

## Policy Brief

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<b>Title of research</b>	Exploring the Realities of Doing Business for Marshallese Women Entrepreneurs
<b>Location of research</b>	Republic of the Marshall Islands

<b>Summary</b>	Women entrepreneurs in the Marshall Islands operate in a unique environment and face varying levels of advantage or disadvantage in business based on their individual status and family background. The women interviewed during this qualitative study were found to be resourceful and constantly adapting to meet local market demands. They were not always making a profit but this was not always seen as important as long as they were making enough money to meet their family and community needs. The women faced a number of challenges including family and land related issues, human resource constraints, inability to up-scale, make a profit if desired, tax and compliance problems, access to credit, and competition from foreign-owned enterprises. The research findings provided new insights for value chain theory where it is recommended that both academics and practitioners consider and integrate the social-cultural environment when conducting value chain studies on businesses and designing women's economic empowerment programmes.
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## Research Context and Background



Figure 1. Aerial view of Delap, Majuro, Republic of the Marshall Islands. © Muse Mohammed, IOM 2019.

The Republic of the Marshall Islands (RMI) is an atoll nation located in Micronesia in the Northern Pacific Ocean. It is a four and a half hour flight to the South West of Hawaii and is home to 41,949 people (RMI Government, 2021). There is a large diaspora of Marshallese who are also located throughout the United States, primarily due to the special relationship between the RMI and the US through the Compact of Free Association (COFA) which gives any Marshallese citizen automatic residency. Aside from outward migration, climate change is an increasing threat to the development of the nation. The RMI has 29 atolls and five islands grouped in the *Ratak* (Sunrise) chain to the East, and the *Ralik* (Sunset) chain to the West.

## **The Economy**

The economic development of the Marshall Islands is still small and fairly underdeveloped. The GDP total for the country was \$201.7 million (in FY2015 constant prices). It experienced positive growth prior to the COVID-19 dip which is predicted to reduce GDP by 5.9% over the two year (FY20 – FY 21) period (NSP, 2020) (EconMAP, 2021, p10). During the financial year 2018 – 2020 2-year average period, the private sector represented an average of just 33% of the total GDP, which is just above the GDP of the large public sector. State-Owned Enterprises (SOEs) also make up a significant portion of GDP and the formal economy. The fisheries sector is by far the biggest direct earner for the economy, representing 37% of the private sector followed by retail, fuel distribution, transport and services.

These industries represent the front facing economic landscape in the Marshall Islands however, there is also the inward facing private sector landscape, notably the small-scale 'Mom-and-Pop' stores, both formal and informal, that are embedded within every community across the country. These are the cornerstone of Marshallese everyday needs and provide many essential household items through to providing breakfast for workers on their way to the office, or lunch for school children. They provide sanitary items, freshly baked items, and some provide alcohol (except for Sundays), tobacco or kava. They sometimes provide space for entertainment with gaming machines or pool tables, and a number have a laundromat on the side to provide all laundry needs for households. Many Mom-and-Pop stores hold sole proprietorships through MalGov, with some owned by Marshallese, or others owned by Asian business owners who have Marshallese storekeepers working at the front end of the business.

The other important cornerstone is the informal sector cash and trading economy. This relates largely to the outer islands or more rural areas of the country and primarily revolves around limited commercial fishing, aquaculture (i.e., clams) or farming activities, copra, and handicraft production among other small-scale activities. These activities are all done informally by individual entrepreneurs or those in community groups who are working to support the livelihood of their families. For fishing, this can include harvesting from the ocean then selling within the community on island or sending through relatives or contacts to sell to markets such as Marshall Islands Service Corporation (MISCO) located on Majuro and Ebeye (MISCO, 2022). For copra this means harvesting the mature coconuts and working through a traditional process at household level to dry the meat and package into sacks that are then sold on to Tobolar. For amimono handicrafts, which largely involves women and other male relatives, this can mean selling to visitors on the island or sending through relatives or contacts to then be sold at retail stores. All of these involve cash or trading supplemented by subsistence fishing and farming that are not formally registered through Local Government or the National registrars but are nevertheless the economic cornerstone and "mainstays of daily life" in the Marshall Islands. (RMI Economic Policy Statement, 2019).

## Women in business



Figure 2. A shop owner outside her store in Delap, Majuro, Republic of the Marshall Islands. © Garry Venus 2021.

Formal employment rates in the Marshall Islands today are still low but gradually increasing. In the 2011 Census only 41.7% (13,060 people) of the working age population were engaged in paid employment (EPPSO, 2011). Women experience higher unemployment rates (53.6% for males, 29.7% females), but this does not reflect the reality of Marshallese women of working age, who are often engaged in different forms of unpaid or informal work (childcare, housework, community or voluntary roles, producing goods for sale, food production, food production or amimono). The majority of women employed formally comes from the private sector (41%) and 31% in the public sector, with self-employment amounting to 25% (UN Women, 2022).

Despite this, over the past decades the number of women participating in employment has grown by at least 50% since 1997. Nevertheless, women still face challenges to pay equity and decent work. According to the 2018 report from the Ministry of Culture and Internal Affairs, the average gender gap in gross earnings was highest in local government, where for every \$1.00 earned by the 841 men working in the sector, the 268 women working in the same sector earned \$0.57. The gross earnings gender gap in favour of women was most favourable in government agencies, where for every \$1.00 earned by the 245 women working in the sector, on average the 474 men earned \$0.80. The average annual income for women-headed households is 41% lower than for men-headed households (based on 2011 data). As women are more likely to work in the production of goods for sale, and in small scale tourism it can be assumed that for the hotel sector, women's employment has been most affected by the impact of COVID-19, compared to the construction and transport sectors which largely employ men.

### Why is the issue important?

Exploring the realities of doing business for Marshallese women entrepreneurs is important because there is currently no academic research conducted in this area, and there is even a dearth of research on the economic development of the country in general. It is important to understand the realities of these businesswomen because they are the actors most critical when it comes to supporting the development of the economy at a local level within the community. They are important not just in their economic roles and contributions but also in terms of upholding their families and culture. If a better understanding of their life and day-to-day realities of business are gained, then as development practitioners and policy makers

we can see how to better design large-scale, long-term targeted programmes that support these women by directing funding to address the root causes of the problems they face.

### **How was the research carried out?**

The research was conducted between August – October 2021 during the COVID-19 pandemic in the Republic of the Marshall Islands and was the only academic study undertaken within the country for that year. 30 women were involved as participants in the research and qualitative data was gathered through in-depth non-structured interviews and small focus groups with Marshallese women entrepreneurs in both Majuro and the outer islands. The research was embedded in the “*bwebwenato*” talk story research style, where women could talk freely in natural conversation and confidentiality was entrusted to myself and my three local research assistants.

### **Findings**

#### **1. Social and cultural aspects of the women entrepreneurs significantly influence their ability to succeed in business**

Women highlighted the role of family and the impacts, both positive and negative, that family have on their businesses through family history in business, family as workers and customers, and how their position in society due to their family name, ties to land ownership combined with networks and connections to people, helped them either to succeed, or hindered them from succeeding and going further in business.

#### **2. Women’s role in family cohesion and the development of her community**

The research underlined the crucial role Marshallese women entrepreneurs and businesswomen have in providing for not only themselves but their families, extended families and the wider community. An example of this is that women entrepreneurs especially often tend to employ groups that may not otherwise have jobs, such as youth (both young women and men), the elderly and outer island residents. These findings also tie to women’s position in a matrilineal society where land rights are traditionally passed through the female line. Giving the issue greater urgency is the growing tendency for children to migrate away from RMI when they become adults and thus not be able to contribute to, or take over, the businesses.

#### **3. Social enterprises rather than for-profit business**

The majority of Marshallese women-owned businesses should be considered social enterprises as they usually have a prime social motivation, to support and give back to their community. A lot of women expressed that they do not make a profit but that they earn enough to support themselves, their family and community. Women supported their community in many different ways for example through discounts for social causes, providing lines of credit where needed, providing food items to the needy, working overtime for community events, mentoring, teaching and training youth and more. They do not seem to be as centrally concerned with making profit overall as might be expected, though some feel concerned about losing money or do not get much in return and they are wondering if they can continue.

#### **4. Increasing market demand from Marshallese diaspora in the United States**



Figure 3. Traditional Marshallese *amimono* handicraft piece. © Laura Freeman 2021.

Many women have made connections to stores in the US and currently send out their products to Marshallese people living in the States through their immediate family, extended family, friends and community networks. A lot of people are now demanding products particularly those products which remind them of home and are tied to the culture and tradition of the Marshall Islands, for example *amimono*, coconut oil based beauty products and food items like *bwiro*. As the Marshallese population increases in the US, so too does the demand for products made by Marshallese women living on island.

##### **5. Cumbersome taxes, regulations and processes**

Many women who owned formal businesses expressed challenges with regard to paying and filing taxes and complying with all the different regulations and procedures. They complained of the amount they had to pay, particularly for Marshall Islands Social Security (MISSA), and how it was hard to keep up especially when starting out their business. They found it particularly hard to manually go and file all of their taxes at different offices around town and how much time this took out of their day (and away from their business). There was also little guidance or support from Government agencies for those formal businesses when they start and women often had to navigate and learn on their own through experience in how to file using all the different forms in English. For those who were informal (outside the legal tax and regulatory systems) or could still get away with being informal, there was little motivation or incentive to register as a formal business and it was often tied to these obstacles and costs.

##### **6. Foreign business competition and advantage**

Many entrepreneurs, particularly those who owned small Mom and Pop stores stressed about how hard it was to operate retail stores in competition against stores owned by immigrants. Local businesses were often at the mercy of the larger retail stores with regard to purchasing of products for their own stores through wholesalers linked to the larger enterprises and they faced troubles with regard to reserved or off-limit products, limited availability of items due to limited shipments (particularly during the COVID-19 lockdown) and problems with price hikes and inability to then sell their products for a decent price which meant they would sometimes lose business and customers.

## Implications

For development practitioners this research has a number of important practical implications and suggestions with respect to designing economic development programmes especially those that fall under women's economic empowerment in the Marshall Islands and possibly the wider Pacific region.

### Key actions:

- Value chain theory and economic development programme design must consider and integrate the social cultural environment of the entrepreneur

Value chains analyses examine the chain of a business's activities in the creation of a product or service -- from the initial gathering of materials all the way through to market delivery, and everything in between. This research argues that a woman's position in society, her family background and other social and cultural aspects, largely ignored in value chain theory and policy, should be not only considered but integrated. There is much diversity amongst women's various positions in society, resources, constraints and individual family circumstances. Thus, when providing direct support to women entrepreneurs, whether that be through small start-up grants, or training opportunities etc., the background of each woman potential beneficiary should be considered and planned for. There is also a need to specifically target those women who are less well positioned to access funding, compared to better connected and experienced women entrepreneurs who have been successful to date.

- Integrate social and cultural metrics to measure success

When designing economic empowerment projects, practitioners must have an understanding that women may be in business to make money but this does not necessarily mean profit-maximisation in a conventional sense. They also seek to meet social and cultural objectives. Those working in the field must seek to understand and acknowledge what constitutes success for the entrepreneur the way they see it, and to ensure there are project monitoring metrics that account for and measure this rather than the simple economic metrics usually used.

- In partnership with local authorities and relevant government offices, provide funding for supportive infrastructure to ensure that the barriers for women entrepreneurs to enter formal economy are reduced.

Such measures should include, for example, making the tax filing process easier by reducing the paperwork, having more user-friendly forms and information and guidance on requirements or access to training workshops. To address the amount of tax for new business, government may provide reduced tax rates or a tax free holiday for the first year in business or provision of other business incentives.

- Diaspora engagement with entrepreneurs and the private sector

The RMI Government should invest in diaspora engagement with regard to how they connect and support local businesses and the development of the private sector on island. There is already significant demand from expatriate Marshallese in the US but this could be enhanced through similar programmes like the "Be Marshallese Buy Marshallese" programme, and making it easier to buy products and receive them from overseas. Also important is to connect women entrepreneurs on island with those Marshallese entrepreneurs in the US, particularly for boosting connection and learning.

- Ensure fair competition in the local market

I recommend that local government authorities ensure there is not unfair competition between local and foreign-owned businesses on island. This could involve enforcement of more robust reporting or filing by businesses, and ensuring local businesses have access to good source of supply on an equal basis.

## Limitations and further research

The main limitation to this research is that the voices of women residing in rural areas and the outer islands were marginal and not as well represented/captured as was originally anticipated. Marshallese women who were fluent in English formed the majority of the participants which, although it allowed me to have more rich conversation and discussion in English, did not enable for substantive data to be gathered on the experience of less prominent (or successful) women residing in rural areas and outer islands of the RMI, especially those who work in the informal sector or are involved in trading.

It is therefore recommended that further study be conducted focusing on this demographic, where researchers travel to rural and outer island locations, using different research methods such as focus groups with group activities where needed to maximize engagement and discussion in *kajin Majol*. Research conducted by Marshallese women may also be advantageous and advisable when considering shyness and flow of conversation during data collection. I note however, that in some ways being foreign worked to my advantage in terms of women being able to express themselves where they may not usually if the researcher is Marshallese and connected to local social networks and possible tensions.

The research was also limited in that it only allowed for insight to be gained on the realities of doing business for Marshallese women. However, to understand the realities it is important to explore all angles and experiences – including business partners of the women interviewed (husbands, friends, brothers etc.), those businesses owned by Marshallese men and foreign business owners on island.

It would also be interesting to explore the similarities or differences in terms of the degree to which socio-cultural aspects of business value chains are important to consider and analyse in other Pacific island communities across Micronesia, Melanesia and Polynesia. It is important to investigate this because if business is so closely tied to social and cultural life in the islands, it means it is even more connected and interlinked with other development outcomes such as family cohesion, education, nutrition health and well being, land use and more.

To conclude, this research can contribute to more favourable development outcomes in terms of encouraging and supporting women entrepreneurs to overcome some of the obstacles they face, do better in their business operations and thus not only improve their own welfare but also contribute even more to their wider families and communities in the long term. Women will continue to be at the centre of Marshallese collective wellbeing and cultural resilience.

The views expressed in this brief are entirely those of the award holder and do not necessarily reflect the position of DevNet, the New Zealand government, the New Zealand Ministry of Foreign Affairs and Trade, or any other party.

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