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TRADE AND GENDER: ISSUES AND INTERACTIONS

by

Jane Korinek

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ABSTRACT

Increased global integration affects groups of individuals differently. This paper examines ways in which greater integration through trade impacts women and men differently, and ensuing implications for growth. The paper finds that trade creates jobs for women in export-oriented sectors. Jobs that bring more household resources under women’s control lead to greater investments in the health and education of future generations. Although women are more than ever formally employed, differences in wages earned by men and women persist in all countries. Women also have less access to productive resources, time and, particularly in many developing countries, education. Professional women continue to encounter discrimination in hiring and promotion, including in OECD countries. The impact of trade liberalisation on women is important not only because they represent over half of any population, but also because they face constraints which make them less able to benefit from liberalisation. Once different impacts are ascertained, well-designed policy responses may aid women in taking advantage of greater openness to trade.

Keywords: gender, trade liberalisation, economics of gender, discrimination against women.

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I. Executive Summary and Introduction

1. This paper analyses how trade liberalisation influences gender balance and ensuing implications for growth, particularly in OECD non-member countries. It finds that trade creates jobs, particularly for women in export-oriented sectors. Women comprise between 53% and 90% of the employed in many export sectors in middle-income developing countries. These jobs bring more household resources under women’s control, which in turn has a positive effect on investments in the health and education of future generations.

2. The effect of trade on the gender wage gap and other gender discriminations however, is unclear, both theoretically and empirically. There is some evidence that women are constrained from moving into more skilled, higher-paying jobs created by trade liberalisation because they have less access to resources, education and time.

3. Women are heavily employed in two sectors that continue to undergo adjustment and change due to trade liberalisation: agriculture, and textiles and clothing. It is found that women are generally more constrained than men from reaping the benefits from the expansion of trade in agriculture. Limited access to productive resources often prevents them from adopting new technologies or increasing their economies of scale.

4. Export-oriented textiles and clothing production has brought employment to women and strengthened growth in many developing countries, providing greater independence and access to household resources for many women. It is unclear, however, to what extent the sector will ensure long-term growth, due to the potential displacement of jobs to lower-cost countries, the phase-out of the MFA, and the potential for reinforcement of the gender wage gap.

5. Increased trade and investment makes the cross-fertilisation and circulation of ideas easier, including changes in attitude toward professional women. This is the case even in OECD countries where there are few women in top jobs (The Economist, 23 July 2005).

6. Women’s and men’s differences in orientations, starting conditions, and access to education, employment and resources, mean that they are affected differently by trade liberalisation and unequally take advantage of the opportunities that trade offers. Women in developing countries are often poorer, less educated, receive lower wages, have less access to resources and are more constrained in their employment choices than men. Since the gender gap in access to productive resources and employment is often greater in developing countries than in OECD countries, many of the cited studies in this paper are taken from OECD non-member countries.

II. Gender balance affects growth

7. Both micro- and macro-level studies indicate that gender inequality inhibits long-term growth. This is true for two reasons. Firstly, better-educated women with more control over household resources have been shown to bring an increase in spending on children’s education, health and nutrition, thereby investing in future generations and the future labour force. This is particularly true in developing countries where household resources are relatively scarce. Secondly, unused female
potential in terms of lower levels of education, employment, remuneration and access to productive resources implies that the allocation of economy-wide resources is sub-optimal.

**Gender inequality leads to an inefficient allocation of resources**

8. Women generally have less access to paid employment, and lower levels of educational attainment than men in developing countries; they are paid less for their labour at comparable skill attainment levels, and they have less access to land, credit and capital (UNCTAD 2003). Imperfect information on women’s land ownership and their ability to pay back loans, coupled with traditional prejudices, leads to sub-optimal allocation of credit and capital. Credit, capital and productive inputs are allocated away from small female landowners and entrepreneurs.¹

9. Labour force participation rates for men are higher than those for women in all regions of the world. Female labour force participation varies greatly among regions, however, with women’s share of the labour force ranging from 25% in the Middle East and North Africa (MENA) to 45% in Europe and Central Asia and in East Asia and the Pacific (World Bank 2001).

10. The UNDP Arab Human Development Report underlined the inefficient allocation of resources within the MENA region due to low participation rates of women:

   > The Arab world is largely depriving itself of the creativity and productivity of half its citizens. As women number half or more of any population, neglecting their capabilities is akin to crippling half the potential of a nation. This is exacerbated by the fact that even in those cases where some women are part of the economic arena, they suffer from extraordinary opportunity deficits, evident in employment status, wages, gender-based occupational segregation and other barriers. These factors block the full integration of women into the economic and intellectual life of their countries (UNDP 2002).

11. Women and men work in different professions.² Women are over-represented in service occupations, clerical jobs, sales, and professional and technical jobs, particularly in OECD countries. Men are highly over-represented in production jobs as well as in higher-paid administrative and managerial jobs (World Bank 2001).

12. In many developing countries, women and girls on average attain lower levels of education than men and boys. They are therefore less productive and earn less than their male counterparts. Even at comparable skill levels, however, women earn less than men. On average, women earn 77% of men’s wages in developed countries. Less than 20% of this earnings gap can be explained by educational attainment or work experience. In developing countries, women’s earnings represent 73% of men’s earnings (see Table 1).

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¹ The underlying analysis here views gender bias in the context of imperfect information that results in allocative inefficiencies. It is inspired from the analyses by George Akerlof, Michael Spence and Joseph E. Stiglitz on imperfect, asymmetric information and its effect on market efficiency. A short summary of their work and list of related publications can be found at:


² Akerlof and Kranton (2000) create a game-theoretic model showing how identity affects economic outcomes. The model’s utility function incorporates different behaviours linked to or influenced by identity. The model is adapted to gender discrimination in the labour market and explains employment patterns arising from associations between gender and occupational choice.
Table 1. Relative earnings of Women and Men

<table>
<thead>
<tr>
<th></th>
<th>Female to male earnings ratio</th>
<th>Gender wage gap</th>
<th>Portion of gap unexplained (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>0.77</td>
<td>0.23</td>
<td>80.4</td>
</tr>
<tr>
<td>Developing countries</td>
<td>0.73</td>
<td>0.27</td>
<td>82.2</td>
</tr>
</tbody>
</table>

Note: The gender gap in earnings is the proportional difference between average female and male wages (1 minus the female to male earnings ratio). The unexplained portion of the gender gap in earnings is the portion not explained by an individual’s characteristics, such as educational attainment and work experience, and by job characteristics.


13. Women often have less access to land because of inheritance laws and practices. When they own farmland, their plots are generally smaller than those owned by men. In Mexico for example, women own less than 20% of all farmland. Female landowners tend to own smaller plots than men. In 2000, 56% of female farmers compared to 35% of male farmers owned less than two hectares of land (White, Salas and Gammage 2003). Cagatay (2001) suggests that gender inequalities hinder successful performance in agricultural economies where smallholder producers predominate.

14. A fundamental problem in many developing countries is the lack of adequate legal and institutional frameworks for property rights. Up to 4 billion people worldwide are effectively excluded from participation in the global economy because their property is not rightfully recorded (ILO 2004). They are thus deprived of the legal identification, and the forms of business that are necessary to enter the global market place. This implies that their assets, notably land and housing, are “dead capital” because they cannot be used as loan collateral, therefore discouraging credit and investment. Lack of property rights decreases the potential for growth and development of millions of small enterprises, many of them managed by and employing women.

15. The need for property rights reform, linked to gender-differentiated employment, was addressed in the WTO Trade Policy Review of Fiji where “Members raised issues concerning particular constraints on Fiji’s development, such as questions relating to skill development, employment by ethnic and gender groups, and land tenure issues including changes to the Agricultural Landlord and Tenant Act” (WTO, 1997).

16. Women generally have less access to inputs, information and technology. In agriculture, women use less fertiliser, farming equipment and other inputs. They have less access to training and agricultural extension programmes. It is estimated that women farmers in Kenya could increase yields by 9%-24% if they had the same experience, input and education as men (Commonwealth Secretariat 2004).

17. Women also have scarcer access to financial services which effectively inhibits them from purchasing needed capital or inputs in order to expand production facilities. It is estimated that women receive less than 10% of all credit extended to small farmers and less than 1% of total credit going to the agricultural sector (World Bank 2001).

18. Even in OECD countries, women have less access to resources such as finance, informal business networks and time. In Canada, despite active campaigns by some major banks to capture the women’s market, it is more difficult for women to obtain business credit than for men. This is despite world-wide evidence that women have demonstrated high loan repayment rates, with default rates significantly lower than men’s (Peebles, 2005).

19. Establishing access to markets and information is key for new businesses. Many women entrepreneurs are particularly skilled at networking and making contacts. What they lack is access to
the traditional “old boys” networks. Informal contacts and decision-making often occur between men, sometimes at social functions. While not deliberately exclusionary, these informal networks nonetheless limit women’s market information opportunities (Peebles, 2005).

20. Women have less access to time which implies constraints particularly for women’s professional training activities and business travel. Statistics Canada reports that women with a spouse and at least one child under 19, who were employed full-time, spent 4.9 hours per day on unpaid work activities, averaging one and a half hours more than their spouses (Peebles 2005).

**Women invest more in the future labour force**

21. There is much evidence that better-educated women raise healthier, better-educated children. This is a major “positive spillover” from investments in girls’ and women’s education (Barro 1997). In the medium to long term, healthier, better-educated children grow to constitute a more highly-skilled, productive workforce.

22. The effect of women’s education on children’s health can be measured by the effect of women’s education on infant mortality. One study that analyses the causes of infant mortality observes that a 10 percentage point increase in female primary school enrollment lowers the infant mortality rate on average by 4.1 deaths per 1,000 live births, controlling for other factors. A similar rise in the female secondary enrollment rate is associated with another 5.6 fewer deaths per 1,000 live births (Hill and King 1995).

23. The gender gap in education is not all that matters for investment in future generations: women’s access to resources at the household level is also a major factor. Micro-level studies find that women who have more control over household income spend more on children’s education, family health and nutrition (Thomas 1990; Thomas, Contreras and Frankenberg 1997; Hoddinott and Haddad 1995; Khandker 1998; Pitt and Khandker 1998; World Bank 2001).

24. A study in Brazil shows that additional income in the hands of women has a greater positive impact on child survival and nutrition than does additional income in the hands of men. Increases in household income -- regardless of who controls that income -- are associated with improvements in child survival probabilities and in children’s height-for-weight and height-for-age measures. But the marginal impacts are substantially greater if the income is in the hands of the mother. The marginal effect of female-controlled income on child survival is almost 20 times larger than that for male-controlled income. For weight-for-height measures, it is about eight times larger and for height-for-age, about four times larger. These results are explained by additional household income controlled by women enlarging the share of the household budget devoted to education, health, and nutrition-related expenditures, at the margin (Thomas 1990; Thomas et al. 1997).

25. In Cote d'Ivoire, increasing women’s share of income in the household significantly increases the share of the household budget allocated to food and reduces the share spent on alcohol and cigarettes, controlling for average per capita expenditure, household size, and demographic composition. In Bangladesh, borrowing by women from other micro-finance institutions shows a greater impact on child welfare than does borrowing by men. It has a greater positive impact on both girls’ and boys’ school enrollments and a large and statistically significant effect on children's nutritional status (Khandker 1998; Pitt and Khandker 1998).

**Gender inequality inhibits growth**

26. Almost all of the published research points to an inverse relationship between gender inequality and growth. Gender inequality is often measured as the difference in educational attainments or
eductional opportunities between men and women, or by their wage differentials. At the macro-level, many findings point to gender inequality in education and employment having a significant negative impact on economic growth (Klasen 1999, Hill and King 1995, Dollar and Gatti 1999).

27. A recent study finds the effect of gender inequality on growth in developing countries over a 30-year period has been highly significant. The study simulates the effect on growth if sub-Saharan Africa, South Asia and MENA had had the same initial female to male enrollment ratio as East Asia did in 1960, and had closed their gender gaps in schooling at the same rate as East Asia did between 1960 and 1992. Findings suggest that average per capita growth over the period would have been 64% higher in Sub-Saharan Africa, 40% higher in South Asia and 32% higher in MENA if initial gender enrollment conditions and enrollment gender gaps had mirrored those in East Asia (Klasen 1999).

28. In conclusion, a review of the literature suggests that gender biases that limit women’s access to resources, education and employment create economic inefficiencies in both OECD and developing countries. The gender wage gap, which implies that women’s wages are not paid at the (male) market rate, implies an inefficient allocation of labour and skewed investment in human capital to the detriment of women and girls. These market imperfections can be regarded as stemming from imperfect information flows due to historical, cultural and traditional societal mores.

29. These market imperfections affect the growth and development of the global economy and, importantly for this paper, impact the way in which economic phenomena such as trade and investment liberalisation translate into economic growth.

III. Trade liberalisation affects women and gender balance

30. Evidence shows that trade tends to increase the availability of wage jobs for women, particularly in export sectors. For many women, more integrated markets have resulted in an improvement in their economic and social status. They include the millions of women workers newly absorbed into the global production system for whom wage employment has brought higher incomes. For some, formal, paid employment has replaced unpaid work in the home or paid employment in the informal economy. Wage employment has also given some women greater economic independence and more control over household resources, and has often raised their social status within even the most oppressively patriarchal societies.

31. But some defining factors, such as continued gender discrimination, lower skill levels, and gender inequalities in access to resources, may impede women’s ability to benefit from trade expansion. Integrating markets bring shifts in the structure of employment and changes in worker productivity. In many developing countries, urban work opportunities are increased, inducing more people to leave agriculture and move to the cities. When economic change gives rise to new sectors and erodes the dominance of others, it produces winners and losers, especially in the short run as new jobs compete with existing ones and better-equipped workers move into rising sectors.

More women find paid employment

32. Trade expansion over the last forty years has brought about an increase in labour-intensive exports from developing countries. Employers in these industries have predominantly hired women,  

3 There is also a growing literature on the combined effect of educational and trade reforms. The combined effect of educational and trade reforms has a much stronger impact on poverty alleviation than does trade reform alone, with the number of poor (living below USD 2 per day) falling by ten times as much (Hertel and Winters 2005). The authors ascertain that complementary reforms are required in order to make deep inroads into the poverty problem in most developing countries.
and the growth of exports such as textiles and clothing, shoes, jewelry, and electronics has almost always been accompanied by a significant increase in female wage employment in the formal sector. Increases in female wage employment have given women greater access to income, and have changed their position in society. Numerous studies point to the change in women’s status and bargaining power within the household as well as obtaining greater control over household resources.

33. Women’s participation in export industries such as textiles, clothing, pharmaceuticals, food processing, electronics and toy production, has been between 53% and 90% of the labour force (see Table 2). Many of these jobs in light-manufacturing export sectors are newly created. Many are located in export processing zones – between 33% and 88% of total exports in the selected sectors were produced in export processing zones. One source suggests there are 50 million jobs in export processing zones worldwide, and 80% of these are held by women (ICFTU 2005). Export processing zones are subject to a different set of regulations in some countries; in some others, regulations are implemented less stringently; many zones have their own systems of labour administrations (OECD 2000).

Table 2. Women’s share of employment in selected export-led industries in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Total employment (2003)</th>
<th>Female employment (% share)</th>
<th>Main sectors of production</th>
<th>EPZ exports as % of total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cape Verde</td>
<td>11 041</td>
<td>88</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Kenya</td>
<td>27 148</td>
<td>60</td>
<td>Clothing, pharmaceuticals, tea processing</td>
<td>80</td>
</tr>
<tr>
<td>Malawi</td>
<td>29 000</td>
<td>51</td>
<td>Textiles, cotton</td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>83 609</td>
<td>66</td>
<td>Textiles, clothing, food processing, footwear, jewelry</td>
<td>77</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2 121 000</td>
<td>62</td>
<td>Textiles, clothing, food processing, leather, pharmaceuticals</td>
<td>60</td>
</tr>
<tr>
<td>China</td>
<td>30 000 000</td>
<td>70</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>39 000</td>
<td>70</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>322 000</td>
<td>54</td>
<td>Electronics, food processing, services, pharmaceuticals</td>
<td>83</td>
</tr>
<tr>
<td>Pakistan</td>
<td>410 540</td>
<td>82</td>
<td>Electronics, chemicals, toys, precision mechanics, clothing, leather, food processing, plastic</td>
<td>87</td>
</tr>
<tr>
<td>Philippines</td>
<td>820 960</td>
<td>74</td>
<td>Electronics, textiles, leather</td>
<td>33</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>461 033</td>
<td>78</td>
<td>Textiles, clothing, rubber products</td>
<td>33</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td>181 130</td>
<td>53</td>
<td>Textiles, services</td>
<td>80</td>
</tr>
<tr>
<td>Guatemala</td>
<td>69 200</td>
<td>70</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td>106 457</td>
<td>67</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Jamaica</td>
<td>20 000</td>
<td>90</td>
<td>Clothing, electronics</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>1 906 064</td>
<td>60</td>
<td>Plastics, machine spare parts, packaging material, electronic components, wire, metal stamping, steel, chemicals, clothing, wood products</td>
<td>83</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>40 000</td>
<td>90</td>
<td>Textiles</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: UNCTAD, Trade and Gender.

34. Many of the new jobs in export sectors have been filled by new entrants into the formal economy. In Madagascar, women accounted for three-quarters of the country’s nearly 140,000 textile and apparel workers in 1999. 85% of the women who found new employment in the textile sector had
never formally received any monetary income, compared with 15% of new male entrants (World Bank 2004).

35. In Bangladesh, with the rise of the export-oriented clothing industry and the resulting increase in wage opportunities for young women, families have overcome social resistance to women’s work outside the home. Growth in the ready-made clothing industry has created close to two million jobs in the formal economy, over three-quarters of them filled by women. Their increased employment has changed the view of women’s economic sphere and has reportedly increased women’s social status, their control of income, and their decision-making power in the family (Oxfam 2004).

36. Strong export-led growth in Southeast Asia, coupled with appropriate policies, has helped to strengthen gender equality over the last fifty years in that region. Firstly, many countries in Southeast Asia implemented strong programmes that urged basic education for all which particularly benefited young women and girls. Secondly, a sustained increase in the demand for labour during the period of rapid growth drew large numbers of women into the labour force. Key export industries such as textiles and electronics relied heavily on relatively unskilled, but generally literate, women. In 1970 women made up 26-31% of the labour force in Indonesia, Malaysia and Singapore. By 1995, women’s share in the labour force had risen to between 37% and 40% in those three countries. In Korea, the share of working women in regular paid work increased from 65% in 1965 to 81% in 1992, and in mining and manufacturing the female to male employment ratio rose from 0.37 to 0.68 (World Bank 2001). The expansion of female labour force participation came largely from restructuring production and employment away from traditional mining and manufacturing sectors in which men were more readily employed, and from agriculture.

How does trade affect the gender wage gap?

37. It is not clear, theoretically, whether trade liberalisation should narrow or widen the differential in women’s and men’s wages. The neo-classical view is that trade will open the economy to greater competition and therefore allocate labour to its most productive use, so as to minimise costs. Gender discrimination, and resulting wage differentials, is economically costly insofar as it leads to an allocation of resources that do not maximise output. This would suggest that trade liberalisation, and increased competition, would provoke a decrease in the gender differential in wages.

38. Another view, based on the Heckscher-Ohlin model, points to the factor-price equalisation effect of trade. Countries abundant in unskilled labour tend to specialise in unskilled labour-intensive exports. Demand for lower-skilled labour will therefore rise. The wages of unskilled labour will thus increase relative to skilled labour. This effect also points to a narrowing of the gender wage gap in developing countries opening to trade since women are often employed in lower-wage, lower-skilled jobs than men.

39. Theoretical work since endogenous growth theories however points to an opposite effect on the gender wage gap. One view suggests that export-oriented firms will compete based on cost reduction and will use the wage differential as a competitive tool. It has been documented that trade often results in a premium on skills, due to the necessity to innovate constantly in a more competitive, integrated world economy. The bargaining power of skilled workers will therefore rise, while that of unskilled workers may not. Since in many developing countries the average man has a higher level of education and labour market skills than does the average woman, this would tend to widen the wage gender
disparities. A sudden, large influx of unskilled workers into paid employment, drawn by opportunities offered by new export-oriented industries, could further cause a decrease in unskilled wages.

40. One cross-country study that investigated the impact of trade on the gender wage gap suggests that within occupations, increasing trade is in most cases associated with narrowing gender wage gaps (Oostendorp 2004, cited in World Bank 2004). An exception is found for high-skill occupations in less developed countries, where there is no evidence that trade has a narrowing impact. Insofar as skills tend to be relatively homogeneous within narrowly defined occupations, the narrowing of the gender wage gap can be interpreted as evidence that there is less labour market discrimination as trade increases.

41. An OECD review of the literature on the effects of trade on earnings inequality generally (i.e. without a gender component per se) also suggests mixed results. Many studies point to the view that technological change rather than trade is the main driving force behind changes in the demand for skilled and unskilled labour (OECD 2000).

42. At the country level, results of the research are also mixed. Some analyses support the hypothesis that trade reduces gender wage discrimination while others suggest that trade liberalisation increases the gender gap.

43. In conclusion, it seems unlikely that the competitive forces from trade liberalisation alone will eliminate the wage gap between women and men. Even in OECD countries, where women have generally attained the same level of skills and education as men, women earn less than men do.

**Other employment-related effects of trade liberalisation**

44. As economies adjust to external shocks such as the greater integration of trade and investment, different effects on women and men, and the extent of those effects, depend on how quickly they are able to cope with displacement, invest in new skills, and find new employment. Labour market shifts affect women and men differently because they possess different employment skills, experience, assets, information, and social connections, and so do not benefit from new opportunities in the same way.

45. There is evidence in some countries that men have taken advantage of higher wages in new export-oriented sectors while women take over lower-paying jobs in traditional sectors. Changes in the agriculture sector in some countries have led to these types of labour market changes, with accompanying broad social and economic transformations.

46. There is some evidence of women being replaced by men as production becomes more capital- or machine-intensive (Ozler 2000). Since women invest less in education, combined with diverse forms of discrimination, they are less employable when production technology is upgraded. These findings point to a complex relationship between technology transfer, women in employment, and long-term growth.

47. Some studies illustrate the precarious nature of women’s jobs in manufacturing, with frequent periods of unemployment and a reduced ability to negotiate wages and working conditions. One source suggests that 77.8 million women are unemployed worldwide, and that the female unemployment rate is higher than the male global unemployment rate (ICFTU 2005). Since they are often newer entrants

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4 Although this phenomenon refers to wage disparities caused by skill-biased technological change, rather than trade, the technological change is often brought about, particularly in developing countries, by greater trade and investment.
into the labour force, women sometimes have little formal sector experience and limited knowledge of	heir rights as workers. One important reform in some countries in Southeast Asia was the adoption of
legislation protecting female workers in accordance with international standards, although admittedly
enforcement has been a problem.

48. There is evidence that women experience more job turnover than men: they are subject to more
frequent hiring, firing, and relocation from one job to another. A study from Chile covering a period of
rapid adjustment including that due to trade liberalisation, shows that firms tend to lay off a slightly
higher proportion of female workers when business declines and to hire more women when business

49. The OECD study on Trade and Structural Adjustment finds evidence that women gain less in
employability advantage from training than do men (OECD 2005a). The study finds that employability
after a layoff is significantly enhanced when workers have benefited from training in the year prior to
job loss. Training enhances men’s probability of re-employment, however, significantly more than
women’s. One reason for this could be that men and women often work in different sectors; those in
which women work may value training less. Another is that employers more often organise and finance
training for male employees than for female employees. Training that female employees potentially
organise for themselves may be less valued by prospective future employers.

50. Another study tests the effects of trade openness on gender divergence in skills in developing
countries (Vijaya 2003). The study finds that in developing countries exporting low-skill-intensive
goods, trade-related employment trends have the potential to lessen women’s incentives to invest in
higher education compared with men. Therefore existing gender gaps in education may be reinforced
and even widened by greater trade openness. The explanation given for this finding is that the demand
for women’s labour remains in low-skilled jobs; therefore they have less incentive to invest in higher
education.

51. Two other important trends in labour markets are affecting women's paid work. First, industrial
home-based work is transforming the structure of employment, with significant implications for
women's participation. The industrial revolutions of the 19th century reorganised work around the
factory, creating spatial separation between women’s work (at home) and men's work (in the factory).
There has been a shift back to home-based work as a low-cost, flexible way for formal sector
enterprises to meet fluctuating demand, and a strategy for lowering labour costs. For some women the
jobs can be attractive, as the spatial arrangement may allow them to combine paid work with household
or child-raising duties. But this benefit could detract from wages and benefits, as enterprises can
potentially more easily operate outside labour laws and below legislated minimum wages.

52. The second trend is the increase in the use of information technology. In the United States,
women are now more likely than men to use computers. In developing countries, too, computer use has
increased dramatically over the past decade. Greater use of information technology could potentially
mitigate some effects of gender discrimination such as more difficult access to markets. New
technologies, combined with greater trade integration, generally create new opportunities in all
economies, but there is also a danger that those without the appropriate skills or the means to access the
technology will be left behind. The gender differences in access to technology interact, probably in a
complex way, with differences in access between urban and rural-dwellers and rich and poor within
and between countries.

53. With a drop in government revenue from tariffs, some lower-income developing countries may
be tempted to reduce spending on social programs. Since women are often among the most vulnerable
members in lower income countries, they may be most affected by cuts in programmes that represent
social safety nets. A recent OECD study on the impacts of trade liberalisation on government revenue estimates that between one and 41% of developing countries’ government revenue derives from tariffs and taxes on international trade and transactions (OECD 2005b). Countries that rely heavily on tariff revenue are largely low income countries, particularly in Africa. The study finds that the drop in tariff revenue can be replaced by direct taxes, often in the form of consumption taxes, to enhance overall welfare from trade liberalisation. The study implies that appropriate sequencing of these reforms is essential, and suggests these revenue concerns be integrated in special and differential treatment provisions of future trade agreements.

54. In conclusion, trade liberalisation has clearly brought paid employment to many women worldwide. This has been a positive development for many women, allowing them financial independence, a stronger voice in their societies and a wider variety of social choices. It seems however that trade alone will not bridge the gender wage gap, nor will it eliminate various forms of gender discrimination in employment practices, which can lead to a misallocation of women’s (and men’s) labour and sub-optimal investment in human capital.

55. Women make up the majority of the workforce in two sectors in many developing countries – subsistence agriculture and export-oriented textiles and clothing sectors. The following section examines the effects of trade liberalisation in these sectors on women’s employment, income and welfare.

IV. Trade and gender in selected sectors

A. Women in subsistence agriculture

56. Market distortions in the agricultural sector are high, and thus global efficiency gains from liberalisation may also be high. Estimates of the contribution of agriculture and food to global welfare gains from completely removing trade barriers vary greatly and could be as high as USD 165 billion. About one quarter of these gains would accrue to developing countries. However, their gains will be considerably smaller if they do not reduce their own import tariffs, in a properly sequenced and strategic way.

57. Many women in developing countries are occupied in subsistence agriculture. Women’s participation in agriculture in low income countries in Asia is between 60% and 98%. In most Asian countries, the number of women employed in agriculture as a percentage of the economically active population is higher than that of men. If unpaid work were included, the figures for female employment in agriculture would be even higher (UNCTAD 2004).

58. However, women work small plots and often have little control over their resources. Only 2% of land is owned by women worldwide (FAO 2003b). Their plots are generally smaller than those worked or owned by their male counterparts. Women also have less access to farm inputs such as fertiliser and machinery, less access to credit and are constrained in their movement in getting produce to market. All of these reasons, plus women’s lower education level overall, imply that their productivity is lower.

59. As opportunities arise in export sectors in agriculture, newly created jobs tend to go to men; women have a greater tendency to remain in subsistence agriculture. In some countries, greater trade liberalisation may affect land use by increasing the amount of agricultural land used to produce export crops and decreasing its use for subsistence agriculture. One case study suggests that liberalising trade in Ghana benefited medium and large farmers in the cocoa sector, where few women are employed (UNCTAD 2004). Since women in low income countries tend to be employed in subsistence
agriculture and men tend to be employed more widely in export sectors, this finding would suggest that greater openness to trade may lead to an increase in gender inequality.

60. Women may not be able to benefit from the expansion of trade in agricultural products for a variety of reasons. Long-standing obstacles faced by rural women in terms of limited access to productive resources (land, credit, inputs, transport, extension services, storage and technical assistance) prevent them from adopting new technologies or increasing their economies of scale. Their productivity is constrained and their ability to switch to crops yielding higher returns is severely limited. Hence, women tend to take less advantage of the income enhancing effects of trade liberalisation than men.

61. Thus, if agricultural producers are to benefit from agricultural trade liberalisation and increase agricultural production and productivity, existing constraints such as women’s access to credit and inputs such as fertilisers will need to be overcome. Credit offered within the broader objectives of poverty reduction does not address the issues of women’s access, participation, and control over resources. Credit provision without supportive services in new marketable skills, advisory and consultative services, and assistance in design and marketing, will encourage women to generate income using their traditional skills. This may help to reduce poverty at the household level, but will not contribute towards increasing women’s productivity, and economic and overall empowerment.

62. Even when women work in export sectors in paid employment, they often have less control over benefits due to gender biases and constraints. In Uganda, for example, a large proportion of women are engaged in the production of agricultural produce for export, but since they do not market their produce, they are unable to reap the full benefit of their work. Some women however have been able to benefit from the intensification of trade in agriculture either as paid labourers or as farmers. Women farmers in non-traditional agricultural exports such as horticulture products (fresh and processed fruits, vegetables, flowers and nuts) seem to be better placed to enjoy benefits from export promotion (UNCTAD 2004).

63. Furthermore, institutional improvements such as the creation of marketing organisations help improve productivity and ownership of the farm-to-market process of small farmers. Such organisations benefit small women farmers, and generally increase efficiency.

64. While adjustment in developing countries’ agriculture may disproportionately affect women who are engaged in agricultural production, the situation of female consumers must also be taken into account. It is generally admitted that under most trade liberalisation scenarios in agriculture, world food prices will rise slightly due to the elimination of developed-country export subsidies in agricultural products. Rising food prices will benefit developing-country agricultural producers but will penalise food consumers. Women consumers, often responsible for family nutrition, will suffer from higher food prices, particularly those living in urban areas. (On the other hand, if increased global competition brings food prices down in protected markets in developing countries in the longer term, the “winners” and “losers” will be reversed.)

65. If the gender-differentiated development context is not integrated into policy reform, broad sectoral policies may have unintended and even counter-productive effects which imply a cost in terms of the efficiency and sustainability of development as well as in terms of gender equality. For example, the dominance of male-controlled crop production for export may result in a decline in the share and/or absolute amount of household income under women’s control. Less household resources under women’s control will mean a smaller share of expenditure allocated to household welfare (education,
health, nutrition). This does not mean that the macro policy should necessarily be abandoned, but appropriate sectoral policies and programmes are needed to address gender biases (FAO 2003a).

66. However, data and research on the impact of agricultural trade liberalisation on women and on gender inequality is still sparse, and thus conclusions can only be made with caution. More information on the gender impacts of trade liberalisation on women in low income developing countries is needed.

B. Women in textiles and clothing industries

67. It has been seen in section III above that trade expansion has created many jobs in the textile and clothing industries in developing countries (see Table 2 above). Some of these were largely due to the quotas offered by the Multi-Fibre Arrangement (MFA). In large part due to these jobs, some women have gained economic independence and greater access to household resources and household decision-making. As seen above (Section II), this is intrinsically good for long-term societal investment.

68. There is pressing evidence, however, that employment in these sectors are not contributing to narrow the gender wage gap. The arrival of light manufacturing export-oriented jobs in developing countries has brought jobs for unskilled or low-skilled women workers, but has not permitted them to obtain higher wages or better working conditions. Wages remain significantly lower than in other manufacturing sectors where the majority of workers are men. There is also evidence that women’s employment in the textile and clothing sector in developing countries is displacing women’s employment in the sector in the OECD area.

69. In some cases, employment in textiles and clothing is confined to younger women. In China, the Ministry of Labour found that three-quarters of textile factories would only employ women between 18 and 26 years old. Most firms hire workers that work 10 to 12 hours per day and live in crowded dormitories for a monthly wage equivalent to USD 75. The supply of young women willing to accept these conditions is diminishing, provoking reports of a labour shortage, particularly as the wages have not risen in these sectors in six years. Factories could hire older workers, but maintaining workers in their 30s means integrating families, better housing, health care, etc. and therefore increased labour costs (UBS 2004).

70. In Bangladesh, the export-oriented growth in textiles and clothing has largely benefited young women whom occupy the majority of jobs in the sector. A 1990 survey of more than 30 clothing factories found that two out of three women had some control over their earnings (Oxfam 2004). Employment in the clothing sector is marked by relatively low levels of unionisation and wages. Despite increasing employment opportunities for women, daily wages for women in Bangladesh were about 40% below those of men during the mid-1990s (OECD 2005a).

71. Jobs in Bangladesh’s clothing sector have largely been created by quotas accorded the country in the MFA. As the effects of the phase-out of the MFA are felt more strongly, women in the textile and clothing sector in some developing countries may be displaced by women workers in textiles and clothing in low-cost efficient producers in countries such as China and India. Since the phase-out of the MFA in January 2005, OECD imports of some textile and clothing products from China have risen sharply, but overall imports have not, which suggests displacement from other textile and clothing exporters, particularly those in smaller developing countries. In the first four months of 2005, total imports of MFA products into the United States were 8.75% greater than the first four months of 2004. During the same period, imports of MFA products from China increased by 44.95% (OTEXA, US Dept. of Commerce).
72. Adjustment and job displacement has already happened in some countries. In Lesotho, approximately six major textile factories shut down at the end of 2004 or early 2005, partially as a result of the MFA quota elimination, although the government announced plans at the end of January 2005 to reopen one of the factories (BRIDGES Weekly Trade News Digest Vol. 9, Number 11).

73. It seems therefore that jobs in textiles and clothing are being displaced from women in one area or region to those in another region. In the OECD, textiles and clothing are also largely female-employed sectors (see Table 3). Displacement levels are high in part because some textile and clothing factories are moving to developing countries.

Table 3. Displaced workers in OECD manufacturing

<table>
<thead>
<tr>
<th>Sector share of Manufacturing</th>
<th>Female Share in Employment</th>
<th>Replacement Rate</th>
<th>Mean Earnings</th>
<th>Median Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>8</td>
<td>75</td>
<td>56</td>
<td>247.31</td>
</tr>
<tr>
<td>Textiles</td>
<td>3</td>
<td>54</td>
<td>63</td>
<td>346.37</td>
</tr>
<tr>
<td>Other Import-sensitive</td>
<td>34</td>
<td>36</td>
<td>69</td>
<td>529.96</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td>55</td>
<td>31</td>
<td>69</td>
<td>471.37</td>
</tr>
</tbody>
</table>

1. % of workers having found suitable alternative employment in the two-year period following displacement. 

74. Workers in the textile and clothing industries tend to have low skill levels, low levels of education and thus earn low wages. All of these characteristics make it more difficult for workers to adjust to changes in the labour market. Therefore, it is not surprising that the replacement rate within a two–year survey period is significantly lower for workers displaced from the clothing industry (56%) and somewhat lower for workers displaced from the textile industry (63%) compared with workers displaced from other manufacturing industries (69%) (OECD 2004).

75. One empirical study finds that in middle-income countries which adopt export-oriented development strategies, such as in textiles and clothing, greater gender wage gaps lead to higher growth. This finding is contradictory to most of the literature that suggests that gender wage inequality dampens growth (see Section II above). Seguino (2000) reports that in middle-income countries that adopted export orientation strategies, where exports were produced in female-dominated manufacturing industries from 1975-95, gender gaps in wages led to higher rates of growth, both by stimulating investment and by increasing the productivity of investment. In these cases, gender wage differentials may signal higher profitability because of weaker bargaining power of women relative to men and ensuing lower unit labour costs.

76. Export-oriented textiles and clothing production has therefore brought growth to many developing countries, providing jobs for relatively low-skilled, mostly female workers. It seems, however that a development strategy exclusively based on low-cost wages will not ensure long-term growth, due both to the potential displacement of jobs to lower-cost countries, the phase-out of the MFA, and the potential for reinforcement of the gender wage gap.

V. Increased trade and investment brings new management practices and exchange of ideas

77. Increased trade and investment is perceived in many regions of the world, according to an ILO study, as being associated with the spread of democracy and with growing public awareness of issues such as gender inequality, human rights and sustainable development. The “smaller” global world of
today is making the cross-fertilisation and circulation of ideas much easier. A common concern cited among surveyed participants is the impact of globalisation on culture and identity. Some see it as “threatening traditional institutions such as the family and the school”, or threatening a way of life. Others see benefits in overturning traditional ways and changing attitudes. There is frequent reference in the survey to the implications for gender equality, both positive and negative (ILO 2004).

78. Trade and investment integration have also brought changes in management practices. These are as diverse as hiring and firing practices, business planning, quality control, use of technology, on-site training, marketing, information management and human resources management, among others. The “export” of management practice is most evident in production facilities that have been off-shored from OECD to developing countries, but is also visible in foreign subsidiaries in OECD countries. Corporate culture has reportedly changed in Japan, for example, due to greater trade and investment integration.

79. As in other industrialised countries, Japan and the United States exhibit similar trends in the increased presence of women in higher education and in the labour market. In both countries, women have attained high levels of education, and more women have chosen to pursue careers. Since 1975, the percentage of women in higher education in both countries has grown continually. By 1999, 23% of women in the United States held a University bachelor’s degree or higher (U.S. Dept. of Commerce). Similarly, by 1997, 24% of women in Japan held a college or graduate degree (Management and Coordination Agency, Japan). Female participation in the work force has also grown continually in both countries. By 1999, women made up 46% of the workforce in the United States and 41% in Japan (ILO).

80. As a result of the increased numbers of women in employment combined with higher educational levels, women now comprise 45% of managers in the United States (U.S. Dept. of Labor). In Japan, however, only 4% of managers are women (Ministry of Health, Labour and Welfare, Japan). In 2003, the World Economic Forum ranked Japan 69th of 75 member nations in empowering its women. Japanese women’s wages, meanwhile, are about 65% of those of their male counterparts, one of the largest gaps in the OECD.

81. Due to discriminatory practices in hiring and management of women in local firms, many highly educated Japanese women prefer to work in foreign subsidiaries of multi-national firms. “Multinationals can attract the best women in Japan, whereas they cannot necessarily attract the best men” according to an executive search firm (Japan Times Weekly). Foreign firms hire more women in Japan, and promote them more readily, than do local firms.

82. There is however some evidence that hiring practices of foreign firms have influenced those of local firms. Some Japanese firms are starting to hire female executives or promote more women to top managerial positions. Two women were recently hired as CEOs of large firms in Japan (Daiei supermarket chain and Sanyo Electronics). “Japanese companies often need some outside pressure or shock to change -- even if they know the direction they should be heading,” says Yuki Sugi, an analyst at Lehman Brothers Inc. “Employing a female leader could be something like having a foreigner” (Business Week, 2 May 2005).

83. Although gender-differentiated hiring practices in Japan seem to be evolving toward greater gender equality, in part due to the influence of foreign firms, full equality is not yet a reality. “Women are now in top management in 5.64% of all registered Japanese companies, a percentage that has been rising but at an excruciating pace – from 5.53% in 2000” (USA Today, 7 June 2005).
VI. Product content can embody gender inequality in the production process

84. Previous sections of this paper have examined gender issues in terms of women’s access to employment in export-oriented sectors, the effect of trade on women employed in subsistence agriculture, the effect of trade on the gender wage gap, changes in management practices due to increased trade and investment, and the ensuing effects of all these phenomena on economic growth and development. This section covers the issue of gender inequality (discrimination) in the product content of traded goods.

85. Tradition, culture and religious belief have opened a market for food products certified to have been prepared in accordance with religious law and practice. Certification schemes exist for kosher products, for example, prepared in accordance with Jewish religious beliefs and practices. These kosher certified products can generally be identified by a capital K or a capital U on food packages (http://www.kashrut.com/agencies). Certification procedures are carried out by private organisations that inspect food processing plants and certify that food is appropriately prepared according to customs and practices. Meat slaughter, for example, is certified to have been performed by a religious man. Kosher slaughter is performed by a specially trained religious official known as a schochet. “The schochet is not simply a butcher; he must be a pious man, well-trained in Jewish law” (http://www.jewfaq.org/kashrut.htm).

86. Similarly, the slaughter of meat according to Muslim custom and belief, must be performed by a man, among other requirements, in order to be certified “halal” (Halal Export Requirements, http://www.mercadoarabe.com.br/egito_hallal.htm).

87. Both of these religious dietary requirement certifications imply gender inequality since women are not permitted to slaughter animals or certify that the products have been prepared according to religious ritual. These labels therefore certify that there has been gender discrimination in the hiring practices of firms and in the production process used to produce the goods. Admittedly, these products account for a small portion of trade in processed agricultural products.

VII. Implications for trade and development policies

88. If gender-based inequalities are to be addressed, it must be through a wide range of policies, not just those concerning trade. It is important to note however that trade policies have distributive effects, including those related to gender. Not all groups and individuals will gain from global trade reforms. But “honesty is essential” according to the Global Trade and Financial Architecture project headed by Ernesto Zedillo, and “domestic adjustment costs need to be openly recognised and explicitly addressed” (http://www.vcsg.yale.edu/focus/gta/GTA_policy_brief.doc). Perceptions of trade liberalisation and support (or otherwise) for further liberalisation will depend on how different groups fare, women among them.

89. “A differentiation may … need to be drawn between the impact of the adjustment process on individuals or groups within society compared with that on the economy as a whole” (OECD 2005a, p. 16). The effects of trade liberalisation can be assessed on different groups of individuals within societies: small and medium enterprises, small farmers, poor people, unskilled vs. skilled workers, women and men, etc. Adequate domestic regulation can then be designed to take best advantage of greater liberalisation, including by fiscal policy reforms.

90. The impact of trade liberalisation on women is important not only because they represent over half of any population, but also because they face particular constraints which may make them less able to benefit from liberalisation. Evidence cited in section II of this paper suggests that a liberalisation
process that brings greater gender inequality will not favour long-term growth. Less access by women to household and societal resources will imply sub-optimal allocation of human capital and under-investment in health and education for future generations.

91. Any reforms put in place with the objective of strengthening gender equality will also have to take into account activity outside the formal economy, where many women work. The informal economy is thought to account for half of all economic activity in many developing countries (World Bank 2001).
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