Introduction to the *Transnational Corporations* special issue on multinational enterprises and gender equality

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1. Background

Foreign direct investment (FDI) and multinational enterprises (MNEs) are important sources of financing for developing countries. In this context, the United Nations Conference on Trade and Development (UNCTAD) has a long track-record of looking at both spillovers from FDI and gender equality. The policy study on investment by transnational corporations and gender provided a preliminary review of the academic literature on the impact of foreign investment on gender policy and practice, focusing on the wage and employment effects, and the related potential for women's empowerment (UNCTAD, 2014). In addition, the 2020 *World Investment Report* (UNCTAD, 2020a) describes that the world's leading multinational enterprises are increasing their gender equality reporting and policies, contributing to broader female representation and positive development impacts. Finally, several of the papers in this special issue served as background research for the UNCTAD (forthcoming) policy report on *The International Transmission of Gender Policies and Practices: The Role of Multinational Enterprises*. This original academic research was presented at an expert group meeting in May 2020, which brought together researchers, practitioners, and policymakers to discuss tangible policy recommendations and development impacts, while formally validating the quality of the research as part of the review process.[1]

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2. Contribution of the special issue

In addition to the direct benefit of foreign capital, a long literature has demonstrated the role of MNEs in bringing a package of tangible and intangible attributes that have the potential to improve local productivity and enhance local job opportunities. Rising labour productivity and increased employment, together, contribute to stronger economic growth, significantly reducing poverty rates. Among the intangible benefits, cross-border investment can spread cultural norms and practice, in addition to know-how and technology.[2]

While there are several theoretical reasons to expect foreign firms to also transfer best-practice policies toward women, scarcely any research studies the impact of foreign direct investment and MNEs on promoting women's empowerment around the world. To fill this gap, this special issue presents high-quality empirical evidence on the role of multinational firms in promoting women's empowerment and gender equality across the world. The findings of the papers in this collection are practical considerations for governments, intergovernmental organizations, civil society organizations, and communities. Specifically, the papers in this special issue cover all major regions of the global economy and contribute to the literature on MNEs and gender equality in four major areas:

(1) firm-level differences in gender practice across domestic and foreign-owned affiliates;

(2) micro-evidence on the ability of multinationals to promote women's empowerment;

(3) empirical evidence on the mechanisms causing changes in policies toward women by MNEs; and

(4) cross-country differences in legal frameworks, including bilateral investment treaties, and policies related to women's employment and empowerment.

Though women have made progress toward equality in the last half-century, evidence on domestic policy law and practice, as described in UNCTAD (forthcoming), suggests that much work remains to be done to ensure that women receive equal opportunity and access. The first four papers in this special issue investigate firm-level differences in gender practice across domestic and foreign-owned affiliates for several regions of the world: Latin America, South Asia, the Middle East, and Sub-Saharan Africa.

[2] For example, Watson (2006) discusses the role of MNEs in spreading hand washing, business attire, queuing, and smiling.

Karol Fernandez Delgado studies the effect of foreign ownership on women's employment using micro-level data from the Chilean Manufacturing Survey. The findings provide evidence that foreign ownership increases the share of female workers within the firm. According to the empirical estimates, one year after foreign acquisition, the share of female workers is 1.6 percentage points higher in acquired firms than in non-acquired firms, and this figure increases to 3.6 percentage points two years after acquisition. Furthermore, the paper shows that the increase in the share of female workers is driven entirely by the skilled workforce. The evidence appears to be consistent with the notion that foreign-owned firms are particularly strong at employing high-skilled women. This evidence from Chile points to more progressive policies and practice toward women in foreign-owned firms.

In the Indian setting, the paper by Shruti Sharma shows that increased FDI is associated with higher employment of women. This result is confirmed by both household-level and firm-level panel data. In contrast to the Chilean context, the increase in employment of female workers is mainly driven by the increase in employment of unskilled female workers. Interestingly, and in contrast to previous research on China and South Korea, Sharma's study does not find the positive female employment effects of FDI in India to be associated with gender equality in the FDI-source country.

The paper by Alessandra Gonzalez uses a large dataset of more than 200,000 executives in the countries of the Gulf Cooperation Council, located in a region with some of the lowest female labour force participation in the world. The paper presents new evidence of a setting in which foreign firms do not capture opportunity in the local labour market. The author finds that foreign firms, on average, are less likely than local firms to hire female executives and less likely to place women into top management roles. The paper suggests that foreign firms may have fewer social networks and resources, or insider's advantage, relative to local firms for recruiting females into executive positions.

Despite the data limitations on Sub-Saharan Africa, South Africa posits an interesting case study. Like South Asia and the Middle East, in the aggregate, the countries in Sub-Saharan Africa appear to lag in terms of gender-related policies and practice. The paper by Victor Stolzenburg, Marianne Matthee, Caro Janse van Rensburg, and Carli Bezuidenhout documents that foreign-owned firms exhibit gender wage gaps approximately 2.4 percentage points larger than similar domestically-owned firms, even accounting for a variety of controls, including the employees' skill levels and the firm's trading status. More work is needed to explore the mechanisms for this disparity.

The first four papers report mixed support for multinational enterprises as strong proponents of high-quality labour policy and practice toward women. In some settings, MNE firms report lower female employment shares and higher gender wage gaps (the Middle East and South Africa), while in other settings, foreign-owned firms appear more progressive in their female employment practices (Chile and India). At least in these countries, it appears that an expansion of foreign investment may help with women's empowerment.

The next three papers of this special issue consider possible mechanisms for the transfer of best practice toward women from multinationals to the host economy across three major regions of the world: South Asia, East Asia, and Latin America. First, Ana M. Fernandes and Hiau Looi Kee consider the role of supply chains in Bangladesh. Next, Anh Pham, Jennifer P. Poole, and Amelia U. Santos-Paulino investigate the possibility of technology and absorptive capacity in the Vietnamese setting. Finally, C. Austin Davis and Jennifer P. Poole examine the role of labour mobility in Brazil.

Fernandes and Kee analyse FDI spillovers on the gender-related labour market practice of domestic firms, based on a unique firm-to-firm data set of Bangladesh's textile and garment sectors. The paper looks at the female employment of domestic firms that are directly and indirectly related to foreign-owned firms through supply chain linkages. These domestic firms are either the local suppliers or customers of foreign-owned firms, or they share local suppliers and customers with foreign-owned firms. The estimates show that domestic firms related to foreign-owned firms have significantly more female administrative workers, but not necessarily more female non-administrative workers, owing to the former participating in more firm-to-firm interactions.

In Viet Nam, areas of the country with stronger foreign investment report higher female employment as presented in the paper by Pham, Poole, and Santos-Paulino. The paper investigates how the relationship between FDI and technology affects labour market outcomes for women. Using household surveys, the paper explores the relationship between industrial exposure to FDI and access to technology on employment and wages. The authors find that FDI is associated with a differential increase in employment and wages in high-technology areas of the country as compared to weaker technology areas. These results underscore the importance of absorptive capacity; that is, to truly benefit from foreign investment, the domestic economy needs a sound education system and established technology. The results also indicate that an equal increase in foreign investment in high-tech provinces is associated with larger increases in top wages for men than for women. In general, these results suggest that foreign investment may be associated with a rising gender wage gap at the high-end of the wage distribution.

Davis and Poole explore the role of foreign direct investment and multinational enterprises in advancing gender equality in Brazil. In that country, female employment is lower and gender earnings gaps are higher among firms receiving FDI, even controlling for industrial composition. In this setting, it is hard to imagine how multinationals could promote more gender-equal labour market outcomes. In fact, the movement of workers from multinational to domestic enterprises has small negative effects on labour market outcomes for women. The authors present evidence suggesting that increasing the share of workers with MNE experience in domestic establishments modestly exacerbates the gender earnings gap.

MNEs have an incentive to disseminate good practice to local firms to improve labour standards and practices toward women in order to level the playing field. Pressures along the MNE supplier chain appear to be an important spillover channel. Technological capacity also continues to be a relevant determinant of cultural spillovers, just as it is for productivity spillovers. However, workforce turnover proves to be a more elusive mechanism, though this could be a function of the particular case study of Brazil, and as such, more work is needed in this area.

The paper by Renata Vargas Amaral and Lillyana Daza Jaller focuses on the role of government regulations to ensure equal opportunities for women. The paper assesses different policy and regulatory dimensions that could facilitate the positive impact of MNEs on gender equality. The authors show that over the past years, some progress has been observed in trade agreements that include gender issues in their agendas, but the same is not true for international investment treaties. The authors compare the role and effect of gender provisions in trade and investment agreements, and attempt to shed light on additional policies that may be needed to ensure that governments and multinational enterprises address gender constraints.

In addition to the papers in the special issue, which look at various dimensions of the gender impact of FDI and MNEs across developing countries, an UNCTAD Insights paper by Henri Luomaranta, Fernando Cantu, Steve MacFeely, and Anu Peltola provides further evidence on MNEs and labour market outcomes in Finland. The empirical exercise analyses novel indicators on gender equality in the business sector. The results underscore large differences in the share of women and men employed in the best paying professions and in the most profitable firms. The findings further show that foreign investment typically results in increases in the gender wage gap. The paper proposes a blueprint for linking business statistics and social statistics to enable analysis of gender inequalities in the labour market. These guidelines are potentially useful for researchers and policymakers in developing countries.

3. Final remarks and policy considerations

The papers in this special issue have important implications for policy, both at the national and global levels. A key policy recommendation for researchers, the international community, and policymakers is the need for strong local labour policies, particularly to build absorptive capacity. As the research in this issue illustrates, the benefits from foreign direct investment on gender-equalizing employment opportunities for women (as with several other benefits from foreign investment) are enhanced and reinforced in places with strong initial conditions. Therefore, another key recommendation is to continue to build the technological capacity within countries, in order to facilitate the absorption of knowledge and best-practice policy toward women. Moreover, national education policies and training programmes should be improved and expanded, specifically for women. In many developing and emerging economies, the supply of skill remains hindered; therefore, education and training programmes should prioritize the required technological skill sets to perform in the changing work environment of a globally-integrated firm.

In the global policy context in which MNEs operate, the Sustainable Development Goals are increasingly becoming a focus of investor and company reporting for impact. Environmental, Social, and Governance (ESG) reporting is now also a mainstream expectation of markets and a rapid transition to reporting has been observed in the last ten years. Importantly, companies are increasingly expected to report on gender equality; about 70 per cent of the world's 5,000 largest MNEs now report on progress in this area, and globally about 80 per cent of companies have published a diversity policy (UNCTAD, 2020a).

Yet, overall, women's representation remains unequal. Regulation and investor pressure have led to better representation at the board level, but not at managerial levels. In addition, the implementation of gender-equalizing policies related to flexible work and services, such as childcare, remains weak. ESG reporting could contribute to and inform policy decisions regarding good practice in labour policy, including better working conditions and benefits for women. The degree to which such policies translate into concrete and positive outcomes can be approximated by the presence of flexible working arrangements, or the provision of services that might positively benefit women and facilitate their participation in labour markets.

Another policy area that demands more research and attention is the role of gender provisions in international agreements. This special issue shows that the advancement of gender as a provision in international trade and bilateral investment agreements could serve as a foundation for sustainable and equitable economic growth. Thus, policy should place a stronger emphasis on making gender provisions distinctively part of the agreements, meanwhile avoiding that gender provisions related to trade and investment be seen as increasing "behind-the-border" restrictions.

Finally, though not covered in this special issue, from the perspective of host countries, investment promotion agencies (IPAs) and female entrepreneurship policy can be instrumental in promoting and facilitating investment and female empowerment. IPAs can facilitate greater impact of foreign operations on gender equality in the host country. According to a recent survey, IPAs are promoting gender-inclusive linkages between MNEs and the local economy (UNCTAD, 2020b), by identifying opportunities where investment projects can have a positive impact on gender equality and by facilitating women's access to capacity-building and supplier development programmes. Building capacity for female entrepreneurs can also help MNEs to advance their gender equality agendas.

The topics in this special issue cover a range of theoretical, empirical, and policy issues on gender policies and practices, and the role that foreign investment and multinational firms play in this context. We hope that the findings and conclusions will stimulate further research in the field. As a practical matter, the papers can contribute to the design and implementation of policy strategies aimed at reducing gender inequality at all levels, and to increasing transparency in gender-related policies and practice.

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