

# *Gender Aspects of Trade*

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## *Gender and Trade*

Main Question: What is the record of trade liberalization and expansion in reducing gender inequalities within countries?

- Since the 1980s gender-aware research examined the pathways by which trade policies and outcomes interact with gender relations.
- Trade policies affect gender outcomes via:
  - Changes in the structure of economy (availability and types of employment; remuneration)
  - Tariff revenues (size and composition of government expenditure)

## *Gender-aware Research on Trade*

- Thus, key gender variables of interest:
  - *Macro level*: Gender-differentiated employment and wage outcomes; Types of jobs created.
  - *Meso level*: public provision of social services that are likely to benefit women and children
  - *Micro level*: Unpaid and paid workload (time use); autonomy; capabilities.
- Gender inequalities also affect trade outcomes by shaping the country's trade patterns/outcomes.

## *Gender-Aware Research: Methodological Starting Points*

- Gender lens: gender intersects with social class, ethnicity differences.
- Measure economic success in terms of wellbeing (*capabilities*).  
Income as one means.
- The economy as a series of integrated paid and unpaid activities that support livelihoods.
- Use variety of research methodologies: examine *outcomes* and the *processes* that underlie them (process: attn to power, agency)
- Goal:. Develop policies for ender equitable wellbeing. (Explicit about ethical concerns)

## *Gender Impacts of Trade: Theoretical Perspectives*

- *Standard International Trade Theory:*  
Gender equitable effects of trade liberalization in developing countries (via rise in demand for relatively less skilled labor)
- *Becker's theory of labor market discrimination:*  
Gender equitable effects of greater competition induced by rising imports (via erosion of rents paid to male workers and rise in demand for equally-skilled, lower-paid women workers).
- *Non-neoclassical labor economics:* With import competition, adverse gender employment and wage effects likely (job losses, rising job competition.)

## *Employment: A Global Feminization*

- Expansion of women's employment in labor-intensive export sectors (Standing 1989, 1999; Mehra and Gammage 1999)
- EPZs/FTZs/SEZs--institutional structure for mobilizing labor. Continued expansion--China and India recently (Milberg and Amengual 2008)
- Women workers preferred in EPZs and non-EPZ export sectors:
- Lower unit labor costs achieved with women workers.
  - How? Gender norms condition availability and type of jobs.

## *Employment: A Global Feminization (cont'd)*

- *Lower wage rates relative to men*
  - Devaluation of women's labor (perceived as less skilled and less deserving)
  - Short-term employment (limited tenure and turnover; temporary contracts)
- *High (higher?) productivity*
  - Long hours, excessive OT, continuous work schedules: export performance based on volume rather than unit price.
  - Low wage rates encourage productivity.
  - Institutional arrangements (Pun Ngai 2007)
    - Temporary residency and work permits.
    - Dormitory labor systems.

## *Employment: A Global Feminization (cont'd)*

- *Flexibility and lower risk for employers*
  - Temporary, seasonal, casual work; lack of contract; home-based work; in lower-rungs of global supply chains.
  - Due to weakening enforcement and labor market deregulation.
  - *Informalization* of employment.
  - Decline in employment and income security. *Downward harmonization* of pay and working conditions.  
E.g. Home-based work in India (Rani and Unni 2009)



## *Wages and Benefits in Export Sectors*

- Debate on EPZs: whether offer better alternative than non-EPZ jobs (Lim 1990; Kabeer and Mahmud 2004; Milberg and Amegual 2008)
  - The adequacy of local yardstick? Questionable use of monthly or annual earnings for comparison (not hourly).
- Prediction on trajectory: wage growth over time as EPZs expand.
  - China
  - Mexican EPZs (Fussell 2000)
    - Decline in real wages
    - Change in composition of workers: men; women with little education (downward harmonization).
  - Bangladeshi EPZs/non-EPZ export sector (Berik and Rodgers 2008)

## *Gender Wage Gaps*

Prediction: narrowing of gender wage gap over time with rise in demand for women workers.

- Weichselbaumer and Winter-Ebmer (2005): Gender wage differentials declined globally but discrimination portion of the gap has not closed.
- Rising discriminatory wage gaps in Bangladesh, China and Viet Nam (Khatun et al. 2008; Maurer-Fazio et al. 1999; Liu 2002)
- Standard Trade Theory: evidence of widening gaps between skilled and unskilled.

## *Gender Wage Gaps (cont'd)*

- Becker's Theory: mixed evidence.
- Oostendorp (2009): Cross-country support--decline in gender wage gap in low-skilled occupations in developing countries.
- Country studies:
  - Black and Brainerd (2004): U.S.: support.
  - Kongar (2007): A reexamination with attn to employment shifts. No support.
  - Berik, Rodgers, Zveglic (2004): Taiwan and Korea: no support.
  - Menon and Rodgers (2009): India: no support.

## *Gender Wage Gaps (cont'd)*

- Why contrary evidence? Underlying process: Bargaining power differences among workers vis-à-vis employer; investor and buyer mobility.
  - Trade liberalization together with investment liberalization constrains ability of workers to improve their working conditions. Even when women workers' education levels rise, employers pay them less than equally qualified men.
  - Developing country governments unwilling and unable to enforce labor laws for fear of losing FDI. Resistance to implement new laws in EPZs (e.g. Bangladesh).
  - Bronfenbrenner (2001): threat of firm mobility in US exerts downward pressure on wages and working conditions (if not immediate job losses).

## *Global Employment Shifts and Volatility*

- With trade and investment liberalization, employment gains for women workers in one geography are often associated with employment losses elsewhere.
  - Kucera and Milberg (2000); Kletzer (2002); Vijaya and Callahan (2009): rise in import competition disproportionately hits female-intensive sectors.
  - End of the ATC: Shift in exports and employment from Central America and Africa to Asia (esp. China). Decline (and rise) in EU and US market shares.
  - Absolute export declines in small countries.
  - Other Asia: intensification of price competition.
- Segregation in export sectors creates vulnerability to crises (contraction in markets).

## *Industrial Upgrading and Employment*

- In countries where export diversification and industrial upgrading occurred, women's share of employment has declined (*defeminization*).

Berik (2000): with rising skill composition average wage levels of women declined relative to men and in absolute sense.

Possibilities:

- Supply of skilled women workers is limited. But rapid closing of educational gaps and most “skilled” jobs require limited skills, short ojt.
- Employers consider men as more skilled and deserving and discriminate against women in hiring and placement. New pattern of segregation.

## *Effects of Gender Inequalities on Trade Outcomes*

Gender inequalities have served as stimulus to trade, investment, and growth in semi-industrialized countries.

- Seguino (1997; 2000): Large wage gaps relieved foreign exchange constraint and industrial policy allocated foreign exchange to import technology and the inputs for moving up the industrial ladder.
  - Labor market inequality has macroeconomic implications.

## *Effects of Gender Inequalities on Trade Outcomes (Cont'd)*

- Greenhalgh (1985): In the 1970s, women workers' support for education of brothers increased supply of skilled labor that complemented the change in industrial structure.
  - Intra-household inequality has macro implications.
- Busse and Spielmann (2006): Cross country and panel analysis: Consistent with trade theory, gender wage inequality boosts comparative advantage in labor-intensive manufactured goods.
- Serious obstacle to improving gender wage inequality.
- But, in the long-run, gender wage inequality likely to be detrimental to well-being as well as being unfair:
  - Educational gaps, child-wellbeing, fertility.



## *Trade Liberalization and Tax Revenues*

- Trade affects unpaid workload in the home, mostly by women, through its effect on tariff revenues. Trade lib. in low-income developing countries has reduced tax revenues and constrained public sector budgets (Khattry and Rao 2002):
  - Cuts in food subsidies: increased informal paid labor.
  - User fees in health care: increased unpaid care work, sometimes girls taken out of school.
  - Increase in water tariffs under privatization of water services has reduced access and increased unpaid work.
  - Deterioration of roads and water infrastructure: unpaid burden likely increased.

## *Trade Liberalization in Agriculture*

- Trade liberalization combined with agricultural subsidies to a highly efficient agriculture in EU and US undermines livelihoods of small farmers: squeeze between rising input prices and falling farm prices due to cheaper imports.
  - Perez, Schlesinger, and Wise (2008): NAFTA, South America.
  - Koopman (2009): Senegal case of decline in food security over three decades of development interventions; women's attempts to market vegetables thwarted by liberalized trade, insecure land rights of women; and lack of credit. EU's EPAs viewed as threat.

## *Intra-household Effects of Trade Liberalization*

- Increase in women's employment in export sectors has the potential to improve their fallback position and, via gendered consumption patterns, child wellbeing and future productivity growth.
- Positive effects on women's autonomy are documented in the case of formal factory jobs (e.g. Kabeer 2000).
- CGE models examine effects of trade liberalization:
  - Fontana (2007) paid work increased, wage gaps and unpaid work declined in Bangladesh; opposite effects in Zambia;
  - Siddiqui (2009): Pakistan increase in women's paid work and income; widening gender gaps in domestic labor, literacy rates, infant mortality among poor households.

## *Policies to Promote Gender Equality*

Reforms at domestic and international levels are necessary to address the adverse gender impacts of trade.

Need a new macroeconomic framework to promote gender equality along with economic growth. Must manage trade as well as move away from restrictive fiscal policy and revisit investment liberalization.

Three areas for reform:

- 1) Provide employment and income security to those hurt by changing trade specialization and reduce incentives to move jobs.

## *Policies to Promote Gender Equality (cont'd)*

- Adequate trade adjustment assistance to workers *and* communities dependent on these workers (via safety nets; job retraining).
  - Proactive measures to create disincentives for moving employment (via trade agreements, tax policies, strengthen labor laws).
- 2) Provide exemptions from agricultural trade liberalization in developing countries and EU and US bilateral and trade agreements should provide ways of exempting basic subsistence sectors from reciprocal trade liberalization.

## *Policies to Promote Gender Equality (cont'd)*

### 3) Facilitate creation of decent jobs:

- Revitalize GSP with emphasis on labor standards compliance and a new local role for the ILO (duty free but more flexible rules of origin and remove exemptions).
  - Currently: combination of approaches (social clauses; voluntary codes of conduct; ILO's decent work agenda). The status quo. The problem: lack of bite.
  - Cambodia's program: Innovative elements of *Better Factories Cambodia* (ILO as monitor; U.S. market access as reward). Need to implement in all LDCs (GSP-type).

## *Policies to Promote Gender Equality (cont'd)*

- Scope for improvement in this approach: increase transparency; track FACB rights and anti-discrimination law; tackle mobility of capital to ensure sustainability of this approach.
- Need complementary domestic policies to address both labor and non-labor aspects of competitiveness.
  - Non-labor components of costs and supply bottlenecks:
    - Organizational changes in the workplace to reduce the need for OT (*pedagogical approach* (Amengual 2009))
    - Infrastructural investments to remove persistent bottlenecks (telecommunications, electricity) and indirect costs.

## *Policies to Promote Gender Equality (cont'd)*

- Industrial policy to facilitate the move out of the highly competitive, high volume export niche. Export product and market diversification.
  - But financing? Policy space?
- Orient production structures towards greater reliance on domestic demand (investment in health, education, infrastructure).
- Address gender equalities in access to land, credit for small farmers.
- Continued investments in education and vocational training with a view to closing gender education gaps.