

CUTIS  Canada-Ukraine
Trade & Investment
Support project

WHY INTEGRATE GENDER IN TRADE AND INVESTMENT PROMOTION?

A GUIDANCE NOTE FOR UKRAINE

by
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THIS GUIDANCE NOTE, PRODUCED BY THE CANADA-UKRAINE TRADE AND INVESTMENT SUPPORT (CUTIS) PROJECT, EXPLAINS WHY GENDER EQUALITY CANNOT BE IGNORED IN TRADE LIBERALIZATION AGENDAS. KEY GENDER GAPS IN TERMS OF WOMEN'S ECONOMIC AGENCY ARE IDENTIFIED AS WELL AS WAYS IN WHICH THEY CAN BE EFFECTIVELY ADDRESSED IN THE UKRAINIAN CONTEXT. THE CUTIS TEAM ACKNOWLEDGES THE GENEROUS SUPPORT OF GLOBAL AFFAIRS CANADA FOR FUNDING THIS PROJECT.

Ukraine has undergone a painful few years of late. Economic gains the country had made in the early 2000s in terms of productivity, wages and trade were all severely impacted by the global recession of 2008 and the political crisis of 2014. The WTO reports that Ukraine's real GDP plunged by 16% in 2015 alone¹.

GDP grew by 4.7% in the last quarter of 2016.

Fast forward two years and Ukraine's government is optimistic that it is recovering: GDP grew by 4.7% in the last quarter of 2016². The focus is now squarely on free trade with the western world. The long-awaited Ukraine-EU Cooperation Agreement was signed in March 2014, creating

an ambitious free-trade area expanding cooperation on foreign policy and crime-fighting³. Canada also signed a free trade agreement with Ukraine in July 2016⁴, on the heels of a trade forum in Toronto that united hundreds of business owners and trade officials from the two countries. Global Affairs Canada estimates that once the CUFTA is fully implemented, it will result in an increase of 19 percent in bilateral merchandise trade between the two countries⁵.

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¹ World Trade Organization. **Trade Policy Review: Ukraine.** (accessed Feb. 1, 2017), 7.

² Ukraine News Agency/ Interfax. Feb. 14, 2017 (accessed Feb. 22 2017) <http://en.interfax.com.ua/news/economic/403016.html>

³ Rankin, Jennifer. **EU Leaders try to Salvage Ukraine Deal.** (Brussels: The Guardian, Dec. 16, 2016.)

⁴ **Canada signs landmark free trade agreement with Ukraine.** PMO news. July 11, 2016 (accessed Jan. 20, 2017) <http://pm.gc.ca/eng/news/2016/07/11/canada-signs-landmark-free-trade-agreement-ukraine>

⁵ GAC. **Canada-Ukraine Free Trade Negotiations.** Global Affairs Canada website. (accessed Jan. 27, 2017). http://www.international.gc.ca/trade-agreements-accords-commerciaux/env/final_ea_canada-ukraine_ee.aspx?lang=eng

It is now widely acknowledged that trade-related policies also affect women and men differently.

⁶ Pablo Heidrich. **Canada's Free Trade Agreements with Peru and Colombia.** (Ottawa: The North-South Institute, 2013).

⁷ The UNDP recently attributed hundreds of millions of people being lifted out of poverty, in part, due to increased openness to trade. United Nations Development Programme. **Human Development Report 2013: Rise of the South: Human Progress in a Diverse World.** (Geneva: UNDP, 2013).

⁸ Shepherd, Ben and Susan Stone. **Trade and Women.** Working Paper Series. No 648 (Tokyo: Asian Development Bank Institute, Jan. 2017).

⁹ World Bank, **World Development Report 2012: gender equality and development,** (Washington, DC: World Bank, 2011). Tran-Nguyen and Zampetti, **Trade and gender: opportunities and challenges for developing countries,** (New York: UNCTAD, 2004); M. Bussolo and De Hoyos, R.E. **Gender Aspects of the Trade and Poverty Nexus : A Macro-Micro Approach,** (Washington, DC: World Bank and Palgrave Macmillan, Apr. 2009.)

¹⁰ **Gender Equality and Trade Policy,** Women Watch resource paper (New York: UN Women/ IANWGE, 2011).

In order to take advantage of its openness, the Ukrainian government has committed to creating an enabling environment for business. Its Ministry of Economic Development and Trade, with the support of the International Trade Centre, is in the final stages of approving a new Export Strategy of Ukraine - Trade Strategy and Development Roadmap (TSDR). The Ministry also announced a new export credit mechanism in late 2016, encouraging businesses to step up their international engagement.

On one hand, trade liberalization can lead to better labour conditions, economic advantages for women⁶, and a pathway out

of poverty for the poor⁷. According to research in Asia and around the world, corporations embedded in global value chains tend to hire more women, implying that female workers may have more to gain from trade than men⁸.

On the other hand, increasing evidence points to the need for a more nuanced picture.

Empirical evidence concludes that trade and trade-related policies affect individuals and groups differently through changes to employment and wages, government revenues, and the prices of goods and services⁹. It is now widely acknowledged that trade-related policies also affect women and men differently¹⁰.

Women - as entrepreneurs, business owners and workers - are often constrained from maximizing the opportunities that arise from the implementation of free trade agreements¹¹. For instance, societal norms related to traditional gender roles and unpaid family care responsibilities result in costly restrictions on women's economic participation¹². Gender based barriers to advancement faced by women in the corporate world persist, despite the fact that corporate commitments to gender equality is at an all-time high¹³.

Knowing this, it is crucial for governments to promote gender equality policies alongside trade and investment promotion efforts. Ukraine is already showing promising political commitment to achieving greater equality: a parliamentary political caucus on gender equality, that includes the categories of women in business¹⁴ and WEE¹⁵ in its mandate, was created, and a new Gender Equality Commissioner under the Cabinet of Ministers is planned for 2017¹⁶.

¹¹ Barbara MacLaren, **Free Trade Agreements in Peru and Colombia: Monitoring Impacts from a Gender Perspective.** (Ottawa: The North-South Institute, Mar. 2012).

¹² UN Women, **Progress of the World's Women,** (New York: UN Women, 2012).

¹³ These findings are based on a recent survey of American companies representing 4.6 million employees (**Women in the Workplace.** McKinsey&LeanIn: 2016).

¹⁴ Parliamentary News. Verkhovna Rada of Ukraine. April 11, 2016. <http://rada.gov.ua/en/news/News/127896.html>

¹⁵ The Equal Opportunities Caucus is a bipartisan committee made up of sitting members in the **Verkhovna Rada**; one of the caucus chairs is MP Alyona Babak.

¹⁶ Equal Opportunities Caucus: 2016 electronic newsletter, (Verkhovna Rada: Kyiv, Nov. 2016).



WHICH GENDER GAPS ARE MOST IMPORTANT IN UKRAINE?¹⁷

WORK and PAY

¹⁷ The author undertook stakeholder and expert consultations in July 2016. Some of the observations in this section summarize facts cited during those 20+ meetings.

¹⁸ Gender wage gaps (as per ILO methodology) calculate the difference between the average male wage and average female wage, tabulated from all workers in the national work force. Urkstat/State Statistical Office of Ukraine (Urkstat). **Gender Aspects of the Labour Market report.** Electronic correspondence from MEDT (Jul. 18, 2016). Doc Ju. 17,2012 No. 09/3-27/190

¹⁹ Urkstat/State Statistical Service of Ukraine. Labour market report Sept 30, 2016: <http://www.ukrstat.gov.ua/> (There is as yet no information for the last quarter of 2016). Note that this conversion between the Hryvnia and the US dollar was calculated by the author on Feb. 7, 2017.

²⁰ Urkstat. Op cit, Jul. 18, 2016.

²¹ Ibid, Jul. 18, 2016.

Evidence shows that Ukrainian women are constrained vis-à-vis men in accessing equal employment and economic opportunities. One of the challenges for women is finding well-paid, decent work despite the country's highly sex segregated labour force.

... in Ukraine, with women earning 25% less than men¹⁸

A significant gender wage gap persists in Ukraine, with women earning 25% less than men¹⁸ despite similar education levels. According to the State Statistics Service of Ukraine¹⁹, the average male wage is UAH 5789 (approx. USD 215), while women's average wage is just UAH 4301 (approx. USD 156).

According to a recent State Statistical Service report, **women are highly represented as workers in the lowest average**

wage bracket, including municipal services, hospitality and food services, and health and education-related occupations²⁰. With some exceptions, they are less likely to work in higher earning jobs. During trade liberalization, industries which expand are often those with

a female-dominant, low-skilled work force, such as in manufacturing (or light industry), yet the spike in female employment may not last over time, as research from East Asia shows.

Other demographic groups face labour market challenges as well: among youth (15-24), male unemployment rates are considerably higher than female unemployment rates, according to the ILO²¹, and the reasons for this are not clear.

BARRIERS TO FREEDOM OF EMPLOYMENT

Another important issue for Ukrainian women are legal barriers to occupational freedom. For example, women are restricted from working in over 500 occupations²². Theoretically, these provisions "protect" women from hazardous work conditions, but in practice they limit where Ukrainian women can work and in which

... women are restricted from working in over 500 occupations

industries they can open a business²³, while taking the emphasis away from the need for improvements in labour conditions. They may also restrict would-be entrepreneurs from investing in start-ups in certain industries.

Equally important, Ukraine should make its tax regime more streamlined for (male and female) entrepreneurs and exporters. For example, three types of restrictions - export bans, licenses, and quotas - need to be understood by businesses so as to determine whether they apply to their specific product or service. And depending on what the product or service is, they may need to apply for a permit and/or certificate. For the 2.5 million self-employed small and medium sized businesses (SMEs)²⁴

in Ukraine, the regime would likely constitute a significant time burden - and even more so for women-owned SMEs, in the context of their domestic and reproductive responsibilities.

WOMEN'S INVISIBILITY IN UPPER MANAGEMENT

Ukrainian women are not well represented in management roles in the private sector and the corporate playing field isn't gender neutral.

According to the World Bank's Enterprise Survey for Ukraine, the percentage of manufacturing firms with majority female ownership was just under 13%. Firms with partial female participation in ownership (31.5%) performed better, while only about one in five firms reported female top managers (18%). When looking at export-oriented firms in the same survey, the gender gap in management is even more significant²⁵.

While official data is lacking, there may also be a gender imbalance in ownership within the small and medium-sized business sector, with women over-represented at the small and micro levels²⁶. According to some estimates, **women constitute only 23% of entrepreneurs in Ukraine**²⁷, with variances between regions and industries. In Kyiv, according to most observers, women fare much better.

²² Ministry of Justice of Ukraine, "Order of the Ministry of Health Care of Ukraine no. 256 on Approval of the list of heavy work and occupations under harmful and dangerous conditions which are prohibited for employment of women." (Kyiv: Verkhovna Rada of Ukraine, Dec. 29,1993) online: <http://zakon3.rada.gov.ua/laws/show/z0051-94>

²³ Multilateral institutions such as the ILO are now advocating for changes to the labour code, including with respect to the protective provisions for women.

²⁴ Ibid, 2016.

²⁵ World Bank Global Enterprise Survey results for Ukraine are for 2013 (most recent available data). For further information, click on the 'gender' tab under Ukraine's online report: <http://www.enterprisesurveys.org/data/exploreconomies/2013/ukraine#gender>.

²⁶ The author's notes from meetings with Ukrainian gender and trade stakeholders (various), July 10-15, 2016.

²⁷ John S. Johnson/Ravi Chinta, cited in Ekonomika, Program to Develop Female Entrepreneurship in the Regions. Electronic communication from Ekonomika's CEO, I. Rubis (Jul. 12, 2016).

... the percentage of manufacturing firms with majority female ownership was just under 13%

²⁸ Women face similar hurdles to accessing financing for business in Canada. In 2014, a 5% gap was reported between female-headed SMEs and male counterparts, in terms of having their largest loan granted by a financial institution (Statistics Canada. **Survey in Financing and Growth among Small and Medium Sized Enterprises**, (Ottawa: Stats Can, 2014)). For more information about the Ukrainian context, see: **Women in Power and Decision Making in Eastern Partnership Countries**, Kantor management/HiQStep project, European Commission, 2016.

²⁹ Nevertheless, the majority of both male and female respondents didn't perceive any gender discrimination in their company. For further information, see: **Gender Equality Baseline Study**. Employee survey findings. GfK/Global Affairs Canada. (Kyiv: Feb. 2017).

³⁰ Meeting with Vyacheslav Bykovets, Director of Ukraine's Union of Small and Medium Sized Enterprises, Jul 12, 2016.

³¹ Ibid, (DOU, 2016).

ACCESS TO BUSINESS FINANCING

We know that access to financing for businesses is a key problem in Eastern Europe; Ukraine is no exception. A 2016 report by the European Commission in Ukraine

it is more difficult for women to be granted loans, as they have fewer resources that can be used as collateral

notes that "it is more difficult for women to be granted loans, as they have fewer resources that can be used as collateral."²⁸ It goes on to say that women tend to receive short-term loans with high interest rates. Similarly, in an academic survey of female entrepreneurs undertaken in Ukraine in 2014, independent funding was cited as one of the top three challenges facing respondents. It is not well understood, however, to what extent, and in which types of loan categories, this constitutes a problem for women entrepreneurs.

...when women in the ICT industry go on parental leave "they have to start from scratch,"

ROOT CAUSES OF DISCRIMINATION

Gender stereotypes in the media, in the world of work and in society are also a problem. Gender discrimination during hiring and recruitment processes is not uncommon. In a 2017 survey by GfK of hundreds of Ukrainian company representatives, for example, respondents cited that gender and age are more likely than not factors in their company's recruitment process²⁹. The Ukrainian national association representing 13,000 SMEs indicated a number of gender-based constraints based on experiences of its members³⁰, including: the impact of reproductive responsibilities and work-life balance decisions on women's careers; the prevalence of gender stereotypes; burdensome regulations and occupational gender segregation.

Re-entry to the labour force following a decision to start a family seems to be a barrier to vertical mobility in some sectors. A recent Ukrainian survey found that when women in the ICT industry go on parental leave "they have to start from scratch," compelling some women (and men) to attempt their own start-up³¹. Individuals who are more risk-averse may not be so inclined and, therefore, remain at a disadvantage.

WHAT CAN BE DONE THROUGH INTERNATIONAL TRADE TO CLOSE THESE GAPS?

Government agencies, donors and private sector stakeholders interested in promoting greater equality in Ukraine have many effective practices and strategies at their disposal in order to close these gender gaps and put women ahead of the game. Salient examples include:

- Awards (or other forms of recognition) for gender-smart companies, women-owned businesses and emerging female leaders;
- Develop supplier diversity programs, including for government procurement, and promote the programs widely;
- Join the International Finance Institute's SheWorks partnership and follow the UN's women's empowerment principles and report company progress toward these goals;

- Help female-headed start-ups and small businesses gain certification through innovative global networks – such as WEConnect International³² - and by providing trainings in cases where specific needs have been identified, (such as in negotiations, export-readiness, etc.)
- Circulate up-to-date market intelligence on key domestic and foreign markets by way of trade fairs and events targeted for women entrepreneurs.

These are quickly becoming common strategies which empower women in business, at a domestic level.

³² WEConnect supports the previous strategy as well. They recently published an excellent resource on this topic. See: Vasquez, E. and Frankel B. **The Business Case for Global Supplier Diversity and Inclusion: Critical Contributions of Women and Other Underutilized Suppliers to Corporate Value Chains (WEConnect 2017)**.



³³ See, for example: MacLaren, Barb **Free Trade Agreements: Monitoring Gender Impacts**. Policy Brief, (Ottawa: NSI, 2013) <http://www.nsi-ins.ca/wp-content/uploads/2013/03/2013-Gender-and-FTAs-Monitoring-Impacts-from-a-Gender-Perspective.pdf>; MacLaren, Barb, **Free Trade Agreements in Peru and Colombia: Monitoring Impacts from a Gender Perspective**, research paper (Ottawa: NSI, 2013) <http://www.nsi-ins.ca/publications/free-trade-agreement-latin-america-gender/>

³⁴ Marzia Fontana, **Gender Equality in Trade Agreements**. European Parliament/Policy Department on Citizens' Rights and Constitutional Affairs. Study for the FEMM Committee (2016), 31.

³⁵ CARICOM did not have an SIA, *per se*, but did examine *ex-ante* gender concerns, such as sex-based labour discrimination and female migration, into the FTA as a result of pre-agreement consultations. See: Barb MacLaren, *Labour mobility and Trade in the Americas: Current Frameworks and Socioeconomic Implications*, Canadian Foundation for the Americas (FOCAL: Ottawa, Jun. 2008).

³⁶ Ibid, 2016, 36.

Less known, however, is that trade agreements, and the ways in which they are operationalized, can help empower women in business. Free Trade Agreements (FTAs) create a legal framework not only to encourage growth in foreign trade and investment flows but also a framework for stakeholders to discuss its implementation and periodically review progress, in the spirit of the end goal, which is sustainable and inclusive economic development. By the latter, I am referring the fact that unwanted environmental, labour and social outcomes can sometimes result from new trade and investment flows. While the frameworks for addressing labour concerns under FTAs are quite developed, frameworks addressing the environmental and social impacts are quite underdeveloped. Nevertheless, some good practices are emerging. For an overview of the main models used to assess the equality-related impacts of trade, The North-South Institute website provides several good resources³³.

One way we have of identifying an FTA's potential negative impacts for women (and men) is to conduct a rigorous sustainability impact assessment (SIA). SIAs are ex-ante independent evaluations of the expected social, environmental and economic effects of reforms introduced by an FTA. Gender based analysis (GBA) is usually one tool used by experts in order to implement an SIA. GBAs are important tools experts and policymakers can use to flag equity concerns, and if thorough, it provides baseline data from which to monitor changes after the trade agreement comes into force.

Examples of strong gender analyses include: the SIAs for the EU-Chile, EU-Morocco and EU-Tunisia agreements³⁴ and CARICOM³⁵. Interestingly, more recent SIAs have introduced gender-aware CGE models³⁶. However, gender analyses of this sort are heavily focused on the FTA impacts on the labour market (female vs. male employment trends), and lack an assessment of possible impacts on female business owners and consumers.

In addition, gender provisions can be included in the text of an FTA. Additionally, FTAs provide the mechanism through which these concerns may be addressed – such as through the labour mechanism or cooperative activities mechanism, (etc). In these cases, it provides guidance to parties to the agreement on what their respective social obligations and how they can address discrimination and inequality. NAFTA was perhaps the first FTA to mention gender equality in the text of the agreement. An annex to the agreement's cooperative activities section lists women's issues as one of several issues that the three parties should periodically discuss. In the context of the formal bilateral review process between Canada and Mexico, discrimination in employment was raised by Canadian trade officials, as a result³⁷. Nevertheless, the substance of language on gender equality in NAFTA is very weak, while its labour side agreement has been criticized for lack of effective application.

More recently, the European Parliament's 2000 Cotonou Agreement has several gender-related clauses³⁸ with a bit more teeth. Chile, however, has distinguished itself as the most forward-looking in terms of integrating a gender dimension into FTAs: the Chile-Uruguay FTA includes an entire chapter on Gender and Trade. Although it doesn't use mandatory language, it creates an architecture for the implementation and monitoring of a variety of gender issues relating to trade. Article 14.4, creates a committee to examine gender issues governed by a relevant government department of both signatory countries. Article 14.3 suggests areas for both parties to cooperate on during the implementation of the FTA, including: "capacity building and skills enhancement of women in the labour, business and social spheres"; "developing women's leadership networks" and "better labour practices to integrate and retain women in the job market,"³⁹ among other activities. Reporting on these potential cooperative activities is to be provided to the gender committee. Canada plans to include a similar chapter in its modification of the Canada-Chile FTA (the CCFTA) this year⁴⁰.

³⁷ Op Cit, MacLaren, 2008.

³⁸ Ibid, 2016, 32.

³⁹ **Unofficial EN translation of Free Trade Agreement between Chile and Uruguay**, Chapter 14: Trade and Gender, electronic correspondence with Trade Agreements division of Global Affairs Canada (GAC), March 22, 2017.

⁴⁰ GAC Ibid, Mar. 2017.



⁴¹ In the case of Ukraine, this includes the divisions of Ministry of Economic Development and Trade (MEDT) with a mandate in trade agreements/trade promotion/SME development and planning.

Regardless, most countries do not have 'gender-smart' FTAs with their trading partners. Until we reach this point in time, policymakers can still fund GBAs at the domestic level, including those looking at trade liberalization impacts. Trade officials can collect and track key gender-disaggregated indicators in industries which are expected to expand following trade liberalization. Trade ministries can consult with women's organizations, international organizations, businesses, and experts, as part of this work, and ask for feedback in setting progress targets. In contracting industries, GBAs are also important. Examples of indicators

include: gender wage gaps, labour force participation of women, business ownership/management gaps, growth or contraction of female-dominant industries, (see the above section on gender gaps). If there are regional economic development plans, policymakers would do well to harmonize these indicators with the gender indicators in their region (such as those of the EU). And while clearly it will take dedication not only from trade ministries to close the gender gaps mentioned in the introductory section of this paper, but from other ministries, and from the private and NGO sectors as well, the key point is that there is, in fact, much that trade officials can do.

To conclude, actions which trade ministries⁴¹ can take to improve their track record in gender equality, include:

- Propose a gender and trade chapter in FTA negotiations.
- Champion non-traditional export industries, with a view to internationalizing women-owned enterprises, and provide support for the growth of enterprises which are not yet embedded in global value chains.
- Recognize and encourage supplier diversity programs that help women and minority-owned SMEs succeed in the private sector and/or to export. (This will have secondary employment benefits as well, as women tend to be more likely to hire other women).
- Collect and analyze sex-disaggregated trade and business data, within regularly-planned GBA studies. Data collection is the sine qua non that enables effective gender analysis. CUTIS recommends that Ukraine request the sex of the owners/top manager as a matter of course in all business registration forms – particularly for SMEs – so that gender gaps

in ownership can be tracked and addressed.

- Reformulate trade and investment promotion plans, to mitigate unintended trade impacts on women, men and vulnerable groups, when warranted.

The McKinsey Global Institute estimates that \$12 trillion dollars could be added to global GDP by 2025 by addressing gender inequality⁴². Clearly, the time to join forces globally to tackle this great imbalance is now. While goal 5 and the other Sustainable Development Goals were agreed upon by 150 governments worldwide, realizing them won't be possible without everyone's active engagement.

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⁴² MGI's framework underlying this significant dollar amount covers four main areas for improvement: 1) Equality at work, 2) Essential services and enablers of economic opportunity, 3) Legal protection and political voice, and 4) physical security. For more information, see: Woetzel, Jonathan et al., **The Power of Parity: How advancing women's equality can add 12 trillion to global growth** (McKinsey Global Institute: Sept. 2015).

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The Canada-Ukraine Trade and Investment Support (CUTIS) Project aims to reduce poverty and increase sustainable economic growth in Ukraine through the expansion of Ukrainian exports to Canada and the encouragement of Canadian investment in Ukraine. In order to maximize the poverty reduction impact of increased trade and investment between Canada and Ukraine, the project will focus on supporting Ukrainian small and medium-sized enterprises, including SMEs owned or operated by women to successfully export to Canada and attract Canadian investment. The project will focus on five priority industries. It will provide trade and investment information to Ukrainian SMEs and women entrepreneurs, develop business linkages between Ukraine and Canada and support the implementation of the Canada-Ukraine Free Trade Agreement (CUFTA).