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Promoting Gender Equality: Implementing Reservations for Women-Owned Businesses in Public Procurement Tenders

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Addressed to women rights policy advocacy organizations in the EU

Abstract:

What: This policy brief promotes the need for a tender reservation system to promote the participation of women-owned businesses in public procurement. It addresses the policy problem of gender disparities in access to business opportunities by presenting research findings that support the implementation of reservations for female-owned businesses.

How: The research methodology involves a comprehensive analysis of peer-reviewed literature on gender inequality issues faced by women in procurement. The key finding reveals the existence of a gender participation gap and shows males and females have different skill sets; by the addition of female suppliers, procurement benefits from supplier diversity as well as diversity within the teams.

Recommendation: The policy brief emphasizes the importance of implementing gender-based reservations in public procurement tenders to level the playing field and create opportunities for female entrepreneurs.

Introduction:

Gender inequality continues to persist in various sectors, including business. Women face numerous barriers to entrepreneurship and access to economic opportunities. The under-representation of women in business and the persistent gender pay gap demand proactive measures. Moreover, beyond its business objectives, procurement is critical in supporting social goals such as diversity and sustainability in the supply chain. By recognizing that equal opportunity to work and fair pay are fundamental human rights, procurement can act as a catalyst for facilitating these rights among suppliers and sub-suppliers. Integrating gender issues into the broader social and environmental responsibility framework can help advance the 2030 sustainable development goals while promoting gender equality.

Problem Statement:

Despite efforts to promote gender equality, female-owned businesses often face challenges securing government contracts, leading to under-representation. This policy problem undermines the principle of equal opportunity, perpetuates economic disparities between genders, and leads to missed opportunities for economic growth.

Methodology:

This policy brief presents a comprehensive summary of the challenges women-owned businesses face in acquiring procurement tenders and identifies implementing a reservation system in public procurement as a potential solution. This is done by systematically reviewing existing literature on gender inequality issues in procurement and summarizing them to identify key themes that resonate with the policy recommendation.

Key Findings:

After a thorough analysis of 45 peer-reviewed articles dealing with gender inequality issues faced by women in procurement published across 19 countries between 2000 and 2022, four prevailing research outcomes catering to gender-related issues in procurement were identified.

These were:

1) Glass wall effect:

In delving into the literature surrounding the glass ceiling effect, a crucial lens is the acknowledgment of the systemic challenges faced by women-owned businesses. This body of research consistently highlights the disparities women encounter, not only in organizational promotions and managerial roles but also in the entrepreneurial landscape, particularly within the sphere of procurement. The prevailing theme in gender research elucidates the hurdles obstructing the advancement of women-owned businesses. Women entrepreneurs confront obstacles that hinder their progress, ranging from limited opportunities for organizational growth to disparities in compensation. These challenges extend into their roles as suppliers in the market, where the conditions and opportunities necessary for success often elude them.

2) Team Diversity:

Team diversity in the current context is the dispute between heterogeneity vs. homogeneity through the representativeness of all genders in procurement tenders in an attempt to draw an inclusive image of the procurement exercise while also achieving economic, environmental, and social objectives. Broadly, it is about the consequences of ending workforce discrimination and facilitating inclusivity. The research in this field emphasizes that gender differences are also reflected in decision-making. Also, it is agreed that gender diversity in teams positively impacts the outcome of teamwork.

3) Skill Sets:

The research conducted in this sub-category focused primarily on examining whether skills like communication/negotiation abilities are gender dependent. Since these skills are essential to successful business operation and profitability for both purchasing and sales professionals, knowing their association could be helpful. The research outcomes show males and females have different negotiation and communication styles; while one can't be superior to the other, their diverse styles help businesses in diverse ways; hence the participation of women in teams and as suppliers should be encouraged.

4) Supplier Diversity:

Promoting supplier diversity by integrating women-owned organizations should be a priority of socially responsible public procurement. Furthermore, research emphasizes this needs to be incorporated into law, as voluntary adoption provisions haven't led to much implementation. The literature generally recognizes that women-owned organizations are disadvantaged due to a lack of capital and workforce, networking opportunities, care responsibilities, technical difficulties, etc., which leads to problems in their participation in public procurement.

Discussion and Study Limitations:

While the findings validate the existence of a gender gap in society that impacts the economic empowerment of females and female-owned enterprises, it is essential to consider different perspectives on resolving this issue. As a provision of law seems critical to encouraging the participation of women-owned businesses and reducing the gender inequality gap, this brief recommends a minimal reservation of procurement contracts for women-owned firms. Although some critics argue that such policies may result in reduced competition or undermine merit-based selection, leading to unfair competition and challenges faced by non-reserved businesses, research suggests that reservation policies can be designed to mitigate these concerns. This can be achieved by setting reasonable thresholds and ensuring transparency in the tendering process.

Policy Recommendations:

- a) Implement a reservation system for female-owned businesses in public procurement tenders with a specific participation and contract allocation target.
- b) Establish supportive mechanisms, such as capacity-building programs, mentorship initiatives, and networking opportunities, to enhance the competitiveness and capabilities of women-owned businesses and support them in meeting the tender requirements.
- c) Establish clear eligibility criteria and certification processes to ensure the integrity of the reservation system. Develop comprehensive monitoring and evaluation systems to track the impact of the reservation system, identify potential challenges, and make necessary adjustments.
- d) Raise awareness among key stakeholders, including government agencies, procurement officers, and the business community, about the importance of gender equality in public procurement and the benefits of a reservation system.

Conclusion:

This policy brief presents evidence supporting the need for reservations in procurement tenders to foster female entrepreneurship and gender equality in the EU. Several countries have implemented similar policies, such as Women-Owned Small Business Federal Contracting Program of USA with 5% of the total federal contracting volume allocated to purchasing from Women-owned businesses, preferential purchases from certified Women-owned businesses in Kenya and Korea, along with possibility to purchase below the threshold directly from WOB without competitive bidding in Korea. Although the long-term impact of such policy is yet to be measured, their implementation in EU is necessary for involving female-owned enterprises in public procurement. The public sector needs to collaborate with existing EU institutions and I/NGOs working towards gender equality to evaluate the true gravity of gender inequality and decide on a concrete percentage of reservation of public contracts for WOB.

Policy Proponent:

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Note: The policy recommendations are based on the findings of the following research article:
<https://journals.lib.uni-corvinus.hu/index.php/vezetestudomany/article/view/1200/1008>