

Are Global Value Chains Women Friendly in Developing Countries?

Evidence from Firm-Level Data

Marize Kalliny
Chahir Zaki



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Abstract

Despite the efforts made to increase women's inclusion in the economy, they are still underrepresented in trade in general and in global value chains in particular. Thus, this paper aims at examining the impact of global value chains on women's trade participation as entrepreneurs and employees. It also analyzes how this effect is moderated through external (gender provisions in trade agreements) and internal (investment climate variables) factors. The analysis uses firm-level data for 154 developing economies and emerging markets with a special focus on the Middle East and North Africa region, being one of the regions with the lowest female labor force participation. The main findings show that global value chains integration increases the likelihood of being a female owner and the share of

female employees, especially production ones. A less robust negative effect is found for the impact on being a female top manager. These effects are moderated by the inclusion of gender provisions in trade agreements and by the characteristics of the investment climate (especially tax policy, access to finance, and corruption). These results remain robust after controlling for the endogeneity of global value chains using an instrumental variable approach and a propensity score estimation method where the treatment is being part of a global value chains. Thus, global value chains can be perceived as a tool that boosts women's empowerment in emerging economies, especially in the Middle East and North Africa region.

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Marize Kalliny² Chahir Zaki³

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² PhD Candidate at Université Clermont Auvergne, CNRS, IRD, CERDI, F-63000 Clermont-Ferrand, France. Assistant Lecturer of Economics, Faculty of Economics and Political Science – Cairo University (on leave). Email: marize.kalliny@feps.edu.eg

³ Chaired Professor of Economics, University of Orléans and Labor d'Economie d'Orléans, Economic Research Forum and EMANES. Email: chahir.zaki@univ-orleans.fr

1. Introduction

Women have always played a significant and pivotal role in the economy through their remarkable presence in business, agriculture, industry and even through their unpaid care work. Despite the efforts made to increase women's inclusion in the economy, around 2.4 billion women do not have access to equal economic opportunities as men according to the World Bank's Women, Business and the Law report (2022). Furthermore, based on a report published on women by the United Nations Development Programme (UNDP), women perform 66% of the world's work, produce 50% of the food, but earn only 10% of the income. In addition, different stages of the production process are increasingly being fragmented across different countries through global value chains (GVCs), especially in emerging economies. For this reason, this study attempts to assess the impact of GVCs on women's empowerment in international trade.

Indeed, in recent years, the world has witnessed a growing interest in the impact of globalization on economic patterns in general and gender equality in particular. A significant focus has been on the gender impact of GVCs as they have proven their power to generate employment, drive development, and increase income. These value chains can help women by providing more income that can support their economic empowerment but can also downgrade them to poorly paid and undervalued jobs. Hence, considering gender issues and addressing them is critical in order to take advantage of the potential of GVCs, which, in turn, guarantees a better achievement of sustainable economic and social goals by 2030.

In the previous literature, the relation between women's empowerment and international trade was ambiguous. The first strand of studies was in line with the neoclassical theory based on Becker (1959) and according to which discrimination is costly. Hence, the increase of industry competitiveness due to trade participation reduces the incentives to discriminate against women especially in concentrated industries than in competitive ones. For instance, Boler et al. (2015) use matched employer-employee data from the Norwegian manufacturing sector and prove that trade participation has narrowed the gender wage gap in exporting firms relative to non-exporters. Similarly, Juhn et al. (2014) and Black and Brainerd (2004) reach the same conclusion using various datasets. Nevertheless, contradictory results have been proven in other studies. For instance, in a study based in India, Taiwan, and China, Berik et al. (2004) show that competition resulting from international trade increases wage discrimination against female workers, which does not go in line with the neoclassical theory. Moreover, using difference-in-difference estimation and data from the Demographic Census for 1991 and 2000 fielded by the Brazilian Census Bureau, Gaddis and Pieters (2017) show that trade liberalization decreased the male and female labor force participation rate. The effect is significantly larger on men, which means that liberalization reduced the gender gap in employment and participation rates. Nevertheless, the results show no evidence that women got any benefit from the competitive effects of liberalization as their employment and participation rate did not increase relative to those of men. The literature also shows that the limited or negative employment effect was due to other concomitant factors such as the effect of anti-sweatshop activism (Harrison and Scorse 2010) and the constitution of minimum wage for export tariff privileges (del Carpio et al 2015). By studying the opposite dimension of the subject, Karam and Zaki (2021) argue that female labor participation in the MENA region has a positive significant impact on both trade margins. Furthermore, their results show that female ownership positively affects the probability of exports of large firms.

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