Impact of the Trade Environment on Women’s Employment

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Current Economic Context

- Global economic slowdown and deceleration in trade growth since 2008
  - Global GDP growth at 3.1% and trade growth at 1.7% (ILO 2017, WTO 2016)

- Global unemployment remains high at 5.8% and labor force growth continues outpace employment creation.
  - Vulnerable employment remains high at 42% of total population and expected to grow by 11 million (ILO 2017).

- Labor force participation of both men and women have declined between 1995 and 2015 (ILO 2017).
  - But there is still a 27 percentage point difference between male and female labor force participation.
  - Persistent and significant gender wage gap for women.

Emerging global transformations...

• Shifts in the international fragmentation of production
• Automation technologies
• Impact of export growth on services
International fragmentation of production

Fragmentation has ‘stalled’

• We can decompose or break down these trends to see what is happening within chains and between different chains.

• Within chains- there is a marked slowdown in the fragmentation of production or defragmentation for instance in automobiles.

• Between chains- final demand has shifted to products that have lower import intensity

• At the country level, in China final demand has shifted away from durables and investment goods and more towards services

• And demand has shifted to products that ‘finalised’ at home that have lower import intensities.

Automation

• New robotic technologies are transforming production processes on the shopfloor.

• Automation technologies in apparel and electronics
  • Developing countries lose their competitive advantage from lower labor costs as robots more readily sew clothes and assemble electronics
  • Recent empirical evidence suggests risk of potential automation is:
    • 99 percent for hand sewers, 89 percent for sewing machine operators and 95% for electrical and electronic equipment assembly


Automation and Reshoring

• But significant technological bottlenecks remain
  • E.g., pliability and alignment of fabrics is a concern in apparel
  • In electronics, selecting and placing the component in tightly packed consumer items.

• “Reshoring” versus offshoring

• No strong trend towards reshoring but as labour costs in developing countries rise and new automation technologies evolve, this will create new challenges.

Source: Kucera (2017).
Manufacturing and Services

- In Africa, Asia and Latin America and the Caribbean (LAC), export of manufactures was associated with greater rises in women’s employment in services rather than industry.

  - In Africa, a 1% rise in export manufacturing associated with a 0.34% in women’s service employment and a 0.12% in industry
  - In Asia, 0.44% in services and 0.13 in industry
  - In Latin America and the Caribbean, 0.29% in services and 0.14 in industry.

- Causes?
  - Competitive pressures have led to more outsourcing and home-based informal work.
  - Use of more capital intensive techniques has lowered the employment intensity of manufacturing. In Africa and LAC, expansion of low-productivity services has been noteworthy.

Trade and gender

• Export-oriented growth model was credited for bringing women into the labor force

  • But the segmentation of women into labor intensive and low value added work continues
  • Employment remains sensitive to vagaries of the international market and trade rules
  • Employment remains flexible and of poor quality overall with limited room for advancement.

• But has the export oriented model has run into rough waters....?
Implications and directions

• Rethink the role of the export led growth model as a driver of employment
  • Supply side ➔ increasing low productivity employment and earnings
  • Demand side ➔ firms are dependent on intensely competitive foreign markets as domestic demand is insufficient due to stagnant wages (UNCTAD 2016).

• Expand domestic and global aggregate demand and address income inequality (UNCTAD 2016).

• Focussing on domestic demand may enable a rise in women’s wages.

• Employment-centric growth policies, labor market institutions, LM adjustment policies, skills and employability, social protection.