Trade, Tariffs and Workplace Gender Inequity

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My scholarly research interests are focused on the broken pipeline for women in middle-management to upper-level leadership in corporate organizations. This includes subtopics of workplace gender inequality, gender pay gap and women’s overall economic prosperity. After a review of the literature, I have found the exploration of tariffs, trade and gender equality to be an important topic and one that is gaining much attention. Trade liberalization aspects of wage inequality and gender inequality are beginning to gain attention. In spite of increased research on this topic, there is a lack of consensus overall regarding the role of protectionism (especially tariffs) and free trade effect women’s participation in the workforce and the gender wage gap.

Beladi, Chakrabarti, & Marjit’s 2010 study explored the effect of free trade on skilled versus unskilled labor as it relates to wage inequality and unemployment. The authors argue the impact of trade liberalization on the labor market has drawn tremendous attention in the face of the growing skilled-unskilled wage gap. The argument is that trade can cause an increase in the wage of skilled labor relative to unskilled labor. The authors found that “When fragmentation is allowed, a rise in the price of the skilled exports increases the skilled-unskilled wage differential without affecting urban unemployment. Without fragmentation, a technological progress in the intermediate goods sector raises the skilled-unskilled wage gap and raises urban unemployment” (p. 1005).

This focus on technological advances and trade is an important one. Juhn, Ujhelyi, & Villegas-Sanchez (2014) studied the effect of trade liberalization on wage and gender inequality. Utilizing a model where firms differ in their productivity and workers are differentiated by skill as well as gender. The authors found that a reduction in tariffs often induced more productive firms to modernize their technology and enter the export market. These new lowered the need for physically demanding skills. As a result, “the relative wage and employment of women improves in blue-collar tasks, but not in white-collar tasks.” (p. 179). In summary, Juhn, Ujhelyi, & Villegas-Sanchez (2014) found that tariff reductions caused new firms to enter the export market, update their technology and replace male blue-collar workers with female blue-collar workers. The authors found that “firms experiencing larger declines in export tariffs were more likely to hire blue-collar women and to pay them higher wages” (p. 189). Similar effects in white-collar occupations, where the relative importance of physically demanding skills is less likely to have changed were not found. This is important as it relates to women in the waged workforce.

There is little evidence supporting a decline in women’s wages or women’s overall participation in the waged workforce in blue collar jobs. In fact the opposite is true. Likewise, women’s overall workforce participation is at an all-time high. Women today have assumed more prominent roles as leaders in the global workforce than in previous decades. According to Bureau of Labor Statistics data (2009) and U.S. Census Bureau data (2013) women represent 57% of the overall workforce and represent approximately 46% of management, professional, and related occupations in the United States, up from around 16% in the 1970s and 26% in the 1980s. Despite women’s equal representation in the workplace they are underrepresented in the upper echelons of organizations with women representing only 13% of Fortune 500 executive officers, 16% occupying board seats, 7.5% representing corporate top earners, and 3.6% in the role of CEO (Catalyst, 2011). In short, women’s inequity in the workplace is most pronounced at the highest-levels (white collar, top earner roles).

Indeed, research shows that “during the establishment of the North American Free Trade Agreement (NAFTA), women’s relative wage increased even as their relative employment rates increased, suggesting that demand for female labor increased in the economy as a whole” (Juhn, Ujhelyi, & Villegas-Sanchez ,2014, p. 269). The authors argue that lower tariffs encourage the most productive firms to incur a fixed cost to enter the export market, as well as to upgrade their technology” (p. 269) which replace the need for routine physical tasks, thus, the new technology raises women’s relative productivity in blue-collar jobs, leading to “improved labor market outcomes” (p. 269). Duflo (2012) found a similar effect whereby as the relative importance of physically demanding skills declined, women experienced improved labor market conditions.

Khalifa (2014) examined the direction of trade and wage inequality addressing the skill premium and concluded that it is less gender and more geography which effects the role trade will have on wage inequity and unemployment. Khalifa’s (2014) study found that geographic areas with greater numbers of low skill workers suffer more inequity from trade whereas areas with higher skilled workers benefit. Khalifa (2014) explains that there is a higher level of skill abundance in the north than in the south where there is a relatively low level of skill abundance (p. 901). Khalifa’s findings support Forbes (2001) study which found that skill level and classification were highly correlated with the relationship between trade flows and wage inequality. Likewise Towsend (2007) found that industry of employment is an important determinant of wage whereby industries with the deepest tariff cuts experienced the biggest fall in wages, regardless of industry and gender.

Helpman, Itskhoki and Redding (2010) explored two core issues in international trade relevant to employment equity; the allocation of resources across economic activities and the distribution of incomes across factors of production and found that the effects of international trade on income distribution are often largely transitory, because it takes time for resources to be reallocated. The authors go on to explain that once the economy is open to trade, wage inequality is at first increasing and later decreasing with trade openness.

Mukhopadhyay (2015) developed a three-sector Harris-Todaro general equilibrium model to examine the effects of liberalized trade, investment, and labor market policies on the gender wage gap and female labor force participation. The author presented two underlying assumptions: first, women are paid less because they are employed in the informal sectors and are engaged in particularly low paying activities because of gender segregation, and second, female labor supply decisions and female labor force participation is endogenous, and depends on male and female wages, and the unemployment of male workers. Results showed that both foreign capital inflow and labor market deregulation may widen the gender wage gap and lead to a decline in the labor force participation of women. Mukhopadhyay (2015) also found that a market a reduction in import tariffs may have favorable effects on both the gender wage gap and female labor force participation; however, male wages decline and their unemployment increases.

The results indicate that “if trade and investment liberalization policies are implemented, along with labor market deregulation, they may have concurrent, contradicting effects on the gender wage gap and female labor force participation.”(p. 78). Similarly, Papyrakis, Covarrubias, and Verschoor (2012) found concurrent, contradicting effects in that “the evidence for developing countries points to an overall beneficial impact of trade expansion on female employment, both relative to male employment and in absolute terms, although largely concentrated in unskilled manufacturing. By contrast, the bulk of the evidence suggests a widening gender wage gap as a result of freer trade.” (p. 81). Elson (2007) also found that trade had differential impacts across socio-economic groups, geographical regions, productive sectors and gender.

Although I have presented many studies supporting the positive benefits of trade in terms of women’s role in the workplace and their pay equity, there issue is far from achieving consensus. Kitaoka (2010) studied the role of trade liberalization and whether or not it can explain the rising wage inequality. Kitaoka explains how wage inequality between skilled workers and unskilled workers expanded in the U.S. manufacturing industries during 1980 through 2000 while simultaneously NAFTA provided the opportunity to observe the effect of significant tariff reduction during that same period. Kitaoka (2010) asserts based his study that there is significant evidence that U.S. tariff reductions on both Canadian imports and Mexican imports expanded wage inequality between skilled workers and unskilled workers in U.S. manufacturing industries during the period considered. These results contradict previous findings indicating that U.S. tariff reduction hurts wage equality, however this research mirrors previous research suggesting those most hurt were unskilled workers in manufacturing industries.

In summary, women and men are often exposed to trade expansion in different ways, but the impact of trade on gender equality is complex, with many factors simultaneously at work. As Papyrakis, Covarrubias, and Verschoor (2012) assert “trade expansion affects relative prices, income levels, employment patterns, the size of productive sectors, and all these may in turn have gendered implications” p. 82. That said, the research does not support that free trade is highly correlated with the gender pay gap or women’s equity in the workplace. On the contrary, there is some evidence to support that outsourcing of jobs in which physical labor is essential, that is, the skill reduction in tariffs often induces more productive companies to modernize their technology and enter the export market. These new lowered the need for physically demanding skills which opens opportunities for women who previously might not be selected for these types of positions, and at higher wages (Juhn, Ujhelyi, & Villegas-Sanchez, 2014). There are many wars to wage in efforts to create equity for women, but the war on free trade is not one of them.

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