

## Untangling links between trade, poverty and gender

### Latin American experience shows women need support to benefit from trade liberalisation

**L**inks between trade, growth and poverty reduction are under global scrutiny by a broad range of policy and civil society actors, as are gender dimensions of trade liberalisation. Proponents assume that growth will benefit women, given the disproportionate growth of their employment in export-orientated, labour-intensive light manufacturing. Critics, meanwhile, fear that women may be more vulnerable to negative effects of trade liberalisation and less able than men to benefit from positive impacts. Evidence suggests, however, that the reality is more complex and context-specific.

A gender analysis of trade requires an understanding of the pre-existing gender dimensions of market dynamics and the broader social, cultural and political environment. It also requires an understanding of the nature, pace and scale of changes ushered in by trade liberalisation, and the extent to which they are mediated by national government policies and legislation. We need to consider the effects of trade reforms on income-generating work and on the invisible and unpaid work that is traditionally assigned to women. Because society places a low value on unpaid work and caring for others, such work is a key factor in inequality between the sexes. The challenge is to see how national policies and legislation to mediate the effects of trade reforms can be harnessed to address this inequality. While trade liberalisation may result in improved growth, there is a growing realisation that reducing poverty and inequality requires complementary policies to tackle not only competitiveness, investment climate and infrastructural challenges, but also social inequalities that may be perpetuated or exacerbated by trade reforms.

This paper examines why and how trade lib-



**Recent trade agreements in Latin America overlook the realities faced by many women**

eralisation affects men and women in different ways, drawing on recent evidence from Latin America and the Caribbean, where governments have signed much-debated Free Trade Agreements. While these recognise the need to address gender inequalities if women are to benefit from trade liberalisation, they have not been accompanied by the necessary social policy measures. The paper ends by examining policy implications, looking at how trade-related policies can enhance women's and men's capabilities to take advantage of new market opportunities, given the patterning and dynamics of poverty in the region.

### Links between trade, poverty and gender

Untangling the gender dimensions of trade reform is a complex enterprise, given that neither trade liberalisation nor poverty is easily measured and trade liberalisation takes place alongside other macro-economic reforms. Analysing the disaggregated effects of macro-

### Key points

- Changes in employment, prices and social expenditures are three pathways linking trade and gender
- Trade liberalisation may have positive or negative impacts, but there are risks for women
- Trade reforms must be complemented by social and labour policies to ensure that women can take full advantage of the new economic environment

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policy changes upon the household is even more challenging. Measures that either aggravate or ameliorate aggregate household poverty may be experienced differently by men and women, girls and boys, depending on the gender composition of the labour market, access to resources (such as credit, land title, inheritance rights), and cultural norms and practices surrounding household rights and responsibilities.

There are, however, three main pathways through which trade liberalisation may have a direct impact on poverty and vulnerability: changes in employment structures and wages; changes in prices and their impact on consumption patterns; and changes in financing for social expenditure. These may be positive or negative for women and men, depending on their individual (e.g. education and skills, marital status, family size) and social group characteristics (e.g. net producers or net consumers, urban/rural location, economic and social status) (Bird, 2004).

First, changes in employment structures and wages have implications for household labour supply, with different impacts on men, women and children. While trade theory assumes that liberalisation ushers in new employment and market opportunities, feminist economists argue that reproductive work, such as childcare and household management, may constrain women in the labour market. They may have less time to retrain, get new qualifications or find new employment. While many women are moving into such export-orientated industries as textiles, others are moving into informal, home-based market activities that may not provide minimum wages, security of employment or other social benefits. Male migration to urban areas to take advantage of new market opportunities could exacerbate women's time poverty and their triple burden (productive, reproductive and community work).

Changes in the time available for care-giving may, in turn, have spill-over impacts on children, especially in the absence of affordable and accessible childcare services and parental leave provisions. Girls, in particular, often shoulder additional responsibilities, with possible negative consequences on their schooling, leisure time and future development. This is especially true in rural areas, where children's labour is often used to offset household and community economic shocks.

Second, household consumption patterns may be affected by changes in prices of goods and services. Whether these changes are positive or negative depends on the relative balance between price and profit effects. Trade liberalisation may result in lower prices of goods and services because of increased import-induced competition. In this case, household consumption possibilities could improve, with benefits for women in their role as care-givers and for their families.

Third, higher growth in the medium-term may mean more government revenue, but tariff reductions may restrict the short-term ability of govern-

ments to finance social programmes, leading to cuts in services and to privatisation. This could negatively affect access to quality services, especially among rural and poor households (most of them headed by women), and constrain governmental ability to implement social protection measures to offset the negative impacts of liberalisation. These risks are more likely to affect women as they often have primary responsibility for care work. They will either have to work longer hours in paid employment to pay for privatised services, or fill the gaps in service provision by allocating more time to care-giving activities. Privatisation of social services can also affect women as workers. The public service sector has been the key employment sector for women, and privatisation could mean losses of both jobs and social security provisions (e.g. pensions, health insurance and maternity leave).

## Evidence from Latin America

Having mapped out the general links between trade, poverty and gender, we now examine the gendered nature and distribution of poverty in the Latin American region. We look at the socio-cultural gender division of labour, and the positioning of men and women within the economy, to unpack the gender dimensions of trade liberalisation.

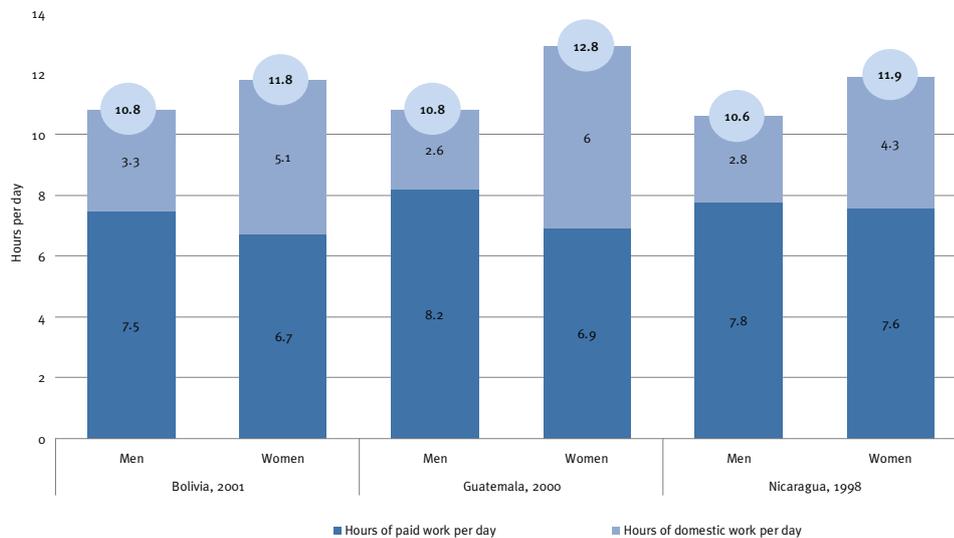
### Poverty and gender

The gender patterning of poverty in Latin America is more complex than perhaps previously envisioned. A report by the Economic Commission for Latin America and the Caribbean (ECLAC, 2007) found that more women than men were living below the poverty line, and that the number of women living in poor households had increased from 108 to 112 for every 100 men over the last 15 years. While it is important to recognise the diversity of circumstances across female-headed households (Chant, 2006), an average of 30% of households in 12 countries in the region were headed by women in 2005, and these accounted for a disproportionate number of poor and extremely poor households.

In terms of human capital development, however, a comparison of human development index (HDI) and gender development index data (GDI) reveals major variations. Countries such as Nicaragua and Venezuela demonstrate high levels of gender inequality in favour of men. In Brazil and Peru, however, the human capital of women has, on average, exceeded that of men (UNDP, 2007).

### Asymmetrical responsibilities and rights

Attitudes towards unpaid work and caring for others – roles that traditionally have been assigned to women – constitute key factors in gender inequality in the region, shaping both the private and public lives of women. Recent data from Brazil highlight women's relative time poverty: 90% of women spend an average of 20 hours per week on unpaid

**Figure 1: Total working hours, combining hours of paid and unpaid work**

Source: ECLAC (2007)

domestic chores, while only 45% of men do such work, averaging just seven hours per week. As shown in Figure 1, similar time use data for Bolivia, Guatemala and Nicaragua found that women's work days (combining paid and unpaid work) averaged 11.8 to 12.8 hours, compared to 10.6 to 10.8 hours for men (a greater proportion of which is paid).

Despite national legal reforms, Latin American women still lack equal access to land title (from just 10% of women in Brazil to less than 30% in Paraguay) and credit (Deere et al., 2003). This has a major effect on their bargaining power in the household and community, and on their productivity as agricultural producers in rural areas and business owners in urban areas.

### Impact of trade liberalisation

Women's share of total employment in Latin America grew from 29% in 1980 to 40% in 2004. While facilitated by women's increased education levels, this trend has also been shaped by trade liberalisation and economic adjustment over the last two decades. Privatisation of services, changing patterns of consumption and increased male unemployment stemming from economic crises have contributed to demand for more than one wage earner per household. Women are increasingly finding work in export-orientated industries and the service sector, but their wages remained 30% lower than men's as of 2005 (Perry and Olarreaga, 2006).

A situation similar to that in the *maquiladora* sector (see Box 1) is seen in the non-traditional agricultural export sector. Women account for up to 90% of workers within the horticulture sector (e.g. the fruit industry in Chile, the flower industry in Colombia, the artichoke industry in Peru and the vegetable industries in Costa Rica, Guatemala and Mexico) (CEPAL, 2003). While this sector offers more

employment opportunities to women than men, women are concentrated in low-skilled processing jobs, with low wages and minimal job security.

Despite the increase in *maquiladora* employment and non-traditional agricultural exports, the highest proportion of female employment in Latin America is now found within the service sector (76% compared to 45% for men). While educated and middle-class women have benefited from opportunities in the tourism, knowledge-based and ICT sectors, many of their less educated counterparts remain in poor quality informal sector jobs. This is particularly the case for the 15.5% of women in domestic service who earn the equivalent of just 40% of the income enjoyed by other women (ILO, Commonwealth Secretariat, 2003).

Another emerging trend is the growth of women's involvement in small and medium enterprises (SMEs). Research on women and entrepreneurship in the region is scarce, but recent estimates suggest that approximately one quarter to one third of all SMEs in the region are headed by women. However, a survey

### Box 1: The *maquiladora* (export processing) sector

Women are over-represented in the *maquiladora* sector, particularly in Central America. This sector highlights tensions between increased economic participation for women and the gender costs. Employers may take advantage of women's low level of unionisation and greater 'acceptance' of lower wages and arduous conditions. While women gain employment, they may be trapped in low-wage, low-skilled jobs with little job security and poor benefits, in industries notorious for discriminatory practices such as mandatory pregnancy testing, and for sexual harassment. Evidence suggests that, as such industries evolve to exploit new technologies, the workforce gender profile changes. Men may replace women, leading to a defeminisation of labour (Fontana, 2006), a trend exacerbated by increasing reliance within Export Processing Zones (EPZs) on outsourcing of home-based women workers. In Latin America, the shift from formal to informal labour has been seen in the footwear, leather, textiles and clothing industries.

by the Inter-American Development Bank found that women-owned SMEs face very limited access to capital, technology, technical assistance, infrastructure, land and support networks (IADB, 2001).

Finally, the impact of trade liberalisation on the agricultural sector cannot be overlooked. Opening up to external markets and the removal of agricultural subsidies may mean an influx of cheaper agricultural imports, with potentially adverse effects on small-scale farmers. This was seen after Mexico joined the North America Free Trade Agreement and cheap imported maize flooded the Mexican market, leading to substantial agricultural job losses.

Many women do not control the land on which they work and often struggle to adjust to changes in market demand. In contrast, men are more likely to work in large-scale farming and to benefit from demand for cash crops. If a woman switches to cash crops, it tends to be a contribution to her husband's crops and may increase her vulnerability, as she is less likely to be fully remunerated for her work.

### Policy implications

Our analysis has highlighted important gender dynamics that require policy and programming attention, as well as further investigation, if trade liberalisation is to realise its promise as a poverty reduction tool for all.

First, improving women's access to resources is imperative if they are to take advantage of new employment and market opportunities stemming from trade expansion. These include land title and ownership, credit and other financial services, technology and market information. While there are small-scale initiatives throughout the region addressing these deficits for women, the challenge will be for international financial institutions, national governments, NGOs and the private sector to coordinate efforts and scale up programmes to reach larger swathes of the population. Better sex-disaggregated data collection and country-specific gender impact analyses of trade reforms are urgently needed to inform the design of effective policies and programmes. Efforts to fill evidence gaps need to be

complemented by gender awareness initiatives for policy-makers and programme implementers.

Second, capacity strengthening opportunities are essential if women are to be empowered to adapt to the new environment. These should include training and education, as well as advocacy, networking and policy dialogue skills, so women can better represent their rights and needs. Equipping women with the knowledge and tools to articulate their demands is an important first step in tackling the power imbalance between employers and workers, and may include support for the development of ethical trade networks and innovative groups linking the informal sector (especially home workers) and trade unions. There is also an urgent need to address the gender imbalance in the leadership of civil society organisations engaged in policy influencing on trade and trade-related issues in the region, to ensure that gender considerations are mainstreamed into policy dialogues.

Third, given women's asymmetrical responsibilities for unpaid activities, complementary social and labour policies are needed to facilitate a balance between their paid and unpaid work if the promise to address gender discrimination in Free Trade Agreements is to be realised. Such policies should include more affordable and accessible childcare services and parental leave rights, improved transportation to access services and market opportunities, and social protection programmes to provide short-to-medium-term assistance as women and men in certain sectors of the labour market cope with economic restructuring. Finally, there is much to be done to monitor, evaluate and enforce anti-discrimination labour laws and codes of conduct, and ensure that the implementation of international trade agreements enhances, rather than undermines, such efforts.

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