



Assessing the Impact of Trade Liberalisation on Gender Inequality

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Abstract

As trade liberalisation boosts GDP and economic growth is positively correlated with gender equality, it is tautologically taken to be true that trade liberalisation must be good for women. However, in saying this we ignore that there could be channels other than income through which trade affects inequality. The effects of trade liberalisation have been positive for women in most developed countries. However, the result is mixed for developing countries, based on the socio-political conditions, cultural constraints, economic backwardness, sectoral segregation and various other factors. On a general level it can be asserted that the adverse effects of globalisation have been disproportionately borne by women in the global South, in their roles as workers, consumers and entrepreneurs. The gender-neutral approach of trade policies perpetuate the ignorance towards the challenges faced by women, which has left them unprotected from global crises such as Covid-19.

Introduction

Mainstream neoliberal trade policy perspective offers evidence starkly in favour of openness and liberalisation. There is vast research in support of trade liberalisation as a catalyst of growth. There is little evidence, however, on whether this growth is inclusive. A trade policy can have differentiated impacts on different marginalised groups, including women. In this light, formulation of gender-neutral policies can be as harmful as gender-blindness. There is a lack of gender disaggregated data at every level and currently the international community is developing tools to collate data in a fashion that could enable better and more inclusive policymaking.

Objective

With this research I aim to develop an understanding of the precise relationship between trade liberalisation and gender inequality in the context of developing countries which are characterised by high informality and lax labour laws. I would attempt to study the following aspects:



- The precise nature of the relationship between trade liberalisation and gender equality and whether this relationship holds similarly for developed and developing countries.
- As a consequence of trade liberalisation, what are the challenges faced by women in various roles, such as consumers, workers and entrepreneurs.
- Assessment of the gender differentiated impact of Covid-19 on trade.
- Analysis of exploitation and barriers faced by women workers and producers when engaging in trade related activities/employment

The Global Divide

As per ILO's Global Wage Report 2020-21, a woman in formal employment is paid 79% of the monthly average wage of her male counterpart. In the informal economy, however, a woman earns less than half of what men in the formal economy earn. This gap accentuates to almost 70 percentage points in the case of developing countries. The developed economies have a much smaller gap of about 40 percentage points. This is just one of the numerous instances of the global divide.

Workers in developing countries are particularly prone to the risks of globalisation. Female workers are concentrated in the informal sector and their participation is particularly high in export industries as compared to men. Developing countries have had to rely on export oriented growth for rapid capital accumulation as a result of late industrialisation. Therefore, the production and trade dynamics in such countries make women all the more prone to job insecurity as they are affected by not just domestic but international volatility.

The trends are quite opposite in developed countries. Share of women in export dependent jobs is lower than men in all OECD countries¹. Foreign trade represents a smaller share in employment and GDP in larger countries.

While increase in foreign competition has made discrimination costly for the developed world, it has made it convenient and even profitable for producers in labour surplus countries. Due to a large reserve of women workers, increased demand for exports can be met without additional costs. As per free market capitalism, where we have an assumption of homogenous labour, any form of discrimination must be sub-optimal and reduce profits. Still labour markets continue to act as "bearers of gender" (Elson, 1999) because it helps maintain the

¹ Korinek, J., Moisé, E. and Tange, J., 2021. Trade and Gender: A Framework of Analysis. OECD Trade Policy Papers.



gender order, or the status quo. Also, employers do not have full information about the skills of women and they often underestimate them, leading to error discrimination.

Whereas trade and technology advancement has increased the demand for high skilled workers in developed countries, it has increased the demand for low skilled workers in developing countries. Following are some empirical examples of how trade liberalisation measures have had very different impacts on different countries:

- As a result of trade liberalisation measures in Indonesia, female work participation increased alongside a reduction in domestic duties. However, this was mainly in regions that were more exposed to input tariff reductions, which usually works in favour of domestic exporters. Such measures also led to expansion of female-intensive sectors and reduction in sectoral gender segregation. Liberalisation also led to delayed marriage (among both sexes) and lower fertility rates, which has been a result observed in most regions which developed export-oriented industries. Moreover, imposing a minimum wage level at the provincial level in Java proved to be more beneficial to women as their wages tend to be lower than men (Kis-Katos, Pieters and Sparrow, 2018). Simple measures that can be applied to a larger section of people can help modify perceptions and social norms about gender.
- It was found that export-intensive manufacturing industries in the US pay more on average, and this premium is larger for women as compared to men. Moreover, women are found to have benefitted more in terms of wages and employment, from enactment of trade agreements with other countries (Gurevich et al., 2020).
- An increase in trade in European countries' service sectors has been linked with higher job security for both men and women (Benz and Johannesson, 2019). This is completely opposite to what has been the observed reality in developed countries.
- Exporting firms in Norway were found to have a higher gender wage gap as compared to non-exporting firms, especially if the export destinations are in different time zones which requires employers to filter workers on the basis of flexibility in work hours and travel on short notice (Bøler, Javorcik and Ulltveit-Moe, 2018).
- In a particular study, the impact of trade openness on gender equality in Africa was negative. Additionally, globalisation had no impact, positive or negative, on inequality in non Sub Saharan Africa (SSA) developing countries (Balioune-Lutz, 2006).



There is a vast and extensive literature on the relationship between high per capita income and gender inequality, but the same cannot be said for trade openness (Arora, 2012)². This might be because trade also affects inequality through channels other than income, which might offset the impact of the latter. The spillover effect of trade on inequality, through increase in income being channelled toward health and education expenditure for women, is anyway a long shot.

Impact of trade liberalisation on gender equality has been positive in a lot of developed countries. For developing countries, it is a much more complex relationship. Whereas countries in the European Union actively advocate inclusion of gender mandates in trade policies and agreements, the imposition of very harsh labour laws could be counterproductive for developing countries. The evidence on the impact of trade liberalisation on gender inequality is inconclusive primarily because of this complex dynamic. International organisations and national governments need to be cognizant of the fact that case-to-case gender analysis of policies and trade agreements is required for any such effort to give positive results.

More Work, Less Freedom Increase in Employment and Reduction in Wage Gap

Various studies show that the residual gender wage gap, the differential after controlling for differences in skill levels, reduces with trade openness (Anderson, 2005). As demand for manufactured exports rises, demand for female workers increases. There are two main reasons for this preference in export industries. Women are considered better suited for light industrial work in sectors such as garment, electronics, handloom, footwear etc. Also, they are perceived as less likely to demand higher pay and better working conditions. Flexible and piece-rated work is justified by citing women's household responsibilities and natural preference for such kinds of work. Therefore trade openness is said to reduce inequality through increased labour force participation and a higher increase in wages relative to men.

It is to be noted that the *change* in income is higher relative to men, the absolute wage gap still far from closing. Moreover, these channels do not capture the social impact of trade openness. The economic statistics might improve but those numbers don't convey the social cost at which they have improved. For example, employment generation in export factories, which is mostly on piece-rated flexible work, does provide women with an additional income but that does not necessarily improve their living standard. They still carry the same amount of household responsibilities, with now the additional labour market effort.

² “Studies on gender-globalisation nexus have found that higher trade openness may not lead to higher gender equality. Thus while gender-growth relationship at the country level has been determined, gender-globalisation link remains uncertain”



Making employment generation and increased output as indicators of gender inequality can be misleading as inequality can be high even in high income areas, owing to social and cultural barriers. Moreover, to say that trade liberalisation leads to higher employment generation for women is to assume that there is perfect mobility of labour. But women workers in countries characterised with surplus labour are usually concentrated in low skill jobs and a structural shift may not be beneficial to them. In developing countries even if employment increases as a result of trade, it is mostly in the informal sectors where women don't have access to land, credit and other facilities (Arora, 2012). Mere increase in employment does not increase their representation in labour unions or their bargaining power. They remain marginalised despite trade, or sometimes *because* of it. The conditions in export factories are particularly worrisome and workers have to endure long hours with minimal wage.

Vulnerable Employment

The kind of female employment generation touted as the fortunate by-product of liberalisation is what can be referred to as 'vulnerable employment'. Women in export industries tend to work shorter hours than men, but not always by choice. The nature of work allotted to women is piece-rated, low skill work. The justification given for this is that it suits women more because of their household and child-rearing responsibilities. In a 2016 survey conducted by ILO and Gallup, 70% of women (regardless of employment status) reported that they would prefer to work in paid jobs rather than care work or both. Women work thrice as much toward unpaid household and care work as men, which if taken into account along with paid work means women work longer hours than men on average.

As much as new employment is generated through trade and women may get higher bargaining power in their house, the very nature of the job is such that it is at the mercy of global competitive forces. For example, mass retrenchment of employees in the Malaysian electronics sector took place in 1985-86, 76% of whom were women (Elson, 1999). Following quotation from the same paper by Elson brings out this argument very powerfully:

“It will be a hollow victory for women if greater gender equality within labour markets is achieved only to find that the real power is in the boardrooms of multinational companies and on the trading doors of international capital markets, and that this is beyond their reach.”

Marginalised women from third world countries seldom find a representation on international platforms and the board rooms where trade agreements are negotiated.



Impact of Trade on Women as Workers, Consumers and Entrepreneurs

Women in the Labour Market

Trade liberalisation leads to increase in job opportunities in old as well as new areas. However, this is shadowed by insecurity and informality of employment, increase in part time, home based work and piece-based wages. On an overall basis, wages might be driven down as local producers are forced to compete with cheaper foreign goods. Moreover, increase in opportunities is accompanied by higher risks. Export oriented industrialisation of the form that took place in China and South Korea, is generally assumed to create newer jobs for women. But creation of jobs for some women may be simultaneous with loss of employment for others. For example, female workers in the handloom industries of Indonesia and Sri Lanka lost their jobs when trade liberalisation gave rise to an export oriented garment industry, which required cloth produced in modern textile mills (Elson, 1999).

Women as Entrepreneurs

Opening up new markets for goods and services could be either a boon or a curse, depending upon the development level of a country and industry. Traditional sectors such as handicraft and textile might dwindle as a result of fierce foreign competition, leading to loss of employment for the large number of women employed in such sectors. In economies such as India, employment of women is highly skewed toward agriculture, that too subsistence agriculture. The lack of opportunities and access of finance to produce for the market become barriers stopping them from realising the potential benefits of trade.

Women as Consumers

A plus side of trade liberalisation for women as household buyers is the increased access to cheaper goods and a wider variety to choose from. However, the price effect may not be sustainable in the long run if local production is displaced completely.

The Trade-Off

Trade impacts the lives of women in a myriad of ways: production structures and employment, shifting trading preferences, labour discrimination, social services and the household. Tariffs and other trade taxes account for nearly one third of government revenue in developing countries (Rice, 2009). Trade liberalisation and creation of tax-free zones has considerably reduced this source of revenue, the impact of which is likely to be in the form of reduced social expenditure, which further deteriorates living standards of women. Trade policy affects women not just as workers and producers, but also as consumers. Products used by women have a higher tariff, but lowering of tariffs opens up competition for domestic industries, including those owned by women. The impact of a policy that makes imports cheaper may be two fold in that women consumers may benefit from cheaper consumer products but women workers employed in domestic industries may lose jobs. It is therefore very important to evaluate the gender differentiated trade-offs while implementing such policies. The cons should not outweigh the pros.



Gender Differentiated Impacts of a Crisis

Globalisation was hailed as redistribution of the world's economic and political power in the geopolitical context of the two great wars. The political and military hold over colonies was done away with, but imperialism found new ways to disguise itself. Workers of the third world remain impoverished and various forms of exploitation prevails. Such geopolitical dynamics show themselves even more clearly during a time of crisis. There is always a class of the society, which prevents the system from collapsing in times of crisis by taking the worst blow. Globally, this class is workers and producers of the third world. Within this class of workers also, it is women whose shares get the most suppressed.

Following is the gender differentiated impact of Covid-19 on employment indicators:

Sex	Indicator	2019	2022
Female	Employment-to-population ratio	45.184	43.817
Male	Employment-to-population ratio	69.425	67.856
Total	Employment-to-population ratio	57.305	55.842
Female	Unemployment rate	5.502	6.069
Male	Unemployment rate	5.257	5.735
Total	Unemployment rate	5.354	5.866
Female	Inactivity rate	52.185	53.352
Male	Inactivity rate	26.723	28.016
Total	Inactivity rate	39.454	40.678

Source: International Labour Organisation

We can see that there has been a deterioration in all indicators, for both men and women. Moreover, industries that were most affected by Covid-19 happened to be ones which employed a larger number of women, like hospitality, travel and tourism, and garment export. Service sectors which employ a larger share of women suffered great losses due to confinement measures. Women are also more likely to work in jobs that require face-to-face interaction which prevents them from teleworking. This meant that they were either working in the front-line with high exposure to the virus, or were pushed out of employment.

There is also a huge digital divide in third world countries. For example, only 17% of women in India know how to operate a computer and only 19.3% can use the internet, as compared to



25% and 30% of men respectively³. This divide made it even more difficult for women to cope with the sudden shift to the digital medium which was brought about by the pandemic.

In various countries including India, there were cases of a sharp increase in domestic violence during the pandemic. Even in developed countries such as France, reports of violence against women rose by 30%⁴. But policy measures to tackle a crisis and post-measures to revive the economy have a tendency to be gender-neutral. On-going projects and legislations in favour of women also tend to take a backseat in a crisis situation, worsening the overall impact.

Lack of Gender Mainstreaming

There are various ways in which gender inequality is bad for the economy. As per ILO, the current labour force participation rate for women is 47% whereas for men it is 72%. If this gap of 25% percentage points was not there, there would be an exponential difference in the kind of work we could do as a society. In a study conducted by McKinsey in 2015, it was estimated that if we achieve gender equality in economic opportunities, it could increase the global GDP by USD 28 trillion in a decade. In a similar study by ILO it was estimated that reducing the gender gap in labour participation by 25% would increase global GDP by 3.9% in 2025.

One of the reasons why gender mainstreaming in trade organisations is absent is because gender inequality is considered to be a social rather than economic issue. Research on the economic implications of exclusionary policies is very limited. The international economic platforms are considered inappropriate for addressing gender inequality as it would be market distorting and against the free-market agenda.

Only about half of WTO members have implemented trade policy targeting women's empowerment, as per their own declarations (Boghossian, 2019). These policies include financial and non financial incentives to the private sector and women owned/led MSMEs, agriculture and fisheries and government procurement.

³ 75th National Sample Survey, Ministry of Statistics and Program Implementation, India.

⁴ Korinek, J., Moisé, E. and Tange, J., 2021. Trade and Gender: A Framework of Analysis. OECD Trade Policy Papers.



Recommendations

Collation of Gender Disaggregated Data

The first and foremost step towards any progress in gender equality is to collect segregated data for men and women on economic growth, commodity use, consumption patterns, employment patterns, sectoral segregation, credit approvals, credit guarantees, venture capital funding, angel investing, trade finance and various other indicators. Gender disaggregated data, if available, is mostly for the formal sector despite the fact that gender discrimination is most rampant in the informal sector, where a large number of women are employed in developing countries.

Gender Budgeting and Systematic Ex-Ante Analysis of Trade Policies

Before making a policy change or introducing a new policy, its impact on women must be analysed and how the outcomes will be different based on gender needs to be considered. The gender lens must be incorporated at the policy formation level and each policy can be modified to make it more gender sensitive.

Computable General Equilibrium (CGE) Models can be developed for evaluation of trade policies prior to their implementation. A popular CGE model is the Global Trade Analysis Project (GTAP) model, which is a multiregional and multisectoral neoclassical model. The UN also has a Global Policy Model, which is a macroeconomic model used to analyse policy impacts, including trade.

Inclusion in Government Schemes

As stated earlier, trade policies need to be evaluated from the gender lens and be specifically altered to target women. This can be done in the form of quota or reservation for women entrepreneurs in the Priority Sector Lending scheme. Women producers and traders often find it difficult to access credit from formal lending sources. Governments can set up measures to guarantee the loans obtained from commercial banks or set up specific loan programs at lower interest rates. Gender can be further mainstreamed by the State giving preference in contract allocation to companies that implement gender discrimination policies. Consideration of the gender composition of companies applying for a contract or licence could be used as a filter.

Women in the agri-food and fisheries export sector can be provided with training on Sanitary and PhytoSanitary skills to enable them to access international markets. Input subsidies and other technical assistance programs could also be specifically targeted at women farmers.



Trade capacity building and Aid for Trade programs could be launched at national and even regional level to help women access global value chains. Granting fair trade certification to handicraft products, which are predominantly produced by women, would help them reap the benefits accruing out of fair trade. Forming cooperatives would cause a great impact in terms of giving women a voice to represent themselves. For example: SEWA or Self Employed Womens' Association in India was successfully able to intervene at policy level to prevent an adverse effect of trade liberalisation on women gum collectors.

The government can set up an e-portal for businesswomen to post their products and help them expand their business in international markets. To encourage women-led firms, the government can set up simplified licensing procedures and preference in procurement from firms with a higher female composition. Tax credits and other fiscal incentives could also be granted to small businesses that help re-employ women who have fallen out of the labour force for some reason, including pregnancy. The Ministries responsible for gender issues should be involved in policy formation regarding trade.

Provisions in Trade Agreements

Labour provisions usually make reference to the Declaration of Fundamental Principles and Rights at Work (1998) or the Decent Work Agenda.

There is a rising concern in the international trade community about gender inequality affecting trade flows. Influential developed countries are using this argument to get developed countries to impose harsher labour laws via these international treaties.

More research could be done on the actions being taken by the countries that are parties to trade agreements with gender references. Gender-related commitments should be formulated and enforced keeping in mind the socioeconomic conditions of all parties involved so that a fair meeting point can be reached.

Green Box Subsidies

WTO allows domestic support in the agriculture sector in the form of 3 major categories: green box, amber box and red box subsidies. Green box subsidies are those which don't distort trade or cause only minimum distortion. Therefore, there is no limit imposed by WTO on countries providing green box subsidies in the agricultural sector, provided they follow the relevant criteria. This treatment is reserved for agriculture because it is seen as a sensitive area for food sovereignty and protecting the rights of food producers.



Gender sensitization workshops of female farmer groups can be conducted using green box subsidies. Various WTO members have used green box support to launch food aid programs for women's nutritional supplement needs.

However, it would be very uplifting for the developing countries if the green box subsidy program is extended to other sectors of the economy, not just agriculture. It can be argued that indigenous industries and emerging sectors that can be decimated due to foreign competition and price volatility are also vulnerable to the effects of trade liberalisation.

Conclusion

Gender inequality may be a social issue but economic policies, including trade policy, can contribute to either accentuating or correcting it. In the era of globalisation, interconnectedness of the world economy brings forth new challenges each day and we have become increasingly prone to shocks and imbalances. It is therefore important to protect the marginalised sections of the society from getting pushed off the cliff whenever we are faced with crises. It is therefore required to use the gender lens while collecting data, doing research and forming policies, so that we can uncover the different forms in which discrimination manifests itself.

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