

**Acknowledgements**

This paper has been published as a chapter in the ILO-EU co-publication “Trade and Employment: From Myths to Facts” (M. Jansen, R. Peters and J. M. Salazar Xirinachs (Eds.)) that has been produced with the assistance of the European Union. The contents of this chapter are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union or the International Labour Organization.

**5.1 INTRODUCTION**

Expansion of trade has been one of the major forces of global integration of economies in the last quarter of the twentieth century. Trade liberalization policies that were implemented through multi-lateral, regional or bilateral trade agreements have been instrumental in this expansion of trade. Since the early 1980s, developing and industrial countries alike have reduced tariffs and have shifted away from quantitative restrictions to tariffs. In many developing countries, trade liberalization was implemented as part of structural adjustment programmes that aimed to bring macroeconomic stability and growth. Even when countries moved out of the debt crises that initially launched these market reforms, these sets of policies have often continued. The ongoing trade negotiations that focus on removal of various controls, protections and export subsidies continue to emphasize the benefits of trade liberalization in bringing prosperity to low-income countries and reducing inequalities between countries.

This study examines the literature relating to the effect of trade liberalization and subsequent trade expansion on employment and wages of women and gender inequalities. The main question is the extent to which trade policies have enhanced women’s economic and social status and reduced within-country gender inequalities. The relationship between gender and trade has been examined in the scholarly literature since the early 1980s, which has shown the gender-differentiated effects of macroeconomic policies (Çağatay and Elson, 2000). The topic is receiving increasing attention in trade policy discussions as well, with calls for concrete policy measures to gender-mainstream trade policies. From a trade-policy perspective, the interest centres on the potential benefits of promoting gender equality for favourable trade outcomes and growth. In addition, there is desire for better anticipating the

---

<sup>1</sup> I thank, without implicating, Marion Jansen, Ralf Peters, David Kucera, Alessandra Lustrati and Naoko Otake, and an anonymous reviewer, for useful comments on this paper.

gender-differentiated impacts of trade liberalization so as to respond to any adverse impacts and promote gender-equitable adjustments (Coche et al., 2006; Beviglia Zampetti and Tran-Nguyen, 2004).

Gender-aware research on trade has identified several channels by which trade policies and outcomes interact with gender relations.<sup>2</sup> One pathway is the change in the level and distribution of employment and wage levels in response to the change in the structure of production. The degree of economic volatility entailed by production for the world market could also affect the stability and security of employment. Another channel is the effect of trade liberalization on prices of tradable goods and services and, thus, livelihoods of households. Yet another pathway is the impact of tariff cuts on government revenues available for spending on social programmes and infrastructure. These effects in turn have implications for household-level resource and time allocation. Trade impacts differ by gender, however, since policies are implemented in the context of gendered social structures. Often, women are more adversely affected by trade policies, given that they have less skills and fewer resources compared to men, and thus have greater difficulty in both coping with the adjustments entailed and taking advantage of new employment or income opportunities generated by trade. Moreover, policy-making compounds these difficulties when the policy-makers presume gender-equitable impacts.

Gender inequalities also affect trade and industrialization strategies and long-run growth (Seguino, 2000; Klasen, 2002; Klasen and Lamanna, 2009). While policy-makers are keen on emphasizing research findings that indicate the long-run benefits of promoting gender equality in education, employment and access to assets for growth, it is also the case that major exporter countries have benefited from women's lower wages relative to men in achieving export success, at least in the short run (Seguino, 2000; Busse and Spielmann, 2006). Specifically, gender wage inequalities have provided advantages for many developing countries to gain a foothold in labour-intensive manufacturing exports. Some of these countries have used the proceeds of growth so achieved to finance investments in more diversified production structures and to promote improvements in women's well-being over the long run.

This chapter evaluates the state of the knowledge on this two-way relationship between gender and trade. As the chapter shows, the assessment is fraught with difficulties. Not only do gender inequalities precede trade reforms and provide the context for the trade impacts, but also it is difficult to disentangle trade impacts from changes in other macroeconomic policies. Moreover, data limitations and related research gaps constrain a comprehensive assessment of trade impacts that would trace effects from the labour markets (macro-) and institutional, public services (meso-) levels to the household (micro-) level, and especially in the domain of unpaid reproductive or subsistence work. Nonetheless, since trade liberalization has been so widely embraced, the economic experiences of otherwise diverse economies have been similar and common gendered patterns and trends in economic outcomes have emerged. A substantial body of research has focused on the quantity and quality of employment

---

<sup>2</sup> For a recent compilation of the gender-aware research on trade, see Çağatay et al. (2007).

and income-earning opportunities generated by trade reforms, particularly in the manufacturing and agricultural sectors. This evaluation shows a variety of gender impacts of trade reforms. On the whole, trade reforms have brought expansion of jobs for women in export sectors, with some likely positive feedback effects on women's status and autonomy in the household, but the working conditions in these jobs have often fallen short of complying with ILO Conventions. Agricultural trade liberalization has generally put women farmers at a disadvantage. With respect to policy, this chapter's argument is that in order to make trade reforms a force for reducing gender gaps and promoting gender-equitable improvements in livelihoods, gender-equity policies must be situated within a coherent framework of gender-sensitive trade and macroeconomic policies that aims to generate employment and income security.

## 5.2 ASSESSING GENDER IMPACTS OF TRADE

### 5.2.1 *Gender inequalities precede trade reforms*

Trade policies have different impacts on men and women in a given society because of the existence of gendered social structures. Each society has a gender system, socially constructed on the basis of biological differences between women and men. In most societies, women are primarily responsible for daily reproductive tasks in the household as the extension of their biological capacity to bear children and care for infants. That said, in pre-industrial societies, the gender division of labour was fairly flexible as it was organized around the household as the site of production, the primary focus of which was subsistence.

The gender division of labour that is characteristic of most contemporary societies has emerged with industrialization when the locus of production moved from the household to a dedicated space outside the household (the factory or the mine) and broke up the integrated nature of the household production process. This separation of home and workplace sharpened the division of labour as women became primary caregivers in the family and men became the "breadwinners". The gender division of labour was reinforced by gender ideologies of women's domesticity and men's authority in the household that are embedded in all institutions of society. In twentieth century agrarian societies, often shaped by colonial labour policies, women engaged in subsistence production along with caring tasks, while men migrated to mining or industrial areas to engage in wage work.

In late twentieth century agrarian and urban communities alike, this gender division of labour was commonly associated with women's weaker bargaining power in the household (figure 5.1, panel A). In the context of an expanding monetary economy, when confined to domestic and unpaid homestead pursuits, women's economic contribution to the household can be less visible and valued. Furthermore, women will likely have weaker perceptions of their self-interest (as distinct from family concerns), and a weaker fallback position (e.g. little income-earning ability) in the event of a family break-up (Sen, 1990). Weaker bargaining power in the household,

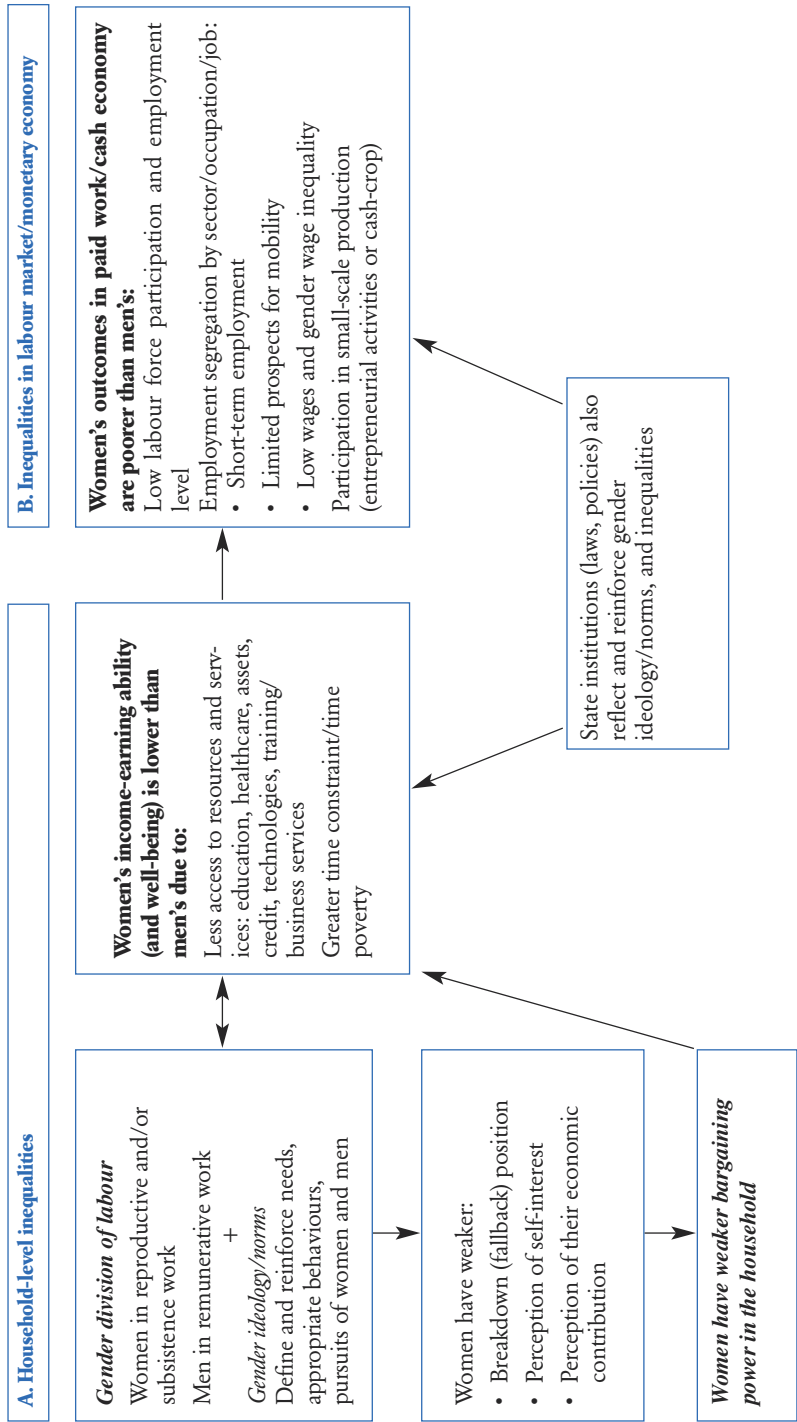
in turn, contributes to and reinforces women's weaker access to household resources and is instrumental in inter-generationally transmitting inequalities between men and women. Women have no/little formal asset ownership, less education and training than men, and in many societies women also have less access to health care than men, which results in poorer health outcomes. These household-level inequalities are, in turn, associated with a particular set of economic outcomes for women in the monetary economy, which have weak feedback effects to alter the intra-household status of women (figure 5.1, panel B).

Development histories of several Asian and Latin American economies show that male workers constituted the first and main industrial workforce in the import-substituting industrialization drives of the twentieth century (Berik et al., 2008). In this phase, women workers accounted for a small share of the industrial labour force and were concentrated in a few labour-intensive industries, such as food and clothing, which were deemed gender-appropriate extensions of women's domestic work. Women, almost always young and unmarried, constituted a high share of workers in these industries. Married women were virtually absent from industrial wage work, consistent with gender norms and the actual division of labour in the household (figure 5.1, panel A).

Within industries, gender norms likewise shaped occupational (vertical) segregation, whereby women staffed less-skilled, non-supervisory assembly line positions, while men filled managerial positions or jobs that were deemed skilled. Associated with this industrial and occupational segregation by gender was a wage differential that signalled and reinforced women's dependence on men. Women's lower wages were shaped by not only their lower education levels and fewer years of work experience compared to men but also their low aspirations, lack of options and employer perceptions of women as short-term labour market participants. Thus, wage inequalities by gender were based on both the actual and perceived lower skill levels of women relative to men and societal views of appropriate pursuits for women and men. The societal norms that devalue women's labour and render them less deserving of wages paid to men were embedded in workplace practices (Elson, 1999).

These were the stylized features of the gendered context of the urban labour market when many developing economies embarked on trade liberalization and began orienting their domestic production toward exports in the last quarter of the twentieth century. In addition, in rural communities women were scarce in cash-crop production or entrepreneurial activities, except as unpaid family workers. These gender inequalities in employment and wages are salient in evaluating the impacts of trade policy changes on women and men. Different outcomes by gender (and more adverse outcomes for women) are expected since trade policy is implemented in the context of gendered social structures of the economy that are marked by inequalities – the household, legal systems, the labour market. Figure 5.1 presents a stylized representation of the gender inequalities characteristic of this stage of economic development, and the linkages between household-level inequalities and inequalities in the labour market and the monetary economy.

Figure 5.1: Description of gender inequality in the economy



Adapted from Beviglia Zampetti and Tran-Nguyen (2004), Ch.1, Figure 1; Sen (1990).

### *5.2.2 Methodological considerations: Identifying the gender impacts of trade*

Trade policies affect individual well-being via three channels: (i) the price of goods consumed by the households; (ii) the household income, which includes labour income, income from sales of agricultural products, and government transfers; (iii) the generation and distribution of government revenues. Each of these pathways affects resource and time allocation and livelihoods at the household level.

In examining the trade-gender nexus, a variety of research methodologies has been used to infer changes in women's well-being, and gender inequalities and trade outcomes: cross-country, country or sector multiple regression analysis; computable general equilibrium (CGE) models; and descriptive statistical analyses. The first and main challenge in the assessment of trade impacts by gender is the paucity of gender-differentiated statistics. Most gender-differentiated employment and earnings data are for the manufacturing sector and for middle-income countries. As a result, much of the research on gender impacts of trade has focused on labour market impacts. Even for the manufacturing sector, however, data shortfalls at detailed sector, occupational and skill levels hinder assessment of the employment dislocation and churning in the labour market that are expected from a change in the trade regime.

Another data constraint is that survey data in developing countries tend to be more accurate in reflecting employment in formal establishments (and often those above a certain size). These statistics will not reflect the changes in the workforce that is employed in small establishments or at home, who are predominantly women. For example, the growth in female share of employment might be underestimated in the context of informalization, if former women workers in export factories move to home-based work or women enter the labour force as home-based workers. Both groups of women are likely to be hidden from statistical records.

Second, there are methodological difficulties in assessing gender impacts, such as sorting out the trade impacts from impacts of other macroeconomic policies or identifying the overall welfare impacts of trade that work through various channels. While not specific to gender-aware analysis, these difficulties render the analysis of gender impacts of trade invariably a partial one.

A major difficulty concerns differentiating trade impacts from the impacts of other macroeconomic reforms that accompany trade liberalization. Trade liberalization is adopted as part of the package of market reforms that often included: capital account liberalization; financial liberalization; deregulation of domestic economies; fiscal restraint; and the privatization of services, infrastructure and production that were previously provided by the public sector. One or more of these policies may work at cross purposes with trade reforms and undermine the anticipated benefits of trade expansion, at least in the short run. For example, while growth in exports of labour-intensive manufactures generates employment for women, the investment liberalization may make it difficult for workers to secure higher wages or better conditions in these jobs over time. Investors may respond to such worker demands by moving to other countries that offer lower labour costs. This failure to generate good jobs over time would not be due to trade liberalization per se, but to investment liberal-

ization (and/or the diminished capacity of the government to pursue industrial policy to move up the industrial ladder and attract the investment that will bring more sophisticated technologies).

Furthermore, it is difficult to differentiate overall welfare impacts of trade liberalization, even from a single channel, such as price changes. While import liberalization is likely to reduce prices of tradable consumer goods available in the domestic market, it may also contribute to increases in prices of non-tradable goods, such as health services. Increase in (or introduction of) fees for such services may be necessary in order for governments to remedy the shortfall in tax revenues. Thus, the welfare gains associated with tariff reductions may be offset by the subsequent price effects. Low-income consumers, particularly women, are disproportionately affected by these impacts, yet it is difficult to determine the net consumption gains, even in overall terms.

Additionally, the standard variables used in assessing the gender impacts of trade – employment levels, employment segregation or gender wage gaps – may not pick up or can obscure the absolute improvements for women made possible by the growth generated by trade policies. Specifically, most statistical studies examine the change in earnings of women relative to men. While an increase in the relative earnings of women is important for achieving gender-equitable development, attention to absolute gains in earnings of both men and women is necessary for inferring changes in well-being. An historical perspective on Asian development shows that over the long run women have benefited from the changes brought by export successes of these economies (Chataignier and Kucera, 2005), even if these export successes cannot be attributed to internal or external liberalization:<sup>3</sup> labour force participation rates and educational attainment of women and men converged; real wages increased; and child labour declined. Women's and children's health and educational outcomes improved (table 6.1 of Berik, 2008; table 7.5 of Doraisami, 2008).<sup>4</sup> Thus, it is important to complement wage and employment analysis with broader gender well-being indicators in assessing gender impacts of trade policies and to include absolute as well as relative measures in evaluation.

Notwithstanding these data constraints and methodological caveats in assessing the gender impacts of trade, there is a sizeable empirical literature on gender and trade that allows some generalizations. Most of these studies are, in some cases implicitly, anchored in either neoclassical economic theory or heterodox economic approaches.

---

<sup>3</sup> It is now widely accepted that the export success and the consequent improvement of living standards in East Asian economies are the product of careful management of various macroeconomic policies, including trade policy and foreign direct investment flows, together with favourable initial conditions (for example, relatively low income inequality and pioneer status in implementing the export model).

<sup>4</sup> These absolute achievements in health are overshadowed by the emergence of high sex ratios at birth (that is the number of males per 100 females) in the Republic of Korea and Taiwan (China) in the mid-1980s. This key indicator of societal discrimination against women has emerged as the unforeseen side effect of a decline in fertility in the context of strong preference for sons rather than daughters.



## 5.3 THE GENDER IMPACTS OF TRADE ON EMPLOYMENT AND WAGES

### 5.3.1 *Theoretical approaches*

Within neoclassical (mainstream) economic theory, two arguments predict gender-equitable effects of trade liberalization and expansion in developing countries: the standard international trade theory (Heckscher-Ohlin-Stolper-Samuelson) and Gary Becker's theory of labour market discrimination. According to standard international trade theory, countries that specialize in production and trade based on their relatively abundant factor endowment will benefit from trade. Free trade in this case is expected to bring about increase in demand for the relatively abundant type of labour – relatively less-skilled labour in developing countries and relatively skilled labour in industrial economies. Sustained expansion of demand for the relatively abundant factor, in turn, is predicted to induce an increase in its relative return. To the extent that women workers predominate in less-skilled jobs in both developing and industrial economies, this theory predicts employment gains for women in export sectors of developing countries and employment losses for women in industrial countries. In developing countries, women workers are expected to see a rise in their wages relative to men in skilled jobs and a decline in the gender wage gap. Conversely, for industrial economies, disproportionate job losses for unskilled workers (women), and a widening wage gap between skilled (men) and unskilled (women) labour are expected.<sup>5</sup>

According to a recent interpretation of Becker's theory of labour market discrimination, a similar demand-induced dynamic toward greater gender equity is expected to ensue from increased competition generated by trade expansion (Becker, 1971; Black and Brainerd, 2004). Becker's theory predicts decline in labour market discrimination in response to increasing competition in product markets. These effects are more likely to be observed in concentrated industries since more competitive industries are already expected to have less or no discrimination against women workers. In this framework, women workers are assumed to be equally skilled/productive as male workers, hence the term "discrimination". The theory conceptualizes discrimination as a cost to the firm, which pays a wage differential that is higher than the marginal product of labour ("rent") to male workers. In the open economy context, the prediction is that import competition will discipline firms in concentrated industries and help reduce the gender wage differential via erosion of rents to male workers and an expansion in the relative demand for female labour.

---

<sup>5</sup> The restrictive assumptions of the theory – two-good, two-country world economy with no market imperfections, full employment – do not allow consideration of the interdependence between domestic sectors and the likely adjustments whereby the job losses for unskilled workers (women) in the manufacturing sector could be compensated by expanding opportunities in services.



By contrast, non-neoclassical (heterodox) approaches do not predict gender-equitable effects of trade expansion (Albelda et al., 2004). In this approach, wages and access to jobs are determined by the relative bargaining power of groups of workers, which are shaped by both worker skills and job characteristics. Heterodox labour market analyses do not explicitly address impacts of international trade but they conceive of the employment adjustments that ensue as a source of intensified competition among groups of workers to secure good jobs. In the case of import expansion, for example, job competition among workers in import-competing industries is likely to adversely affect wages of workers who are in a weaker position in terms of their skill levels, seniority or sector of employment. Thus, women workers may bear the brunt of job losses, have limited access to the newly created higher-paying jobs and may experience slower wage growth relative to men. When exports expand, on the other hand, women workers may experience job gains but not necessarily decline in wage discrimination, since discrimination is viewed as a routine feature of the economy. Specifically, labour market discrimination is both an adaptation to the prevailing gender norms in society, which shape occupational distribution and wage levels, and a conscious employer strategy to boost profits.

The predictions of the two neoclassical theories for developing countries are consistent: trade expansion sets off a process of closing of gender wage gaps that is associated with the increase in demand for women workers and the downward pressure on labour costs. The heterodox approach, premised as it is on the power differences between groups of workers and workers vis-à-vis employers, is less optimistic about the ability of women workers to gain ground in closing the gender wage gaps or otherwise improving working conditions, even if they gain access to new jobs.

### *5.3.2 Empirical evidence: Global feminization of employment*

A major feature of the late twentieth century process of global integration has been the rapid incorporation of women in export sectors producing manufactured goods, agricultural products and services such as tourism and data processing (Mehra and Gammage, 1999).

This trend has been referred to as “global feminization of labour,” where often a double meaning is invoked: the increase in women’s share of employment and the spread of conditions of employment – part-time, temporary work with low pay and no or limited benefits – which traditionally characterized jobs held by women (Standing, 1989, 1999). The positive correlation between export orientation and female intensity of manufacturing employment has been confirmed by several studies and has become a stylized fact in the development economics literature (Özler, 2007; Seguino, 2000).

The structural adjustment programmes of the 1980s and 1990s, which heightened job and income insecurity among workers, also boosted employment growth in export sectors. Job losses of men in import-substituting industries subject to increasing import competition likely reinforced the feminization process as they

pushed more women into the labour force. These results are consistent with empirical analysis of 16 medium- and low-income countries during the 1970–2003 period that shows that global feminization is the net outcome of the greater export response relative to the import response to trade openness (Heintz, 2006). Overall, the expansion of exports had a strong positive impact on women's employment, while import growth negatively affected men's employment.

Export processing zones (EPZs), also known as free trade zones (FTZs) or special economic zones (SEZs), have been integral to the export-led growth strategy and contributed to the export success of many industrializing countries since the late 1960s. Initially, EPZs recruited young, unmarried women workers, mostly from rural areas. Subsequently, they have increasingly drawn upon a more diverse workforce, consistent with the changing age-labour force participation profiles of women (Horton, 1996; Domínguez et al., 2010).

Far from losing their importance, EPZs have continued to proliferate along with trade liberalization. Many countries create and operate EPZs as areas where national labour laws are not fully enforced in addition to offering financial incentives for investors. The estimated numbers employed in EPZs have risen dramatically, tripling between 1997 and 2006 (Amengual and Milberg, 2008). China accounts for the majority of EPZ employment worldwide. EPZs produce a high proportion of exports, on the order of 80 per cent in several developing countries in 2006.

According to the latest ILO statistics, women workers constituted around 70 per cent of EPZ employment in 2005–06, ranging from a low of 10 per cent in Bahrain to 90 per cent in Jamaica and Nicaragua (Boyange, 2007). Women are prominent in EPZs, and export sectors in general, because they enable exporters to attain lower unit labour costs than is possible with male workers. This outcome is due to: the lower wage rates of women relative to men in comparable jobs; the high productivity levels of women; and the flexibility and lower risk women workers allow for exporters.

Each of these characteristics of women workers is sustained by societal gender norms. As Elson and Pearson (1984) emphasize in a classic contribution, abundant low-cost (female) labour is not a natural factor endowment of developing countries, but rather produced through concerted efforts of employers and governments in the context of gender norms.

First, women workers earn lower wages compared with men because of employment segregation. Employers often segregate women in unskilled positions because women are perceived as unskilled workers according to the gender schema of most societies. Further, the gender norms that designate men as the breadwinners and women as their dependents provide the rationale for hiring women into low-wage insecure jobs, considered befitting their role as secondary wage earners. Case studies also show that gender wage gaps are produced by the State and employers through gendered employment rules, lack of training for women, application of two-tier wages in EPZs, and suppression of union rights in export sectors (Seguino, 1997; Doraisami, 2008; Berik, 2008).

Second, export sectors attain high labour productivity with women workers due to the temporary nature of their employment. Short employment tenure is commonly the result of marriage or childbearing, which are often explicit grounds for termination. Limited tenure and high turnover allow factories to benefit from women workers' productivity at its peak and to maintain these as low-wage jobs. Women workers' docility, willingness to accept managerial discipline, and suitability for tedious, monotonous work are also likely to contribute to high productivity of women. While these qualities of women's labour are often played up as "natural" and "innate," they are the product of years of gender socialization and informal training in the home, prior to entry into employment in export factories (Elson and Pearson, 1984).

Institutional arrangements supported and enforced by governments and export factory employers also contribute to high productivity of export sector workers. Ngai (2007) shows that in China's export factories, where employment is temporary and conditional on urban residency permits, rural-urban migrant workers' compliance with shop-floor discipline and willingness to work overtime are high. These permits, along with short-term employment contracts, also allow factories to keep wage growth in check. In addition, by housing workers in dormitories adjacent to the factory, employers are able to draw upon labour rapidly (to meet shipping deadlines, for example) and to maintain extremely long hours of work.

In export factories both inside and outside EPZs, working long hours, including excessive overtime, is the norm. Especially in the apparel and footwear industries, where suppliers face tight shipping deadlines and seasonal peaks in demand and where export performance depends on increasing the export volume rather than the unit price, excessive overtime and continuous work schedules are widespread (Berik and Rodgers, 2010; Amengual and Milberg, 2008). Furthermore, excessive overtime is correlated with low wage levels, reinforcing the achievement of lower unit labour costs. For example, survey results and interviews with workers in Bangladesh indicate that, due to low wage rates, workers are eager to work overtime, since they could earn a higher overtime rate or even earn additional income at the same regular hourly rate (Bhattacharya, Moazzem and Rahman, 2008; Bhattacharya, Khatun, Moazzem, Rahman and Shahrin, 2008; Berik and Rodgers, 2010). For women workers in Bangladesh, whose base pay in 2006 was between 72 and 80 per cent of the earnings of male workers who perform identical work, the pressure is especially high to keep up with overtime and periodic continuous work schedules, sometimes up to 20 days.

Third, export sectors also achieve flexibility and lower risk with women workers who are employed in informal jobs or home-based work, characterized by job insecurity, unregulated contracts and openness to external labour market pressures (Balakrishnan, 2001). Women workers predominate in the lower rungs of global supply chains and provide the highly flexible workforce that absorbs the risks of shifting global orders, falling unit prices and falling lead times (Carr et al., 2000; Barrientos, 2007). Especially in countries where women are physically immobile due to gender norms, home-based work creates a vulnerable workforce that is unable

to improve their terms of employment. These conditions also contribute to the attainment of lower unit labour costs with women workers.<sup>6</sup>

Underlying the global tendency for an increase in women's share of employment is a churning of the global labour market whereby women's job gains in some countries come at the expense of women workers in other countries. As predicted by standard trade theory, the increase in developing countries' labour-intensive exports produced by women workers has come at the expense of destruction of jobs held by women through import competition in high-income economies. OECD trade with developing countries provides a striking example. Kucera and Milberg (2007) found that the expansion of the OECD trade with developing countries over the 1978–95 period resulted in disproportionate job losses for women in OECD countries, who constituted the majority of workers in import-competing industries such as textiles, garments, footwear and leather goods. Such trade-related job losses have continued in the United States (US) in the late 1990s and early 2000s, with losses falling disproportionately on women workers (Callahan and Vijaya, 2009). These job losses have been compensated to some extent by the growth of service sector jobs, but whether the wage levels and the gender wage gaps in these growing sectors are more favourable is the subject of ongoing research.<sup>7</sup>

The intensified trade competition among developing countries following the end of the Agreement on Textiles and Clothing (ATC) on 31 December 2004 provides a more recent example of women workers competing for jobs in the same industries. The liberalization of trade in garments has brought a shift in exports, and thus in employment, from Central America and Africa toward Asia, especially toward China. The Dominican Republic, El Salvador, Honduras and Mexico experienced sharp declines in the export value and volume to the United States (Emerging Textiles, 2007). China and India increased their share of imports in the European Union and the United States while smaller economies – Fiji, the Maldives, Mongolia, Nepal – experienced absolute decline in their exports. In each of these cases, women's jobs and livelihoods were disproportionately adversely affected. Mauritius, which was highly dependent on the trade protections provided by the Multi-Fibre Agreement (MFA), and its successor the ATC, lost its export competitiveness with the end of the ATC, and experienced sharp declines in exports and employment, especially for women (Otoabe, 2008). Other Asian countries have faced price competition that puts down-

---

<sup>6</sup> While home-based work predominantly draws on women's labour, men have been also increasingly employed as home-based workers under increased competitive pressures. For example, in the 1990s, firms in several of India's import-competing manufacturing sectors sought to lower costs by hiring workers in small-scale, home-based workshops where wages were lower (Rani and Unni, 2009).

<sup>7</sup> Kongar (2008) shows that the gender wage gap in the US services sector widened between 1990 and 2001, even as occupational segregation declined. In high-income developing countries, such as the Republic of Korea and Taiwan (China), there were differing trends over 1980–2002. While gender earnings gaps declined in services sectors where women's share of employment was rising, especially in Taiwan, after the Asian financial crisis (1997) the earnings gaps have widened in several services sectors in the Republic of Korea (Berik, 2008).

ward pressure on wages and other labour costs and hence working conditions (Adhikari and Yamamoto, 2006). While these shifts do not necessarily result in a zero-sum change in employment, they underscore the instability of trade-related jobs and suggest large-scale hardships of adjustment due to trade liberalization and preference erosion.

In sum, women in developing countries achieved employment gains during the era of trade reforms of the late twentieth century since they facilitate lower unit labour costs for employers than is the case with their male counterparts. However, the relative employment gains of women overall should not obscure the costs of adjustment generated elsewhere: job losses of both male workers in import-competing industries and the jobs lost for women workers elsewhere in export industries that experienced erosion of competitiveness.

### *5.3.3 Empirical evidence: Wage levels, wage growth and gender wage gaps*

Wages are often used as the key indicator to track changes in job quality associated with international trade. If trade reforms have led to growth in women's employment opportunities relative to men, have these job options offered women higher wages relative to their alternatives and allowed wage growth so as to break the low-wage mould for women's jobs?

The wage levels and working conditions in EPZs/export-factories and their trajectories have been contentious issues. In a classic contribution Lim (1990) and recently Kabeer (2004) contested the argument of critics that export sector jobs represent poor options for women in developing countries. Lim argued that critics focused on the early stages of EPZs and relied on case studies that did not use a multivariate approach in examining working conditions. She argued that jobs in EPZs offered higher wages to women workers compared to their alternatives in the local economy, and challenged critics to use a local yardstick in assessing these jobs. Further, she predicted that over time working conditions in EPZs would improve as the EPZs matured and the demand for women's labour continued to grow.

Recent evidence on relative wage levels in EPZs is generally consistent with Lim's and Kabeer's argument. Wage levels and non-wage benefits are generally better than in non-EPZ factories and wages in alternative employment in the economy (Amengual and Milberg, 2008; Glick and Roubaud, 2006; Kabeer and Mahmud, 2004). Thus, EPZ jobs provide greater potential for alleviation of income poverty. Based on a 2001 survey of women workers in Bangladesh, Kabeer and Mahmud (2004) further argue that EPZ workers' earnings are well above the local poverty line. That said, EPZs in Mauritius, Mexico and Central America provide contrary evidence: real monthly earnings in large EPZ establishments in Mauritius have been below the average earnings in large non-EPZ establishments after 1991 (Otobe, 2008). In a study that aims to take stock of relative wages in *maquiladoras* (assembly factories that produce for export) after two decades of operation, Fussell (2000) finds

that the EPZ workers constitute the lowest paid workers in the local labour market. Based on a review of studies for 2006–09 in Mexico and Central America, Domínguez et al. (2010) also argue that *maquiladora* workers often earn less than self-employed women, earn less than the industrial sector minimum wage or earn a salary that is insufficient to cover basic needs.

In making EPZ/non-EPZ wage comparisons, studies do not factor in the long hours and excessive overtime endemic to EPZ jobs. The use of monthly or annual earnings in making wage comparisons, without taking into account the working hours, is likely to overstate the relative advantage of EPZ jobs. EPZ factory workers have longer hours than their non-EPZ counterparts, which may even make the hourly EPZ pay lower than the hourly pay in alternative jobs. While a higher annual or monthly income may be more attractive for workers and will make a bigger dent in the income poverty rate, this income is attained at the expense of women workers' physical well-being as well as possibly being at lower hourly wages in comparison to alternatives.

Use of the local poverty line as the yardstick is equally problematic. Domestic poverty lines are often very low, and are not sufficient to support adequate livelihoods. Use of the minimum wage as the yardstick, as is common in policy discussions, is likewise inadequate when there is a clear erosion of the minimum wage over time. Such was the case in Bangladesh, for example, where the 2006 minimum wage adjustment for the garment sector left the real minimum wage for entry-level garment workers below its 1993 levels (Berik and Rodgers, 2010).

Lim's hypothesis about the long-term trajectory of EPZ working conditions has been examined by Fussell (2000). Based on data from a 1993 survey of women workers in Tijuana along the Mexico-United States border, Fussell shows that as global competition from Mexico's competitors intensified *maquiladora* employers not only reduced average real wages but also tapped into a workforce of older, married women with the lowest levels of schooling. These women lack better alternatives in the local labour market and are therefore a stable workforce for *maquiladora* employers. While the change in composition of *maquiladora* employment implies that younger women have improved their job options in the local labour market, possibly in the service sectors, Fussell shows that growth of *maquiladora* employment over the course of the 1980s and early 1990s has not brought about improvement in wages in this sector. Similarly, in Mauritius, between 1991 and 2004 the growth of EPZ earnings lagged behind non-EPZ earnings, resulting in a widening earnings gap, even though EPZ earnings more than doubled over this period (Otoabe, 2008).

Studies that focus on non-EPZ export sectors find that average wage rates of both women and men in export sectors are lower than in non-export sectors. Inter-industry analysis of wages conducted for Mexico (2001–05) and Taiwan (1984–93) indicates that the export orientation of a sector exerts downward pressure on wages of women and men over and above the effect of a host of other industry characteristics such as skill composition, female share of industry employment and capital intensity (Brown-Grossman and Domínguez-Villalobos, 2010; Berik, 2000).



In sum, trade expansion has created better employment options for women in EPZ factories in most cases, but export sectors overall appear to provide lower-wage jobs relative to sectors that produce for the domestic economy. Country wage trajectories are also likely to be contingent on the dynamism of the sector: workers in EPZs facing intense competition from fast-growing countries (for example, Mauritius and Mexico vis-à-vis China) are likely to experience real wage erosion while wage growth is rapid in expanding export sectors/EPZs (for example, in China, where average wage growth has been more rapid than the global average (ILO, 2010)).

### 5.3.4 Empirical analyses of trade impacts on gender wage gaps

#### **1) Does increased demand for female labour reduce gender wage gaps?**

The standard international trade theory has not fared well in predicting wage gaps in developing country cases. Far from narrowing, wage gaps between skilled and unskilled labour (not differentiated by gender) have widened in many developing countries under the impact of trade, whether the latter is measured in terms of import expansion, protection rates, trade reform or export orientation. Occupational-level analysis for 1990–2000 also finds that wage inequality between high-skilled and low-skilled occupations widened due to the faster wage growth in high-skilled occupations (Corley et al., 2005).

Studies that examine trends in gender wage gaps without directly linking them to trade policy changes find some decline in gender wage gaps in manufacturing from the mid-1980s to the early 2000s (Tran-Nguyen and Beviglia Zampetti, 2004; Corley et al., 2005). However, as the researchers observe, even in the most successful East Asian economies the gender wage ratios varied between 59 and 65 per cent in the early 2000s. Almost all of the developing countries that narrowed gender wage inequalities between 1996 and 2003 had very high levels of gender wage inequality. Moreover, gender wage inequality increased in developing countries that had low levels of inequality.

A meta-study of a large number of industrial and developing country analyses shows that between the 1960s and 1990s gender wage gaps narrowed owing to the increasing education levels of women, but there is no evidence that the discriminatory portion of the gender wage gap – which focuses on wages of equally skilled women and men – narrowed (Weichselbaumer and Winter-Ebmer, 2005).<sup>8</sup> This evidence suggests that, while women are making progress in closing the earnings gaps, they are not reaping the full benefits of their rising education levels. In major exporter countries with strong demand for women's labour, the discriminatory gender wage gaps increased over the course of the 1990s and early 2000s. In Bangladesh, for example, the gender wage ratio in apparel manufacturing declined from 66 per cent in 1990

---

<sup>8</sup> Much of the research indicates that gender gaps are only partly due to productivity differentials, with about two-thirds of the gender gaps attributable to discrimination. See, for example, Horton (1996) and Psacharopoulos and Tzannatos (1992).



to 50 per cent in 1997 (Majumder-Paul and Begum, 2000). When differences in worker skills are controlled for, the female-male wage ratio that was fairly high in 1991–95 (95 per cent) declined (to between 72 and 80 per cent) by 2006 (Bhattacharya, Khatun, Moazzem, Rahman and Shahrin, 2008). In China, the discriminatory portion of the gender wage gap also widened in the 1990s (Maurer-Fazio et al., 1999). In 2008, 40 per cent of the gender wage gap among migrant workers in China was attributable to discriminatory treatment (ILO, 2010).

### ***2) Does trade competition reduce gender wage gaps?***

Studies that examine Becker's hypothesis, on the other hand, have generally not found support for the argument that trade competition undermines gender wage discrimination, i.e. the gender wage differential among equally skilled workers.<sup>9</sup> Oostendorp's cross-country analysis of gender wage gaps at the detailed occupational level does not find evidence for the effect of trade (or foreign direct investment) in low- or lower-middle income countries during the 1983–99 period (Oostendorp, 2009).<sup>10</sup>

In one of the first studies to test the open-economy version of Becker's hypothesis, Black and Brainerd (2004) find that, in the US during the 1976–93 period, import expansion contributed to decline in wage discrimination in less competitive manufacturing industries. They attribute this favourable impact of trade to firms' cost-cutting measures, including cutting rents paid to male workers.<sup>11</sup> However, this study does not shed light on the direction and magnitude of changes in women's and men's earnings and changes in their employment levels that underlie the narrowing of gender wage gaps. A re-examination of the "importing equality" hypothesis shows that import competition in the US during this period reduced gender wage gaps via decline in the relative demand for less-skilled production workers in concentrated industries where women workers experienced heavier job losses (Kongar, 2007). It was the departure of low-skilled women workers, rather than the decline in wage discrimination against women workers, that increased average female wages and narrowed the gender wage gap.

Mexico provides mixed evidence depending on the export sector and the period under consideration. Trade liberalization over the 1987–99 period was associated with

---

<sup>9</sup> This empirical strategy has high data demands that impede its widespread application. Gender-differentiated data on individual worker characteristics – such as education, work experience – are necessary to isolate the wage differentials that arise from productivity differentials from those that cannot be explained ("the residuals"), which are usually attributed to discrimination.

<sup>10</sup> Oostendorp (2009) used the ILO October Inquiry data for 161 detailed occupations and 83 countries. He infers discrimination if average wages of men and women differ in the same narrowly-defined occupation where skills are relatively homogeneous.

<sup>11</sup> The dependent variable in this model is the residual wage gap – the portion of the wage gap that cannot be explained by observed productivity differences between women and men. The key independent variable is the interaction term between trade share of output and domestic industrial concentration by industry. Domestic concentration by industry and trade share by industry and year serve as control variables.

lower gender earnings discrimination in the non-EPZ manufacturing sector (Hazarika and Otero, 2004). Further, only those sectors of non-EPZ manufacturing that had achieved complete elimination of import tariffs by 1999 experienced decline in gender wage gaps. However, the gender wage gap trends in the EPZ (*maquiladora*) sector in the same study indicate that the *maquiladora* gender earnings gap, which was substantially smaller than in the rest of Mexico, widened after 1987 when Mexico liberalized its trade.

Other developing country research has produced evidence contrary to Becker's hypothesis. Based on panel data for Taiwan (China) and the Republic of Korea for the 1980–99 period, Berik et al. (2004) do not find support for a decline in wage discrimination with trade expansion. Specifically, in the case of Taiwan, increased import expansion was associated with a rise in wage discrimination. Furthermore, the study suggests that a Becker-type adjustment process is implausible: there is no evidence for the static implications of Becker's theory (on the contrary, wage gaps in competitive sectors were in fact wider than in concentrated sectors), and the widening wage gaps in fact accompanied decline in relative demand for women workers. In addition, the institutional context of the labour market at the time was characterized by discrimination against women and resistance to reducing discrimination. Thus, the authors interpret the adverse impact of import expansion on gender wage gaps as the outcome of disproportionate lay-offs by women workers in Taiwan's manufacturing industries. These lay-offs and associated wage gaps provide support for an underlying process that is consistent with non-neoclassical approaches that emphasize relative bargaining power of various groups in determining wage outcomes.

India's industrial and trade liberalization policies since 1991 were also associated with wider gender wage gaps in manufacturing industries (Menon and Rodgers, 2009). The policy reforms led individual firms in India to face greater competition both from abroad and from other domestic firms in the same industry. Menon and Rodgers attribute growing gender wage gaps to the relatively weak bargaining power of women workers who are less able to negotiate for favourable working conditions and higher pay.

Thus, this particular strand of research has not produced support for the argument that trade liberalization narrows discriminatory gender wage gaps. The widening gender wage gaps in the Asian country studies and Mexican *maquiladoras* present a challenge for both Becker's theory and the standard trade theory. As argued in debates on industrial economies, skill-biased technological change may be at work, whereby the demand for labour increasingly favours skilled workers and dominates the wage-equalizing effects of trade. It is also possible that the large supplies of surplus labour (domestic or migrant labour) and other features of globalization discussed below prevent a relative increase in the wages of relatively less-skilled (women) workers.

Other research methodologies that examine the effect of trade on unadjusted gender wage gaps indicate mixed results. For Mexico, an inter-industry wage analysis shows that, during the 2001–05 period in the non-EPZ manufacturing industry (subsequent to the period examined by Hazarika and Otero, 2004), openness of sector was associated with wider gender wage gaps (Brown-Grossman and Domínguez-

Villalobos, 2010). The period examined by this study was one during which the sector faced increasing competition from new players in global product markets, notably from China. Since the average skill level of workers in the sector also declined during this period, Brown-Grossman and Domínguez-Villalobos rule out skill-biased technological change as an explanation for the widening gender wage gap. By contrast, simulations within the CGE framework show that in economies where women are employed in the export sector (Bangladesh, Pakistan) trade reforms reduced the gender wage (or wage income) gaps (Fontana, 2007; Siddiqui, 2009).

### **3) *Ongoing surplus labour generation in the global economy***

The wage and gender wage gap trajectories in tradable sectors discussed above can be explained by the ongoing generation of low-skilled surplus labour in the global economy fuelled by a number of features of the current global integration. Trade liberalization is only one of these features.

First, the underemployed or unemployed labour is constantly generated domestically or recruited through international labour migration in many countries. The ongoing unravelling of the smallholder sector in Mexican agriculture under the impact of agricultural trade liberalization, for example, means that the surplus labour that is released from rural areas will keep the pressure on the wages of *maquiladora* workers (Perez et al., 2008). Several successful exporters – such as Malaysia, Mauritius and Taiwan – import labour from poorer countries for work in various sectors, including manufacturing, which slows down wage growth. Women workers in export factories not only are engaged in low-wage/low-value-added activities but also face intense competition from other workers around the world, notably from China after the latter's accession to the WTO and the liberalization of the textile and clothing trade. When export sectors lose dynamism due to trade preference erosion or loss of competitiveness, export sector workers join the ranks of underemployed labour and keep wage growth in check in the local economy.

A related set of pressures on wage growth emanates from the increased global mobility of foreign investors and corporate buyers in the context of decentralized organization of international production. In many products, international firms with market power subcontract production of lower value-added activities – sometimes the entire production process – to firms that operate in a highly competitive global market (Heintz, 2006). Investment liberalization since the 1980s has made it easier for firms to shift production from one country to another when faced with adverse cost pressures. As a result, much of the value produced in global production chains goes to brand name companies that have a high degree of flexibility in where they place orders, and women workers who predominate in the lower tiers of production have little means for improving their wage levels (Carr, Chen and Tate, 2000).

### **4) *Weakening of labour rights***

One consequence of the ongoing generation of surplus labour in the global economy and increased labour substitution possibilities globally has been the erosion of union rights. This trend has been documented in detail for the US, where companies in

mobile industries secure concessions from their workers by making credible threats to move company operations outside the US (Bronfenbrenner, 2000). Workers fear that if they try to organize into unions, strike or otherwise struggle to improve working conditions, they will lose their jobs. Even if workers do not lose their jobs immediately, they are prevented from exercising their right to freedom of association and collective bargaining.

Developing country governments, on the other hand, have been reluctant to enforce labour laws in general and to support union rights in the EPZs or non-EPZ export factories in particular for fear of losing foreign direct investment. In countries that rely on exports of labour-intensive manufactures to generate much-needed foreign exchange, there is an obvious incentive not to undermine the competitiveness of the export sectors. Moreover, most developing country governments lack the resources to enforce their labour laws, particularly under the budget constraints brought by market reforms. As a result, in developing and developed countries alike, workers lose the key means for improving wages and working conditions.

Absence of effective union rights is especially of concern in reducing gender wage gaps. Doraisami (2008) attributes the persistent gender wage gap in Malaysia's manufacturing sector to the prohibition of union rights in foreign-owned, export-oriented enterprises. She argues that the absence of national-level unions, along with the lack of a legally established minimum wage, prevented women workers, who were concentrated in export industries, from improving their earnings. Even when new laws that grant union rights in EPZs are phased in, their implementation has fallen behind schedule or has been postponed (Berik and Rodgers, 2010).

The cross-country and panel analysis by Busse and Spielmann (2006) further underscores the appeal of the low-wage strategy. Taking as the point of departure the standard trade theory, this study provides robust evidence to support the positive association between comparative advantage in labour-intensive manufactured goods and gender wage inequality. Gender wage inequality has a consistent positive effect on trade outcomes, measured variously as the ratio of labour-intensive exports to total exports and the revealed comparative advantage in labour-intensive exports.<sup>12</sup>

### ***5) Does moving up the industrial ladder reduce gender wage inequalities?***

If gender wage inequality strengthens comparative advantage in labour-intensive manufactures, then a prerequisite for promoting gender-equitable development is for developing countries to move out of this particular export niche to diversify the production structure and produce higher-value-added products. Such a move would make possible payment of higher wages commensurate with productivity growth and closing of gender wage gaps. The Republic of Korea and Taiwan (China), which are the most

---

<sup>12</sup> Busse and Spielmann's study of the effects of gender wage inequality on trade competitiveness includes 29 countries in the cross-section analysis for 2000, and 40 countries in the panel analysis for the period 1975-2000.

successful practitioners of export-led growth, have made this transition based on the stimulus to trade, investment and growth provided by gender earnings inequalities (Seguino, 2000; Blecker and Seguino, 2002). In the Republic of Korea, the State directed the foreign exchange to build capacity in strategic industries such as automobiles, semiconductors, steel and shipbuilding and moved the country up the industrial ladder (Seguino, 1997, 2000).<sup>13</sup> The question is whether these transitions have sustained the strong demand for women's labour and helped reduce gender wage gaps.

In East Asia, as countries moved up the industrial ladder to more skill-intensive manufacturing, there has been a defeminization of the manufacturing workforce. The growing sectors have been male-dominated ones where women have not been able to make inroads. Between 1980 and 2004, women's share of manufacturing employment declined from 50 per cent to 41.4 per cent in Taiwan (China) and 39 per cent to 35 per cent in the Republic of Korea (Berik, 2008). These shares further declined to 37 per cent in Taiwan (China) and 32 per cent in the Republic of Korea by 2008 (ILO, 2011). Thus, an increase in women's share of manufacturing jobs appears to be specific to a particular export niche among developing countries and hence subject to reversal once economies move out of that niche.

The pattern holds more generally as well. A recent cross-country study shows that during the 1985–2006 period in middle-income countries the growth of the female share of employment was inversely related to the growth rate of both capital intensity and value added per worker in manufacturing (Milberg and Tejani, 2010). South-East Asian manufacturing growth, which was characterized by higher productivity growth and capital intensity than manufacturing in Latin America, was associated with defeminization of employment.

The processes underlying this trend are illustrated by evidence from Taiwan (Berik, 2000). During the mid-1980s and early 1990s, domestic industries in Taiwan underwent technological upgrading and investors relocated the labour-intensive industries to South-East Asia and China. Women workers experienced a larger share of the job losses, which led to decline of both women's share of wage workers and the average gender wage ratio in manufacturing. Industry-level panel analysis shows that the rising skill composition of this sector contributed to wage gains for men but adversely affected women's wages in both absolute and relative terms. This result suggests that, as the occupational mix of industry changed towards greater reliance on technical skills, a new occupational segregation pattern emerged that placed women in lower paying jobs. Over a decade hence, in 2008, women's earnings reached 70 per cent of men's earnings, up from a low of 62 per cent in 1992 (Berik, 2008; ILO, 2011). In

---

<sup>13</sup> Gender inequalities in the household also supported this change in export structure. In Taiwan, young women workers in export industries in the 1970s helped finance the education of their brothers whose schooling was prioritized in accordance with gender norms (Greenhalgh, 1985). The intra-household gender inequality in the allocation of household resources, in turn, expanded the supply of educated workers who were then able to take up the more skilled jobs that became available as the country moved up the industrial ladder in the 1980s and 1990s.

the Republic of Korea's manufacturing sector, they stood at only 58 per cent in 2007 (ILO, 2011).

The obvious candidate for explaining women workers' inability to move into higher-paying, more-skilled jobs, and the slow narrowing of gender wage gaps with upgrading in manufacturing industries, is women's limited skills compared to men (Doraisami, 2008; Berik, 2000). Even if the skills-mismatch explanation has become increasingly untenable in light of women's educational gains in recent years (Milberg and Tejani, 2010), a shortfall in educational qualifications still is likely to be valid. Measures such as years of schooling or gross enrolment ratios may not be good measures of the required skill levels in particular industries and occupations. As Rodgers, Zveglic and Wherry (2006) show in the case of vocational training in Taiwan, women are not as well placed as men to qualify for the high-paying jobs offered by industries that are upgrading. To the extent that workforce development policy does not set separate targets for women and men, most women specialize in clerical occupations and most men major in technical ones. Sex segregation in specialization in vocational schools thus widens the gender disadvantage in access to new employment and is reflected in wage premium differentials of women and men.

In addition, skills are filtered through the prism of gender norms, as pointed out earlier. Gendered notions of women's and men's work and the underlying abilities of women and men shape employer perceptions of women's and men's abilities, their hiring practices and the patterns of employment segregation. Thus, employer discrimination in hiring and placement may also be preventing women from gaining access to jobs that are deemed to require skilled labour. In the context of industrial upgrading, women may not be able to shake off their association with unskilled work and have difficulty moving into skilled positions in manufacturing. And with the relative growth of the service economy, women may be perceived as more suitable to staff lower-paying occupations that are consistent with gender norms (such as caring jobs). Thus, the policy challenge is to ensure job gains for women in the growing sectors by making sure that women have the requisite skills to take these jobs and to support this outcome through the enforcement of antidiscrimination policies and upholding of collective bargaining rights.

All in all, in absolute terms, women in developing countries have benefited from employment opportunities created in export sectors. Women now earn incomes that are higher than their income from alternative jobs (or the case of no jobs). Trends in wages and gender wage gaps, on the other hand, suggest that trade liberalization, together with the decentralization of global production and investment liberalization, contributes to the generation of large labour supplies in the global economy. These processes have placed women workers in tradable sectors in a vulnerable position as firms compete in the global market and have more freedom to relocate. As a result, working conditions in export jobs fall short of complying with ILO Conventions, and much has to be done on the policy front to ensure that employment gains remain and increase and women are able to gain access to new, higher-paying jobs when the economy moves up the technology ladder.



## 5.4 TRADE LIBERALIZATION IN AGRICULTURE: WOMEN FARMERS AND AGRICULTURAL WORKERS

While manufacturing for export has received the most attention in the literature, agricultural trade liberalization has also affected women's livelihoods as farmers, unpaid family workers and agricultural wage workers. Women farmers predominate in subsistence agriculture and in smaller scale cash-crop production compared to men due to constraints of access to land, credit and inputs. These constraints on the expansion of women's farm incomes have been documented prior to agricultural trade liberalization, which has exacerbated these difficulties (Beviglia Zampetti and Tran-Nguyen, 2004).

Agricultural trade liberalization affects farmers via both agricultural exports and agricultural imports. In general, trade liberalization tends to favour the production of cash crops over food crops and to encourage farmers to diversify crops and engage in off-farm activities to generate cash incomes (Beviglia Zampetti and Tran-Nguyen, 2004). However, small farmers have difficulty competing with large farms in producing crops for the world market. Moreover, growth of export agriculture has brought about competition for water and prime land and pushed small farmers to less fertile land. This shift in production structure has increased the workloads of small farmers, especially of women, and undermined their livelihoods. Many have abandoned food production or farming altogether and migrated out of rural areas. As a result, the commercialization trend has been associated with decline in viability of small-scale farming and the concentration of land ownership in many parts of the world (Perez, Schlesinger and Wise, 2008).

The expansion of non-traditional agricultural exports (NTAEs), promoted as a strategy to counter the decline in world prices in the main export crops of developing countries, has created jobs for rural women (and men). NTAEs are undertaken in large factory farms that are part of the global network of production controlled by a small number of North American and European supermarkets. Women are prominent in the production of many of these crops, such as asparagus, bananas, eucalyptus and cut flowers in the Philippines; cut flowers in Tanzania; grapes in Chile; maize, beans and flowers in Uganda (Beviglia Zampetti and Tran-Nguyen, 2004; Barrientos et al., 1999; Blackden et al., 2007).

While NTAE production has provided jobs for rural women, some of whom are displaced from the land they used to farm, the working conditions are poor. Not only are the workers only seasonally employed but also they work in environments of high pesticide use that pose serious health risks. Gender-segregated employment similar to the one in export manufacturing is prevalent: women constitute a high proportion of the low-skilled, low-paid temporary workers and men staff the supervisory or more-skilled positions. Where women horticulturalists supply the export crop (such as shea butter), their income constitutes a tiny fraction of the overall value generated from the sale of the product to the consumers (Carr et al., 2000). Further, the scope for future expansion of NTAEs is limited (Beviglia Zampetti Tran-Nguyen, 2004).

Agricultural import liberalization, on the other hand, has compounded women farmers' difficulties in taking advantage of export markets as food imports displace domestic production. Koopman's (2009) examination of the modernization of agriculture in the Senegal River Valley since the 1970s is a striking story of how a series of development interventions led by international agencies undermined food security in a region of sustainable self-reliant agriculture.<sup>14</sup> From the 1980s onward, small farmers in the region have faced not only higher input prices due to removal of state supports for agriculture but also falling farm prices due to import liberalization, a squeeze that is also demonstrated for other African economies and Latin America (Van Staveren, 2007; Perez et al., 2008). Koopman's 2003 village case study shows that the farm income generated by women on small garden plots is vital for livelihoods of impoverished rural households. Yet women's insecure land rights together with competition from subsidized European food imports, which reach even the most remote stretches of the Senegal River Valley, constrain women farmers' attempts to grow vegetables for the market and household subsistence. While the European Union (EU) allows duty-free and quota-free imports from LDCs and countries covered by the Economic Partnership Agreements (EPAs) and these countries benefit from exporting to the EU – tomatoes in the case of Senegal, for example – when cheap tomato imports flood the market, women farmers cannot compete (Van Staveren 2007). Koopman (2009) is concerned that the consolidation of liberalized trade through the EPAs sought by the European Union will threaten the livelihoods of the majority of Africa's farming families. She predicts that, unless import liberalization is tackled, women farmers will not be able to compete with imported food in local markets, even when they hold land titles.

The overall benefits of agricultural trade liberalization largely depend on whether countries are net buyers or net sellers of food.<sup>15</sup> However, even in many net-exporting countries, a majority of the rural people are net buyers of food, and hence are viewed as potential beneficiaries of the decline in domestic food prices resulting from tariff reductions. On the basis of this metric and an analysis for 15 developing countries, Hertel et al. (2009) argue in favour of further reductions of tariffs on staple food products in developing countries (over and above those negotiated in the Doha Round) as an effective poverty-reduction strategy. However, this argument assumes smooth transition of all farmers into producing export crops or otherwise generating the cash income necessary to purchase food. And the focus on net gains of food imports at the national level overlooks the hardships faced by many groups. If the women farmers highlighted by Koopman's study are unable to switch to cultivating crops that offer a stable income source to purchase food, they will likely be further impoverished. Small net sellers of food that produce only for the local markets and do not export due to their small size would lose from a reduction of trade barriers

---

<sup>14</sup> Creation of a capital-intensive farming system, supported by dams and irrigation schemes, resulted in an unsustainable debt burden that led the country to implement market reforms.

<sup>15</sup> The impact of trade liberalization on government revenues and its capacity to deliver services to farmers is an additional consideration.

in their own counties since this would lead to lower domestic prices and thus less income.

In sum, agricultural trade liberalization has put small farmers in peril. Not only are export markets beyond reach for most small – especially women – farmers but also these farmers are unable to produce for the domestic market when food imports displace domestic production. These developments have undermined self-reliance and social safety nets in rural areas and contributed to hardship and dislocation of poorer rural inhabitants. Such impacts are likely to be far-reaching in countries where agriculture predominates production and export activity.

### 5.5 INTRA-HOUSEHOLD EFFECTS OF TRADE LIBERALIZATION: TIME AND RESOURCE ALLOCATION

Changes in employment opportunities and earnings, prices and tariffs ushered by trade liberalization are expected to affect time- and resource-allocation in the household. While the effects of trade policy on intra-household dynamics are more difficult to assess compared to its effects on employment and wages, there is some evidence on impacts on women's unpaid workloads, the nature and level of consumption, and women's decision-making power.

#### 5.5.1 *Time allocation*

In assessing individual-level impacts of trade, gender-aware analysis has to take into consideration the integrated set of paid and unpaid activities undertaken by individuals. Women are responsible for a wide range of unpaid reproductive tasks to ensure the well-being of family members. In rural areas and poorer households, these tasks are more extensive and include tending to small gardens for food crops, and management of the energy and water needs of the household, as well as cooking, cleaning and caring for children, the elderly and the ill.

A direct channel whereby trade reforms affect unpaid work is through the household-level response to women's additional work hours in export sectors. When added to women's care work in the household, paid work will lengthen their working day, unless paid work is accompanied by a redistribution of household tasks among family members. When young women engage in export sector work, their housework responsibilities are assumed by older women or siblings. However, as noted earlier, a rising proportion of the workforce in export manufacturing is comprised of married women with children, whose overall workloads intensify. Excessive overtime and continuous work schedules, typical of export sector employment, create severe time poverty for married women (Berik and Rodgers, 2010). Mothers' participation in NTAE production results in a shift of household tasks to daughters to the detriment of the daughters' schooling (Fontana, 2008). Only rarely is there a gender redistribution of housework as men pick up some of the housework tasks usually performed by women.

Studies using a gendered CGE framework tend to confirm these findings. Fontana (2007) constructs gendered social accounting matrices for Bangladesh for 1994 and for Zambia for 1995 and shows that tariff reductions in both countries increased time spent in export production and reduced both leisure hours and the unpaid work performed. For Pakistan, Siddiqui (2009) shows that among poor households trade reforms contributed to higher gender gaps in domestic labour.

Another channel whereby trade affects the amount of unpaid work performed is through the impact of tariff cuts on government revenues. Tariff revenues are the major source of public sector revenue for low-income country governments. In theory, trade expansion following trade liberalization should expand the tax base (Ebrill, Stotsky and Gropp, 2001). However, as Khattry and Rao (2002) show for a sample of 80 countries over the 1970–98 period, reduction of tariffs has contributed to lost tax revenues. Baunsgaard and Keen (2005) investigate whether or not countries have been able to recover revenues from other sources, for example, through a domestic tax reform as recommended by Ebrill et al. (2001). In a study of 111 countries for the 1975–2000 period, Baunsgaard and Keen show that, except for the high-income group, countries have not been able to recover lost trade tax revenues. Low-income countries, in particular, face severe public revenue shortfalls. Exploring the fiscal squeeze, Khattry (2003) found a variety of responses to the decline of revenues across country income groups. Low-income countries, for example, relied on external funding and took on more debt to maintain spending levels, raising interest debt. A general pattern in response to lost revenue from trade taxes between 1970 and 1998 was reduced spending on physical infrastructure.

When governments attempt to make up for the shortfall in tariff revenues by cutting public expenditures and/or raising sales and other indirect taxes, these burdens are likely to fall most heavily on the low-income consumer groups, among which women are over-represented (Williams, 2007). Gender-aware research, mostly on the earlier episodes of structural adjustment, has highlighted the greater adverse effects of cuts in public spending on women compared to men (Çağatay and Elson, 2000). For example, to make up for declines in subsidies on food or public transportation, women have had to increase their labour market hours, often in informal jobs, and spend more time in household production. As a result, women's overall work burden has risen (Gladwin, 1991; Benería and Feldman, 1992; Elson, 1995). Similarly, women's unpaid labour burden has increased due to reductions in health-care expenditures. Faced with increased user fees in public hospitals, low-income women have taken on the care of ill family members at home. These additional burdens limit women's ability to spend time in remunerative activities and increase time poverty. In some cases, daughters have been taken out of school to help with the increased overall work burden of mothers (Elson, 1995). Shortfalls in spending on physical infrastructure are also likely to increase women's unpaid labour burden. As roads deteriorate, or energy and clean water supplies become increasingly scarce, securing these supplies can take up a large portion of each day. Thus, an increase in trade-related employment, especially in the context of the fiscal squeeze experienced

in many developing countries, is expected to increase women workers' overall work burden and intensify time poverty of women.

### 5.5.2 *Resource allocation*

Cross-cultural evidence shows that women's consumption patterns benefit children's well-being more than does men's expenditures (Hoddinott and Haddad, 1995). As a result, job creation for women has a greater pay-off, not only in delivering immediate improvements in family well-being but also making the future labour force more productive, setting in motion a virtuous cycle of interactions between gender equality and growth (Klasen, 2002; Klasen and Lamanna, 2009). The key mediating variable in consumption spending, however, is the extent to which women control the income generated, since earning an income does not guarantee income control. Case studies of commercialization of agriculture, for example, suggest that rural women tend to lose income control, while women wage workers in export manufacturing tend to increase their control of income (Fontana, 2008). In addition to making possible consumption spending that improves children's well-being, engaging in paid work also has the potential to increase women's decision-making and self-esteem, and enhance the value of daughters.

The intra-household process that makes possible these positive outcomes is highlighted in figure 5.1. Expansion of employment opportunities for women in export sectors alters gender division of labour and can be expected to strengthen women's fallback position, awareness of their self-interest and economic contribution, and hence their bargaining power in the household (feedback from panel B to panel A). Access to income is likely to provide women the possibility of negotiating a fairer distribution of family resources, which in turn can improve their own and their children's well-being and break up the cycle of inter-generational transmission of gender inequalities. Women's employment may also alter parental perceptions of girls, leading parents to view them as potential income earners and valuable members of the family (Sen, 1990). Researchers hold three distinct positions on the strength of these feedback effects from the labour market to the household.

Some argue that having a job that pays more than the available alternatives is a major step in enhancing women's decision-making power in the household (Kabeer, 2004). An example is increased decision-making by women over marriage and fertility decisions, as identified by export sector workers in Bangladesh (Fontana, 2008).

Second, research shows that the profile of export sector workers is relevant for assessing possibilities for paid work and enhancing women's self-esteem and autonomy. Young, unmarried women, in particular, report an increase in their self-esteem and ability to make a wider range of life choices. An early 1980s' study of workers in Mexicali found that women, especially those with a higher education level, view themselves as choice-making individuals with some degree of control over their lives (Fiala and Tiano, 1991). For older, married women, however, export sector work is argued to be no more than a means of economic survival that results in intensification of women's overall workload (Domínguez et al. 2010).

A third view is that the type of jobs held by women matter in shaping women's fallback position in the household. The emphasis in much of the literature is on creating jobs for women outside the household, away from the nexus of kinship relations (Sen, 1990), but even that may not be sufficient. As Fiala and Tiano (1991) show, for example, the extent of women's empowerment is directly related to their employment in less patriarchal factory settings. Low-skill, low-wage jobs generated by labour-intensive export industries, especially in their home-based extensions, however, are likely to have a limited effect on women's chances for economic security, their well-being and decision-making power in the household (Koggel, 2003; Domínguez et al., 2010). Thus, the effects of engaging in paid work on women's status and autonomy are not uniform and invariably positive. The policy challenge is to generate jobs under decent conditions with adequate wages, which offer greater prospects for personal autonomy and economic security.

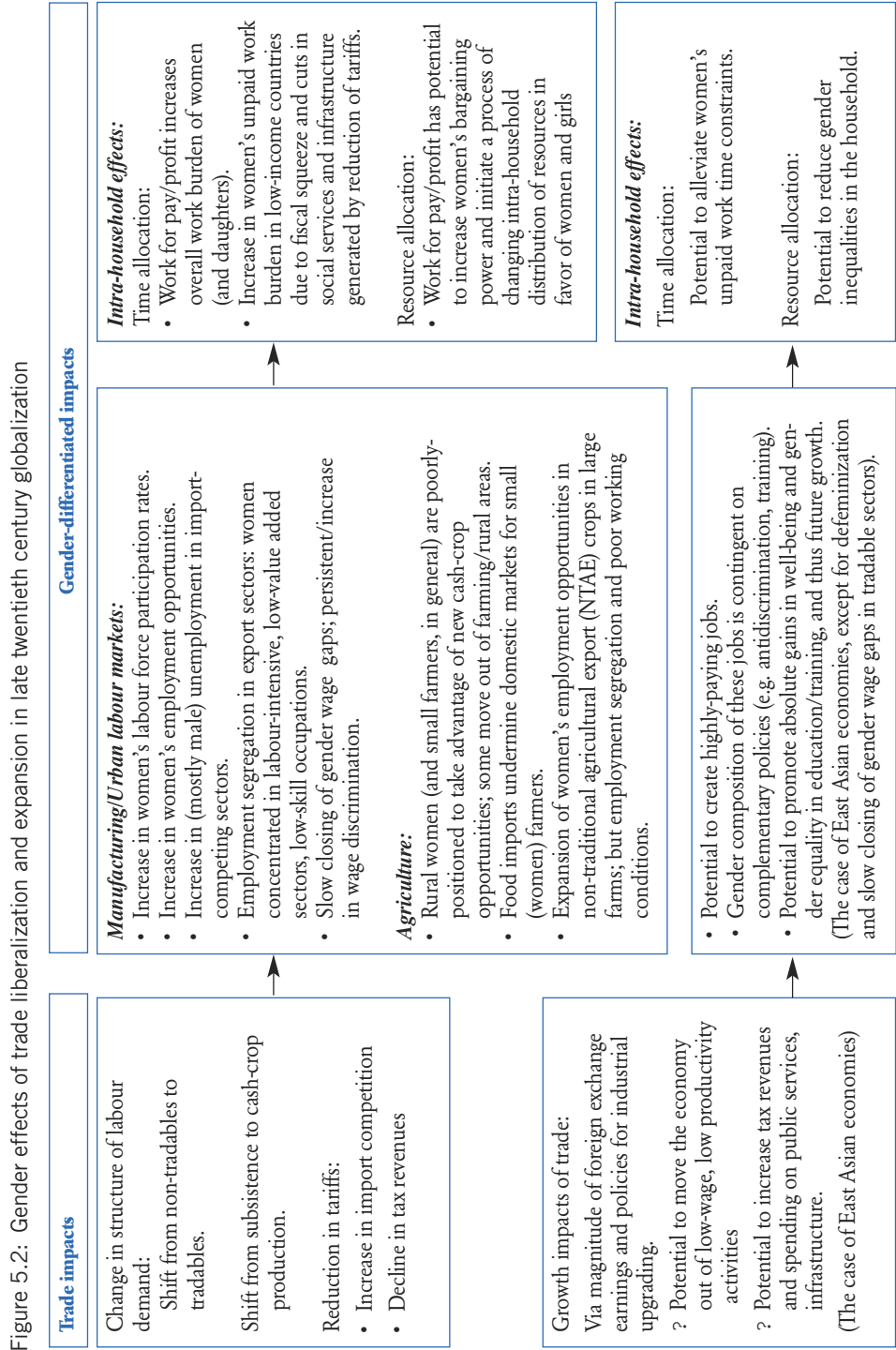
## 5.6 CONCLUSIONS AND POLICY IMPLICATIONS

### 5.6.1 *Main findings*

This study has provided a gender analysis of trade and trade liberalization in developing countries, mainly focusing on gender inequalities in wages and employment in the manufacturing sector. The research reviewed has relied on existing theoretical frameworks and pursued a plurality of methodologies, including cross-country or country-level econometric analyses, descriptive statistical analyses and CGE models.

Figure 5.2 provides a schematic description of the gender impacts of the late twentieth century trade liberalization and expansion that highlights the dimensions of gender inequality examined in this chapter. Trade expansion has brought an increase in employment for women workers in labour-intensive export-oriented industries since the late 1970s. These jobs often provide better employment options than alternatives in the local economy, and have contributed to women's economic autonomy and status in the household, though they have also increased the overall workload of married women. The conditions of work in these industries have been poor, often marked by persistent low wages, gender wage inequalities, extremely long hours, hazardous conditions and job instability. Despite gains in education, women also appear not able to reap the full returns as evidenced by persistent or growing discriminatory wage gaps that are associated with trade expansion in some developing countries. A likely explanation for these wage trends is that trade liberalization, accompanied by other market reforms and global processes, undermines women workers' bargaining position vis-à-vis employers. Decentralization of global production, increased corporate buyer and investor mobility, together with trade liberalization, contribute to the generation of surplus labour in the global economy, which may adversely affect wage growth for workers who are concentrated in export sectors and prevent closing of gender wage gaps. These same processes also undermine the capacity and willingness of governments to enforce labour laws and support workers' struggles to improve working conditions.





Agricultural trade liberalization and expansion has created hardships for subsistence and small farmers, especially for women. Women farmers' inability to compete with large farms in export markets and with food imports in domestic markets has reduced the viability of these farms and undermined rural livelihoods. While non-traditional agricultural exports have created jobs and incomes for rural women in many countries, these jobs replicate the unstable and insecure employment patterns observed in export manufacturing.

Finally, decline in tariff revenues has constrained public spending on social services and infrastructure in low-income developing countries. This fiscal squeeze has greater adverse effects on women, who intensify their unpaid labour to make up for the reduced availability of public services and infrastructure as well as increasing their hours in paid work.

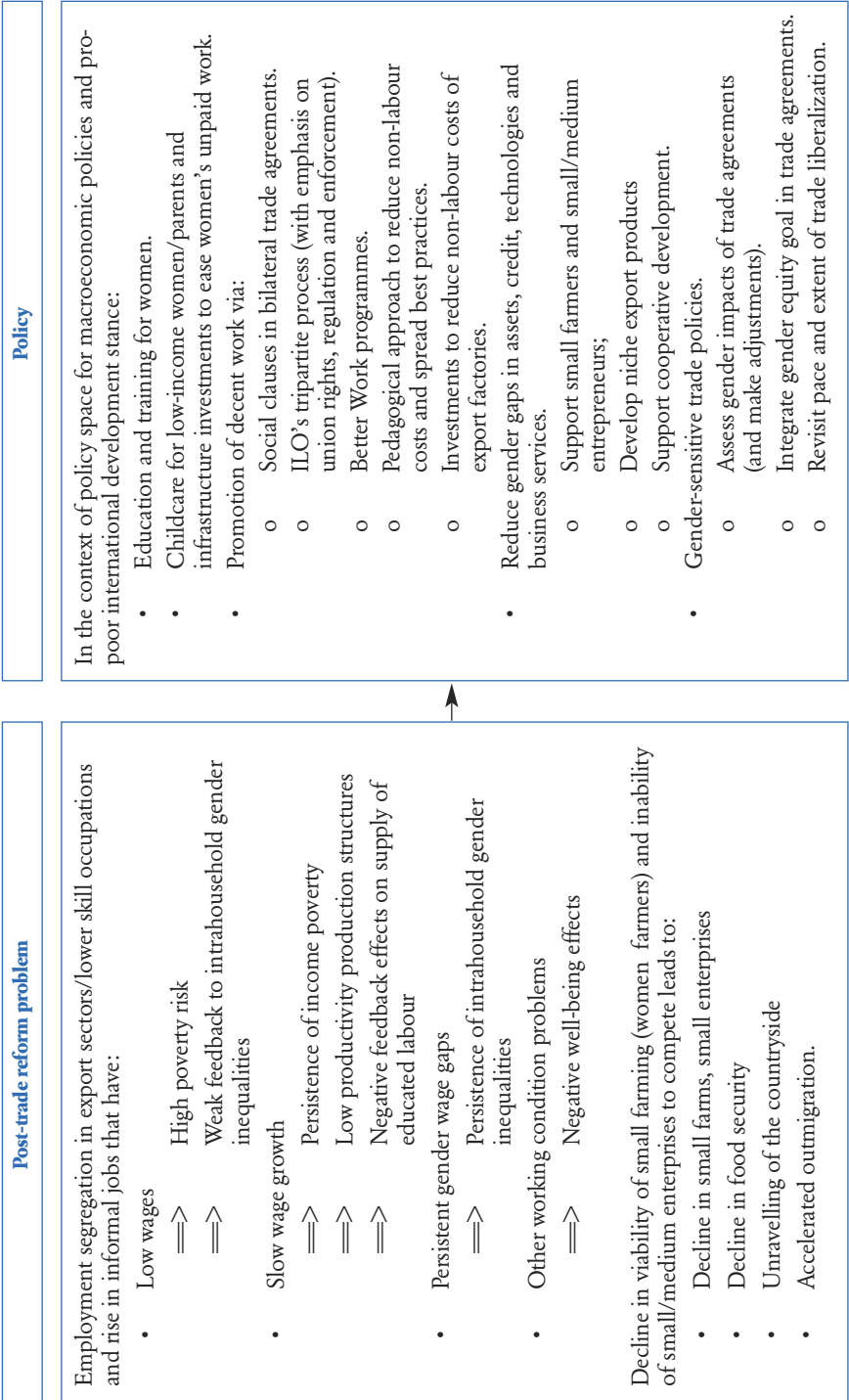
Trade liberalization also has growth effects. Most developing countries are highly dependent on exports of a few key sectors where women workers predominate to alleviate the foreign exchange constraint and sustain growth. A small number of countries have used trade surpluses to implement industrial policy to diversify their production structure. Moving to higher-value-added production is desirable not only for improving wages and working conditions and generating higher incomes, but also for countering the risks associated with the export niche of labour-intensive (income-elastic) goods. However, in East and South-East Asian countries that were able to move up the technology ladder and diversify exports, women's employment opportunities relative to men have declined in export sectors and gender wage gaps have narrowed only slowly. This outcome may be partly due to limited job-specific skills of women in the new sectors. These skill deficits may interact with gender norms and stereotypes about women's weaker commitment to the workforce and less need for income to shape employer hiring and placement decisions. These stereotypes, in turn, continue to be reinforced by the persistent gender division of labour in the household, which assigns women the primary responsibility for caring tasks.

### *5.6.2 Policy recommendations: Promoting gender-equitable job creation and economic security*

Based on these main findings, figure 5.3 identifies a set of policies to achieve a more gender-equitable distribution of the benefits of expanded trade and to provide income, employment and livelihood security for women workers and small farmers. The policy challenge is to improve the quality of jobs for women and to make the job gains for women in the first round of globalization sustainable as countries seek to diversify and upgrade production.

The following specific goals and policies can contribute to achieving gender-equitable job creation and economic security: (1) increase and improve women's employment options through investments in education and easing of unpaid workloads by providing childcare and infrastructure investments; (2) improve the quality of jobs that are generated through stronger enforcement of labour regulations, infrastructure investment and organizational adjustments in the workplace; (3) support

Figure 5.3: Gender equity policies



rural livelihoods and incomes of women farmers and small producers through reduction of gender gaps in assets and inputs and encouragement of producer cooperatives; (4) provide stable and secure economic activity options for all, and prevent abrupt adjustments and hardships for more vulnerable groups through adoption of a pro-poor stance in trade negotiations and gender-sensitive trade policies.

Achieving these goals requires a broad set of policy tools that go beyond compensatory schemes to address gender inequalities in education, time- and resource-allocation. Gender-equity policies must be situated within a coherent macroeconomic (including trade) framework, an effective regulatory framework, and a coherent set of initiatives at the international level. Different policies must work in a complementary and virtuous manner to pursue gender equity. In particular, it is important to avoid one set of policies from undermining the gender-equitable effects of other policies. Thus, if trade liberalization in interaction with investment liberalization and restrictive fiscal policy creates adverse gender effects, then these policies must be revisited to make adjustments so as to generate more equitable, pro-poor development.

Several studies have emphasized the imperative for developing country governments to have the policy space to manage macroeconomic policy and the international support to pursue a development strategy that harnesses the benefits of trade and foreign direct investment to their advantage (Heintz, 2006; Grown and Seguin, 2007). Through productivity-enhancing investments and judicious management of foreign direct investment, these economies can then move toward a more diverse production structure. In addition, others have raised concerns about the sustainability of relying on an export strategy of low wages and gender wage gaps and have urged policies to move away from excessive reliance on exports (Beviglia Zampetti and Tran-Nguyen, 2004; Berik and Rodgers, 2010; ILO, 2010). The concerns with this strategy centre on the decline in terms of trade when a large number of developing countries are concentrated in producing the same set of products for the world market and the vulnerability to export market fluctuations (Beviglia Zampetti and Tran-Nguyen, 2004). In addition, persistence of low-skilled and low-value-added export activities in countries with low levels of educational attainment is likely to have detrimental effects on economic growth and well-being of workers (Wood and Ridao-Cano, 1999). Given the nature of the labour demand, women, in particular, may have little incentive to seek higher levels of education (Vijaya, 2003).

The pursuit of industrial policy by developing country governments can move the economy out of low-wage, low-productivity activities into higher-value-added activities that can create high-paying jobs with decent working conditions. While this transition creates the possibility of gender-equitable access to the new jobs created, it does not guarantee this outcome. A complementary set of policies is necessary to pursue this goal.

First, countries have to continue emphasizing girls' education and must close gender gaps in not only the quantity of education but also its quality. Education policy has to promote girls' enrolments and ensure that they complete the school cycle successfully. One promising policy that targets very low-income households is

the conditional cash transfer approach that is being implemented in several countries. The policy aims to provide economic incentives for families to encourage long-term attendance and school completion by girls (Latapí and de la Rocha, 2009). These schemes are proving effective in increasing school attendance by girls, improving health outcomes of children and reducing income poverty, and could be replicated in other developing countries. The challenge is for such schemes to also promote skill development by encouraging girls to study subjects that do not replicate the gender-segregated patterns of low-wage employment.

More generally, gender inequalities in the type of schooling received need to be addressed through curriculum reforms so that schools develop skills in a gender-equitable manner, especially technical skills that are needed to enable access to the new jobs in technology- and skill-intensive sectors. As Rodgers et al. (2006) emphasize, governments need to be proactive in creating incentives for girls to go into fields that prepare them for high-paying jobs and open up access to new training opportunities through stronger enforcement of equal opportunity legislation.

In addition, in each sector of the economy, there is scope for promoting skills for women entrepreneurs that, along with technical and financial support, can help them gain entry and be successful in the more competitive and export sectors of the economy (Coche et al., 2006). For wage workers, the policy objective is to improve women's skill sets so that they are able to qualify for jobs in sectors that are upgrading and expanding. Retraining workers who are likely to be disproportionately affected by shifts in trade composition of a country to provide for a smoother and gender-equitable transition to the newly emerging job opportunities is an option, though it is difficult to identify affected workers.

Second, another set of policies will have to address women's unpaid care workload that constrains their employment options and underlies stereotypes about women's weaker labour force commitment. Provision of quality, affordable and convenient childcare is an initiative that could be pursued to support secure and stable employment for low-income women, promote women's well-being and increase workplace productivity. As Hein and Cassirer (2010) show, public policies and services concerning childcare are rarely adequate, especially in developing countries, but public support is needed to meet the childcare needs of low-income workers.<sup>16</sup> In addition, some types of infrastructure investments are more likely to benefit women as a group than men, given women's time poverty, as well as improving economic efficiency

---

<sup>16</sup> However, where governments legally require employers to provide on-site childcare in establishments that employ above a certain number of female employees, such as in Brazil, China and India, this requirement has functioned as a disincentive for hiring women. On the other hand, since most workplace initiatives provide childcare for higher-level workers in large firms, and in financial or business services, there is an unmet demand for childcare by low-wage workers. There are only a few examples of workplace initiatives that could be viewed as best practice cases in developing countries. Case studies of Chile, Kenya and Thailand provide examples of childcare provision for rural agricultural workers in a gender equitable manner through public-private partnerships and tax incentives for employers (Hein and Cassirer, 2010).

overall. Improving access to clean water and clean energy sources for cooking, for example, would reduce women's unpaid care burden, enable their labour force participation and help promote women's health.<sup>17</sup>

Third, women workers in export sectors have to be supported through policies that facilitate the creation of decent jobs. In sectors where international competition has intensified in recent years, such as garments, as highlighted by this study, women workers face high risks of not only downward pressure on wages and working conditions but also employment insecurity due to export volatility. While the currently available jobs in export sectors are often better than the available alternatives (which in some cases are non-existent), policy should aim to set in motion a process of creation of decent jobs that are consistent with ILO Conventions and that achieve an adequate local living wage.

The main obstacle in improving working conditions is weak enforcement of legislation, given that most countries have ratified the core ILO Conventions, including those pertaining to equal pay and non-discrimination at work, and have national laws that are consistent with these Conventions. Many developing country governments lack the resources or the will to uphold their labour laws to fight gender discrimination and give workers greater bargaining power. Far from protecting workers, governments seek to establish EPZs as islands where they do not fully implement national labour laws. Short of an international standard that prevents countries from implementing a two-tier application of their national labour laws (for example, in the form of an ILO Convention), there is little incentive for individual countries to do away with the EPZ exceptions in their own territory. In such a political-economic context, a useful strategy for nudging countries toward enforcement of labour laws is to set in motion international mechanisms to actively support developing country workers' right to organize and collectively bargain so that workers themselves are able to push for improvement in working conditions. In addition, explicit international support for a broader set of ILO Conventions could leverage union rights.

Currently, there are three options at the international level for promoting decent working conditions in tradable sectors. The EU and US can promote union rights in developing country trading partners through social clauses in regional or bilateral trade agreements, but this tool has weak enforcement mechanisms that need to be strengthened. Second, the ILO's tripartite process, which has been energized by the Decent Work initiative after 1999, constitutes a pressure point at the national level that can be strengthened by building capacity for enforcement of national legislation. The third option is the corporate social responsibility (codes of conduct) approach, which holds the least promise despite being the most high-profile approach since the late 1990s. This approach not only has limited and uneven reach but also does not emphasize union rights or making improvements beyond a narrow set of corporate-defined goals.

---

<sup>17</sup> Reducing reliance on solid fuels for cooking and heating will help decrease high levels of indoor air pollution and premature deaths of mostly women and children.



A recent variant on the codes of conduct approach is the *Better Work* programme, which is a joint initiative of the ILO and the International Finance Corporation (IFC) of the World Bank. The programme, currently being implemented in several developing countries, is based on the idea that compliance with labour standards is good for business. *Better Work* was originally implemented as the *Better Factories Cambodia* programme, which grew out of the trade agreement negotiated between the Cambodian and US Governments in 1999. This agreement was the first to explicitly assign a monitoring role to the ILO, as Cambodia agreed to allow the ILO to inspect its factories to ascertain progress toward decent working conditions, upon verification of which the United States would increase Cambodia's export quota of garments.

In the post-ATC era, when use of quotas is no longer a trade policy tool, the programme relies on the incentive for supplier factories to reach buyers interested in sourcing from suppliers with better working conditions. There is evidence that companies that source from developing countries attach a premium to labour standards monitoring via the ILO.<sup>18</sup> As a result, since 2007, the *Better Work* programme has been extended through the partnership of the IFC and the ILO. A number of countries – Haiti, Lesotho, Jordan, Nicaragua and Viet Nam – have voluntarily entered the programme and most have required all garment factories to participate in the programme as a condition for export.

Evidence based on factory inspection reports indicates that under the *Better Factories* programme, Cambodia has achieved improvements in working conditions while at the same time increasing garment exports and employment (Polaski, 2009; Berik and Rodgers, 2010). Chief among the achievements is the correct payment of wages (minimum wage or overtime wages) in the garment sector, which is a major step forward, given widespread reports of non-payment or incorrect payment of wages in garment factories globally.

However, Cambodia's programme does not monitor wage growth in supplier factories but only their compliance with the minimum wage law. A crucial complement for the programme to achieve sustained improvements in standards of living in local terms could, therefore, consist in encouraging periodic and adequate adjustments in the minimum wage and upholding of union rights so that wage growth can proceed commensurate with productivity gains. These policy goals, in turn, reinforce the need for a factory-level programme such as *Better Work* to be well integrated with national-level implementation of labour laws and for the ILO's tripartite process to work at the national level. Moreover, there may be scope for adjustments in the *Better Work* approach itself. For example, the identities of buyers and of factories that source them could be disclosed and factory adherence to laws regarding union rights could be more closely monitored. Finally, to be effective in increasing wage levels and raising

---

<sup>18</sup> According to a 2004 World Bank survey, Cambodia's key overseas buyers rated highly the credibility of ILO monitoring and expressed their preference to source from Cambodia over Bangladesh, China, Thailand and Viet Nam due to the working conditions of the Cambodia's *Better Factories* programme (Foreign Investment Advisory Service, 2004).

the global floor in wage rates and non-wage working conditions, however, *Better Work* has to be simultaneously implemented in the poorest garment-exporter countries.

While wage growth is often viewed as a threat to jobs in export sectors, Harrison and Scorse (2010) show that substantial wage growth in Indonesia (achieved via the anti-sweatshop campaigns in the 1990s) did not undermine employment growth in unskilled work in export sectors. Moreover, improvements in wages and non-wage working conditions are consistent with the development strategy of moving up the industrial ladder. Wage gains can be growth enhancing and instrumental in moving the manufacturing sector toward a higher productivity path based on upgrading and diversification of export production. In addition, in heavily export-reliant economies, wage growth can help strengthen domestic consumption demand as a more reliable source of demand and promote sustainable economic growth (ILO, 2010). Accordingly, effective wage policies that not only hold up the lower end of the wage distribution (through minimum wage policy) but also improve the link between wage growth and productivity growth (through effective collective bargaining rights) are necessary.

In addition, the efforts to improve working conditions in developing countries must include domestic policies that strengthen non-labour aspects of export competitiveness. Non-labour costs and supply bottlenecks often impede competitiveness and create non-negotiable costs, resulting in downward pressure on labour costs. Investments could address persistent bottlenecks in quality of port, road and air transport infrastructure, and quality of electricity supply, thus reducing non-labour costs.

A related approach seeks to remove the production bottlenecks in export firms that give rise to many of the working condition problems (Amengual, 2010). According to this *pedagogical approach*, global non-governmental organization (NGO) and local government monitors help firms improve their compliance with national labour laws by working with firms to solve the production process bottlenecks and helping to spread the best practices in addressing these problems. Thus, for example, through workplace reorganization, non-labour costs could be saved and the need for overtime work could be minimized.

Fourth, domestic and international resources should be directed to reducing gender gaps in assets, inputs and access to marketing expertise. In order to strengthen rural livelihoods of small (women) farmers, domestic policies should support the production of goods that have the potential to occupy niche markets, such as organic agricultural products or textile handicrafts. The development of cooperatives would also help counter the disadvantages faced by small producers and horticulturalists in markets dominated by large farms and corporate buyers. Additionally, development assistance (for example, Aid for Trade) could be extended to support women farmers' capacity to produce for domestic and international markets.

In order to generate jobs and avoid saturation of local product markets, the support for women producers should go beyond micro-entrepreneurs. Trade financing or technology upgrades for exports by women-owned small- or medium-sized firms would help reduce gender inequalities in the small business sector as well as contributing to growth through employment generation in these firms. Legal reforms to

support small-business development and creation of networks of women business owners would also reduce the barriers to women's business success.

Fifth, trade policies must become gender sensitive. With respect to trade agreements, this means that the likely gender impacts of trade agreements must be assessed prior to their ratification, and policy must be formulated and implemented to avoid increasing gender inequalities or to mitigate existing gender inequalities. Van Staveren (2007) proposes a set of gender and trade indicators to gauge the responsiveness of gender outcomes to various trade variables in order to mainstream gender equality goals in trade agreements.<sup>19</sup> These indicators could be used to provide a baseline prior to the negotiation of a trade agreement, to assess gender impacts during the negotiations, and to make trade policy changes or adopt complementary policies as the agreement is being implemented. In addition, commitment to gender equity must be integrated in texts of trade agreements and various other documents pertaining to their implementation so as to maintain awareness of gender-equity goals and ensure progress towards their achievement.

In general, if trade negotiations are development-centred, as envisioned by the Millennium Development Goal (MDG) 8 (Develop a global partnership for development), they would provide the necessary conditions for gender-equitable development. To this end, trade negotiations must revisit the terms – the pace and extent – of agricultural trade liberalization in developing countries and build in protective measures in order to mitigate adverse impacts. The changes in rural production structures spearheaded by agricultural trade liberalization have serious well-being consequences over the long run. They create major social dislocations in rural areas of developing countries and can have wide-ranging implications for the EU and North American economies through the illegal international migration they fuel. In addition, it may be necessary to avoid rapid trade liberalization in order not to destroy a greater number of jobs in import-competing industries than the ones being generated by exports (Heintz, 2006).

In sum, gender equity in a globally integrated context can be promoted within the framework of a macroeconomic policy environment that aims to generate employment and income security. Gender-equity policies, situated in this broader framework, would seek to address the bargaining power deficits of women workers and farmers and ensure the creation of decent jobs and income security. Investments in education, social services and infrastructure required by these gender-equity policies will promote both gender-equitable employment and economic growth. Reforms at the international level have to create the enabling framework for domestic policies as well as ensuring that trade liberalization proceeds in a manner that promotes secure livelihoods.

---

<sup>19</sup> Constructing 11 elasticities, Van Staveren focuses on the effect of trade on gender equalities in income, employment, wages and unpaid domestic work, and uses this framework to evaluate gender impacts of the 2000 European Union trade agreement with Mercosur countries.

## REFERENCES

- Adhikari, R.; Yamamoto, Y. 2006. "Sewing thoughts: How to realise human development gains in the post-quota world", Tracking Report, Asia-Pacific Trade and Investment Initiative (UNDP Regional Centre in Colombo).
- Albelda, R.; Drago, R.; Schulman, S. 2004. *Unequal playing fields: Understanding wage inequality and discrimination* (Economic Affairs Bureau, second edition).
- Amengual, M. 2010. "Complementary labor regulation: The uncoordinated combination of state and private regulators in the Dominican Republic", in *World Development*, Vol. 38, No. 3, pp. 405-414, Mar.
- Amengual, M.; Milberg, W. 2008. *Economic development and working conditions in export processing zones: A survey of trends* (ILO).
- Balakrishnan, R. 2001. *The hidden assembly line: Gender dynamics in subcontracted work in a global economy* (Kumarian Press).
- Barrientos, S. 2007. "Gender, codes of conduct, and labor standards in global production systems", in N. Çağatay; I. van Staveren; D. Elson; C. Grown (eds): *Feminist economics of trade* (Routledge), pp. 239-256.
- Barrientos, S. et al. 1999. *Women and agribusiness: Working miracles in the Chilean fruit export sector* (Palgrave MacMillan).
- Baunsgaard, T.; Keen, M. 2005. "Tax revenue and (or?) trade liberalization", *IMF Working Paper* No. WP05/112.
- Becker, G.S. 1971. *The economics of discrimination* (University of Chicago Press, second edition).
- Benería, L.; Feldman, S. 1992. *Unequal burden: Economic crises, persistent poverty, and women's work* (Westview Press).
- Berik, G. 2000. "Mature export-led growth and gender wage inequality in Taiwan", in *Feminist Economics*, Vol. 6, No. 3, pp. 1-26, Nov.
- Berik, G. 2008. "Growth with gender inequity: Another look at East Asian development", in G. Berik; Y. Rodgers; A. Zammit (eds): *Social justice and gender equality: Rethinking development strategies and macroeconomic policies* (Routledge).
- Berik, G.; Rodgers, Y. 2010. "Options for enforcing labour standards: Lessons from Bangladesh and Cambodia", in *Journal of International Development*, Vol. 22, No. 1, pp. 56-85.
- Berik, G.; Rodgers, Y.; Zammit, A. 2008. *Social justice and gender equality: Rethinking development strategies and macroeconomic policies* (Routledge).
- Berik, G.; Rodgers, Y.; Zveglic, J. 2004. "International trade and gender wage discrimination: Evidence from East Asia", in *Review of Development Economics*, Vol. 8, No. 2, pp. 237-254, May.
- Beviglia Zampetti, A.; Tran-Nguyen, A-H. 2004. *Trade and gender: Opportunities and challenges for developing countries* (United Nations).
- Bhattacharya, D.; Moazzem, G.M.; Rahman, M. 2008. *Bangladesh's apparel sector in post-MFA period: A benchmarking study on the ongoing restructuring process* (Dhaka, Centre for Policy Dialogue).
- Bhattacharya, D.; Khatun, F.; Moazzem, K.G.; Rahman, M.; Shahrin, A. 2008. *Gender and trade liberalization in Bangladesh: The case of the ready-made garments* (Dhaka, Centre for Policy Dialogue).
- Black, S.E.; Brainerd, E. 2004. "Importing equality? The impact of globalization on gender discrimination", in *Industrial and Labor Relations Review*, Vol. 57, No. 4, pp. 540-559, Jul.

## Trade and Employment: From Myths to Facts

Blackden, M. et al. 2007. "Gender and growth in Sub-Saharan Africa: Issues and evidence", in G. Mavrotas; A. Shorrocks (eds): *Advancing development: Core themes in global economics* (Palgrave Macmillan).

Blecker, R.A.; Seguino, S. 2002. "Macroeconomic effects of reducing gender wage inequality in an export-oriented, semi-industrialized economy", in *Review of Development Economics*, Vol. 6, No. 1, pp. 103-119, Feb.

Boyange, J-P.S. 2007. "ILO database on export processing zones (Revised)", *Working Paper* No. 251 (Sectoral Activities Programme, ILO).

Bronfenbrenner, K. 2000. *Uneasy terrain: The impact of capital mobility on workers, wages, and union organizing* (U.S. Trade Deficit Review Commission).

Brown-Grossman, F.; Domínguez-Villalobos, L. 2010. "Trade liberalization and gender wage inequality in Mexico", in *Feminist Economics*, Vol. 16, No. 4, pp. 53-79.

Busse, M.; Spielmann, C. 2006. "Gender inequality and trade", in *Review of International Economics*, Vol. 14, No. 3, pp. 362-372, Aug.

Çağatay, N.; Elson, D. 2000. "The social content of macroeconomic policies", in *World Development*, Vol. 28, No. 7, pp. 1347-1364, July.

Çağatay, N.; van Staveren, I.; Elson, D.; Grown, C. 2007. *Feminist economics of trade* (Routledge).

Callahan, D.; Vijaya, R.M. 2009. *Hidden casualties: Trade, employment loss and women workers* (Demos, A network for ideas and action). Available at: <http://demos.org/publication.cfm?currentpublicationID=9FF1DD5A-3FF4-6C82-561B3FBA17F043E3> (accessed 8 June 2011).

Carr, M.; Chen, M.A.; Tate, J. 2000. "Globalization and home-based workers" in *Feminist Economics*, Vol. 6, No. 3, pp. 123-142, Nov.

Chataignier, A.; Kucera, D. 2005. "Labour developments in dynamic Asia: What do the data show?", *Working Paper* No. 61 (Policy Integration Department, ILO).

Coche, I.; Kotschwar, B.; Salazar-Xirinachs, J.M. 2006. *Gender issues in trade policy-making*, OAS Trade Series (Organization of American States). Available at: [http://www.sice.oas.org/genderand-trade/genderissuesintp\\_e.asp](http://www.sice.oas.org/genderand-trade/genderissuesintp_e.asp) (accessed 7 June 2010).

Corley, M.; Perardel, Y.; Popova, K. 2005. "Wage inequality by gender and occupation: A cross-country analysis", *Employment Strategy Paper* No. 2005/20 (ILO).

Domínguez, E. et al. 2010. "Women workers in the maquiladoras and the debate on global labor standards", in *Feminist Economics*, Vol. 16, No. 4, pp. 185-209.

Doraisami, A. 2008. "The gender implications of macroeconomic policy and performance in Malaysia", in G. Berik; Y. Rodgers; A. Zammit (eds): *Social justice and gender equality: Rethinking development strategies and macroeconomic policies* (Routledge).

Ebrill, L.; Stotsky, J.; Gropp, R. 2001. "Revenue implications of trade liberalization", in D. Peretz; R. Faruqi; E.J. Kisango (eds): *Small states in the global economy* (Commonwealth Secretariat).

Elson, D. 1995. "Male bias in macroeconomics: The case of structural adjustment", in D. Elson (ed.): *Male bias in the development process* (Manchester University Press, second edition).

Elson, D. 1999. "Labor markets as gendered institutions: Equality, efficiency and empowerment issues", in *World Development*, Vol. 27, No. 3, pp. 611-627, Mar.

Elson, D.; Pearson, R. 1984. "The subordination of women and the internationalization of factory production", in R. McCullagh; C. Wolkowitz; K. Young (eds): *Of marriage and the market: Women's subordination internationally and its lessons* (Routledge & Kegan Paul).

- Emerging Textiles. 2007. *US apparel imports in 2006 (statistical report)*. Available at: <http://www.emergingtextiles.com> (accessed 7 June 2011).
- Fiala, R.; Tiano, S. 1991. "The world views of export processing workers in Northern Mexico: A study of women, consciousness, and the new international division of labor", in *Studies in Comparative International Development*, Vol. 26, No. 3, pp. 3-27, Dec.
- Fontana, M. 2007. "Modelling the effects of trade on women, at work and at home: A comparative perspective", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 117-140.
- Fontana, M. 2008. "The gender effects of trade liberalization in developing countries: A review of the literature", presented at the UNCTAD India International Seminar *Moving Towards Gender Sensitization of Trade Policy*, 25-27 February.
- Foreign Investment Advisory Service. 2004. *Cambodia: Corporate social responsibility and the apparel sector buyer survey results* (World Bank and International Finance Corporation).
- Fussell, E. 2000. "Making labor flexible: The recomposition of Tijuana's maquiladora female labor force", in *Feminist Economics*, Vol. 6, No. 3, pp. 59-79, Nov.
- Gladwin, C.H. 1991. *Structural adjustment and African women farmers* (University of Florida Press).
- Glick, P.; Roubaud, F. 2006. "Export processing zone expansion in Madagascar: What are the labour market and gender impacts?", in *Journal of African Economies*, Vol. 15, No. 4, pp. 722-756.
- Greenhalgh, S. 1985. "Sexual stratification: The other side of 'growth with equity' in East Asia", in *Population and Development Review*, Vol. 11, No. 2, pp. 265-314, June.
- Grown, C.; Seguino, S. 2006. "Gender equity and globalization: Macroeconomic policy for developing countries", in *Journal of International Development*, Vol. 18, No. 8, pp. 1081-1104.
- Harrison, A.; Scorse, J. 2010. "Multinationals and anti-sweatshop activism", in *American Economic Review*, Vol. 100, No. 1, pp. 247-273.
- Hazarika, G.; Otero, R. 2004. "Foreign trade and the gender earnings differential in urban Mexico", in *Journal of Economic Integration*, Vol. 19, No. 2, pp. 353-373, June.
- Hein, C.; Cassirer, N. 2010. *Workplace solutions for childcare* (ILO).
- Heintz, J. 2006. "Globalization, economic policy and employment: Poverty and gender implications", *Employment Strategy Paper* No. 2006/3 (ILO).
- Hertel, T. et al. 2009. "Why isn't the Doha development agenda more poverty friendly?", in *Review of Development Economics*, Vol. 13, No. 4, pp. 543-559.
- Hoddinott, J.; Haddad, L. 1995. "Does female income share influence household expenditure patterns: Evidence from Côte d'Ivoire?", in *Oxford Bulletin of Economics and Statistics*, Vol. 57, No. 1, pp. 77-96, Feb.
- Horton, S. 1996. *Women and industrialization in Asia* (Routledge).
- ILO. 2010. *Global wage report 2010/11: Wage policies in times of crisis* (Geneva).
- ILO. 2011. *LABORSTA Labour Statistics Database*. Available at: [www.laborsta.ilo.org](http://www.laborsta.ilo.org) (accessed 14 July 2011).
- Kabeer, N. 2004. "Globalization, labor standards, and women's rights: Dilemmas of collective (in)action in an interdependent world", in *Feminist Economics*, Vol. 10, No. 1, pp. 3-35, Mar.
- Kabeer, N.; Mahmud, S. 2004. "Globalization, gender and poverty: Bangladeshi women workers in export and local markets", in *Journal of International Development*, Vol. 16, No. 1, pp. 93-109.



## Trade and Employment: From Myths to Facts

- Khattry, B. 2003. "Trade liberalization and the fiscal squeeze: Implications for public investment", in *Development and Change*, Vol. 34, No. 3, pp. 401-424, June.
- Khattry, B.; Rao, J.M. 2002. "Fiscal faux pas? An analysis of the revenue implications of trade liberalization", in *World Development*, Vol. 30, No. 8, pp. 1431-1444, Aug.
- Klasen, S. 2002. "Low schooling for girls, slower growth for all? Cross-country evidence on the effect of gender inequality in education on economic development", in *The World Bank Economic Review*, Vol. 16, No. 3, pp. 345-373, Dec.
- Klasen, S.; Lamanna, F. 2009. "The impact of gender inequality in education and employment on economic growth: New evidence for a panel of countries", in *Feminist Economics*, Vol. 15, No. 3, pp. 91-132.
- Koggel, C. 2003. "Globalization and women's paid work: Expanding freedom?", in *Feminist Economics*, Vol. 9, No. 2-3, pp. 163-184, Jan.
- Kongar, E. 2007. "Importing equality or exporting jobs? Competition and gender wage and employment differentials in U.S. manufacturing", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 215-236.
- Kongar, E. 2008. "Is deindustrialization good for women? Evidence from the United States", in *Feminist Economics*, Vol. 14, No. 1, pp. 73-92.
- Koopman, J. 2009. "Globalization, gender, and poverty in the Senegal River Valley", in *Feminist Economics*, Vol. 15, No. 3, pp. 253-285.
- Kucera, D.; Milberg, W. 2007. "Gender segregation and gender bias in manufacturing trade expansion: Revisiting the 'wood asymmetry'", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 185-216.
- Latapí, A.E.; de la Rocha, M.G. 2009. "Girls, mothers, and poverty reduction in Mexico: Evaluating progress – Oportunidades", in S. Razavi (ed.): *The gendered impacts of liberalization: Towards embedded liberalism?* (Routledge).
- Lim, L. 1990. "Women's work in export factories: The politics of a cause", in I. Tinker (ed.): *Persistent inequalities: Women and world development* (Oxford University Press).
- Maurer-Fazio, M.; Rawski, T.G.; Zhang, W. 1999. "Inequality in the rewards for holding up half the sky: Gender wage gaps in China's urban labour market, 1988–1994", *The China Journal*, Vol. 41, pp. 55-88, Jan.
- Mehra, R.; Gammage, S. 1999. "Trends, countertrends, and gaps in women's employment", in *World Development*, Vol. 27, No. 3, pp. 533-550, Mar.
- Menon, N.; Rodgers, Y. 2009. "International trade and the gender wage gap: New evidence from India's manufacturing sector", in *World Development*, Vol. 37, No. 5, pp. 965-981, May.
- Milberg, W.; Tejani, S. 2010. "Global defeminization? Industrial upgrading, occupational segmentation and manufacturing employment in middle-income countries", *SCEPA Working Paper* No. 2010-1 (New School for Social Research).
- Ngai, P. 2007. "Gendering the dormitory labor system: Production, reproduction, and migrant labor in south China", in *Feminist Economics*, Vol. 13, No. 3-4, pp. 239-258.
- Oostendorp, R. 2009. "Globalization and the gender wage gap", in *World Bank Economic Review*, Vol. 23, No. 1, pp. 141-161.
- Otobe, N. 2008. "The impact of globalization and macroeconomic change on employment in Mauritius: What next in the post-MFA era?", *Employment Working Paper* No. 9 (Employment Policy Department, ILO).

- Özler, S. 2007. "Export led industrialization and gender differences in job creation and destruction: Micro evidence from the Turkish manufacturing sector", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 164-184.
- Paul-Majumder, P.; Begum, A. 2000. "The gender imbalances in the export oriented garment industry in Bangladesh", *Working Paper* No. 12 (Development Research Group, World Bank).
- Perez, M.; Schlesinger, S.; Wise, T.A. 2008. *The promise and the perils of agricultural trade liberalization: Lessons from Latin America* (Washington Office on Latin America and The Global Development and Environment Institute, Tufts University).
- Polaski, S. 2009. "Harnessing global forces to create decent work in Cambodia", *Research Series* No. 119 (ILO).
- Psacharopoulos, G.; Tzannatos, Z. 1992. *Case studies on women's employment and pay in Latin America* (World Bank).
- Rani, U.; Unni, J. 2009. "Do economic reforms influence home-based work? Evidence from India", in *Feminist Economics*, Vol. 15, No. 3, pp. 191-225.
- Rodgers, Y.; Zveglic, J.; Wherry, L. 2006. "Gender differences in vocational school training and earnings premiums in Taiwan", in *Feminist Economics*, Vol. 12, No. 4, pp. 527-560, Oct.
- Seguino, S. 1997. "Gender wage inequality and export-led growth in South Korea", in *Journal of Development Studies*, Vol. 34, No. 2, pp. 102-132.
- Seguino, S. 2000. "Accounting for gender in Asian economic growth", in *Feminist Economics*, Vol. 6, No. 3, pp. 22-58, Nov.
- Sen, A. 1990. "Gender and cooperative conflicts", in I. Tinker (ed.): *Persistent inequalities: Women and world development* (Oxford University Press).
- Siddiqui, R. 2009. "Modeling gender effects of Pakistan's trade liberalization", in *Feminist Economics*, Vol. 15, No. 3, pp. 287-321.
- Standing, G. 1989. "Global feminization through flexible labor", in *World Development*, Vol. 17, No. 7, pp. 1077-1095, July.
- Standing, G. 1999. "Global feminization through flexible labor: A theme revisited", in *World Development*, Vol. 27, No. 3, pp. 583-602, Mar.
- Van Staveren, I. 2007. "Gender indicators for monitoring trade agreements", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 257-276.
- Vijaya, R. 2003. "Trade, skills and persistence of gender gap: A theoretical framework for policy discussion", *International Gender and Trade Network Working Paper* (Washington, DC). Available at: [http://www.iiaav.nl/epublications/2003/Trade\\_skills.pdf](http://www.iiaav.nl/epublications/2003/Trade_skills.pdf) (accessed 14 July 2011).
- Weichselbaumer, D.; Winter-Ebmer, R. 2005. "A meta-analysis of the international gender wage gap", in *Journal of Economic Surveys*, Vol. 19, No. 3, pp. 479-511, July.
- Williams, M. 2007. "Gender issues in the multilateral trading system", in N. Çağatay et al. (eds): *The feminist economics of trade* (Routledge), pp. 277-291.
- Wood, A.; Ridao-Cano, C. 1999. "Skill, trade, and international inequality", in *Oxford Economic Papers*, Vol. 51, No. 1, pp. 89-119.