

# Trade liberalization and gender inequality

## Can free-trade policies help to reduce gender inequalities in employment and wages?

Keywords: trade, gender inequality, wages, employment

### ELEVATOR PITCH

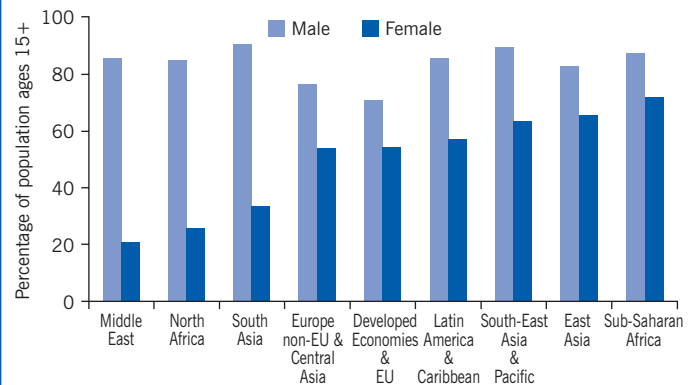
Women consistently work less in the labor market and earn lower wages than men. While economic empowerment of women is an important objective in itself, women's economic activity also matters as a condition for sustained economic growth. The political debate on the labor market impacts of international trade typically differentiates workers by their educational attainment or skills. Gender is a further dimension in which the impacts of trade liberalization can differ. In a globalizing world it is important to understand whether and how trade policy can contribute toward enhancing gender convergence in labor market outcomes.

### KEY FINDINGS

#### Pros

- ⊕ The pro-competitive effects of trade liberalization reduce discrimination by employers, either by driving discriminating firms out of business or by inducing firms to discriminate less.
- ⊕ Trade liberalization induces firms to invest in new technology, which can result in manufacturing jobs being less physically demanding and therefore more suited to female workers.
- ⊕ If countries have a comparative advantage in female-intensive products, such as textiles and clothing, international trade can increase women's relative wages.

Male and female labor force participation rate in 2013



Source: ILO Key Indicators of the Labor Market. Online at: [http://www.ilo.org/empelm/what/WCMS\\_114240/lang--en/index.htm](http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm)

IZA  
World of Labor

#### Cons

- ⊖ There is no clear global pattern in the trade-gender inequality relationship.
- ⊖ There is no evidence to suggest that in developed countries trade-induced technological change reduces gender inequality.
- ⊖ If capital-intensive exporters attract workers from labor-intensive, import-competing sectors, the dilution of capital per worker can harm women more than men.
- ⊖ There is as yet no evidence to suggest that trade liberalization has an effect on gender inequality in low-income country labor markets.

### AUTHOR'S MAIN MESSAGE

While it is not clear that trade liberalization always reduces gender inequality, research indicates a number of channels by which trade policy can improve gender inequality in wages and employment. The pro-competitive effects of liberalization can stimulate firms' investment in new technologies and reduce discrimination. Technology upgrading induced by liberalization can make jobs less physically demanding and so improve opportunities for women relative to men. Liberalization policies can also induce a change in the sectoral structure of production, which can have positive or negative effects on gender inequality.