Emerging markets – the gender agenda
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From time to time, every market faces a critical shortage, be it of capital, technology, natural resources, raw materials or some other asset that allows the engines of the economy to operate smoothly. The hope, of course, is that new supplies (or substitutions) can fill the void before price movements have adverse effects. Recently, leaders around the world have begun to recognise that just such a shortage has come to plague emerging markets: the dearth of talent. The resulting ‘talent wars’ threaten to limit economic expansion in many fast-growing parts of the world. And, current trends worryingly portend an ever more dire shortage in the coming decades, unless new supplies of talent can be tapped.

Fortunately, opportunities to fill the talent void may be at hand – by closing the gender gap and promoting greater participation in educational and employment endeavours by women. For, as the information technology (IT) sector in countries such as India exemplify, while considerable advances have been made in fostering female talent, much more work remains to be done.

Emerging shortages

To mobilise resources, it is necessary to understand the nature and causes of contradictory trends: emerging markets are homes to formidable and rapidly growing pools of raw and existing talent, yet in many cases, albeit for different reasons, supply is not keeping up with demand.

The numbers suggest that there are massive amounts of existing and developing talent in emerging countries. Already, for example, there are twice as many young professionals in developing countries as in developed countries. India already has nearly as many engineers as the United States and China has twice as many.

And their ranks are growing quickly; the number of young professionals in emerging markets is growing at 5.5% annually versus 1% in developed countries. Indeed, the number of university graduates in the largest emerging market, China, alone dwarfs those of the developed world. China was expected to produce 3.1 million college graduates in 2006, including 600,000 with engineering degrees. By comparison, the US was expected to graduate 1.3 million college students, including 70,000 engineers. In Brazil, Mexico, Russia, Malaysia and the Philippines, the number of engineering graduates is expected to grow between 7% and 10% annually between 2003 and 2008.¹

Ironically though, companies operating in emerging markets report critical shortages of talent. Despite the legions of educated people produced by emerging markets, enterprises in these countries and the foreign multinationals hoping to fulfill their own talent needs, are finding it increasingly difficult to do so. A PricewaterhouseCoopers survey revealed that the ‘availability of key skills’ ranks among the greatest concerns of CEOs around the world, more prominent than low-cost competition, energy and commodity prices, economic downturns and technological disruptions.²

Wage inflation is a strong indicator of the shortage in emerging markets. In India, for example, wage inflation in the IT sector has reached 16% annually, and among middle managers in all sectors, 23%.³ No surprise, then, that the National Association of Software and Service Companies (NASSCOM) expects a shortage of 500,000 IT workers in India by 2010.

³ The Economist, 5 October, 2006.
Challenges in the Talent Market

The paradox of scarcity in the face of an expanding ocean of talent can be explained by several key factors. Most fundamentally, as quickly as the supply of talent is growing, demand is growing faster. The virtually insatiable demand for talent in emerging nations is coming from both domestic enterprises – the UN Conference on Trade and Development estimates the number of MNCs based in emerging markets grew from 3,000 in 1990 to 13,000 in 2000 – and from foreign multinationals.

And those companies are growing rapidly. In India, the outsourcing company Infosys, for example, increased its payroll from 10,700 to 58,000 between 2002 and 2006, a 53% compound annual growth rate. In China, domestic companies are expected to need 75,000 corporate leaders effective in global markets over the next 10 to 15 years. There are now no more than 5,000 such world class leaders in the country. Add on the imperatives of foreign-based companies and the thirst for talent becomes seemingly unquenchable. Foreign-owned companies and joint ventures in China are expected to need 750,000 new graduates between 2003 and 2008.4

While it might seem that the number of new university graduates in emerging countries should be adequate to meet the need for talent, there is often a mismatch between the skills that graduates are learning and those most in demand. In 28 low-wage companies studied by McKinsey & Co., there were 33 million young professionals with up to seven years of work experience. However, McKinsey found that only 13% of them were suitable for employment by MNCs. Higher percentages of young professionals in Eastern

4 McKinsey & Co.
Europe tend to be suitable for MNC employment, in comparison to Latin America and Asia. In Brazil, for example, 13% of engineering graduates were deemed suitable versus 50% in the Czech Republic, Poland and Hungary. The comparable rates for China and India were 10% and 25%, respectively.

The reasons for the lack of suitability vary from market to market but they include lack of language skills, education that is overly focused on theory, and differences in work cultures, particularly regarding teamwork. Another factor aggravating the talent disconnect is a mismatch between students’ choices of academic majors and workforce needs. In China, for example, the fact that engineers and scientists are accorded considerably higher respect than managers contributes to the dearth of managers. Meanwhile, in Arab countries, where many women receive university educations, the majority of women receiving degrees do so in literature, humanities and the social sciences, thus contributing to the talent shortage in engineering. Female enrolment in vocational and technical education is approximately half that of males.5

Then there is the brain drain. The allure of sampling life and taking advantage of opportunities abroad – in developed, and in some instances other emerging markets – siphons off a significant group of qualified home-grown talent. One study of 55 developing countries found that a third of them lost more than 15% of their graduates to migration.6 Some of the hardest hit areas were Turkey and Morocco, losing 40% of their graduates, and the Caribbean, which is losing 50%. A significant number of skilled professionals from India and elsewhere are being lured to the Middle East where booming, oil rich economies can bid higher for available talent.

Untapped potential

While addressing the issues producing the disparity between available and sought after talent may help to narrow the gap, a great potential source of additional talent has in many cases not even begun to be tapped: women. Some of this is due to a persistent lack of educational opportunity. Despite the impressive advances that have been made towards achieving the goal of education for all, there are still some 960 million illiterate adults in the world. Two-thirds of them are women. And, the numbers of the illiterate are still growing. Some 130 million school-age children worldwide are not enrolled in primary school and 70% of them are girls.7

When girls get the opportunity to start school, attrition among female students significantly outstrips that of male students. In India, for example, girls represent 43.6% of primary school enrolment, 40.1% of middle school enrolment, 37.1% in secondary school and 34.8% in higher education.8 Keeping girls in school long enough for them to become literate and to develop skills remains one of the greatest challenges in developing countries.

Even where female literacy is high, some of that talent is squandered. In the Middle East and North Africa, for example, women’s literacy rates are among the highest of all emerging markets – yet women’s participation in workforces is among the lowest in the world.

Many of the causes for this gender gap are familiar. In most cultures, the notion that women belong in the home, not in the workplace, persists. Laws and regulations continue to reinforce the enduring convictions in many countries, such as Jordan, where laws restrict the kinds of work women can do outside the home and the hours they can work. In addition, women receive unequal treatment under that country’s social security, pension system and tax regime.

6 The Economist.
In other countries, women have no or unequal access to banking systems, hampering their ability to obtain loans to embark on new enterprises. In Tanzania, for example, since women are unable to own land, they cannot put up the collateral needed to obtain bank loans there. And, even in cultures that profess to support women working outside the home, there is the pervasive problem of lack of child care and other supports to enable women to balance their home and work responsibilities.

**The case of the IT sector**

Information technology provides a stark example of a sector in which women’s talents are disproportionately allowed to remain fallow. The fact that the disparity exists in the sector has especially tragic consequences because of the crucial role IT plays and will increasingly play in economies worldwide. Besides its importance to an economy’s overall productivity, the IT sector is also among the fastest growing sectors in many economies, frequently accompanied by commensurately rapid job growth. In India, for example, demand for IT professionals grew from 5.2 million in 2002 to 6.5 million in 2003, a 24.4% growth rate.\(^9\)

There are indicators that women have been able to take advantage of the opportunity the sector affords. Women’s presence in the IT workforce in India, for example, has grown steadily from 10% in 1992 to 35% in 2005.\(^9\) However, there are still many barriers to women, both in attaining the skills to enter the IT workforce and in their advancing to the highest levels. At senior levels, women represent only 6% of IT employees.

For the most part, access to any but the most rudimentary training is limited to middle and upper class women in many emerging markets. For females at the bottom of the economic ladder, access to IT, and therefore the ability to obtain IT skills, presents unique barriers. A disproportionate number of women in emerging markets live in rural areas where access to IT is far more limited. Where IT is available, at cyber cafes, for example, hours of operation are frequently confined to the evening when women are often obliged to be home with children and when it can be dangerous for them to go out. In addition, women tend to have less discretionary income to spend on even modest fees that are apt to be required for IT access. And, rural women are less likely to be familiar with the more universal languages that are most frequently used on the Internet.

Together, these barriers contribute to a digital divide that relegates a disproportionate number of women to the disadvantaged side of a deepening chasm. Even for middle and upper class women with access to education and technology, there are gender-specific impediments that result in smaller percentages of women enrolling in technology courses and advancing to the highest professional levels in the sector. In India, enrolment of girls in engineering, technology and architecture at the graduate level was 0.50 million, versus 2.85 million for boys within the last decade.

One persistent barrier for relatively privileged women is social stereotyping and self images that they are not suited for technological pursuits.
Emerging solutions

To make further inroads on the gender gap will undoubtedly require action on several planes: governmental, corporate and cultural. Ongoing improvements in access to technology and to quality education for women are widely viewed as top priorities. Government policies that assure women access to business credit, the right to own property, the right to equal treatment and opportunities in the workplace, and access to child care and other support services are also seen as key.

At the same time that changes are made at the policy level, workplaces need transformation. Opportunities for women could be enhanced by providing on-site day care, or offering flexible work hours and the option to work at home, especially for women in their child-bearing years. Other practices that promote women’s ascendance in the workforce include providing transportation to and from work, gender sensitivity awareness and training, motivational training, and mentoring programmes involving senior executives. Affirmative action and quota programmes may be called for in some instances.

The gender gap’s price tag

Limiting the economic opportunity of women clearly has its costs. The World Economic Forum’s 2006 Global Competitiveness Report shows that countries with the narrowest gender gaps – that is, where women and men have more equal access and opportunity in education and employment – tend to be the most competitive. Other data from the report show that a narrower gender gap also corresponds to higher GDP per capita.

There have been successes in closing the gap. This year, the ratio of women to male executives reached 58% in the Philippines, the highest ratio worldwide, according to the International Labour Organization. With 89% of its companies employing women executives, the Philippines is also the leader among Asian nations, where women are becoming corporate leaders far more quickly than in Europe.

The Philippines’ labour secretary earlier this year attributed the achievement to broad access to higher education for women. This echoes the experience of Indian-born executive, Indra Nooyi, who told the Economic Times of India earlier this year that education and a supportive family that encouraged women to achieve were indispensable to her success.
She recalled adult family members relentlessly comparing the children’s report cards during her childhood, when her mother told her to aspire to be the Indian prime minister and her father and grandfather frequently said, ‘Our daughters and granddaughters are going to be whatever they want to be.’ Ms. Nooyi is now CEO of PepsiCo.

As the talent wars become more intense, the price a market pays for limiting opportunities for women in the labour force will only become larger. Indeed, it may already be a cost that no emerging economy can afford to keep paying, in the face of a growing shortage of talent that threatens to limit competitiveness and inhibit the development of leaders who might follow in Indra Nooyi’s footsteps.

Exhibit 3: Competitiveness as a function of the gender gap


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