

The Impact of Trade Liberalization on Gender Equality

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Issues

- Does trade create jobs for women?
- How would we expect trade to affect gender wage gaps?
- What is the evidence on trade and gender wage gaps?
- Do gender inequalities in access to resources limit women's opportunities?
- Policy issues



Does trade create jobs for women?

- theory:

- trade creates or expands some activities and destroys or diminishes other activities
- trade benefits sectors that have a comparative advantage such as labor-intensive sectors in developing countries
- workers are likely to benefit in expanding sectors

- fact:

- unequal gender distribution across sectors
- women tend to be overrepresented in labor-intensive export sectors in developing countries



- hypothesis:

- trade creates relatively more jobs for women
- wages are higher than in previous activity

- evidence:

- strong positive correlation between change in female intensity of manufacturing and change in export ratio (35 developing countries)
- women in export-oriented industries typically earn more than they would have in traditional sectors



Wage employment and the quality of life of women

- increased (cash) income
- improved status and bargaining position in the family

But:

- higher job reallocation rates (Levinsohn 1999, Ozler 2001)
- long working hours
- lack of evidence on the hidden costs of
 - long working hours (health status)
 - migration (social isolation)



How would we expect trade to affect gender wage gaps?

- facts:

- female to male earnings ratio is 0.77 in developed countries and 0.73 in developing countries
- >80% of this gender wage gap is unexplained for after controlling for gender differences in education, work experience and job characteristics.



● theory:

- trade can narrow the gender wage gap:
 - ⇒ more competition ⇒ less discrimination (Becker 1971)
 - ⇒ expansion of job opportunities for women (Wood 1991)
 - ⇒ economic growth ⇒ falling gender disparities in human capital (World Bank 2001)
- trade can increase the gender wage gap
 - ⇒ if increases in skill premium
 - ⇒ if weakening of bargaining power with increasing capital mobility
 - ⇒ if adverse GE effects on other sectors in market economy and unpaid household economy (Fontana and Wood 2000)



What is the evidence on the impact of trade on gender wage gaps?

- cross-country study 1983-99 (Oostendorp 2004)
 - trade tends to narrow the gender wage gap *within occupations*
 - exception is high-skill occupations in poorer countries
- US 1977-94 (Black and Brainard 2002)
 - increase in imports reduced gender wage gap more in concentrated versus competitive industries
- Mexico 1987-93 (García-Cuéllar 2000, Artecona *et al.* 2002):
 - increase in imports reduced gender wage gap more in concentrated versus competitive industries
- South-Korea and Taiwan 1980-99 (Berik *et al* 2003)
 - increase in imports increased gender wage gap more in concentrated versus competitive industries
- Madagascar 1997-99 (Nicita and Razzaz 2003)
 - increasing gender wage gap for skilled and unskilled workers



Do gender inequalities in access to resources limit women's opportunities?

- resources versus discrimination:

- Vietnam 2002 (VERN): decomposition of wage inequality across *all* wage workers:
 - human capital differences: 75%
 - location differences: 24.2%
 - gender: 10.2%

- different types of resources:

- human capital
- natural capital
- financial capital
- technology
- social capital
- mobility (capability)



What are the policy challenges?

- unequal access to resources (education and skills for women)
- imperfect labor markets
 - gender discrimination (anti-discrimination laws)
 - non-compensated long-term health costs
 - long working hours and un(der)paid overtime (labor rights)
- job insecurity through job reallocation (social protection)
- social cost of migration
- competitiveness



Examples of trade-related gender policies

- gender policies to integrate women:
 - reduce gender inequities in access to resources
 - improve competition (to reduce discrimination)
- gender policies to enhance competitiveness:
 - negative examples:
 - rejection of “Gender Equal Employment Bill” in Taiwan because employers threatened to move jobs out of the country or not to hire women
 - policies discouraging career development (marriage laws, unequal access to education, occupational segregation)
 - positive example: stimulate female labor force participation and education in Western Europe to enhance global competitiveness (within context of globalization and aging of population)

