

Feminist Economics of Trade

*Lecture in the series of feminist economics, Von Humboldt
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Irene van Staveren

Associate Professor in Feminist Development Economics,
Institute of Social Studies
& Professor of Economics and Christian Ethics,
Radboud University Nijmegen

Gender and Globalization

- **Net job gains in the South – net job losses in the North in manufacturing:**
 - Textile and garments
 - Leather
 - Microelectronic assembly
 - **Defeminization of *skilled* employment in export sectors**
 - decreasing *share* (%) of women, compared to men (Mexico maquiladoras: 1980 77%, 1990 61%, and 2000 55%)
 - increasing *level* of employment for both women and men (increasing number of jobs)
- ⇒ *skill driven global competition: high road*
- **Continuing *feminization* of informal sector work related to exports**
 - increasing numbers and share of women working in informal workplaces ('sweatshops')
 - increasing numbers and share of women working as home-based workers (as own-account workers (self-employed), or as subcontracted workers (on piece-rate))
 - the work is at the lower end of the global value chain
- ⇒ *labour cost driven global competition: low road*

Trade theory: specialization on comparative advantage

- Countries specialize on their comparative advantage: production factor that is relatively cheapest
- Trade increases demand for relatively cheapest production factor, which in turn will increase its price, for example women's labour
- Global trade will lead to **balanced trade** and convergence of global factor prices (corrected for productivity differences and risk), incl. elimination of gender wage gap

Trade practice: absolute advantage and gendered competitive advantages

- Developing countries specialize in labour intensive, female intensive, low skilled production
- Export production in developing countries has low wages compared to the North but higher wages than in domestic sectors due to demand for specific skills and compliance with codes of conduct in MNCs; high gender wage gap
- Labour migration laws prevent labour to move to North
- Global trade is **not balanced**, because most countries have no comparative advantage => high road versus low road development, **diverging** instead of converging:
 - Cheap labour but unskilled
 - High demand for capital but high investment risks
 - Insignificant consumer market demand (low purchasing power)
 - Limited natural resources



Trade theory is inadequate and ignores market power and gendered competitiveness

Example 1: Gender-biased competitiveness

- Asian GDP growth is strongly export-driven, which in turn can be explained by the combination of a high female share in export employment (75%) and the high gender-wage gap in Asia (women's wages as 50-65% of men's wages)
- Two explanatory factors behind the correlation ($R^2 > 0.85$) of gender wage gap and GDP growth (Stephanie Seguino):
 - Cost price reduction, increasing competitiveness
 - Increase in profit share, increasing the resources available for technological upgrading

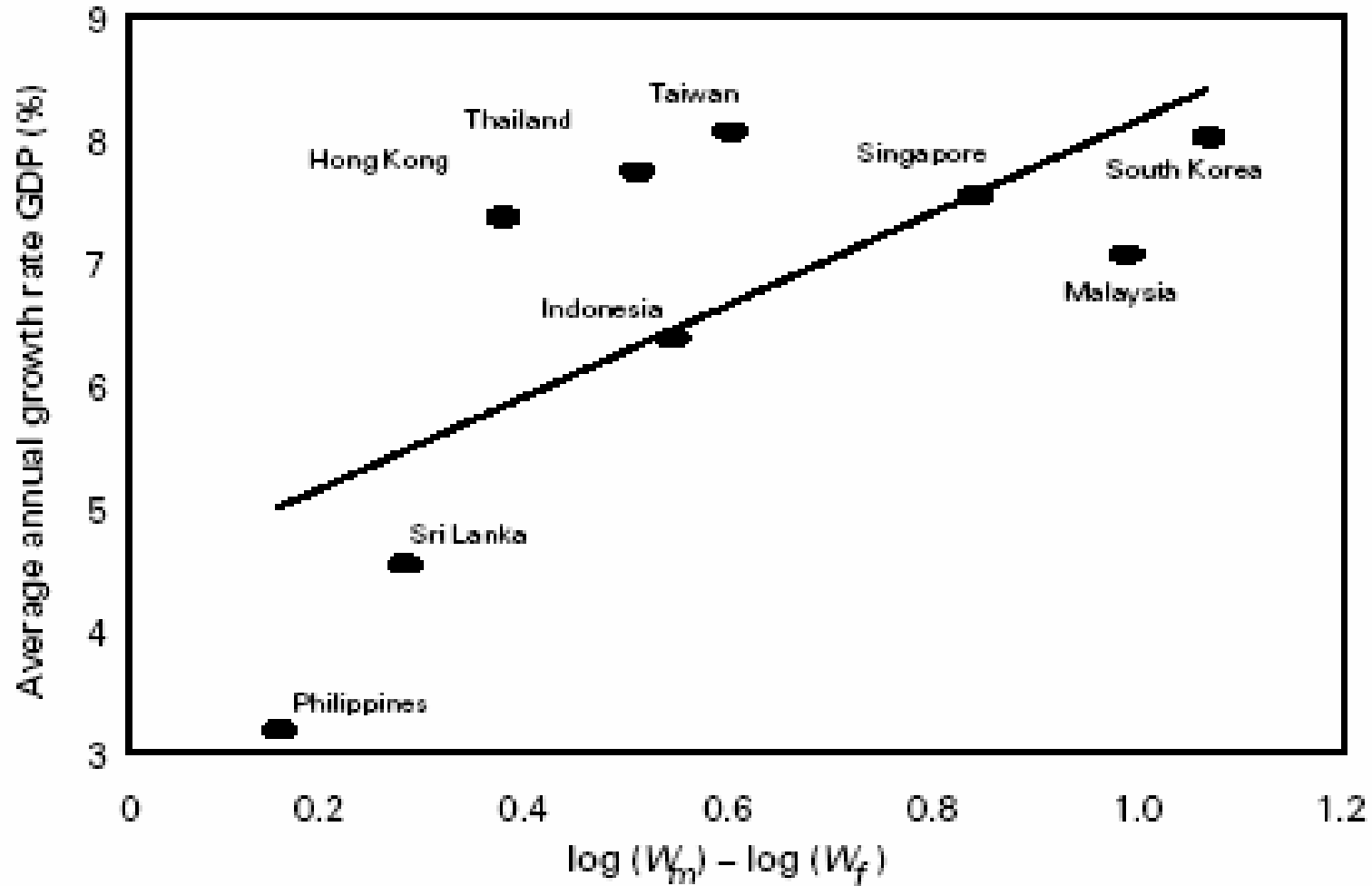


Figure 2 Growth rate of GDP, 1975-95, and gender wage gap

Gendered growth model (Seguino):

- Growth equation: $Y = A f(K, L^f, L^m, HC)$
 $Y = \text{GDP}$; $A = \text{technology}$; $f = \text{function}$; $K = \text{capital}$; L^f and L^m are female and male labour supply; HC is human capital
 - Technical change: $A = C(1 + \varphi t)e^{\sigma \text{WGAP}}$
 $A = \text{technical change}$; $C = \text{time-invariant effect}$; φ (phi) = external effects; $e = \text{nominal exchange rate}$; σ (sigma) = effect of gender wage differentials on growth
- => Testing these equations shows the important explanatory power of the gender wage gap

Why does the gender wage gap not decrease much with high demand for female manufacturing labour?

- Export industry moves over borders when relative wages change, (Hong Kong)
- Upgrading of skill levels in export manufacturing leads to a substitution of female unskilled labour for male skilled labour (Mexico)
- The upward wage trend may be temporary, since employers will reduce female labour demand when female wages become relatively too costly (Turkey)
- Evidence from Turkey:
 - Turkey experienced an increase in export manufacturing since 1980's
 - Female share in manufacturing increased since 1960's
 - But it has not increased over the past two decades (remains 20%)
- The impact may be very slow (UK data: between 1886 and 1970 Female/Male wage gap remained the same: 66%, only after 1970 it improved until 75% today)

Example 2: Gender-biased exchange rate policy

- Sub-Saharan African agricultural exports are assumed to increase due to a currency devaluation; BUT:
 - Supply response is small and not sustained over time
- Explanation (William Darity; Warner and Campbell):
 - Gender division of labour in agriculture:
 - Male and female crops
 - Male and female tasks on each crop
 - => Female farmers will refuse labour input on male plots when they do not share in increased cash earnings
 - Increased workload without increased income
 - Pressure on responsibility to provide household with food due to less food production (more land used for cash crops)
 - Individual loss in wellbeing due to increasing share of own income to be spent on buying food

Example 3: Measuring Gender Impacts of Trade

- **Trade Elasticities of Gender: change in gender equality as a consequence of increased trade**
- **Denominator variables: trade variables:**
 - **trading partners' trade volumes as a share of GDP: $(EX_j^i + IM_j^i)/GDP^i$**
 - **trading partners' trade volumes as a share of total trade of each partner: $(EX_j^i + IM_j^i)/(EX^i + IM^i)$**

Numerator variables

- **Poverty:**

- **Income** (Y^f/Y^m)
- **human development** (GDI)

- **Employment:**

- **labour force participation** (L^f/L)
- **sectoral employment shares** (L_{ex}^f/L_{ex} ; L_{imc}^f/L_{imc})
- **unemployment rates** (U^f/U_m)

- **Wages:**

- **gender wage gap** (W^f/W^m)

Example: EU – Mercosur trade

Denominator variables: trade

- **Mercosur trade share with EU between 1995 and 1999:**
 - **from 3.83% to 3.98% of GDP**
 - **from 26.2% to 27.3% of total Mercosur exports and imports**

- **Bilateral trade increase for Mercosur with EU between 1995 and 1999:**
 - **4% as share of GDP**
 - **4% as share of total Mercosur trade**

Numerator variables: gender in Mercosur 1995-2000

- **Female labour force participation rate increased from 28.1% to 29.9% (increase = 6.4%)**
- **female share in employment in agriculture decreased from 28.02% to 23.58% (decrease = 15.9%)**
- **female share in employment in manufacturing increased from 27.05% to 33.43% (increase = 23.6%)**
- **GDI, Gender gap in earned income, and gender wage gap: no change**

Trade elasticity of female labour force participation:

$$\mathbf{dLf/d(EX + IM)/GDP = 6.4/4 = 1.6 = \text{elastic}}$$

=>confirms hypothesis in literature that trade helps to increase women's labour force participation

Trade elasticity of female employment shares:

**agriculture = $dL_{fagr}/d(EX + IM)/GDP = -15.9/4 = -4 =$
elastic (negative)**

**manufacturing = $dL_{fman}/d(EX + IM)/GDP = 23.6/4 = 6 =$
elastic (positive)**

**=> Agriculture becomes more male intensive and
manufacturing becomes more female intensive**

Mercosur exports to EU are about 70% agricultural and imports from EU are about 90% manufacturing goods

=> Mercosur trade with EU reflects a traditional pattern both in terms of goods and in terms of gender inequality: **women's employment is increasingly in the weakest sector, vulnerable to import competition from EU**

Conclusion

There is a two-way relationship between the trade and gender: gender is often an endogenous variable; and gender inequality is not only a possible *effect* of macroeconomic policy but may also limit the *effectiveness* of macro economic policies, including trade policies.