



# The Effect of Export-Oriented Growth on Female Labor Market Outcomes in Turkey

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**Summary.** — Using data from two rounds of an official household labor force survey, this paper analyzes the impact of export-oriented growth strategy on female labor force participation and employment in urban Turkey, controlling for both supply-side and demand-side factors. While the long-term economic growth at the province level is found to have a significant positive effect on both the employment and participation of women, the impact of export-orientation is not as strong and is more pronounced in the case of nonmarried women.

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## 1. INTRODUCTION

Structural adjustment programs involving export-oriented policies have been implemented in most developing countries in an effort to enhance economic growth and employment for more than two decades. The debate still goes on as to how many of these goals have been fulfilled, and what the economic and institutional dynamics behind the variety of structural adjustment experiences have been. The particular focus on labor market outcomes and institutions is also associated with the increased interest in gender gaps. The pace and the nature of the integration of women into the labor market have not only been a crucial indicator of structural change, but also an important element among the factors that ease or prevent economic transformation.

The main argument in favor of export-oriented growth policies in developing countries has been that the shift to an export-promoting trade regime from an import-substituting industrialization strategy creates the potential for an increase in employment (Cox-Edwards & Edwards, 1994; Edwards, 1988; Krueger, 1978, 1981). The basic assumption behind this argu-

ment is that export-oriented industries in developing countries are more labor intensive than import-competing industries, as these countries are relatively more labor abundant. The critique of this view, however, asserts that these expectations can also be left unfulfilled in spite of flexible labor markets if low wages lead to demand deficiency and discourage investment and growth (Amsden & Hoeven, 1996; Boratav, Türel, & Yentürk, 1996; Onaran & Stockhammer, 2004; Taylor, 1988). Recently,

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the gender division of labor, which may decrease women's mobility, is also being put forward as one of the sources of rigidity that slow down the pace of intersectoral change in employment and production (Assaad & Arntz, 2000).

Whether the macroeconomic transformation during the implementation of structural adjustment policies has augmented employment opportunities for women and whether gender gaps have narrowed are some of the key issues debated in the literature (Bakker, 1994; Beneria, Floro, Grown, & MacDonald, 2000; Blecker & Seguino, 2002; Çağatay & Berik, 1990; Çağatay & Özler, 1995; Collier, Cox-Edwards, Roberts, & Bardhan, 1994; Özler, 2000; Seguino, 2000a, 2000b; Standing, 1989, 1999). On the demand side, there is evidence that export promotion and trade liberalization have led to the feminization of the labor force in many developing countries, although the mechanisms behind this process are not uniform. Increased labor market flexibility and openness to the world economy are expected to generate an increase in female employment, particularly in the tradable sectors, due to lower unit labor costs of women relative to men. This argument also identifies the female labor force with characteristics such as reliability, stability, and flexibility from the viewpoint of employers. It is argued that this process leads to the marginalization of women in low-waged and low-skilled industries. Most studies show that women typically hold low-skill, low-paying jobs, in low capital-intensive, small-scale plants, and they tend to be concentrated in export-oriented sectors.

In analyzing the demand-side effects of export orientation, it is also important to take into account the changes in the growth performance of the economy during this major structural change. Apart from these demand-side factors, macroeconomic effects of this shift also work through supply-side decisions. In particular, the stabilization phases of this economic transformation usher in economic fluctuations which may in turn affect female labor force participation through the "discouraged" and the "added worker" effects. Women may become more discouraged during times of high unemployment and/or low growth and withdraw from the labor force. Alternatively, the income and employment instability of the primary wage-earners in the household may draw women into the labor market as additional breadwinners to maintain family income,

as is particularly observed in Latin American countries and East Asian countries (Cerruti, 2000; Cox-Edwards & Roberts, 1994; Lim, 2000).

Crosscountry differences in terms of social and institutional factors have proven to be influential, as seen in the quite different experiences of Latin American and MENA countries (Aslanbeigui, Pressman, & Sumerfield, 1995; Assaad & Arntz, 2000; Karshenas & Moghadam, 2001). Female participation rates increased in the former with increased unemployment and deteriorating working conditions, which is explained as the feminization of labor force through the flexibilization and globalization of work process (Standing, 1989, 1999). This trend is less clear in most MENA countries, not only because of the social norms determining the role of women, but also because of the fact that poverty and volatility in family income have been less dramatic (Karshenas, 1997).

As far as the Turkish labor market is concerned, the added vs. discouraged worker effect issue has most recently been addressed in Başlevent and Onaran (2003). In that study, the estimation results on a sample of married couples indicate that, at the time of an economic crisis, women's labor force participation is negatively correlated with the employment of their husbands. While this finding provides evidence in favor of the dominance of the added-worker effect, the authors fail to obtain corroborating evidence from macro-variables since the growth rate of per capita income is not found to have a significant effect on the wives' participation status. Instead, the estimated relationship between the wives' participation and the other province-level controls for the demand side of the labor market indicate that women's participation is influenced by long-term conditions rather than those brought about by business cycles.

Turkey has shifted from an import-substituting industrialization regime to an export-oriented growth strategy starting from 1980 onward via an orthodox structural adjustment program and has taken important steps forward in terms of integrating with the world economy. During this period, the ratio of manufacturing exports to GNP increased from around 1% in 1979 to 12% by the second half of 1990s. In spite of this major transformation, the labor force participation rates are still at very low levels for women residing in urban areas for reasons discussed in the next section. It is

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