



# The impact of international trade on gender equality

*Do women benefit from expansions in international trade? This note reviews the growing evidence on this issue.*

Does trade improve prospects for women's employment and promote greater gender equality in wages? Trade creates or expands some activities and destroys or diminishes others. If an individual works in an expanding sector or is able to switch to one, she or he is likely to benefit. Evidence shows that trade tends to increase the availability of wage jobs for women, particularly in export sectors. But certain factors—such as discrimination, lower skills, and gender inequalities in access to resources—may impede women's ability to benefit from trade expansion. Some of these factors may be especially prevalent among female farmers in Sub-Saharan Africa.

## Does trade create jobs for women?

Trade expansion typically results in an increase in labor-intensive exports from developing countries. Production of many of these exports requires manual dexterity and stamina but not great physical strength. Employers in these industries often prefer to hire women, and the growth of exports such as garments, shoes, jewelry, and electronics has almost always been accompanied by a significant increase in female wage employment in the formal sector.

A study of 35 developing countries found a strong positive correlation between the female intensity of manufacturing (the number of female workers per 100 male workers) and export growth (Wood 1991). In most of these countries, the female intensity of manufacturing increased between the early 1960s and mid-1980s. In some countries it increased dramatically—for example, by nearly five times

in Egypt and by eight times in Mauritius. More recent examples include Bangladesh and Madagascar, both of which have recently developed export-oriented textile and garment industries. In Bangladesh, about 2 million jobs had been created in the garment industry by 1998, of which two-thirds were held by women (Paul-Mazumdar and Begum 2000). In Madagascar, women accounted for three-quarters of the country's nearly 140,000 textile and apparel workers in 1999 (Nicita and Razzaz 2003).

Women employed in export-oriented manufacturing typically earn more than they would have in traditional sectors. Many of these women had never earned cash income before. In the above-mentioned study of Madagascar, 85 percent of the women who found new employment in the textile sector had never directly received any monetary income, compared with 15 percent of new male entrants.

Women also experience other benefits when they earn cash income. For example, a study that followed 50 rural families in Mexico for 20 years found that a significant proportion of the women reported an improvement in their "quality of life," due mainly to their income from working outside their homes, including in (export-oriented) factory jobs (Gladwin and Thompson 1995). Further, cash income earned by women may improve their status and bargaining power in the family. An example of this can be seen in Ecuador, where the development of the export-oriented flower industry provided paid employment to large

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numbers of rural women. A study comparing household time allocation patterns between a region that produces flowers and one that does not found that in the former region, married men with working wives spent twice as much time on housework as did similar men in the region that did not produce flowers (Newman 2002). The study tests and concludes that women gained bargaining power as a result of their access to regular wage employment and were thus able to influence the degree of their husbands' contributions to household work.

How does trade affect gender wage gaps?

The impact of trade on the gender wage gap depends on the relative magnitude of several opposing effects. The gender wage gap may be reduced because trade, like domestic deregulation, can increase competition among firms. The resulting pressure to cut costs can result in less discrimination against women with comparable skills to men, and therefore greater equality in wages. This effect may be particularly strong in industries where market concentration was initially high—that is, in industries dominated by a few firms.

Trade often results in a premium on skills. The resulting increase in the wage gap between skilled and unskilled workers may increase the gender wage gap, given that in most countries the average man has a higher level of labor market skills than does the average woman. (Note that most research suggests that skill-biased technological change rather than trade *per se* is the most influential factor determining changes in the skill premium. But such technological change often takes place through trade and capital market integration; Greenaway and Nelson 2000.)

Unskilled workers are often employed on a temporary basis. Women's lack of skills relative to men increases the likelihood that they are employed as temporary workers, with little ability to negotiate wages or work conditions. A large influx of unskilled women workers into the labor force, caused by the expansion of export industries, may exert downward pressure on their wages.

What is the evidence on gender wage gaps?

A cross-country study that investigated the impact of trade on the gender wage gap suggests that within occupations, increasing trade in most cases is associated with narrowing gender wage gaps (Oostendorp 2004). (An exception is found for high-skill occupations in poorer 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 seen as evidence that there is less labor market discrimination as trade increases.

Some country-level analyses support the hypothesis that trade reduces discrimination, while others do not. A study by Black and Brainerd (2002) used U.S. data to test whether increased openness in the period 1977–94 induced employers to reduce discrimination against women, by estimating the differential effect of increased imports on concentrated versus competitive industries. The results showed that, after controlling for skills, the gender wage gap narrowed more rapidly in concentrated industries than in competitive industries. Applying the same methodology, similar but less significant results were obtained by Artecona and Cunningham (2002) for Mexico for the period 1987–93. Berik and others (2003), on the other hand, found the opposite effect for the Republic of Korea and Taiwan (China), that is, an increase in international competitiveness between 1980 and 1999 in concentrated industries was associated with a widening of the gender wage gap. In Korea and Taiwan (China), discrimination actually increased in concentrated industries exposed to competition.

These country-level studies also explore whether trade affects the gender wage gap unfavorably, by increasing the wage gap between skilled and unskilled workers. Although two of the studies find a negative (widening) effect on the gender wage gap, the results are not convincing because of methodological issues.

Data from Madagascar illustrate the effects of skills and the nature of employment on women's wages relative to men's (Nicita and

Razzaz 2003). In 1999, about 70 percent of male workers had permanent, skilled positions, while only about 50 percent of female workers did. Table 1 shows the estimated wage increases obtained by different gender/skill groups during 1997–99, a period when exports increased. Skilled male workers (constituting 18 percent of employees) and skilled female workers (37 percent) received significant wage increases; they were also likely to have held permanent positions. The wages of unskilled male workers (7 percent of employees) increased much less, and those of unskilled women (38 percent) did not increase at all. This last group is likely to have been comprised largely of temporary workers who were therefore unable to negotiate wage increases.

Women also experience more churning—that is, more frequent hiring, firing, and relocation from one job to another. A study of Chile covering a period of rapid adjustment, including trade liberalization, shows that firms tend to lay off a slightly higher proportion of female workers when business declines and to hire more women when business recovers (Levinsohn 1999). Female employees also had significantly higher job relocation rates, a result also found in a study of Turkey (Ozler 2001). These studies illustrate the precarious nature of women’s jobs in the manufacturing sector, with frequent spells of unemployment and a reduced ability to negotiate wages and working conditions.

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

An important institutional determinant of women’s gains from trade, particularly in agriculture, is the extent of their control over land, labor, and the additional income generated by a switch to export crops. Studies show that such effects may be of importance in Sub-Saharan Africa.

For instance, in Kenya, between 1975–82, female-headed households had only half the propensity of male-headed households to adopt tea growing—even though nearly one-third of rural households were female-

**TABLE 1 ESTIMATED WAGE INCREASES (PERCENT) IN MADAGASCAR’S TEXTILE AND APPAREL INDUSTRY, 1997–99**

<i>Type of employee</i>	<i>Share of labor force</i>	<i>Wage increase</i>
Skilled males	18	34
Skilled females	37	23
Unskilled males	7	11
Unskilled females	38	0

*Source:* Nicita and Razzaz 2003.

headed, and most of the labor of tea picking is done by women and girls (Bevan and others 1989). At the same time, an additional adult female in an otherwise average household raised the propensity to adopt tea growing by one-quarter. The authors do not explore the underlying reasons for these seemingly contradictory results, but it seems likely that labor shortages in female-headed households (which generally are smaller than average), and their inferior access to land, extension, and credit may have constrained them from adopting tea cultivation.

Similar effects have been observed even when non-export cash crops have been introduced. For example, a study of an irrigated rice project in Cameroon found that rice was considered a “male” crop. Any income generated by it was controlled by men, even if the crop was produced by women. Consequently, few married women entered into rice cultivation and instead continued to grow sorghum despite its lower returns (Jones 1983).

### Policy implications

Policymakers need to consider a broad range of issues unrelated to trade if both women and men—and the economy as a whole—are to reap the full benefits of trade expansion. These include skills acquisition, a nondiscriminatory labor market, and unemployment benefits.

Women’s education and skill accumulation are the most important factors determining the impact of trade on women’s employment and the gender wage gap. As long as women remain less qualified than men, they are likely to remain in lower-paying, less secure jobs, even if better-paying jobs become available through trade expansion. Education and skills also provide greater

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flexibility and power to negotiate wages and other work conditions.

Enactment and enforcement of anti-discrimination laws are also critical as wage discrimination often persists with trade expansion.

Providing social protection for the poor, including those who might experience unemployment or lower wages due to frequent job turnover, is another issue to address.

In Sub-Saharan Africa, an important issue is how to enhance female farmers' control over resources so that they can share the benefits from trade expansion.

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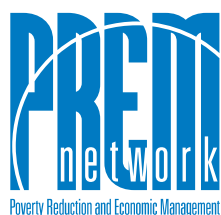
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