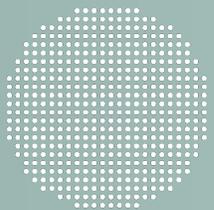

TRADE, DEVELOPMENT AND GENDER INCLUSION

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Wednesday 30th November 2022
Australian Aid Conference



EQUITY ECONOMICS

Agenda

1. The Why? Trade, Development and Gender Inclusion
2. The What? Katalis as a case study
3. The So What? Key lessons and insights

ACKNOWLEDGEMENT OF COUNTRY

Equity Economics acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners of Country throughout Australia and their continuing connection to both their land and seas. We also pay our respects to Elders – past, present and emerging – and generations of Aboriginal and Torres Strait Islander peoples now and into the future.

Women can be beneficiaries and losers from trade and investment

TRADE AND INVESTMENT REFORM HAS BEEN FOUND TO FLOW THROUGH TO WOMEN'S EMPLOYMENT AND INCOMES IN A RANGE OF POSITIVE WAYS:

- Globally engaged firms are larger, more productive, more capital intensive and pay higher wages than domestic firms.
- Women and people with disability employed by companies who trade get access to training and technology otherwise unavailable to them.
- As trade increases in sectors such as textiles, garments and tourism, job opportunities for women expand.

HOWEVER, THERE ARE ALSO RISKS FOR WOMEN LINKED TO TRADE AND INVESTMENT REFORM:

- Women working at smaller, non-exporting firms and SMEs may be disadvantaged, as larger more competitive firms enter the market
- Women are more likely to experience job insecurity. In some countries it has been found that gross job reallocation is larger for women than men, suggesting that women are subject to a more volatile employment.
- The ILO and others found that existing patterns of employment segregation by gender can emerge in new industries and occupations as firms move up the value chain, intensifying existing gender roles and gaps.
- Differences in human capital can limit women' and people with disability access to new opportunities.

Case study: IA-CEPA Gender Baseline and Trade Analysis



Services

Women make up a significant share of the services industry workforce in both Australia and Indonesia. Growth in services exports will increase employment opportunities, wages, and job security for these women. This is largely due to the complimentary nature of both countries' services industries (e.g., healthcare skills in Australia and healthcare needs in Indonesia), as well as the differences in service sector strengths. Competition in services due to trade liberalisation is expected to be relatively limited. Women in both countries are expected to largely prosper with significant growth potential in services.



Agriculture

Trade in agriculture is expected to have mixed impacts on female employment in Indonesia. While trade and investment can support the transition to safer, more secure agricultural work for women, greater competition from agricultural imports may lower employment opportunities for low-skilled and small-scale Indonesian farmers, many being female. As Indonesia imports more agricultural goods, domestic economic activity is expected to shift to other female-dominated sectors, including the agri-processing and services sectors.



Advanced Manufacturing

Investment in advanced manufacturing presents opportunities for women in female-dominated industries such as garments, textiles, and light electronics to build their skills and move up the value chain. As the Indonesian manufacturing sector expands, there is scope for female employment to move from informal, low-skilled, and labour-intensive agricultural work to higher paid and more secure positions in value-added manufacturing industries. Increased opportunities for trade may then lead to higher wages, improved job security, and better working conditions for Australian and Indonesian women.

IA-CEPA CGE modelling

- Indonesian and Australian GDP is projected to increase as a result of IA-CEPA, though initially by small amounts, driven by consumption and increased net exports.
- Indonesia is expected to export an additional \$33 million worth of goods and services to Australia in the first year of implementation, rising by a further 40% by 2038. The growth in exports driven by the services sector.
- Exports from Australia to Indonesia is expected to increase by \$90 million in the implementation year and is likely to double by 2038. The increase is largely seen in processed food and manufacturing.
- IA-CEPA will contribute to job creation, with female workers projected to form 20% of the total jobs created, of which over 64% are part of the skilled labour force in Indonesia. A small number of jobs are projected to be created in Australia, split evenly between men and women.
- Overall, the impact of IA-CEPA is relatively modest, but the potential for growth is significant. A range of productivity gains, such as the impact of skills and training and labour mobility measures contained in IA-CEPA are excluded from the analysis.

Source: EY CGE analysis of IA-CEPA commissioned by Katalis

IA-CEPA from a GEDSI perspective

Katalis conducted analysis of where the trade agreement could further support GEDSI outcomes:

- » **Non-Tariff Measures (NTMs) limiting trade in textile, horticultural and agricultural products, with high female workforce participation.** For example, Indonesia's garment sector employs 5.2 million people, of which 58% are female. It is highly dependent on imported inputs which range from 18-30% of the sectors production costs. In contrast, Vietnam imports 89% of its textile imports and is one of the worlds most competitive TCF producers.
- » **Limits on foreign ownership and investment in the tourism sector,** impeding investment and access to finance for SMEs, of which women make up a large proportion in Indonesian tourism
- » **Restrictions on major investments in Indonesia,** requiring companies to have a minimum issued and paid-up capital of IDR 10 billion, which is a non-conforming measure. While this impacts all sectors, it includes those with GEDSI implications including for example energy and renewables (with access to renewable energy identified as a catalyst for greater gender equity, to address the disproportionate burden of energy poverty).

The analysis also identified GEDSI opportunities for future trade negotiations, such as removing financial services restrictions limiting access to finance, being a particular challenge for female entrepreneurs; and harmonising complex e-commerce legislation which particularly impacts MSMEs, with one-third of Indonesian e-commerce businesses being run by women and 60% (or 33 million) of MSMEs being female owned.

The How? Utilising trade tools to achieve GEDSI outcomes

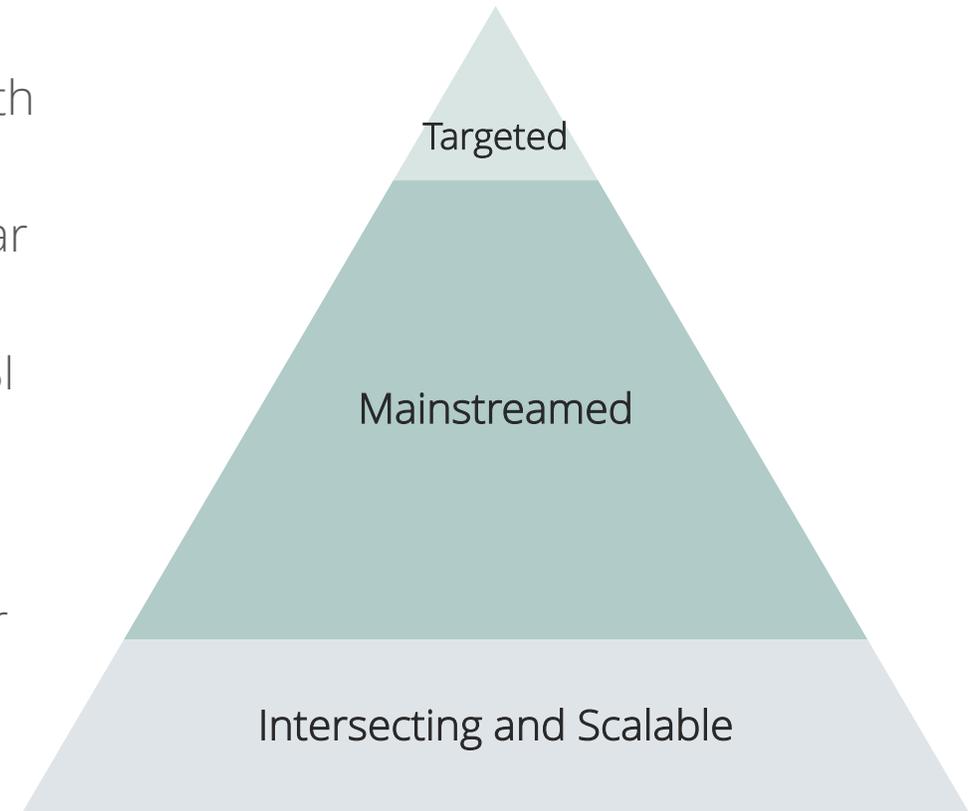
The goal of Katalis is to maximise IA-CEPA benefits for Indonesia and Australia: improved market access, increased two-way trade and investment, and inclusive economic growth in Indonesia.

Advancing GEDSI is central to achieving this goal and is a clear priority of both governments and Katalis.

Katalis adopts a twin-track approach of mainstreaming GEDSI across all breakthrough areas, alongside implementing targeted GEDSI initiatives.

A further track for consideration is one that aims to build on GEDSI activities by working with Prospera (and possibly other programs), where priorities intersect and resources are available, to expand the GEDSI impact.

Katalis' approaches to GEDSI activities



Complimentary GEDSI approaches across DFAT investments

Top down



PROSPERA

- Indonesian focus
- Predominantly focused on government – working at national and sub-national levels
- Shaping the policy agenda and enabling environment
- Pursue GEDSI as a means of boosting productivity, by utilising a nations entire human capital, and thereby contributing to more inclusive growth.
 - Increased female labour force participation
 - Effective redistribution and social protection systems (health, education)
 - Enabling environment for business

KATALIS

- Mutual benefit to Australia and Indonesia
- Predominantly focused on the private sector – working at the firm and industry levels
- Pursuing commercial trade and investment opportunities
- Pursue GEDSI as gender equity and diversity have been shown to boost commercial outcomes, drive innovation, and improve performance and culture of firms.
 - Greater female leadership and participation at industry and firm level
 - Improved access and affordability of goods and services that promote inclusion
 - New and expanding economic opportunities



Bottom up

Intersecting goals

Katalis and Prospera combine forces on skills and gender

Prospera modelled Indonesian job advertisements and Katalis surveyed Australian TVET providers, to produce unique insights for mutual trade and development opportunity, including GEDSI.

- Almost no Indonesian employers specified gender in recruitment advertising (less than 0.1%). There is significant scope to adopt improved GEDSI recruitment practices.
- The gender pay gap in Indonesia is higher in rural areas (around 30%) than urban areas (around 20%).
- Education overall is associated with a smaller pay gap, confirming the evidence that education and training can help close the gender pay gap.
- 60% of Australian TVET providers surveyed currently deliver skills and training to Indonesian students in sectors with high rates of female employment, including digital skills, business management, sales and marketing, tourism and health.
- 27% of Australian surveyed TVET providers currently deliver skills and training in Indonesia, with a further 53% interested in entering the Indonesian market, providing Indonesia with ready access to a large source of quality TVET.
- 87% of Australian TVET providers surveyed have courses suited to delivery in Indonesia within 1 to 24 months.

Katalis brokers first bilateral Women in Trade Partnership

- Katalis worked with Investing in Women to deliver the first international partnership between Australia's Chief Executive Women (CEW) and Indonesia's Business Coalition for Women's Empowerment (IBCWE)
- The partnership has delivered:
 - » new trade scholarships for female leaders in bilateral trade
 - » leading research on the representation of women in leadership in Indonesia's top 200 listed firms, based on a methodology developed by CEW. This research is now being pursued by G20 and ASEAN countries, potentially setting a new benchmark for corporate accountability for gender.
 - » Greater gender inclusion in trade delegations and related events.

IBCWE's Census of IDX200 companies found:

- » Only 4% have women CEOs. That's just 8 female CEOs across Indonesia's top 200 listed businesses.
- » Women make up only 15% of all Executive Leadership Team (ELT) roles.
- » 42% have no female executives at all. That's 84 of the IDX200 with zero women in leadership roles.
- » The findings are comparable to Australia, where CEW's Census 2021 found women held just 6% of CEO roles and 26% of ELT positions amongst the ASX300

Key Lessons

- Significant scope exists to support gender inclusion through trade agreements and related investments. For example, by:
 - Prioritising sectors that promote female labour force participation
 - Pursuing trade and investment liberalisation in sectors that aid inclusion, for instance digital services (EdTech, MedTech, online trade) and financial services
 - Supporting women leaders in trade and investment
- Progress has been made in mainstreaming GEDSI across the development program, but need to avoid a one size fits all approach to GEDSI programming
 - Innovative programs also require dynamic and flexible approaches to GEDSI
 - Activities should reflect the unique tools available to a program. GEDSI activities shouldn't all look the same (e.g., a trade program may directly challenge social norms through advocacy, but it can prioritise trade and investment in sectors that substantively change opportunities for women to work, lead, and benefit from growth.
- There is a need to consider how GEDSI and Inclusive Growth strategies intersect and are complimentary to avoid multiple cross-cutting strategies