The case for Women as Economic Drivers

Remember the famous saying, “it’s the economy stupid!” Well “it’s women, stupid.” Yes, women are important because it makes clear economic and business sense.

All this time women’s economic value has been undervalued and underestimated (most of in this room knew that of course!). Despite the improvements of opportunities for women as evidenced by increased school enrollment, literacy rates, college graduates and labor participation, women still get lower returns for the same job or activity than men.

A recent study by IFC for the G20 states that there are about 8-10 million formal women-owned small and medium sized enterprises (SMEs) in emerging markets. This number represents 31 to 38 percent of all SMEs in the market. Furthermore, the recent Global Entrepreneurship Monitor Women’s Report estimates that in 2012, there 126 million women who were starting or running new business and 98 million were running established business – or a total of 224 million women. In comparison for Indonesia, a recent ADB study showed that SMEs account for 57% of GDP and that 96% of business units are SMEs out of which 23% are run by women. A recent study by Asia Foundation shows that SMEs account for 57% of Indonesia’s GDP and employ more than 96% of its workforce. Women own approximately 23% of SMEs in Indonesia and growth of women owned SMEs is relatively high at 8% annually.

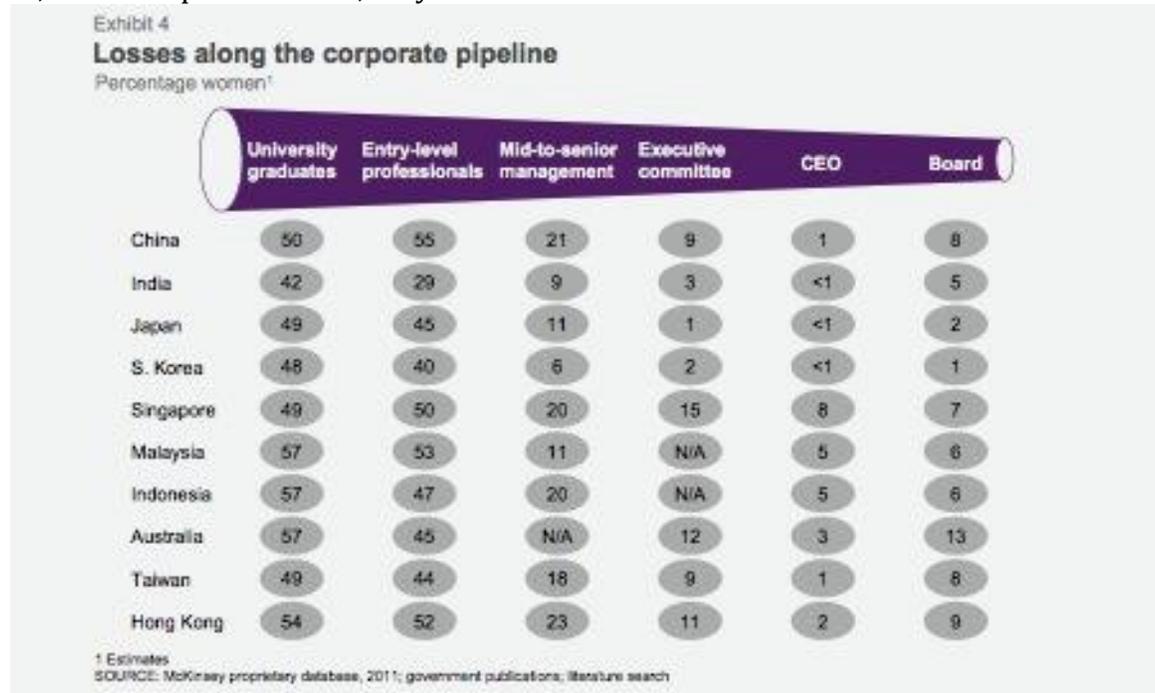
Yet women owned businesses tend to be smaller and have a harder time getting access to finance. In the ADB study it also showed that because of barriers to entry such as access to finance and dealing with complex regulations and licensing requirements, women tend to enter into sectors, which are open and require low investment. The three sectors are food and beverage, handicrafts and garments.

Despite increased labor force participation rates, only a small percentage of women in top management and leadership position. At the first APEC WES, the results of the McKinsey study were shared, that is, of the fortune 500 companies there was a funnel effect. The percentage of women is as follows: entry level professional 53%, middle management 37%, VP and Senior Management 26%, Executive comm. 14%, and CEO only 3%! The percentage of women on corporate boards is 15 percent for the US and the highest was Norway at 39% and that is because there is a regulation in Norway for listed companies to have 50 percent of women on their boards. In Indonesia the number is 4%!

In the latest report by McKinsey “Women Matter: An Asian Perspective” (2012) shows that female labor participation rate varies across Asia-Pacific Economies, with very high rate in China (74%) and relatively lower in other parts of the region. Indonesia (53%), Singapore (60%), Hong Kong (52%), Malaysia (47%). Nevertheless, these figures are still lower than that of in the West. Furthermore, we

do not lack female university graduates. In China, it is 50% if university graduates. Indonesia, Malaysia, Australia 57%. Singapore 49%.

However, in the corporate world, they find severe “funnel-effect”



Another important fact, do you know what is the largest economy in the world ? It would be a badly managed corporation that does not realize this, it is the 12 trillion consumption spending by women globally. This is two thirds of total consumption spending and is expected to increase by another 5 Trillion in the next five years. Various consumer surveys show that more than 50% of decision making to buy various goods and services ranging from cars (e.g. 60%), food, clothing, vacations and medical care (e.g. 90%) are in the hands of women.

Women are half of the human capital, so increasing participation of women will mean increasing competitiveness, growth, equity and reducing poverty. This link is emphasized by the newest WEF’s Global Gender Gap report which finds that there is correlation between gender equality and the level of competitiveness, GDP per capita and human development. According to WEF’s Global Gender Gap Report (2012), Asia Pacific region has succeeded in closing 66% of the gender gap. Asia Pacific however placed 5th out of six regions in the overall score.

Another McKinsey finding is that boards with women do better profit wise, have higher rates of return, and lower turnover of management. They found that the return on equity was 47% higher, EBIT margin was 56% higher, for companies with top quartile of women’s representation on executive committees compared to no women’s representation at all. Companies with at least one woman on the board

also outperformed in terms of share price performance, those with no women on the board over the course of the past six years [Source: Credit Suisse].

The case is clear – women are drivers of the economy and could contribute a great deal more. The empirics are important and should be continuously updated and expanded. It will help to mainstream the case, resonate to those outside of this room and be repeated as often as we can.

What needs to be done?

To realize the case of women as economic drivers, we need to collectively address the factors that lead to the funnel effect, remove the barriers and obstacles faced by women to be in leadership positions whether in government, business and SMEs, and empower women through access to technology, finance, capacity building and training.

The *first* set of obstacles are organizational and institutional in nature, including the legal and policy issues that create a negative bias against woman as Amb. Melanne Verweir pointed out earlier, whether its their inheritance, legal and property rights, access to financing and their rights in general. For instance girls and women should have equal rights in developing their human capital. Thus, there needs to be equal opportunity in the whole cycle of the life of a woman.

This starts with equal access to health care and nutrition in the first five years of life; equal access to education from primary, secondary for girls; and equal opportunity, pay and benefits in the work force. There also has to be a change in attitude and perceptions so that girls do the best they can. A girl should not be branded negative if she is “ambitious” and let us debunk the myth that boys are better than girls at math, science, technology and engineering.

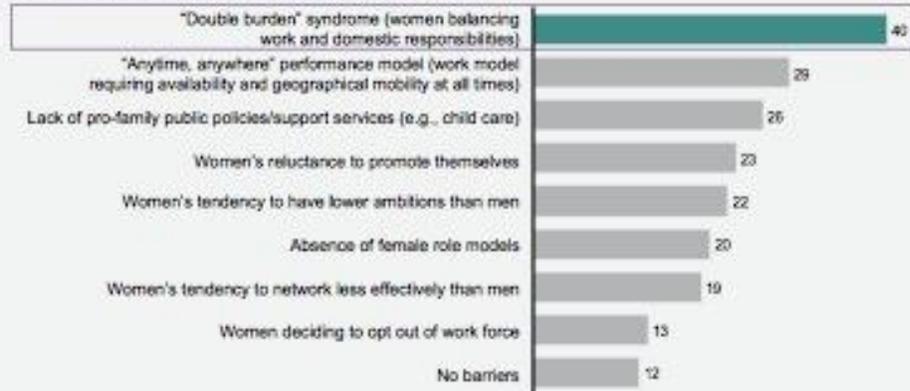
Second the factors behind the funnel effect. The same updated McKinsey study finds that the double-burden syndrome (women balancing work and domestic responsibilities), anytime-anywhere performance model (work model requiring availability and geographical mobility at all times) and lack of pro-family public policies are the three biggest barriers to gender diversity within senior management.

Exhibit 8

Barriers to gender diversity within senior management

"In your opinion, which are the biggest high-level barriers, if any, to increasing gender diversity within the top management of corporations?"

Percent of respondents who selected each measure



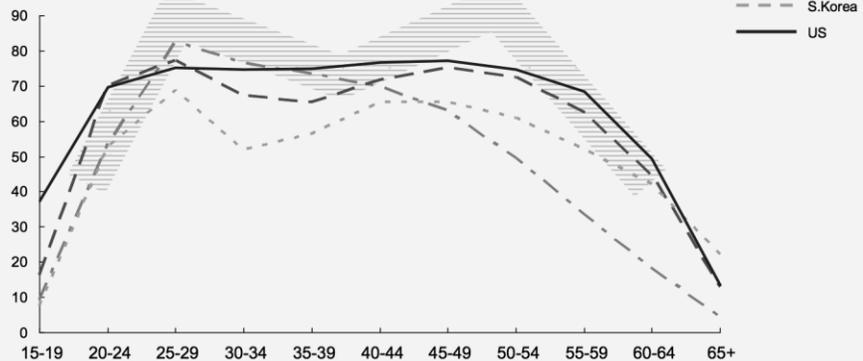
SOURCE: Women Matter: An Asian Perspective, 2012

This phenomenon is also confirmed by the stark M-curve in Asia, showing that more Asian women withdraw from labor force once they have children. This is not the case with women in the Western countries. Thus, cultural norms can also have an effect.

Exhibit 11

The "M-curve" in female labor participation rates

Female labor participation rate by age group, 2010¹
Percent



¹ The proportion of the female population aged 15-64 that engages actively in the labor market, either by working or looking for work

SOURCE: 2010 Statistic Digest of Labor Trend; International Labor Organization; Year Book of National Statistics

To address these factors, there has to be a mindset change to better structure work place and benefits to cater for women's professional and family demands. This could be through ensuring child care and lactation facilities in work premises as Mayor Hayashi of Yokohama has championed. Companies and governments should work beyond business-as-usual way and be aware and respond to the fact that women face

different challenges in their cycle of life. Allowing for flexi time and use of technology to facilitate women to balance work and family by allowing for working from home and teleconferencing. Companies and other institutions alike should also shift to more result-based performance rather than being geographical mobile. This will accommodate for the needs of women without sacrificing performance or merit-based evaluations. There is an initiative in Indonesia from some of our state-owned enterprises and private enterprises to pioneer the way on this count.

Interestingly, women in emerging economies were found to be more ambitious in general than women in developed economies precisely because we are able to have extended family and help with balancing family, lifestyle and work.

Corporations can also advocate for changes such as the affirmative actions for women to be part of the supply chain as companies like Wal Mart have pioneered and there is now the We Connect program mentioned by Ambassador Verveer. Indonesia is also planning to participate in this.

Third how do we ensure that we empower and nurture women to “grow”. There is widespread agreement of the importance of role modeling, mentoring and skills and capacity building. Providing women with courage and confidence, to face risks, and opportunities for professional growth as well as leadership skills, are important.

Empowering women through access and ability to use tools such as technology and accessing financing and markets are also important. Technology is an important tool for women. In today’s world, the accessibility and affordability of communications, internet and social media have and will continue to contribute to social change for women – whether it is to get information and knowledge, or to use it as a tool to do business. The numbers show that women spend more time online than men (24.8 hours compared with 22.9 for men), spend 20 percent more time on retail websites than men, and more women use social media websites than men and spend more time on them. The social media provides women with comparative advantage because it does not use physical strength. So women can excel in the services sector, including the use of social media because of network building, socializing and communication.

As for access to finance, we have to ensure that in terms of regulation and policies that there is no discrimination, and in fact there should be affirmative action as well as adjustments made to the needs of women.

What can APEC do?

The issues that need to be addressed are clear in terms of the need to ensure a “level” playing field for women in terms of regulations, policies and changing the business as usual mindset and functioning of governments and corporations, as well as programs and activities to empower women such as capacity building and training, mentoring, and access to information, technology and networks. Economies should address them nationally, corporations should address them

individually and collectively, and there are a host of programs, initiatives and networks out there also addressing each one of these issues. Given the links between different government agencies needed to address these issues comprehensively and the number of stakeholders involved, it is important to approach the solutions in an integrated way. This year's APEC WES is an example with the joint meeting between Ministers in charge of SME and women given the overlap in issues and solutions. In future there should be integration with trade, finance and other economic ministers.

Herein lies APEC's comparative advantage. It is flexible enough to be able to conduct such joint meetings and greater integration is recommended so that we can truly mainstream the issues and solutions. There should be more joint meetings and coordination and communication between the different APEC fora and subfora.

The APEC spirit is also about peer pressure and confidence building. The individual action plan (IAP) which the APEC Ministerial Meeting on SME and Women are going to discuss, sharing best practices and programs that work which can be scaled up or replicated in each other's economies, can be a good beginning. The IAP is an instrument which is used in APEC for countries to report on their national actions on various issues in trade, investment and other areas in line with the Bogor Goals, as well as other goals agreed upon by APEC economies. The idea being that if one can report this regularly there is peer pressure and confidence building as other countries are also doing the same thing.

For instance the IAP for achieving women as the drivers of the economy, one can envisage the setting of targets such as increasing the number of women owned SMEs or the number of women enterprises being part of the supply chain of export and import of goods and services in APEC or the number of women enterprises who are informed, trained and able to benefit from the various trade preferences and market access in APEC. The targets are outlined, and more importantly the individual action plan for the country is outlined in terms of how the targets will be achieved, a time line and also who will be involved.

There is also the common action plan, for instance agreeing that by a certain date all APEC economies agree to reach the same target of increasing women owned SMEs. This is similar to the reduction of 5% of trade facilitation costs made in 2005 to be achieved by 2010. Then there is an underlying capacity building programs and soft and hard infrastructure that will be needed.

Agreeing on best practices and principles is also another important feature of APEC deliverables in other areas. The advantage of APEC is that it is not a negotiating forum and thus ideal to deal with new issues and cross cutting issues. There are non binding principles in the trade and investment areas that actually become the framework or guidelines for actual policies undertaken. The actual discussion and process to get to the point of agreeing on best practices and/or principles is equally important in fostering learning and common understanding about the issue(s). In

the implementation, it is once again based on the spirit of peer pressure and confidence building in APEC. So one could envisage best practices on creating a conducive environment in work places for women to grow or principles of financial inclusion that do not discriminate and even empower women entrepreneurs in APEC.

Let me close with a concrete example because of my experience in the International Council on Women's Business Leadership (ICWBL) in the sub committee on access to capital. There could be targets for the number of women who will have access to microfinance in a sustainable way. In terms of how this can be achieved, would be firstly changes and reforms in the underlying regulatory and policy. This could be IAP, CAP and agreeing on principles/best practices nationally and APEC wide, on laws, regulations and policies in the financial sector, including a financial inclusion blueprint and action plan, which removes discrimination and biases against women and even build in affirmative actions that provide for product differences to accommodate the different circumstances women face.

Then there could be sharing of best practices or successful micro finance programs for women across APEC with the view of scalability. For instance the programs will vary depending on the different stages of entrepreneurship that women face. We need to recognize that different support should be given to different types of women entrepreneurs at different stages. For example, for those who are still non-bankable, efforts should focus on financial inclusion. While for those who own high-growth SMEs and start-ups, efforts should focus on sharing best-practices and models that promote investment cultures.

An Indonesian example of micro finance for women by one of our banks provides an example. The loans start very small Rp. 1-3 million and is paid back every two weeks in small installments. It is bundled with health insurance, added compensation in the event of spouse passing away, and opening of savings account for free. The first two items were given because of the finding that women entrepreneurs were afraid to take a bank loan in the event of sickness and death that they could not pay back the loan. The loans are given in incremental amounts every year for three years and in the last year housing and education loans are provided. Pre and during the period of obtaining the loan there is capacity building and training, the requirement to create communities between themselves and access to market opportunities. Four principles that are catered for women are practiced here – first is to be brave enough to take a loan, second to have the commitment and habit to fulfill commitments and manage finances, third is to manage finances and grow, and finally to work and collaborate with others. Is this replicable, this can be tested.

Finally there could be capacity building programs in financing for women entrepreneurs, access to information and market networks including linking it to supply chains, sharing of best practices and other pilot projects and so on. This could be under the APEC Eco Tech projects.

Closing

In closing, as the Minister of Tourism I hope you will spend more time enjoying Bali the Island of Gods in Wonderful Indonesia, and if possible also visit some of the other parts of Indonesia. As the Minister of Creative Economy, I also think it's apt that we close by referring to Beyonce's song: Run the World Girls, and the refrain Who Won the World? Girls!