



## Continued export trade, screening-matching and gender discrimination in employment☆



Hao Chen <sup>a,\*</sup>, Chunming Zhao <sup>b</sup>, Wence Yu <sup>c</sup>

<sup>a</sup> University of International Business and Economics, China

<sup>b</sup> Beijing Normal University, China

<sup>c</sup> Chinese Academy of International Trade and Economic Cooperation, China

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### ABSTRACT

The screening mechanism of export trade facilitates enterprises to increase their recruitment threshold, which in turn has a biased impact on the employment of heterogeneous individuals. Incorporating export trade, screening-matching and gender discrimination in employment into a unified analysis and applying propensity score matching estimation on the basis of the theoretical framework of micro-enterprise and the optimized behavior of job seekers, this paper examines the relations between export trade of industrial enterprises and female labor employment levels in China during 2005–2007. The results indicate that: (1) the number and ration of female employees are increasing with the size and growth of the enterprise export, regardless of enterprise exports continuity. It demonstrates that export expansion does play a critical role in mitigating gender discrimination in employment. (2) For the enterprise with higher export continuity, there is a significant effect toward improving the number and proportion of female employees, conversely the worse effect. Thus, it is significantly meaningful to mitigate gender discrimination in employment by ensuring the continued export capacity of enterprises. (3) Comparing to the promoting effect of growth in the number of female employees, export has limit effect up on increasing the proportion of female employees. Therefore, it is rather difficult to resolve the issue of gender discrimination in employment by relying completely on exports expansion. Based on research findings, this paper discusses the policy implications in terms of easing gender discrimination in employment and promoting employment equity.

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## 1. Introduction

The new trade theory suggests that the employment effect of export trade is non-neutral. It has various or even opposite impacts on individual employment with diverse characteristics (Helpman, Itskhoki, Muendler, & Redding, 2012; Helpman, Itskhoki, & Redding, 2010, 2011). In view of this theory, there exists an inevitable difference in the employment impact of export trade on laborers of different genders. Coincidentally, the phenomenon of gender employment differences such as gender discrimination has been found in other research areas of employment studies. Evidently, this phenomenon has drawn considerable attention of scholars

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\* Corresponding author at: University of International Business and Economics (UIBE), Huixin East Street 10, Institute of International Economy, 100029 Beijing, China.

E-mail addresses: hchen1987@163.com (H. Chen), cmzhao@bnu.edu.cn (C. Zhao), yuence12345@sina.com (W. Yu).

and policy-makers in different fields due to its substantial damage on labor market efficiency (Bell & Heitmueller, 2009). Therefore, it is of theoretical significance to study the relationship between export trade and gender discrimination in employment.

During the 18th National Congress of the CPC (Communist Party of China) and 'two sessions' in 2016, the party and state leaders, as well as local representatives, repeatedly emphasized the essential to benefit all people from reform dividends. In this regard, the core objectives of foreign trade development should not just focus on improving its scale and quality, but also increasing social welfare to ensure that people at different levels would maximally share benefits of foreign trade development. Evidently, the safeguarding of employment levels and personnel quality has been a key factor affecting people's living standards and the great importance of this phenomenon must be attached. Since the reform of the employment system, gender discrimination in employment has become a main problem which policy makers are eager to solve. Of note, due to the significant decline of the participation rate of female employment in recent years, gender discrimination in employment has shown as an intensified trend. Without a doubt, it has a negative impact on employment safeguard and even people's living standard. Thus, studying the causality of gender discrimination in employment is important and contributes to employment practices. Agreeing that foreign trade is one of the key influencing factors in relation to female employment, the main purpose of this research is to discover how export trade affects the trend of female employment in the future.

Theoretically, there are two trends in relation to gender discrimination in employment. Firstly, enterprises tend to recruit male employees by offering favorite selection criteria for potential male employees in order to increase the male recruitment selection probability, which is the key focus of this study. Secondly, enterprises pay different wages by gender, despite that male and female employees are recruited for same level jobs (He, 2007). The second type of gender discrimination is beyond the discussion of export trade impact on employment. In addition, we will show that the conclusions drawn from gender wage gap may not be as reliable as anticipated, although it is an important element.

To investigate the non-neutral impact of export trade on employment, the data collected for this study is on the basis of China's industrial enterprises between 2005 and 2007. Choosing the data between 2005 and 2007 is due to the shortage of female employees data from China's industrial enterprise database of 2008 or later, and the methods used to recording statistical data-base prior to 2005 was significantly different. Specifically, we are extremely interested in examining two research questions in this study. First, whether will increasing the size of export trade exacerbate gender discrimination in employment? In other words, whether will the expansion of the export trade scale reduce female employment rates? Second, will female employment rates be changed if export companies do not export? The difficulty of such a research idea is that it is impossible to collect data from export companies without running export businesses. This is the key reason why the propensity score matching (PSM) is used for data processing. This will be further explored later in this paper.

Considerably, this study thus contributes to knowledge of gender discrimination in employment and export trade from two aspects. First, this paper re-evaluates the employment effect of export trade. Although the new trade theory suggests that the screening mechanism of export trade used by exporting companies may reduce the numbers of recruited people, it is believed that the screening role of China's export trade is not dominant at current stage, and export trade still plays a significant role in promoting employment rates in China. However, it is worth to re-evaluate how exactly the export trade has a marginal impact on employment. Second, the screening-matching model by Helpman et al. (2012) proves that the employment effect of export trade is non-neutral, it improves worker skills and leverages the quality of labor forces, and reduces the employment rates of mid-skilled and low-skilled workers. On this basis, this paper attempts to further prove that the impact of export trade on employment is non-neutral but aggravates gender discrimination in employment. Actually, it is believed that the non-neutral employment effect of export trade has been widely reflected in various qualities of workers, such as education level, gender, skills, location factors, and working industries, etc. Thus, the follow-up studies are also to be of great significance.

The following contents in this paper are organized as follows: the second part is literature review, and the third part is to develop a screening-matching model between export enterprises and female employment. In the fourth part, data and statistical descriptions will be explained via the construction and estimation of PSM based on the probit model. The final section draws conclusions based on evaluation of the impact of enterprise export sizes with different export continuities on female employment by using PSM model.

## 2. Literature review

Literature in relation to this study can be divided into two distinct categories: reasons of gender discrimination and impact of trade liberalization on gender discrimination in employment. Becker (1957), the first economist who conducts a systematic study on gender discrimination in the employment market, indicates that the root of gender discrimination in employment is prejudice. Building on this concept, other researchers (Bergmann, 1971; Doeringer and Piore, 1971; Phelps, 1972) respectively highlight the key role of preference, incomplete information, and asymmetric information and search costs in generating gender discrimination in employment. On this basis, Dan (1995) postulates *Discrimination in an Equilibrium Search Model*, which advocates if employers are discriminative recruiters, the costs for job seekers increase accordingly, which undoubtedly limits the arbitrariness of labor mobility. By doing this, recruiters hope to maintain the stability of labor forces by raising the search costs of job seekers through discrimination. Kolpin and Singell (1997) also point out that adapting 'discrimination' recruitment strategy is better choice when enterprises face the situation of asymmetric information. Cornell and Welch (1996) observe the important impact of cultural differences, and believe that employers are generally willing to recruit employees with cultural preferences similar to themselves. In his employees' characteristic study, Mishra et al. (2003) found that if recruiters cannot find a simple discriminatory approach to identify employees, then they have to bear the high costs of information screening. Consequently, the rational employers would prefer to be 'discrimination'.

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