

Australia Awards

Women Leading and Influencing

Empowering Women in the Informal Economy (Panel Discussion)

Summary Paper



Image: supplied by WLI project team empowering women in Papua New Guinea's (PNG) informal economy

Background

About Women Leading and Influencing (WLI)

Australia Awards Women Leading and Influencing (WLI) is an Australian Government initiative that aims to develop the skills, confidence and connections of leaders to drive positive change in the Pacific region. An on-Award (in-Australia) and reintegration (in-Pacific) enrichment program, WLI offers a range of developmental leadership offerings to Pacific scholars studying at Australian universities and institutions. The program builds on the preceding Women's Leadership Initiative Pilot (2017–2022) to enhance support for WLI alumni returning home, and the role of men supporting women as change agents.

Introduction

In April 2023, WLI hosted a virtual [Learning and Networking event](#) in partnership with Pacific Private Sector Development Initiative (PDSI) on empowering women in the informal economy in the Pacific Islands. Featuring a Q&A, reflection sessions and an expert panel discussion moderated by Madeleine D'Arcy, PDSI's Economic Empowerment of Women Analyst, the event explored the vital role women play in the informal economy, why they must be considered in policymaking, and challenges and opportunities for informal to formal business migration. This Summary Paper provides key information shared by panelists and attendees.

The Panel

- **Madeleine D'Arcy (facilitator)**, Economic Empowerment of Women Analyst, PDSI,
- **Jennifer Lakoa**, Investment Manager, Solomon Islands National Provident Fund,
- **AdiAna Vesikula**, Independent Consultant from Papua New Guinea, and
- **Sarah Boxall**, Economic Empowerment of Women Specialist, PDSI.

Understanding the Pacific informal economy

While there is limited evidence on the role and scale of the informal economy in the Pacific region (excluding in Tonga), available data indicates:

- Globally, almost two billion people and four in five businesses operate in the informal economy;
- According to ILO data, informal employment rates range from 29% in Cook Islands to 81% in Tonga;
- In PNG, 90% of all households receive some sort of financial contribution from the informal economy;
- The informal economy output is equivalent to:
 - 35% of GDP in PNG
 - 33% of GDP in Fiji
 - 32% of GDP in Solomon Islands.

Insights from a survey on Tonga's informal economy

A national survey commissioned by Tonga's Ministry of Trade and Economic Development (in 2021) to better understand operators of the informal economy found:

- 94% of respondents cited the ability to earn a better income than they could in formal employment as the main reason for starting their own informal business;
- 64% of respondents were not aware they needed to register their businesses;
- 15% of respondents did not understand the business registration process;
- 10% of respondents saw no benefits of registration;
- 10% of respondents reported lack of finance as a barrier to registration;
- Most informal business focused on agriculture and small-scale manufacturing, with men more likely to work in agriculture, and women small-scale manufacturing;
- Women and men both reported making profit, however, women were more likely to report earning lower profits than men;
- Women indicated financial support was their greatest business need, while men reported the provision of tools as their greatest business need.

How the informal economy contributes to Pacific life

- It is inclusive of all genders and abilities
- It sustains livelihoods – including through times of crises (e.g., COVID-19)
- It helps people to contribute to customary obligations (e.g., funerals; bride price)
- It provides affordable labour, goods (including food) and services to Pacific communities
- It subsidises formal household income
- It contributes national income through GST (in PNG)
- It creates access to income for women with limited economic opportunity.

“The informal sector is a lifeline for more than 80% of our people in PNG and the government's plan is to have 500,000 [registered] small-to-medium enterprises by 2030 ... that's seven years from now. Currently, we have roughly 49,000 to 50,000 SMEs that are registered.” – AdiAna Vesikula

Challenges and limitations

Panelists and event attendees cited numerous hurdles to supporting and empowering women in the Pacific informal economy, including:

- Women generally bare the load of unpaid child rearing, caring, and household work, leading to less available time and energy for economic engagement;
- Despite some data on the informal sector having been collected across the Pacific, it is poorly shared and “locked” within organisations (e.g., banks, telecommunication and development programs);
- Insufficient information sharing between sectors and organisations to strengthen and prevent duplication of programs;
- Limited banking branches and financial saving products available in rural and regional areas.

“The integration of the informal sector into the mainstream economy in the Solomon Islands is a huge national challenge and is often accelerated by limited banking services in rural areas and limited financial products.” – Jennifer Lakoa

Negative consequences of informal business operation

Informal business owners have limited or no access to:

- Social safety nets and government support during times of crisis (including COVID-19 relief funding);
- Most retirement and superannuation funds – while some products are designed for informal business owners, there is little knowledge of them;
- Formal financial products, loans, schemes and incentives;
- Having their voices heard in social and economic decision-making processes (e.g., industry workshops and policy reviews);
- Bidding for government contracts.

Barriers to business formalisation or ‘migration’

- Low financial literacy levels among all business operators – formal and informal;
- Long, difficult to navigate migration processes;
- Lack of finance available to register businesses
- Many informal businesses aren't aware of their registration obligations;
- Limited banking services and products available in rural areas due to low internet connectivity and a lack of regional branches;
- Many informal businesses see little gain from formalising, particularly when they see challenges faced by formal business operators;
- Limited business structures that align to informal business operators – especially for women.

“Women are a huge group and are very varied in their needs, so, it's important to think about all the ways in which people want to run a business and how that aligns with the business structures that exist.” – Sarah Boxall

Challenges for formally registered businesses

- Low financial literacy levels prevent businesses from keeping up with their reporting obligations once registered – including to complete and file tax returns, financial statements, etc;
- Limited financial resources prevent business owners from accessing paid financial management or advice from consultants;
- Challenges accessing finance due to banks' stringent processes and requirements, including high collateral demanded of businesses;
- Limited business structures that suit women's circumstances and ways of working.

“Informal businesses are watching what the formal businesses are going through and it is not encouraging at all, hence, you find a lot of the informal businesses are reluctant ... We need to start listening to informal businesses, because they will tell us what their issues are so that [governments] are able to create a migration system that is friendly, effective, is fit for purpose, and has a positive effect on these businesses.”

– AdiAna Vesikula

Opportunities and actions

Panelists explained that Pacific Island countries' governmental departments, MSME strategies, policies, programs, and products aimed at encouraging business formalisation and empowering women in the informal sector must:

- Identify the correct governmental institutions responsible for better collaboration between actors;
- consider why many haven't registered, and the barriers they need to overcome to do so;
- better understand (through data collection) and respond to the unpaid labour of women in caring, child rearing, and domestic duties – including through the provision of child-caring and flexible work;
- consider the importance of organising within the informal sector to ensure women's voices are heard in decision-making (e.g., UN Women in PNG conducts capacity building work with market vendors to ensure they have a voice and can organise);
- assess and introduce business structures that meet the needs of women and their ways of operating;
- provide financial incentives and training for newly registered businesses to better understand their financial obligations, grants and financial literacy, and assistance available to them;
- consider mobile technologies that can enable financial saving and formalisation in rural areas, including through mobile money.

Case study: collaboration to reform Pacific super

The Pacific Investment Forum Initiative (and Women in Super working sub-group) brings Pacific superannuation funds across the region together to identify and operationalise reforms that could increase access to retirement benefits for men and women. With this goal, the group(s):

- Share information, resources, and best practices between members and regions
- Identify key priorities, including endorsement of minimum standards, the development of voluntary membership products, the development and dissemination of resources to improve financial literacy, and targeted outreach for women.

Improving information sharing between regions and actors

- There is a need to 'unlock' and centralise data on the informal sector to understand and allocate funding to priority areas
- Better coordination and collaboration between organisations and regions would help to promote best practices (including to promote indigenous and cultural approaches to business), reduce duplication of work and programs being implemented.

Increasing women's access to superannuation

- Outreach and promotion are required to ensure women in the informal economy know about

- retirement saving products (and other resources) they can access
- Women accessing labour mobility schemes can potentially transfer superannuation earned abroad back to their home fund
- Increasing women's financial literacy, including to prioritise and differentiate between saving for a 'rainy day' or emergency, and savings for retirement is important.

Case study: youSave retirement fund launches for informal operators in the Solomons

In 2017, the Solomon Islands National Provident Fund launched voluntary saving scheme *youSave*, a product designed specifically for those self-employed in the informal sector, as part of the country's Financial Inclusion Strategy (2016-2020). Before launching the product, the Fund developed a business case for and tested the model to demonstrate demand and product-market fit. When rolling out *youSave*, limited branches and the sprawling geographical location of Solomon Islands made outreach (to encourage savers to keep making savings deposits) costly and unviable. When mobile access to the scheme was made available, memberships and contributions increased dramatically. Limited digital infrastructure in the Solomons and Pacific Islands more broadly, however, remains a limitation preventing uptake of any such scheme.

Lessons learned:

- Evidence shows women are more receptive to a formal retirement product like *youSave*
- First, you need proof there is demand for the product
- Ensure implementing teams are trained and have capacity to launch and manage the product
- Consider mobile technologies to increase uptake.

Conclusion

This Summary Paper outlines the key points made by panelists of the April 2022 WLI [Learning and Networking event](#) co-hosted by PDSI on empowering women in the informal economy in the Pacific. The event explored prevalence, challenges, gaps in data, opportunities and actions, and priorities for policy, program and legislation reform.

Want to know more?



[Download the audio recording of the discussion](#)

Find more information on Australia Awards *Women Leading and Influencing* and how you can get involved:



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