

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

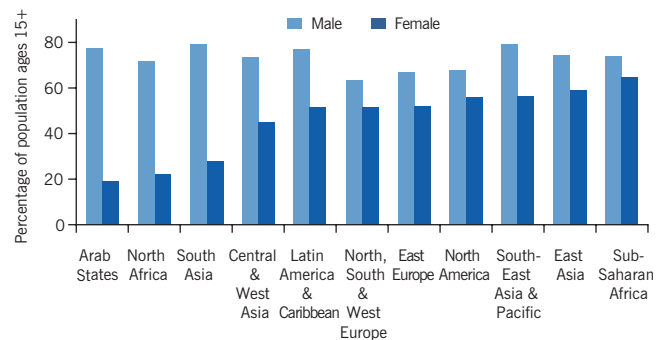
Women consistently work less in the labor market and earn lower wages than men. While economic empowerment of women is an important objective in itself, women's economic activity also matters as a condition for sustained economic growth. The political debate on the labor market impacts of international 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

- ⊕ Competition promoting effects of trade liberalization can reduce discrimination, by driving discriminating firms out of business or inducing firms to discriminate less.
- ⊕ Trade liberalization induces firms to invest in new technology, which can lead to manufacturing jobs being less physically demanding and more suited to women.
- ⊕ If countries have a comparative advantage in female-intensive products, or if trade policies benefit these industries, trade can increase women's relative employment and wages.

Male and female labor force participation rate in 2018



Note: Data from *World Employment and Social Outlook: Trends for Women 2018—Global Snapshot*. Geneva: ILO, 2018; Table 1.

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Cons

- ⊖ There is no clear global pattern in the trade-gender inequality relationship.
- ⊖ There is no evidence that trade-induced technological change reduces gender inequality in developed countries.
- ⊖ If capital-intensive exporters attract workers from labor-intensive sectors, the dilution of capital per worker can harm women more than men.
- ⊖ If exporting requires more committed workers, and women are (perceived as) less committed than men, trade can increase gender inequality.
- ⊖ There is no evidence to suggest that trade liberalization affects 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 equality 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; however, this can have positive or negative effects on gender inequality.