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The Effect of Trade Openness on Women's Welfare and Work Life

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Summary. — This study of 134 countries analyzes whether women are generally the losers or winners of globalization. The results show that economic integration does not directly improve women's life expectancies. Women's access to primary and secondary education may improve slightly, although women's welfare does not seem to improve more than that of men. On the other hand, economic integration does influence women's professional lives. In developing countries, trade openness increases female labor force participation; in industrialized states, it decreases the share of working women. Trade openness in developed countries increases the number of women employed in the service sector, while in developing states it increases the number of women working in industrial jobs and in agriculture.

Key words — trade openness, gender, welfare, labor market, industrialized countries, developing countries

1. INTRODUCTION

Social tensions, reflected in street protests and poll results, force politicians to slow down economic reforms. A challenge for policy makers is to avoid a "backlash of globalization" (Rodrik, 1997) by striking a balance between economic integration and social disintegration, while also assisting people who must absorb the distributive costs of economic interdependence. Globalization will leave some people winners and others losers. It is frequently assumed that women will pay the costs of market liberalization through the loss of work outright or of high-paying work. This study asks whether women really do pay these costs.

Economic theories about the effects of globalization on growth and welfare usually do not specifically distinguish between the genders.[1] Instead, mainstream trade theories subliminally imply that increasing international trade should benefit women (particularly those in developing countries) because their main asset is unskilled labor. Feminist scholars frequently argue that conventional theories and methodologies are poorly suited to address gendered perspectives on economic relations, and rather emphasize gendered social norms and the system of gendered power (Elson, Grown, & van Staveren, 2007). Such scholars call for alternative models with different assumptions, based on norms such as empathy and human connectedness (Seguino, Stevens, & Lutz, 1996). They say that cooperative and other non-profit oriented norms of behavior and altruistic motivations observed in the unpaid sectors (such as volunteer work) contradict the assumptions on which neoclassical theories are predicated, such as that of self-interested, utility-maximizing behavior. Being differently concentrated in paid work *versus* unpaid work, women and men have different links with the market. This affects their behavior and preferences (Beneria, 2003; Ruspini 2001).[2] Thus, much of the feminist literature asks whether the underlying assumptions of mainstream economics apply equally to men and to women.

In this paper, I will examine whether economic globalization (in particular, international trade openness as measured by total trade/GDP[3]) improves certain aspects of women's welfare, particularly health care and education. Furthermore, this study will explore, based on mainstream economic theories, whether women will be the winners or the losers with regard to the effects of globalization on the labor market. The effects of globalization will be assessed both in absolute terms, and relative to men. This paper will thus address two questions. First, I will ask a question that is mainly of concern to economists: whether women benefit absolutely, that is, whether they are better off with than without free trade. Second, I will examine the gender gap that is predominantly of interest in feminist literature: specifically, the effect of globalization on women compared with that on men.

2. ECONOMIC INTEGRATION AND WOMEN'S WELFARE

Economic theories and empirical studies largely support the beneficial effects of economic integration on economic growth (e.g., Klasen, 2002; Sachs & Warner, 1995). Through the free exchange of goods, capital, and services, states can specialize according to their comparative advantage. Countries can concentrate on producing goods for export that they manufacture at relatively low costs, and on importing goods that can be produced in another country more cheaply. Industries can specialize and exploit economies of scale because exporting opens up a bigger market and enables the production of more goods at a lower average cost. As a result, industries allocate resources more efficiently and attain higher productivity, which boosts the value of national output and thus real income. Consumers can buy cheaper goods and have more variety from which to choose. Additionally, trade facilitates the spread of technology, which is particularly important for developing countries that can benefit from industrialized states' know-how.

The beneficial effect of trade openness on trade flows for the economy in the aggregate is largely accepted (Yanikkaya,

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2003). However, scholars still disagree on whether everybody, including the poorest strata of society, will benefit from a growing economy. If indeed the growth in income of the poorest quintile in society roughly reflects the national growth rate one-to-one (Dollar & Kraay, 2002; Kraay, 2006), a finding that is contested (Amann, Aslanidis, Nixson, & Walters, 2006; Lübker, Smith, & Weeks, 2002), trade openness as a determinant of economic growth could also be an indirect component in the reduction of poverty. Several studies on globalization's effect on income distribution support this conclusion by showing that trade openness (and in some studies, foreign direct investment) does not necessarily increase income inequality within a state (Bhalla, 2002; Bussmann, de Soysa, & Oneal, 2005; Reuveny & Li, 2003). Increasing competition reduces commodity prices, and thus redistributes income from producers to consumers. [4]

There are two ways in which trade openness could improve the welfare of women: higher income for the state on the macro level, and higher income for women on the micro level. First, trade openness could increase a state's revenues and thus let governments provide more public goods and welfare services. In a macro perspective, if higher levels of trade generate more income for the state, then trade changes the capacity of governments to meet the needs of the population: for example, for social protection, schools, and health facilities. Whereas some argue that in a globalized world, the state and politicians increasingly lose their influence on economic actors, others such as Rodrik (1997) find a positive effect of trade on the size of government, as measured by government expenditures and consumption as percentage of GDP. He argues that the demand for compensations rises with increasing trade openness. Potential losers of globalization can be compensated through redistributive measures or through the provision of public goods. Besides, states are forced to supply necessary infrastructure and education to its workforce to be able to compete in a global market (Garrett, 2001). A state's investment in public goods like education and health services will not only improve an economy's competitiveness, but also the welfare and level of satisfaction of all citizens. International trade is an important source of income for governments (especially in developing countries) that can more easily raise taxes on trade (through border controls and licenses, *etc.*) than taxes on income and capital (Khattry & Rao, 2002; Kubota, 2005). Higher trade-to-GDP ratios are associated with higher trade tax revenue (Khattry & Rao, 2002). [5]

Secondly, by creating more jobs for women (and men), international trade could increase women's income and thus let them buy education and better health care. Important mechanisms are not limited to potentially higher income for the state through trade, but also the direct mechanism of higher income for women through jobs created through trade. In a micro perspective, women's welfare can improve as they assume a more active role in economic life: namely, once they become active participants in the labor market. A flourishing export industry will create new jobs. Women can benefit from more employment opportunities in the export sector. And higher female labor force participation (regardless in which sector) increases women's personal income. This higher income allows women to pay for medical and educational services for themselves and for their children (Denman, 2006; Grown, 2006). Some women might even receive health insurance coverage through their employment in the formal labor market (Grown, 2006). New jobs for women in the industrial sector can delay marriage and child-bearing and thus improve health (Amin, 2006) and allow girls and women to continue with higher education. On the other hand, women might experience more stress and work-related accidents, in particular if working conditions are poor (Grown, 2006). Women will typically continue to shoulder the greatest portion of work in the household and child care, despite their contribution in the nonhousehold labor market. Consequently, there is likely to be a double burden with longer working hours (Elson, 1999) and less time available for caring activities and leisure (Fontana & Wood, 2000).

This paper will analyze whether women benefit from economic integration in the sense that they experience higher welfare, reflected in the provision of better health care and more education. Trade openness is conducive to economic growth, which is presumably beneficial to everyone in society, including women.

Hypothesis 1a (absolute). Globalization improves quality of life for women, with regard to better access to health care and schooling in absolute terms.

Considering that economic growth benefits everyone, this means that women should gain in absolute terms, but may not gain more than men. However, a recent study showed that trade openness increases women's life expectancy and their literacy rates, more so than for men (Gray, Kittilson, & Sandholtz, 2006). Dollar and Gatti (1999) confirm in their empirical study that "good times are good for women" (p. 21) as increasing income *per capita* correlates positively with the indicators of gender equality in education and health. However, there is only a minor increase, particularly in very poor countries, in gender equality in secondary education. The explanation Dollar and Gatti offer points to a market failure in developing countries that decreases investment in the education of girls. This market failure dissipates in more developed countries. They attribute a large share of the variance in gender inequality to religious preferences rather than efficient economic choice (see also Tzannatos, 1999). [6]

To better address the question of whether women and men benefit to the same extent from welfare gains, we need to analyze the intra-household distribution of welfare (Winters, 2000). This is particularly important because in most countries, the distribution of income in a household is highly unequal. Based on an intra-household bargaining model, Braunstein (2006) argues for an indirect link between trade and investment liberalization and women's reproductive health. [7]

Growth in manufacturing exports is associated with an increasing share of women in the non-agricultural labor force, as manufacturers preferably hire women because of their typically lower wages. The paid work increases a woman's autonomy and her bargaining power in the household, as she attains an improved fallback position due to her own income (see also Grown, 2006).

Scholars with a critical view on globalization argue that gender inequality's precisely what hastens economic growth. Cheap female labor reduces the costs of producing goods for exports, thus increasing the competitiveness of those goods. Through exports, states earn foreign exchange that is necessary for the import of intermediate goods. This exchange raises productivity and thus growth and investment, a hypothesis that was supported for semi-industrialized states with an export-orientation in female-dominated manufacturing industries (Blecker & Seguino, 2002; Seguino, 2000a, 2000b). This could mean that states with an export-orientation might not be interested in adopting a policy that invests in the human capital of women: the economy is interested in them as cheap workers.