

GREAT Women Project



Why Are We Pursuing Women's Economic Empowerment?

A Situationer on Philippine Enterprises and Women



August 2012

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Summary

This case study summarizes the issues concerning women-led microenterprises, based on findings of national and regional indices on business and enterprise. These findings provide the bases why GREAT Women Project is pursuing women's economic empowerment, and partly explain the Philippine Commission on Women-GREAT Women Project strategies for WEE.

'Invisibility' and Under-Valuation of Women's Productive Work

According to the International Labour Organization, nearly one-half of working-age women are not currently active in the formal global economy as they are working disproportionately in unpaid labor and in the informal sector. Women are likewise paid less than their male counterparts, and men continue to dominate in sectors with higher wage-earning potential such as technology and finance.

In the Philippines, the average labor force participation rate of women is 49.7% (January 2010) which is below the average of the region in 2009 (East Asia, 73.1%; South East Asia is 69.5%). While female employment rate is at 93.1% (2010), slightly higher than men, majority of women is employed as laborers and unskilled workers. Such goes to show that there are lesser opportunities for women to be employed in the formal economy.

In the **2012 Women's Economic Opportunity Index**, undertaken by The Economist Intelligence Unit, the Philippines had an overall ranking of 74 out of 128 countries, with a decline of 1.4 points from its index score in 2010. It is said that while there was an expansion of economic opportunities for women, especially in East and South Asia, the country has declined performance in providing such opportunities among Filipino women.

Another point is that as women are more engaged in microenterprise development, with unregistered or unregulated establishments. They are considered to be part of the informal sector and their contributions to the local and national economy remain un-recognized and un-valued. They are not included in the official data of the Department of Trade and Industry (DTI) despite generating employment and providing safety nets for the economically-poor.

Increased Women's Economic Participation Leads To Higher Levels of Gender Equality

In the **2011 Global Gender Gap Report** by the World Economic Forum, the Philippines ranked 8th place among 135 countries with the least gender gap. The country remains as the highest-ranking country from Asia and among developing countries.

Introduced in the World Economic Forum in 2006, the Global Gender Gap Index is a framework for capturing the magnitude, scope and progress of gender-based

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disparities. Four fundamental categories are measured by this index: 1) economic participation and opportunity, 2) educational attainment, 3) health and survival, and, 4) political empowerment.

The Philippines placed 15th in the category of economic participation and opportunity, which was said to be brought about by the country's investments in women's health and education. It is expected that in the next five years, the country will continue to experience dynamics of growing gender equality, emerging middle class, and women's spending priorities that lead to rising household savings rates and shifting spending patterns that would benefit food, healthcare, education, childcare, apparel, consumer durables and financial services sectors. While this is so, it has to work on closing gender gaps in labor force participation, leadership and senior positions, wages and incomes.

Medium, small and micro-enterprises (MSMEs) are considered a leading engine of job creation in the Philippines. The Global Entrepreneurship Monitor (GEM), the largest single study of entrepreneurial activity in the world, showed that four out of 10 adult Filipinos, aged 18 to 64 are engaged in business, approximately accounting for around 19 million (39.2%) of the national population (2006-2007). It likewise had the least gender gap among business owners (55% male, 45% female).

As of 2009, there are 780,437 business enterprises operating in the country. Of these, 99.6% are micro, small, and medium enterprises (MSMEs) and the remaining 0.4% are large enterprises. Of the MSMEs, 91.4% (710,822) are micro, 8.2% (63,529) are small, and 0.4% (3,006) are medium enterprises.¹

*New Job Makers:
Women in
Microenterprises*

*Global Gender Gap Index in 2011 (World Economic Forum)
Ranked 8 of 135 countries in economic participation
and opportunities*

*Global Competitiveness Index in 2011-12
Ranked 75 of 142 countries in global competitiveness*

*Doing Business Report in 2012
Ranked 136 of 183 countries in ease of doing business*

*Women's Economic Opportunity Index in 2012
(Economic Intelligence Unit)
Ranked 74 of 128 countries*



Footnote:

¹ Statistics from the Department of Trade and Industry (<http://www.dti.gov.ph>)

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In terms of employment, MSMEs generated a total of 3,595,641 jobs versus 2,094,298 for the large enterprises. Of these, 30.4% jobs were generated by micro enterprises; 25.5% by small enterprises; and 7.3% by medium enterprises. This indicates that MSMEs contributed almost 63.2% of the total jobs generated by all types of business establishments in 2009.

It is also estimated that 60% of all exporters in the country belong to the MSME category, contributing to 25% of the country's total exports revenue. MSMEs are able to contribute in exports through subcontracting arrangement with large firms, or as suppliers to exporting companies.

By sectoral distribution, majority of the 777,357 MSMEs in operation in 2009 are in the wholesale and retail trade industries (385,610 establishments); followed by manufacturing (111,987); hotels and restaurants (97,298); real estate, renting, and business activities (47,654); and other community, social, and personal services with (44,313).

By industry sector, MSMEs in the wholesale and retail trade generated the most number of jobs (with 1,250,453) in 2009, followed by manufacturing, 637,524; hotels and restaurants, 482,357; real estate, renting, and business activities, 284,406; and education, 225,016.

Majority of the jobs are generated by MSMEs in the National Capital Region (NCR) with 1,360,440 jobs; followed by Region 4-A (CALABARZON), 466,648; Region 3 (Central Luzon), 319,340; Region 7 (Central Visayas), 235,091; and Region 6 (Western Visayas) 193,543.

Globally, the Philippines ranked second among the 42 countries analyzed with most individuals owning a business. According to **Global Entrepreneurship Monitor (Philippine Report in 2007)**, one out of five Filipinos (20.44%) or about 10 million adult Filipinos are engaged in early stage entrepreneurial activity (TEA). Interestingly, women are more active in starting a business than men, comprising 51% of new business owners. Data, however, suggests that as women start a business, the husband takes on full-time involvement until the business has stabilized. Women predominantly own nascent enterprises (69%), men own established businesses (66%).

Family time management was cited by women as a leading hindrance in running their businesses, proportion of women citing this factor as a hindrance in business is high for those in their declining for women in their peak child-rearing years (25 to 34 years old) and declining for those aged 45 and over.

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Other constraints faced by women in microenterprises are: 1) limited access to credit and capital (the lack of real property to offer as collateral remains a major constraint of women in accessing higher loan amounts relative to men); (2) limited access to value-adding inputs to enterprises (e.g. business development services, social protection, occupational safety and health, technology, training); (3) lack of information on and technical support for potential, higher-value economic enterprises; (4) high transaction costs on business development services and credit, and (5) women's preference to keep operations very small so that it will not interfere with their home and family care.

In the **World Bank's 2012 Doing Business Report**, it showed that the Philippines obtained an overall rank of 136 out of 183 economies in relation to ease of doing business. Within the life cycle of a business, the Philippines has these rankings: starting a business (158th), dealing with construction permits (102th), registering property (117th), getting credit (126th), protecting investors (133th), paying taxes (136th), trading across borders (51th), enforcing contracts (112th), resolving insolvency (163th), and getting electricity (54th).

Some other concrete constraints in setting-up business in the Philippines are as follows:

- Starting a business requires 15 procedures, takes 35 days, costs 19.1% of income per capita and requires paid-in minimum capital of 5.2% of income per capita.
- Registering property requires 8 procedures, takes 39 days and costs 4.8% of the property value.
- On the average, firms file 47 payments per year at 195 hours per year in filing, preparing and paying taxes. Profit taxes average (21.0%), labor and tax contributions (11.3%), and other taxes (14.2%). Total tax rate average 46.5% of profit.

Women in Micro, Small & Medium Enterprises

- *Women own six out of ten businesses in the Philippines.*
- *Most of these are micro and small enterprises consisting only of the owner/manager. Often, women microenterprises are into retail trade, food cart vending, home-based processing*
- *These microenterprises are found with little capital (below USD250) in activities with low entry barriers.*

Source: Global Entrepreneurship Monitor (2007)

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According to the **Micro, Small and Medium Enterprise (MSME) Development Plan for 2011-2016**, the performance of MSMEs has remained constrained by various such factors. Other hindrances cited in the plan are: difficulties to qualify for bank loans with lacking credit information and capital; limited management and financial capabilities to remain domestic and not exploring export opportunities; low productivity due to lack of access to new technology, weak technological capabilities, and failure to engage in innovation and research and development activities.

Global perspective: Women and The Global Economy

According to the International Labor Organization, nearly one-half of working-age women are not currently active in the formal global economy. Because women are working disproportionately in unpaid labour particularly in developing countries, women traditionally have had less access than men to income and resources. They are often less productive than men, which holds back their contribution to the overall economy. Women are also paid less than their male counterparts, and men continue to dominate in sectors with higher wage-earning potential, such as technology and finance. Conversely, when more women play a role in the formal labor market, there is also increase in national production levels and earnings, as well as more workers to economic growth and poverty reduction.

Economically active women are found to have greater control of family resources, and evidence shows that women are more likely than men to invest more resources in their children's health and education. In a larger perspective, studies have shown that greater gender equality is correlated with higher growth outcomes, but also with lower poverty rates.

There are approximately 1.5 billion women not employed in the formal sector. Often, the world's poorest regions have among the highest levels of female force participation and poverty in those regions persist. Apart from expanding women's economic opportunities to realize greater returns from female economic activity, social, financial and educational barriers hindering women's productivity need to be removed. World Economic Forum estimates that less than 20 percent of women are global decision makers. Expanding the percentage of women-decisionmakers presents a huge opportunity for growth.

About The Project

The Gender Responsive Economic Actions for the Transformation of Women (GREAT Women) Project is a governance and capacity development project that aims to promote and support a gender-responsive enabling environment for women's economic empowerment, particularly those in microenterprises.

The Philippine Commission on Women (PCW), the national machinery for the advancement of women in the Philippines, is the lead executing agency for the Project.

The Commission forged partnership with key national government agencies involved in micro-, small- and medium-scale enterprise (MSME) development and select local government units to create a gender-responsive enabling environment for women's economic empowerment. This project receives technical and financial support from the Canadian International Development Agency (CIDA).

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