

A Capacity Building Workshop on “Trade Liberalization Policies & FTAs: Social and Gender Implications of EU-India FTA”

Approaches to Research on Gender and Trade

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Background

- Women represent the largest group of “unpaid” workers, both in rural and urban areas. Globally, proportion of women who are “contributing family workers” is 34.5 percent, compared to 24.9 percent of men (ILO, 2008).
- Understanding how/in what types of work women are situated within different sectors is important to analyse the impact of policy changes on women.
- Women and men respond differently to economic and trade policies as they have different sets of private resources and levels of access to public ones.



Need to Analyse Policy Impact on Women



- Over more than a decade now a growing recognition of the importance of macroeconomic policy in influencing women's welfare and their prospects for economic empowerment
 - Worsen or improve the living standards of women and contribute to narrowing or widening gender gaps in incomes, health, education, nutrition etc
 - Concern on how gender inequality can constrain the outcomes of macroeconomic policy





Gender Sensitive Framework

The framework should be able to answer questions such as:

- Did reforms create a coherent set of new signals that can be identified with gender distinction?
- Was the net effect to stimulate the production of tradable goods produced differentially by women and men?



Trade and Gender

- Globalization strongly impact labour markets and labour relations.
- Increased foreign direct investment, consolidation of corporate control, and market liberalization have led to the downsizing of the permanent workforce accompanied by increasing “casualization”.
- In India, male casual workers increased from 65 percent in 1972 to 80 percent in 2002; female casual workers increased from 89 percent to 92 percent over the same period (World Bank, 2008).

- A review of the gender effects of trade agreements demonstrates the price, employment, wage and consumption effects result in differing impact on men and women.
- E.g., if women are located in sectors with comparative advantage for trade, they will benefit from employment, and, if not, will be displaced.
- Technologies brought in by FDI could be women friendly. Concomitantly, practitioners must avoid interventions (e.g. new technologies) which impact women's labour adversely (Deutsch, 2001).



Private Public Partnership

- FDI could be in PPP ventures on social investments that some amount of unpaid care activities is transferred to the State;
- Social policy intervention such as higher investment in rural infrastructure or education or health would increase labour participation of women leading to expansion of their market participation which in turn would cause value added to rise together with better distribution.



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- International trade policy influences both macro- and meso-economic variables
- Gender issues in international trade require an investigation of transmission mechanisms
 - from policy formulation to implementation
 - macroeconomic and meso-economic indicators to micro-economic and social development indicators.



Engendered Policy Analysis



- A gender analysis of policy shocks needs a design to answer questions such as what happens when exports/imports of goods increase which employ more of women workers.
- Linkage of policies and economic gains through a engendered framework incorporating consumption including that of social sector goods..





The Qualitative Approach

- Qualitative surveys can be undertaken to collect and analyze information about the nature of reforms
 - the exact way such reforms are implemented
 - the resultant impact on different groups of people within the area surveyed.
- Studies attempt to build reasonable linkage between the reform and the changes in the welfare of different groups such as women laborers and non-market workers.

- Very detailed understanding of the focus of the reforms, the exact implementation procedures and the changes experienced by the group in which the researchers are interested can be obtained.

- Approach however cannot identify the exact linkage between trade or fiscal reforms and the welfare changes, as these cannot be tested.
- The result seen after a policy change could be due to other reasons or mixed outcomes and no direct linkage can be traced without any quantitative connection.
- If no impact after a policy change this could be due to other countering factors, even though policy changes have had a direct impact on the stated objective.



Time Series Approach



- Over the past 20 years vector autoregressive (VAR) analysis has become a standard tool in empirical research.
- VAR approach is attractive for several reasons
- First, it is a flexible way of modeling since it allows all past variables to effect any present variable.
- Many specifications, in particular standard OLS can be seen as special cases of a VAR specification
- Second, it is a systems approach that takes into account the interaction of variables





The Var Model's Advantages

- In particular the impulse responses calculated from the VAR trace an innovation to one variable through the entire system.
- Third, it is has desirable time series properties
- In a seminal paper Sims, Stock and Watson (1990) have shown that "... the common practice of attempting to transform models to stationary form by difference or cointegration operators whenever it appears likely that the data are integrated is in many cases unnecessary."

- Though VAR analysis is a convenient tool these advantages come at a price.
- First, the number of variables that can be included in the VAR is limited because due to its unrestricted nature the model runs out of degrees of freedom quickly.
- "In practice, VAR modeling for more than four variables is rarely feasible" (Charemza and Deadman 1997).



- We now consider general equilibrium models which are economy wide models and are multi-agent, multi-commodity models.
- Such models have the advantage of responding to shocks while fulfilling the conditions of optimality of agents' behavior, technological feasibility and resource constraints.
- General equilibrium analysis has a strong theoretical grounding.
- In the 1970s there were major advances in solution techniques that permitted application of general equilibrium models to actual data sets.





Improvement in Applied Modelling

- Improvement in data collection and advances in computer technology and software has enhanced advanced methodology of applied policy work.
- The applied models are treated as representation of reality.
- Economic theories form the basis to such models, namely, optimization behavior, budget balance and market clearing.



Issues Addressed by GEMS



- GEMs can address the question of imperfect competition, increasing returns, price rigidities and many extensions addressing different market and institutions
- Importantly the general equilibrium concepts have important normative value.
- The welfare theorems have described relationship between general equilibrium and welfare optimum.
- Such models have therefore been used to formulate welfare policies.



- Although most national level CGE models now incorporate several desegregated household types, rarely any take account of the gender division of labour/activities within households.
- Notable exceptions are Fontana and Wood (2000) and Sinha and Sangeeta (2000) who treat male and female labour as separate factors of production
- Fontana and Wood (2000) further include reproduction and leisure as separate sectors

- The supply of labour for men and women could differ, as men would have lower constraints if any in shifting from market work to unpaid non-market work.
- Women might have higher constraints so that women workers would not respond to market wages in the similar manner as men workers.
- A further segmentation is likely as women have lower wages, lower bargaining power, are involved more as informal workers with adverse implications for women workers without informed gender aware policies.

- It is also important to establish any difference in behavioural specifications by gender which would allow for differential outcomes.
- The supply of labour for men and women could differ, as men would not have constraints for shifting from market work to NMW. Women on the other hand might have constraints so that women workers would not respond to market wages in the similar manner as men workers due to reasons stated above.



Impact on Factor Remuneration

- A CGE study (Sinha and Adam, 2005) has shown that in case of labour market segmentation:
 - Informal workers face depressed wages compared to formal workers during globalisation.
 - This study can be extended to allow further segmentation of women and men labour markets.

- Macro analysis that recognizes the gender concerns and translates this in quantitative/modelling framework is very important.
- A macro analysis such as the Computable General Equilibrium (CGE) methodology allows formulations to distinguish gender aspects.

- Benefit of using CGE type models lie in its use for gender analysis by formulating differential gender endowments and behaviours into the framework.
- Such models can analyse trade policies affecting inputs; fiscal policy impacts and impact of technological change that happen through globalisation process.
- These models can be used to decompose the effects of policy changes.

