

Trade-Related Employment For Women In
Industry And Services In Developing
Countries

Susan Joeke

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**United Nations Research Institute
for Social Development
Palais des Nations
1211 Geneva 10
Switzerland**

**☎ (41.22) 798.84.00/798.58.50
Fax (41.22) 740.07.91**

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Preface

The Fourth World Conference on Women, to be held in Beijing in September 1995, provides an opportunity for the world community to focus attention on areas of critical concern for women worldwide — concerns that stem from social problems embracing both men and women, and that require solutions affecting both genders. One of the main objectives of the Conference is to adopt a platform for action, concentrating on some of the key areas identified as obstacles to the advancement of women. UNRISD's work in preparation for the Fourth World Conference on Women focuses on two of the themes highlighted by the United Nations Commission on the Status of Women:

- inequality in women's access to and participation in the definition of economic structures and policies and the productive process itself; and
- insufficient institutional mechanisms to promote the advancement of women.

The Institute's Occasional Paper series for Beijing reflects work carried out under the UNRISD/UNDP project, **Technical Co-operation and Women's Lives: Integrating Gender into Development Policy**. The activities of the project include an assessment of efforts by a selected number of donor agencies and governments to integrate gender issues into their activities; the action-oriented part of the project involves pilot studies in Bangladesh, Jamaica, Morocco, Uganda and Viet Nam, the goal of which is to initiate a policy dialogue between gender researchers, policy makers and activists aimed at making economic policies and productive processes more accountable to women.

This paper is intended to contribute to the project's policy dialogues. It considers current changes in the international economic context as they affect the evolution of employment structures, and analyses their implications for women's employment in the trade-related manufacturing and services sectors.

Susan Joeques is a fellow at the Institute of Development Studies, University of Sussex, United Kingdom. Her areas of specialization include gender issues, especially as they relate to employment, local environmental resource management and the international economy. At UNRISD, the project on **Technical Co-operation and Women's Lives: Integrating Gender into Development Policy** is being co-ordinated by Shahra Razavi.

August 1995

Dharam Ghai
Director

Executive Summary

The external economic environment is exercising an increasingly important influence on the structure of production and the rate of economic growth in developing countries. International markets have been greatly “liberalized” since 1948, i.e. world tariff levels have been reduced, despite periodic protectionist actions by Northern countries. Accordingly, the profitability of selling in foreign markets has increased for developing country producers (taken as a single category). Complementing this, domestic policies in many countries have become less biased against exporting, to the extent that the formerly widespread autarkic approach to industrialization has now been almost universally abandoned in the developing world.

In keeping with the trend towards liberalization, the value of goods and services traded internationally has increased relative to the value of goods and services sold on domestic markets. Within the total, the shares of manufactured goods and, latterly, services have risen steadily at the expense of trade in primary commodities. Despite their traditional specialization in commodities, the developing countries have succeeded in building up their presence in these new markets.

In addition to the historical growth in the value of international trade, the contemporary “globalization” of the world economy — which stems from improvements in telecommunications and information technology and the opening of many local markets to foreign investors, especially in services — has further intensified the interpenetration of local and international market forces worldwide.

The evolution of employment structures in general, and employment possibilities for women in particular, have been significantly affected by these developments. Any investigation of changes in women’s income earning prospects in the course of development must now take account of the international dimension.

The growth in international trade and the effects of globalization have both so far favoured women’s participation in paid employment. The increased absorption of women workers into manufacturing in developing countries has clearly been driven by changes in trade performance, in two senses. On the one hand, women have been the actively preferred labour force in exporting industries, and on the other, the change in trade orientation has entailed the relative decline of privileged male employment in autarkic industry. Women now comprise about one third of all industrial sector workers in developing countries.

Roughly speaking, while changes in employment opportunities for women in the industrial sector have historically been due to trade liberalization, changes in services employment — which are likely to dominate the picture more and more in the future — are attributable to the effects of globalization. This is having a twofold effect on women’s employment opportunities. First, new jobs are being created in information-based industries, which use telecommunications

infrastructure to access cheap, educated female labour in developing countries for operations such as data processing, much as the improvement in international physical transportation links facilitated expansion earlier of production capacity in clothing and electronics in developing countries. This amplification of female-intensive employment into some service operations is paralleled by the recent expansion of exports of fruit, flowers and vegetables, again based largely on use of female labour, from some developing countries. While the phenomenon was first noted in Mexico, it is clear that for some East African countries, notably Kenya, this activity has greatly expanded in recent years. It may represent the main or even the only immediate possibility for viable engagement in international non-commodity markets for many of the least developed countries, particularly in sub-Saharan Africa, where the female labour force is poorly equipped, as a result of failings in educational provision, for work in modern sector industry.

Secondly, globalization is facilitating the establishment in developing countries of branches of service sector transnational corporations (TNCs), such as banks and insurance companies selling to consumers, and specialist producer services (e.g. advertising, accounting, legal services) meeting the needs of other enterprises. Often these establishments supply services to other countries in the region. Globalization is also encouraging the relocation of some former back-office functions within TNCs, on cost grounds. Some analysts see in this process the probable total geographical fragmentation of the operations of TNCs around the globe, and indeed the final demise of the national identity (as Northern- or Southern-based) of some TNCs.

In all these cases, new employment is created locally in the services sector, spread across both low and high skilled grades. Evidence of the gender implications of such employment creation is extremely sparse, but there is some evidence (e.g. for Malaysia) that the preference for female labour experienced in manufacturing carries over into new trade-related services, in both low and higher skilled segments. The preconditions for this are in place, to the extent that women are already well-represented in the services sector in developing countries, and in professional and technical occupations across all sectors. Gender biases in educational provision in developing countries, whereby women are concentrated in arts and humanities subjects, and in professional areas such as the law, lend support to speculation that expansion of trade-related services may represent an important new source of relatively well-paid employment opportunities for women in the future.

The causes and extent of trade-related employment gains for women can be explained in terms of the interaction between the economic characteristics of North-South trade and the operation of gender relations in the labour market and the gender biases in educational provision.

Developing countries' comparative advantage in international trade in manufactures has rested — and to a considerable extent continues to do so — on exports of labour-intensive manufactured goods — typically clothing and certain assembly-type stages of electronics goods

production. The differences in the level of technological sophistication embodied in these products (and others like them, e.g. food processing as similar to clothing) do not undermine this conclusion. But they do have consequences for the structure of firm ownership and the nature of trade regulations in different sorts of industries. Entry to the low technology clothing industry is relatively easy for new firms and clothing firms are predominantly small and local; consolidation of control by capital has not been possible. Accordingly, the bulk of clothing production in developing countries is by autonomous firms competing against Northern-based producers in rich country markets; the latter have responded by persuading Northern governments to put in place a notoriously restrictive, quota-based trade régime (the Multifibre Arrangement).

In electronics, by contrast, the high capital cost of high-technology production methods makes market entry for new firms extremely difficult, and world electronics production is dominated by a small number of TNCs, which have not wished to see final product prices raised in destination markets and have resisted imposition of tariffs and quotas on electronics components and products. The trade régime which resulted has facilitated the rapid rate of exports of electronics from developing countries. TNCs located much of the separable assembly stages in production of micro-circuits, computers and telecommunications equipment in developing countries to take advantage of low wages and maintain competitive position against their rivals. Thus the theory of comparative advantage, based on the stylized fact of lower wages in developing countries, is able to explain the pattern of North-South trade flows in industries across the technological spectrum.

Women are concentrated as workers within all parts of relatively labour intensive operations in the industrial sector, in both North and South. The fundamental reason for this concentration is that women, for a variety of socially determined reasons, directly or indirectly discriminatory in character, are paid lower wages than men. Typically the ratio of female:male wages is about two thirds. Hence women are the source of the lowest of low-wage labour available and the mobilization of women into the export sector in developing countries can be logically interpreted as the ultimate expression of the forces of comparative advantage.

Neo-classical economists explain the wage differential by gender in terms of women's lesser educational attainments and the consequences of their truncated or intermittently interrupted involvement in wage employment. But a much deeper analysis is needed. Hierarchical gender relations in society at large are clearly manifested in the labour market too. There are actual or perceived gender-based differences in workers' involvement in paid employment which have acted to restrict women's employment opportunities. For example, women are commonly prevented by statute from working night shifts, which limits their possibilities of employment in continuous process industries; women are similarly perceived of as in need of protection from heavy and dangerous work — both permeated by conceptions of masculinity — and thus

largely excluded from engagement in heavy industry; women leave employment periodically for childbearing, which carries over into expectations of women's lack of commitment and relative docility in the face of dismissal and poor treatment; and this, combined with the fact that women typically (though by no means always) enter the labour market with lesser levels of educational attainment, translates into a perception that women are suited to "lesser skilled" and therefore appropriately lesser paid jobs — in itself another gender-based, socially constructed inference rather than an objective feature of reality.

For all these reasons, women have been crowded into particular segments of the labour market, where the relative imbalance of demand and supply serves to reinforce wage settlements lower than in other parts of the employment structure. From a gender perspective, therefore, the public policy problem is particularly severe. So many factors interact to maintain the male-female wage differential and pattern of labour market segmentation and the educational and life-cycle decisions which women make — or have made for them — on the basis of it, which serve to perpetuate the inequitable gender order.

Since one of the main goals of gender equity is the reduction in women's economic dependence, the increased incorporation of women in trade-related wage employment in developing countries may be interpreted as a positive development. But evaluation of the changes depends on two other main factors: first, equality of female and male wages is crucial if the patterns of female dependence and subordination are to be broken; and second, the terms of employment in trade-related activity must be equitable if the new trade-related demand for female labour is to lead to any consolidation in women's position in the labour market. On the first point, the evidence is mixed and inconclusive. On the one hand, data on wages in export processing zones, where employment of women in export production has been concentrated to date, suggest that women's wages relative to men's are deteriorating over time. Evidence from some of the case study countries in the UNRISD/UNDP project for which this paper was prepared seems to support this hypothesis. On the other hand, some recent data analysed for a set of 12 developing countries suggest a process of steady improvement over time in women's relative wages in the manufacturing sector. With respect to working conditions, it is clear that expansion of female employment in export factories, where job security is limited, represents a deterioration in the average conditions of employment in this sector, even though cyclical demand conditions in the industries concerned play a part. There is ample evidence, for example, of calculated actions of employers to prevent women building expectations of long-term employment and the seniority wage structure and career progression possibilities that might be associated with it.

In respect of both aspects of the situation, the precautionary principle must be applied as the guide for public policy and action by interested parties such as women's groups. Developing country governments need to ratify ILO Convention 100 and enact equal wage and opportunity legislation, if it is not already on the statute book. More difficult, they need to ensure sound and effective mechanisms for implementation of that legislation.

NGOs, the women's movement and any other groups acting for women's interests need to be vigilant in preventing any moves towards greater wage inequality. Lessons can surely be learned internationally from the experiences of similar groups in developed countries.

Two other possible arenas for action present themselves. First, the potential for equal wage provisions to be promoted as part of — perhaps the least controversial part of — putative “social clauses” in international trade agreements should be explored. The effort to include general social clauses in trade agreements has been strongly resisted by developing country governments which see them as a veiled protectionist device; developed countries are divided and the ILO, for example, is split down the middle over the issue. But the topic may be shelved rather than permanently dead in international fora and women's groups might take advantage of the pause to re-examine the issues, consider their position and lobby their own governments accordingly to take a stand in international negotiations.

The second forum is the “sub-political” arena of civil society, in which the international environmentalist groups have been so influential. The recent case of Shell's reversal of policy over disposal of an old oil-rig in direct response to pressure from Greenpeace is a graphic recent case. Women's interest groups (both Northern and Southern) could bring their own strength to bear similarly directly on TNCs, which are likely to become an increasingly important actor in, and to have an increased influence over, labour markets and employment practices towards women in developing countries. Vigilance over TNCs' employment practices in general and equal wage payments by gender in particular could be monitored locally, information published, good and bad employers identified and representations made for improved practices for women employees. There is vast potential for international alliances between women's organizations worldwide for movement on this issue — indeed, in keeping with the globalization of the world economy, international action may not only be appropriate but necessary for promotion of gender equity in this connection.

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