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# Engendering Foreign Direct Investment: Family Structure, Labor Markets and International Capital Mobility

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**Summary.** — In this paper I develop a theoretical foundation for analyzing how gender roles in the household affect foreign direct investment in a developing country context. It is argued that the extent to which women and men share the costs of social reproduction at the household level is a central determinant of women's labor supply and the profitability of investment. I combine a model of family structure with a structuralist macroeconomic model to investigate the effects of various public policies on women's wages and employment. A major goal is to specify the constraints imposed by international capital mobility on the prospects for increased equality and living standards for women. © 2000 Elsevier Science Ltd. All rights reserved.

*Key words* — structuralist macroeconomics, gender and foreign direct investment, household economics, female labor supply

## 1. INTRODUCTION

What is the impact of increasing international economic integration on women in developing countries? This question has been a major focus of study for over two decades now. During this time, much has been learned about the gender-specific effects of multinational corporations, export-processing zones and structural adjustment (see, for instance, Benería & Feldman, 1992; Cagatay, Elson & Grown, 1995; Elson, 1991; Joekes & Weston, 1994; Lim, 1990; Standing, 1989; UNCTC/ILO, 1985; Ward & Pyle, 1995). While furthering our understanding a great deal, these studies have also led to some puzzles which relate both to analytical and policy questions. For example, is encouraging foreign direct investment a good vehicle for expanding women's employment? Has the gender wage gap proven resistant to the increased demand for women's labor that often accompanies rising international investment and trade? Why do the economic gains accruing to women from employment in export-processing zones sometimes seem frustratingly short-term? Can education and training fortify women's fortunes in the export sector?

Gender-aware analyses of the international economy have been most developed in the area of international trade, partly because of the availability of empirical data and a well-defined, but controversial, general equilibrium theory, the Heckscher–Ohlin model. In the area of multinational corporations (MNCs) and foreign direct investment (FDI), the story is different. There is no one widely used theory of multinational corporate investment, and sorting out the components of FDI remains an empirical challenge. Hence, there has been very little analysis of the effects of gender relations on FDI and international production, although some have considered the effects of gender asymmetries on export competitiveness (Blecker & Seguino, 1998; Seguino, 1997).

The other side of these relationships, the effects of MNCs on women and the gendered dimensions of MNC production in developing countries, has gotten more attention. Researchers know something about the nature of wages, employment opportunities, skill

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requirements and the impact on household relations of women's employment by MNCs, particularly for those operating in export-processing zones. Much of the more recent research has focused on the increasing informalization of women's work in international production.

In this article I take up the issue of how gender relations affect multinational operations by developing a macroeconomic model in the structuralist tradition, and considering how women's roles outside the formal market sector impact the profitability of multinational investment. A major goal is to specify the constraints imposed by "real" capital mobility (here I refer to FDI versus shorter-term capital movements such as portfolio investment) on the prospects for increased living standards and increased equality for women. A second, more theoretical goal, is to investigate the extent to which viewing multinational investment through a gender lens will yield significant insights into the behavior of MNCs and FDI.

Such a focus is important for both developing and developed countries. MNC investment has been a significant factor in the economic development of a small but important group of countries in the last several decades, primarily in East and Southeast Asia and in parts of Latin America and the Caribbean, where MNCs have also been large employers of women in the manufacturing sector. Perhaps even more importantly, an MNC-based strategy of development has become a central part of the neoliberal model. For a decade or more, many developing countries have made the attraction of FDI a central part of their plans for economic growth. With the recent global financial crisis and growing appreciation of the potential instability of portfolio investment, FDI-based strategies may become even more popular.

In Section 2 I briefly discuss the empirical relationship between women's employment and MNCs in developing countries. In Section 3 I present a simple structuralist macroeconomic model, investigating wages and employment as a function of aggregate demand, capital mobility and labor supply. In Section 4 I develop the central analytical contribution of this article, drawing women's roles in the household and family structure into the model of Section 3, where gender relations become a primary determinant of investment and macroeconomic outcomes. And in Section 5 I explore the effects of three policies: an increase in aggregate demand, a decline in gender wage discrimination, and an increase in women's productivity in the market, concluding with some general observations about the interaction between women's power in the family and the ability of countries to attract and retain multinational capital.

## 2. WOMEN'S EMPLOYMENT AND FOREIGN DIRECT INVESTMENT

MNCs have been increasing in importance in developing countries in recent decades, but are very concentrated in certain countries and developing regions, especially Asia, parts of Latin America, and the transition economies of Eastern Europe. Manufacturing is the largest single component of international production—16% of the world's manufacturing output was produced under the auspices of companies operating in countries other than their own in 1990, about a 40% increase over the share in 1977 (Lipsey, 1998).

One of the more important factors in recent FDI growth is the international liberalization of services. One would expect more FDI in this sector because services are more difficult to trade, but technological change makes such a generalization problematic. An example is the recent growth in the long distance provision of back office services, beginning with simple data entry in the 1980s and now including services such as customer call services, hotel reservations, credit card authorizations and remote secretarial services. Information technology is another area experiencing high growth in international trade. Developing countries are a significant source of service exports. In 1996, 24.9% of world exports in services came from developing countries, with the lead taken by Hong Kong and Singapore (UNCTAD, 1998).

Within manufacturing, there are behavioral and structural differences between MNCs that are export-oriented and those for which sales are mainly local (Caves, 1996; Lipsey, 1999), so it makes sense to differentiate between the two. Although the relationship between women's employment and MNCs is not well documented, there is strong evidence that the share of female employees in the labor-intensive, export-oriented assembly and multinational manufacturing sector is high (Joekes & Weston, 1994; UNCTC/ILO, 1985), so the types of multinational on which I focus in this paper are