3. EMPLOYMENT CREATION FOR WOMEN: PROMISING SECTORS DO EXIST
<table>
<thead>
<tr>
<th>Findings</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed women in the region are clustered in public or quasi-public</td>
<td>The sector of information technology (IT) and related activities has the highest average female share of full-time employment among the examined sectors, partly reflecting the increasing specialization of women in these fields over recent years.</td>
</tr>
<tr>
<td>or quasi-public firms and in sectors that are deemed female-friendly</td>
<td>The gender gap in top management has widened by almost fourfold relative to the gender gap in full-time employment shares, partly signaling the existence of glass ceilings across the region.</td>
</tr>
<tr>
<td>but are largely underrepresented in other formal private-sector occupations</td>
<td></td>
</tr>
<tr>
<td>Women-owned businesses tend to be SMEs and face greater restrictions</td>
<td>The COVID-19 pandemic has impacted sectors in which Arab women often engage, but it has also accelerated the shift towards more flexible work arrangements.</td>
</tr>
<tr>
<td>with respect to access to credit and resources</td>
<td></td>
</tr>
</tbody>
</table>
Beyond concerns for gender equality, increasing women’s employment is pivotal to enhancing socioeconomic well-being at all levels, ranging from individuals, households, and the community to entire countries. At the household level, female employment generates additional earnings to support families, increase consumption and invest in the future of children, which is crucial, particularly for poor and lower- to middle-income households. Consequently, this may lead to an overall reduction of poverty and deprivation. At the aggregate level, the well-educated female cohort remains an untapped human capital source that could boost GDP growth significantly. Aguirre and others estimated that increasing female employment to levels identical to those of men led to a net increase in the GDP of Egypt and the United Arab Emirates by 34 per cent and 12 per cent, respectively. The underutilization of women’s potential hampers the region’s development prospects, thus increasing the risk of falling short of the 2030 SDGs.

The recent COVID-19 outbreak and the strict lockdown measures to contain its spread could reinforce many of these existing challenges as a result of their devastating socioeconomic impact, including the disruption of markets and production, increased joblessness and wage reductions. In the Arab region, initial estimates show significant job losses that could mount to an equivalent of 10 million full-time jobs based on the drop in working hours. The recent situation could derail the already sluggish progress in female employment and economic participation in the region, as sectors in which women often engage are among the hardest hit industries. Besides, as noted, a substantial proportion of Arab women are employed in informal jobs or on a part-time basis; hence, the protracted lockdown has jeopardized their jobs and incomes and has increased their vulnerability, particularly if they lack alternative income sources.

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1 World Bank, 2014.
2 Aguirre and others, 2012.
4 ESCWA and UN Women, 2020.
### B. Employment of women in the private sector

To examine female inclusion in the labour market, the nature of employment opportunities for women need to be inspected. As previously noted, women tend to be engaged in informal, part-time and low-paying jobs. Increasing part-time jobs may boost female economic participation but does not guarantee a productive and decent-paying job. There are multiple definitions of job quality; however, here the focus is on the female share of full-time employment as an indicator of job quality and gender inequality. As argued by the World Bank, full-time employment reflects work associated with higher wages, benefits, protections and rights, and potential avenues for skills development and career advancement. Figure 21 reveals that women around the world continue to face disadvantages in the labour market of the formal private sector; yet, the gender gap in full-time employment is substantially wider in the Arab region, with the average male share being roughly 4.5 times larger than that of women. The average female share of total full-time employment in the formal private sector for the examined sectors stands at 18 per cent in the Arab region, about half of the world average.

Nonetheless, the regional aggregate conceals the heterogeneity that persists across Arab States, which are, in fact, highly diverse in terms of their socioeconomic conditions. Figure 22 shows that the female shares of total full-time employment in Morocco, Tunisia, Lebanon, and, to a lesser extent, Egypt are higher than the regional average, notwithstanding that their shares are still below the world average. Generally, Arab countries not only fall below the world average, but they are fall below their income group’s average. Although Iraq, the State of Palestine and Yemen fall into three distinct income groups, their gender inequality outlook is comparable. All three countries are affected by political instability, which adversely impacts performance, sales and employment growth of firms. While this might be a nation-wide socioeconomic concern, irrespective of sex, in periods of intensified conflict, increased gender-based violence and protection concerns, along with already existing sociocultural barriers, may impose additional barriers for female

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5 World Bank, 2014.

6 One caveat is the relatively low response rate for this indicator (49 per cent missing observations). Lack of data in the Arab region remains a critical problem for conducting empirical analyses. This analysis does not attempt to generalize the findings because of limited data. Nonetheless, in this case, the total number of firms reporting the number of female employees is 3,525 (51 per cent of the sample), which is considered indicative of employment status of women in the Arab labour market.

7 World Bank, 2014.

8 It should be noted that these average shares reflect only the sectors covered by the Enterprise Survey. There may be other sectors, such as education, health care, government services, and social service, among others, in which women often work and which are not covered by these surveys.

Employment and contribute to poor labour market outcomes. Even though Jordan’s demand for female employment more than doubled between 2013 and 2019, Jordan is still performing significantly lower than its income bracket peers.

It is worth mentioning that the intraregional discrepancies may be due to various factors, including disparities in societal and familial perceptions, which play a critical role in determining female economic opportunities. Differences in resource endowments may be another plausible factor. Resource-rich countries, such as Iraq, tend to have mostly resource-related capital-intensive industries. The dominance of these industries may also negatively impact the exports of non-resource-trading sectors, such as tradable manufacturing, in which women are often engaged, thus reducing both the demand and supply of female workers. Resource-poor economies, such as Egypt, Morocco and Tunisia, have more labour-intensive industries, which increase the need to capitalize on women’s economic participation. While this is a step in the right direction, encouraging women to participate in the labour market requires overcoming current stereotypes across the remaining economic sectors, including capital-intensive sectors.

C. Selected economic sectors

Women often work in sectors such as education and social services as they are considered to provide a good work-life balance but are largely underrepresented in other formal private-sector occupations. Figure 23 presents the female share of total-full-time employment demand across selected productive economic sectors. It reveals that the sector of IT and related activities has the highest average female share of full-time employment among the examined sectors, which

could partly reflect the increasing specialization of women in these fields over recent years. This may be surprising as this field is commonly seen as male-dominated, but this is not necessarily the case in the Arab world. According to the New York University Abu Dhabi (NYUAD), 40 per cent of students in the Arab world majoring in computer science and IT are women, compared to 15 to 20 per cent in the United States. While more women are opting to major in fields related to computer science and IT, challenging certain stereotypes, the female share of total full-time employment in this field is still below 30 per cent, as shown in figure 23. NYUAD argues that gender-based stereotypes in labour markets are a major challenge to the education of women in the workforce. The outlook for the IT field in the Arab region to reduce gender gaps is promising, yet the foremost prerequisite is to challenge gender-discriminatory perceptions and capitalize on women’s increased level of education in all sectors. Since most IT jobs can be done remotely, the new work modalities emerging in light of COVID-19 might increase the chance for skilled females to have a more accommodating job.

The second-largest sector of female employment is transportation, storage and communication, followed by manufacturing. Across the Arab economies covered by the Enterprise Survey, the highest average female shares are found in the labour-intensive manufacturing sectors, such as garments, footwear, leather, and furniture; numbers are lower in relatively less labour-intensive manufacturing sectors. In an earlier study, the Work Bank underlined that Tunisia and Morocco have relied on manufacturing exports, particularly textiles and garments, to boost women’s employment in the private sector. Trade openness tends to promote such sectors, which may partly explain the higher female share across exported-oriented firms relative to non-exporters.

**Figure 23.** Female share of employment, by sectors (percentage)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Female Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D, computer and other services</td>
<td>29.4</td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>20.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19.7</td>
</tr>
<tr>
<td>Retail and wholesale</td>
<td>19.4</td>
</tr>
<tr>
<td>Construction</td>
<td>17.0</td>
</tr>
<tr>
<td>Construction</td>
<td>15.9</td>
</tr>
</tbody>
</table>

**Figure 24.** Female share of employment and trade (percentage)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Exporter Share</th>
<th>Non-Exporter Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>25.19</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>17.29</td>
<td></td>
</tr>
</tbody>
</table>

Source: ESCWA calculations based on the Enterprise Survey.
Employment Creation for Women: Promising Sectors Do Exist

Overall, the participation of females in manufacturing is still low. The female share of full-time employment is considerably lower across almost all sectors and remains, on average, below 19 per cent in the hotels and restaurants (a proxy for tourism), construction and wholesale and retail sectors. These sectors are often considered male-dominated, which limits female’s labour mobility, especially in the private sector. For instance, the low proportion of women in the construction sector is partly due to it being perceived as physically demanding. In the case of tourism, a key economic sector in several Arab countries, gender-based discrimination is linked to multiple factors, including long-distance commuting, working at night and interaction with men and foreigners. Assaad and USAID found evidence for these factors in Egypt and Jordan, which, according to the United Nations World Tourism Organization (WTO), were among the most visited countries in the Middle East in 2017. Arab female inclusion in the tourism industry is further restricted by labour laws that generally ban night work for females, with the exception of the health sector. This underlines the fact that labour laws in the Arab States are determined by social norms and limit female employment.

Other labour laws in the Arab region potentially restrict both the supply and demand for female workers, including laws on maternity leave. Inadequate maternity leave, commonly less than 14 weeks, may hinder the ability of women to maintain a work-life balance and discourage them from joining the labour market. It is also worth mentioning that paternity leave is not common in the region, with just a few countries offering up to six days. In contrast to SDG Target 5.4, which promotes shared responsibility within the household and the family, these shortcomings may reinforce patriarchal gender relations. At the same time, in the majority of these countries, the financial burden of mandatory maternity leave falls on the employer, which discourages private firms from hiring women, especially married women.

Due to the COVID-19 lockdowns, the disruption of markets and supply chains and the contraction in various output-impacted economic sectors have led to unprecedented spikes in unemployment for both men and women. Sectors in which

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14 Exporting firms here is based on 15 per cent and above of sales going to direct export activities. The same exercise was done for indirect exports, which identified a similar trend.
15 Moghadam also points out that, according to official statistics, women in the Arab region generally have low participation in sectors such hotels and restaurants, wholesale and retail trade. This may be partly due to cultural norms. See Moghadam, V. M., 2013.
16 According to USAID, this is the case in Jordan. See USAID, 2012.
18 USAID, 2012.
20 Note that, in Lebanon, the labour legislation contains provisions on night-shift conditions and work deemed morally harmful. Excessive protection measures limit work opportunities open for females. For details on night-shift laws in each Arab State, see OECD, 2014.
21 ESCWA, 2021.
22 ILO indicates that only Morocco has officially ratified the Maternity Protection Convention, 2000 (No. 183), and only Algeria and Libya have ratified previous maternity conventions. See ILO, 2015. World Employment and Social Outlook 2015: The Changing Nature of Jobs.
23 ESCWA, 2012.
24 Exceptions include the Syrian Arab Republic (120 days), Morocco (14 weeks) and Egypt (three months).
26 ESCWA, 2012.
women often engage, such as manufacturing and services, have been among the hardest hit industries in the Arab region.\textsuperscript{27} For instance, as discussed, several Arab countries have relied on labour-intensive and export-oriented industries, such as textiles and garments, to boost the employment of women in the formal private sector. Yet, lockdowns and quarantine measures have severely impacted these sectors, causing many enterprises and factories to halt production, cut down salaries or even close due to supply-chain and trade disruptions.\textsuperscript{28} Likewise, services such as child care, education and beauty salons, in which women and women-led enterprises are concentrated, have been adversely impacted by social-distancing measures. The situation is similar in the hospitality and restaurants sectors that are also a source of income for many women in the region through employment or entrepreneurial activities, noting, however, that Arab women are less engaged in these sectors relative to women in other regions. Increasing joblessness and wage reduction, among other devastating socioeconomic impacts of the pandemic, could hence intensify existing gender inequalities in labour markets.

Amid this turbulence, however, opportunities could be seized to improve women’s capability during and post the COVID-19 crisis. The pandemic has accelerated the shift towards more flexible work arrangements, especially in the private sector. Online and work-from-home modalities have been increasingly applied in many industries, including services such as education and health. Such remote work arrangements would facilitate work-life balance and child care for women; yet, there still remains room to improve the sharing of responsibilities within the household. The accelerated pace of digitalization and increased reliance on technology can create career opportunities in information and communications technology and high-tech industries, which women, especially in the region, are increasingly specializing in.

\section*{D. Ownership structure and size of firms}

Figure 25 disaggregates female employment by type of firm ownership.\textsuperscript{29} It depicts that State-owned firms have the highest average female share, at almost double the regional average. Public or quasi-public entities offer jobs which are more suitable for women and provide more flexible work arrangements relative to private entities, including shorter working hours, better maternity leave and child-care facilities. These benefits allow women to balance their time between work and home-care responsibilities, especially after marriage.\textsuperscript{30} Assaad, Hendy and Yassine\textsuperscript{31} and Hendy\textsuperscript{32} found that women working for private firms tend to quit working post marriage contrary to those in public employment. Even though the most females in the Arab region are hired by State-owned firms, gender parity in all sectors is still far out of reach.

Arab countries can also benefit from orienting their policies towards promoting FDI. In firms with a majority of private foreign ownership, the average female share is roughly 1.7 times higher

\begin{footnotesize}
\begin{enumerate}
\item ESCWA and UN Women, 2020.
\item ILO, 2020c. COVID-19 and the textiles, clothing, leather and footwear industries. ILO Sectoral Brief, 8 April.
\item Firm ownership here is based on the 51 per cent of cut-off of shares. The underlying premise is that, typically, the majority share owners have the major influence on the entity’s decisions and regulations.
\item ESCWA, 2012; and ILO, 2015.
\end{enumerate}
\end{footnotesize}
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than in firms with a majority of private domestic ownership. Multinational firms, especially those headquartered in countries with gender-equal hiring practices and environments, are likely to transfer their global policies and practices to their affiliated firms in the Arab region, thus increasing female employment opportunities, offering longer maternity leave and other benefits. It is safe to say that FDI has the potential to boost both the demand for and supply of female labour.

The vast majority of surveyed firms that are mostly State-owned and private foreign-owned are large and medium-sized. This could be another factor explaining their higher female share of total full-time employment. Figure 26 shows the average female share in total full-time employment by firm size, measured in terms of the total number of employees. Large and medium-sized firms have higher average female shares than small firms. Several studies have also found a positive wage-size relationship. The higher wages and benefits offered by large firms may increase the opportunity cost of not joining the labour market and incentivize women’s participation. In addition to the higher benefits they offer, large firms can be associated

34 ILO, 2015.
35 The trend across firm ownership structure remained unchanged when considering the size of firms. Across the three firm-size groups, private foreign firms have a higher full-time female employment ratio than private domestic ones.
37 Sarbu argues that large and medium-sized firms may have less flexible work arrangements, such as telecommuting, relative to small firms, which may hinder women’s ability to balance their work and household duties. Therefore, higher wages and benefits may increase the opportunity cost of not joining the labour market and counterbalance women’s demands for flexible work arrangements. See Sarbu, M., 2014. Determinants of flexible work arrangements. ZEW – Centre for European Economic Research, Discussion Paper No. 14-028.
with less gender-discriminatory practices and a lower risk of sexual harassment, as they are more likely to have a clear legal and regulatory framework, including rules of personal conduct.\textsuperscript{38}

E. Women in decision-making positions

Empowering women in roles of leadership and entrepreneurship is a cornerstone of SDG 5. Recent studies emphasize a gender dividend – an economic gain when employing women – in top positions in connection with enhancing a firm’s innovation and performance and boosting GDP.\textsuperscript{39} Yet, globally – and more so in the Arab region – women tend to be underrepresented in decision-making positions.\textsuperscript{30} Literature has long advanced the glass-ceiling hypothesis, which states that not only is it more difficult for women to access higher-level positions, but also the barriers become increasingly higher as women advance up an organizational hierarchy. In corporate business, such barriers include organizational structure and corporate culture, general sociocultural perceptions and norms regarding the capacity and child-rearing role of women, inadequate career opportunities, and discriminatory labour regulations.\textsuperscript{41} ILO emphasizes that women tend to exit labour markets around their mid-careers, when their accumulated experiences allow them to hold senior positions,\textsuperscript{42} which leads to a shortage of women in senior positions and a reinforcement of gender-based stereotypes. While the corporate realm may lead to a stunted professional growth for women, the number of women in entrepreneurship has been steadily rising.\textsuperscript{43}

This section focuses on firm-related factors to assess empowerment of women across selected non-agricultural sectors in the Arab world using two main indicators, namely, the sex of top managers and of firm owners. When it comes to ownership, the focus is primarily on exclusively female-led and male-led firms (all women versus all men) to better capture gender-specific entrepreneurial characteristics and challenges. Figure 27 shows that the Arab region considerably lags behind the world when it comes to the representation of women in management and leadership positions across the selected sectors. Less than 5 per cent of examined enterprises in the region reported having a female top manager compared to more than 15 per cent in the world. In the Arab region, the gender gap in top management widens by almost fourfold relative to the gender gap in full-time employment shares, which may signal the existence of glass ceilings across the region.

\textsuperscript{42} The term coined to describe this phenomenon is “a leaking pipeline”.
\textsuperscript{43} ILO, 2016.
According to the International Labour Organization (ILO), the glass ceiling is more salient in the Arab region where gender-related social values and norms have greater influence. In essence, the aforementioned barriers to female employment in the Arab region also impede their career progression. These barriers may even intensify in senior positions as they entail increased responsibilities and job commitment. An examination of country-level performance reveals that countries at the top of the list are essentially the same as those that topped the female shares in full-time employment (Figure 28). Tunisia, Morocco, Mauritania, Egypt, and Lebanon outperform their peers. These countries fare better than the regional average, yet only marginally. For instance, the percentage of Tunisian firms with female top managers in 2013 was merely half that of the world average. Mauritania, which has a much lower female share of full-time employment than the regional average, ranks second across the region in terms of female top management positions, albeit at 5 per cent. In general, these low figures suggest that the entire Arab region still has a long way to go in terms of empowering women in senior and leadership positions.

**F. Selected firm characteristics**

Figure 29 depicts that firms with female top managers are mainly distributed in the manufacturing sector. Among the selected sectors, female entrepreneurism is highest in manufacturing, as shown in the next section, which, in part, explains the high distribution of female management in this sector. Most firms with women as owners and in top management are concentrated in two sectors, apparel, dressing and fur-dyeing, and food products and beverages.
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influence their managerial and career advancement opportunities.

Figure 30 shows that firms with a female top manager are mostly SMEs. It may seem paradoxical that large firms have a lower reported figure of female managers when they are associated with a higher female share of full-time employment and less gender-discriminatory practices, given their transparent regulatory frameworks. Yet, the higher competition for top managerial positions in larger firms may put females at a disadvantage.46 The following section show that women mostly tend to start microenterprises, which may account for the concentration of female managerial activity in SMEs.

Some women have also sought entrepreneurial careers; yet, roughly 81 per cent of surveyed enterprises in the Arab region are exclusively owned by men. Even if women have some degree of ownership, men maintain most control and thus the largest influence in decision-making, which suggests that female influence is highly confined and the way to gender parity in leadership positions remains long. Less than 3 per cent of surveyed entities report gender parity in firm ownership, and an even lower percentage report exclusive female ownership.

Exclusively female-owned firms exhibit similar characteristics to female-managed firms. The vast majority of female-owned businesses are small (57.1 per cent) or medium-sized (34.4 per cent). This is also reflected in the legal status of women-owned businesses, of which 86 per cent fall under sole proprietorship. Commonly, such firms are small businesses that are easier to set up (relative to other types of businesses), have less formal business requirements and are completely managed by the individual proprietor. Thus, these businesses are characterized by a high degree of autonomy and flexible work arrangements for women. These figures highlight the progressive role of women in private-sector growth and employment. However, the limited scope of female entrepreneurship in the Arab region raises the question whether it is


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The substantial contribution of SMEs, particularly those female-owned, towards employment creation and economic growth is contingent on their ability to expand and realize their full potential growth.

Female owners were asked about the biggest obstacle that affects their firm’s operations and performance (figure 34). The most frequent answer was political instability, which is associated with an unconducive investment climate.

**Figure 31.** Firm ownership, by sex (percentage)

**Figure 32.** Female ownership, by firm size (percentage)

**Figure 33.** Female ownership, by legal status of firm (percentage)

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47Astebro and Tag examined the relationship between legal status and job creation while distinguishing between two kinds of entrepreneurs, namely, sole proprietors seeking primarily self-employment and those seeking to hire others through incorporating their firms. They argued that, given the fact that the majority of entrepreneurs tend to be sole proprietors, unincorporated firms initially contribute more to aggregate job creation than incorporated firms. Nonetheless, they found that incorporated firms eventually tend to create 50 per cent more employment opportunities than sole proprietorships. See Astebro, T. and J. Tag, 2015. Jobs Incorporated: Incorporation Status and Job Creation. IFN Working Paper No. 1059.
Arab Governments need to prioritize political stability and create an investment-enabling environment to boost private-sector development and economic activity. Access to finance, as second most frequent answer, is a major concern for all enterprises, regardless of sex. Nonetheless, this obstacle may be bigger for female entrepreneurs, particularly in the Arab region. The United Nations Secretary General’s High-level Panel on Women’s Economic Empowerment\(^48\) notes that female-owned businesses are smaller and largely restricted with respect to access to credit and resources.

In the Arab region, personal status laws and customary practices, in terms of discriminatory property rights,\(^49\) put women at a greater financial disadvantage, restricting their ability to collateralize loans and access credit.\(^50\) Figure 35 shows that approximately 49 per cent of male-owned firms perceive access to finance as either no or minor obstacle relative to 47 per cent of female-owned firms. Among the surveyed female-owned firms, 53 per cent perceive access to finance at least a moderate obstacle, while nearly 23 per cent perceived it as a major or very severe obstacle.\(^51\)

Restricted finance, together with the nature of female-owned firms, may create a vicious cycle in which female-led firms have limited growth and survival prospects. In other words, limited initial capital may confine female entrepreneurship to small enterprises. This may further impede their ability to access venture capital to expand their business as, typically, banks are reluctant to lend

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**Figure 34. Obstacles reported by female-owned firms (percentage)**

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political instability</td>
<td>24.4</td>
</tr>
<tr>
<td>Access to finance</td>
<td>12.2</td>
</tr>
<tr>
<td>Custom and trade regulations</td>
<td>12.2</td>
</tr>
<tr>
<td>Corruption</td>
<td>8.5</td>
</tr>
<tr>
<td>Electricity</td>
<td>8.5</td>
</tr>
<tr>
<td>Practices of competitors in the informal sector</td>
<td>4.9</td>
</tr>
<tr>
<td>Tax administration</td>
<td>4.9</td>
</tr>
<tr>
<td>Tax rate</td>
<td>4.9</td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td>3.7</td>
</tr>
<tr>
<td>Access to land</td>
<td>3.7</td>
</tr>
<tr>
<td>Labour regulations</td>
<td>2.4</td>
</tr>
<tr>
<td>Crimes, theft and disorder</td>
<td>2.4</td>
</tr>
<tr>
<td>Courts</td>
<td>2.4</td>
</tr>
<tr>
<td>Business licensing and permits</td>
<td></td>
</tr>
</tbody>
</table>

Source: ESCWA calculations based on the Enterprise Survey.


\(^49\) Inheritance laws, divorce, lack of independence in controlling property, and others.


\(^51\) The trend remained the same when controlling for the size of firms.
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It is noteworthy that the sole-proprietorship nature of female-owned firms also limits their access to alternative credit sources outside the traditional banking system. This underlines the need to attain SDG Target 5.a to give women equal rights to economic resources, access to ownership and control over land and other forms of property, financial services, inheritance, and natural resources.

The current COVID-19 crisis could intensify these challenges for women-owned businesses as SMEs tend to be more vulnerable to demand shocks and supply-chain disruptions. The plunge in sales and cash flows could curtail business operations and place SMEs at higher risk of financial crunches or shutdowns. The latest downturn might hence further exacerbate the credit constraints faced by women-led SMEs and have an enduring impact on these businesses even after lockdown restrictions are lifted.

G. Impact on R&D and innovation

Innovation is a well-recognized pillar of private-sector development and vibrant growth. Some scholars have found that businesses owned by women often adopt more innovative strategies than those owned by men.\textsuperscript{53} To examine innovation levels across firms led by women, the percentages of women-owned enterprises that engaged in process and product innovations over the last three years were cross-checked, which revealed three results (figure 36). First, female-owned firms tend to have a relatively high percentage of innovation. Second, high process innovation among female-led SMEs is an incentive to reduce costs to maintain market competitiveness, making firms more efficient and productive. Third, a higher percentage of female-owned firms engage in product innovation rather than in process innovation. Although the impact of process innovation on employment creation is ambiguous, product innovation could boost employment creation as presented earlier in this chapter. Given the limited sample size, it is not intended to generalize these findings beyond the dataset. Yet, these figures suggest that innovative women-owned businesses can be an avenue for increasing overall employability, particularly for the growing educated female cohort who can, in return, contribute to the expansion of firms led by women into new markets. It should be mentioned that innovation is the outcome of investment in R&D. The examined surveys, however, do not include time-consistent data on

\textsuperscript{52} Nasr and Rostom, 2013. This perception of higher risk may be linked to the awareness that Arab women generally have less capital and control over capital than men.

R&D expenditures that would allow to examine innovation outcomes. To get a sense of R&D investment levels in women’s businesses, their R&D expenditure in the last fiscal year was examined, which revealed that 18.3 per cent of female-owned businesses invested in R&D in the most recent fiscal year. The distribution of female-led firms across economic sectors shows a similar pattern to that of female full-time employment and management. Approximately 41 per cent of examined female-owned firms are within the manufacturing sector. This high concentration could be an additional factor to explain the higher share of women in full-time employment and top management in this sector. As will be discussed in the following section, female entrepreneurship can be an avenue to boost female employment and career advancement opportunities.

**Figure 36. Innovation among female-owned firms (percentage)**

<table>
<thead>
<tr>
<th>Economic Sector</th>
<th>Female-Founded Firms</th>
<th>Male-Founded Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>40.9</td>
<td>57.2</td>
</tr>
<tr>
<td>Wholesale, retail and trade</td>
<td>24.7</td>
<td>32.1</td>
</tr>
<tr>
<td>Construction</td>
<td>18.2</td>
<td>23.3</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>13.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Transportation, storage and comm.</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td>R&amp;D, computer and other business activities</td>
<td>0.7</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations based on the Enterprise Survey.

**Figure 37. Female-owned firms across selected economic sectors (percentage)**

- Process innovation (in last three years): 25.2 per cent
- Product innovation (in last three years): 31.4 per cent

Source: ESCWA calculations based on the Enterprise Survey.

### H. The impact of female presence in leadership on the employment of women

The previous section highlighted the progressive role of women in private-sector development and the potential for employment creation, especially for women. The analysis in this section further shows that women in leadership positions, whether in management or entrepreneurship, could enhance levels of female inclusiveness in the formal private sector, thereby supporting...
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the attainment of SDGs 5 and 8. Figure 38 that, in firms with female top managers, the average female share of total full-time employment is almost twice that of male-managed firms. A similar trend is found in female-owned firms with average female shares of full-time employment of nearly 26 per cent, compared to nearly 17.3 per cent in male-owned firms. Female employment also seems to fare better when the majority of a firm’s owners are women. Female leaders could increase both the supply and demand for female employees for various reasons. Women, for instance, may choose female-led enterprises as they are associated with lower risk of sexual harassment and increased opportunities for career advancement and mentorship. At the same time, female executives are associated with less gender-discriminatory hiring practices, which would not only boost demand for female employees but also increase their likelihood of being promoted into higher-paying positions.

A side analysis revealed that more than 56 per cent of female-owned firms report having a female top manager, compared with just 1.4 per cent of male-owned firms. Likewise, firms with a female majority ownership have a much higher percentage of female managers than those owned by a majority of men. In essence, females in management and leadership positions provide a paradigm that challenges persistent sociocultural stereotypes which limit female economic participation and career advancement opportunities. As presented earlier, female-owned firms have a higher wage bill than those owned by males, which could incentivize women to join these firms.

Figure 38. Female full-time employment ratio, by sex. of firm owner (percentage)

<table>
<thead>
<tr>
<th>Majority are women</th>
<th>Equally divided between men and women</th>
<th>All women</th>
<th>Majority are men</th>
<th>All men</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.10</td>
<td>27.88</td>
<td>25.92</td>
<td>23.90</td>
<td>17.28</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations based on the Enterprise Survey.

Figure 39. Female full-time employment ratio, by sex. of firm manager (percentage)

<table>
<thead>
<tr>
<th>Male top manager</th>
<th>Female top manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.3</td>
<td>31.8</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations based on the Enterprise Survey.


56 Amin and Islam, 2014.
I. Policy recommendations

Unless all gender-discriminating practices are eliminated, the desired labour market outcomes articulated in SDG 8, particularly target 8.5, will not be reached. The inclusion and empowerment of women at all levels is pivotal for economic growth and essential for the attainment of the 2030 Sustainable Development Agenda. The following are policy recommendations needed to reach additional economic empowerment in the Arab world.

1. To improve women’s labour market prospects. This necessitates challenging prevalent sociocultural perceptions to allow women’s labour mobility across all economic sectors. Further, reforming labour laws towards a better gender-friendly environment is a must. At the firm level, private entities can encourage women’s economic participation by better designing their internal maternal and paternal leave schemes. The provision of paternity leave and the development of childcare may assist women to reach a work-life balance and shared responsibilities within the household and family.

2. Challenge gender-discriminatory perceptions in labour markets and capitalize on the increased level of education of women in all sectors. The COVID-19 work modalities showcase that increasing female participation in the IT sector is a choice to enhance female empowerment. The private sector should enhance its internal pipelines for promotions such that women and men have an equal chance to attain senior positions and be represented on companies’ boards of directors. Promoting female leadership in management and entrepreneurship could have multiple positive ripple effects, including increasing female employment and career-advancement opportunities.

3. Financial intermediaries, to support female entrepreneurs by providing access to credit to promote growth-oriented entrepreneurship for females. Giving women equal rights to economic resources, access to ownership and control over land and other forms of property, financial services, and inheritance would increase their ability to collateralize loans and access credits.

4. To adopt more remote working arrangements as a viable solution to improve women’s capabilities post the COVID-19 crisis. This would allow women, as employers or employees, to reconcile between work and family life. The accelerated pace of digitalization and increased reliance on technology could also create career opportunities in ICT and high-tech industries that women, especially in the region, are increasingly specializing in.