Global Trade Policy Reform and Gender Inequality in the Labour Market

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Motivation

*Discriminatory trade policies that make women-dominated industries
less competitive and productive than their male counterparts
are widespread. Such trade barriers should be removed
if trade benefits to women are to be achieved.*

WBG and WTO, 2020

Introduction and motivation
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Descriptive statistics
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Model and scenarios
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Results
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Conclusions
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This paper

- Generalize the evidence on a gender bias in trade policy by expanding country and sector coverage.

- Quantify the impact of removing this bias on the gender wage gap using a recursive dynamic computable general equilibrium model with labour supply differentiated by gender.

What we find

- There is a widespread bias in trade policy imposing higher trade costs on sectors employing relatively more women, not just with respect to tariffs in manufacturing but extending to the services sector.

- Removing the tariff bias has essentially no effect on the gender wage gap.

- Removing services trade restrictiveness has a substantially bigger effect.

- Removing non-policy related trade costs related to face-to-face requirements has by far the largest effects.

Related literature

1. A large and growing literature on trade and gender inequality last reviewed in WBG and WTO, 2020.

2. Quantitative studies on biases in trade policy, e.g. Shapiro (2021).

Gender and tariffs

Relationship between tariffs and female labour share

Source: Bekkers et al., 2023

Gender and tariffs cont'd

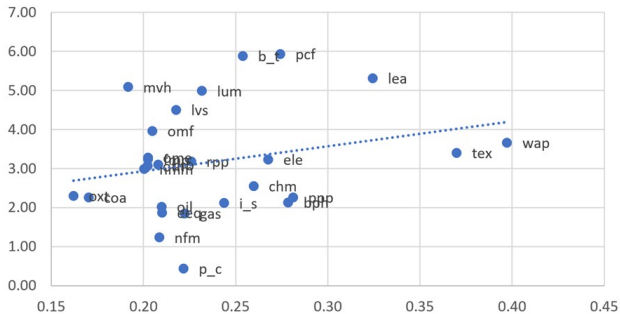Relationship between tariffs and female labour share
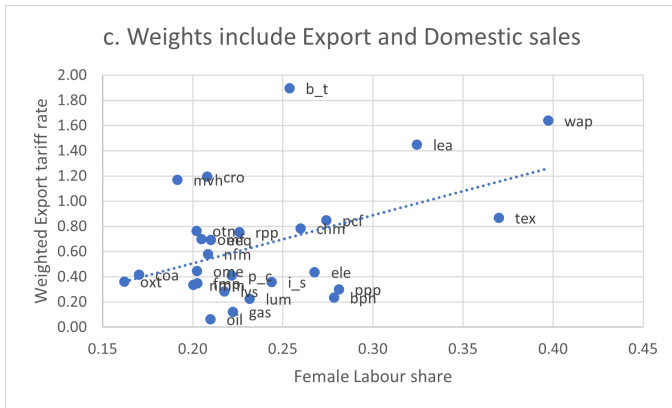
Source: Bekkers et al., 2023

Gender and NTMs

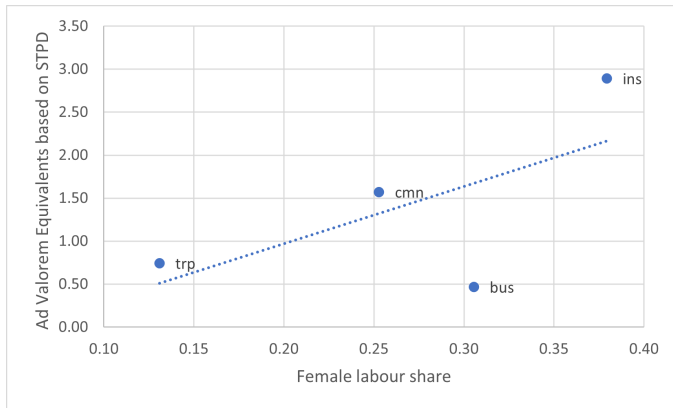Relationship between NTMs and female labour share

a. Weights include intermediate input purchases

Source: Bekkers et al., 2023

Gender and NTMs cont'd

Relationship between NTMs and female labour share

c. Weights include export as well as domestic sales

Source: Bekkers et al., 2023

Introduction and motivation
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Descriptive statistics
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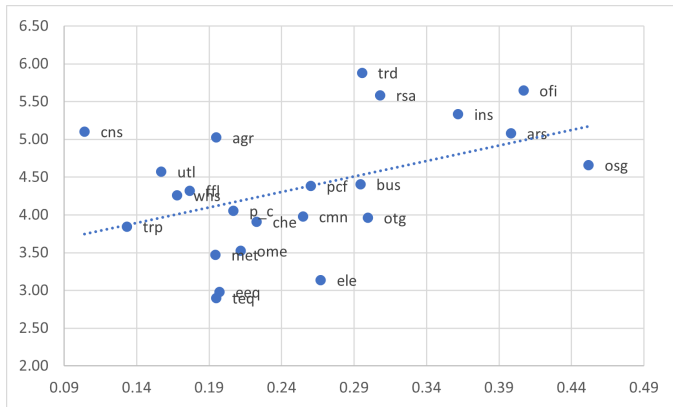Conclusions
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Gender and Services trade costs

Relationship between female shares and services trade costs

Source: Bekkers et al., 2023

Gender and face-to-face intensity

Relationship between face to face index and female labour share

Source: Bekkers et al., 2023

Model

- WTO Global Trade Model as basis, which is a recursive dynamic extension of the GTAP model featuring:

  - Multiple sectors with input-output regions,

  - Multiple regions,

  - Multiple factors of production and full labour mobility,

  - Private agents with non-homothetic preferences, and

  - Perfectly competitive firms.

Model cont'd

- We disaggregate labour endowments into male and female labour employing a CES function with an elasticity of substitution between male and female workers of 1.6 given the widely varying range of values across the literature.

- We calibrate the model based on the GTAP 11 Data Base, which as 2017 as reference year. We aggregate the data comprising 65 sectors and 158 regions into 28 sectors and 26 regions for analyses relating to goods trade and 23 sectors and 26 regions for analyses relating to services sectors.

- Counterfactual experiments are introduced in 2022 and results reported are for 2026, thus representing medium-run effects.

Scenarios

Scenario Name	Scenario Category	Scenario description
S1.1	Naive Tariff in Merchandise	Equalize Tariffs across all sectors
S1.2	Naive Tariff in Merchandise	Remove tariffs for sectors with female shares higher than the median value in each region
S2.1	Naive Non-Tariff in Merchandise	Reduce Non-Tariff Measure related barriers on goods by 25%
S3.1	Sophisticated Tariff in Merchandise	Tariff shocks including all three channels of effects - export opportunities, intermediate inputs and import competition
S4.1	Naive Non-tariff in Services	STPD reduced to half of its previous values
S5.1	Sophisticated Non-Tariff in Services	Ad valorem equivalents (based on STPD) reduced to lowest value for that sector in the world
S6.1	Digitalisation experiments	Face to Face requirement reduced by 50%
S6.2	Digitalisation experiments	Face to face requirement reduced to lowest value for that sector in the world

The impact of tariff reform

- Targeted tariff reform can reduce the male wage premium but only by a meagre 0.002%.
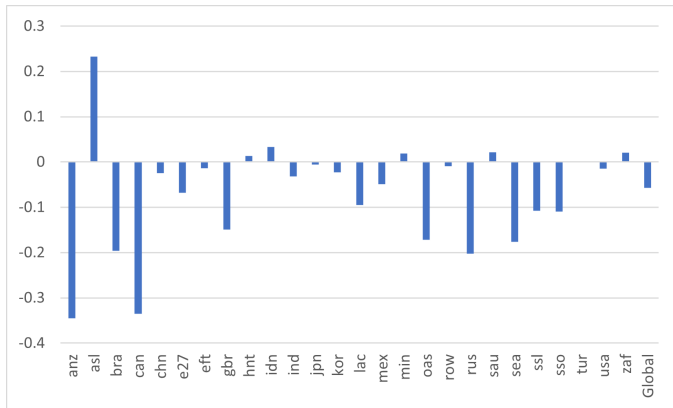
Regional impact of targeted tariff reform
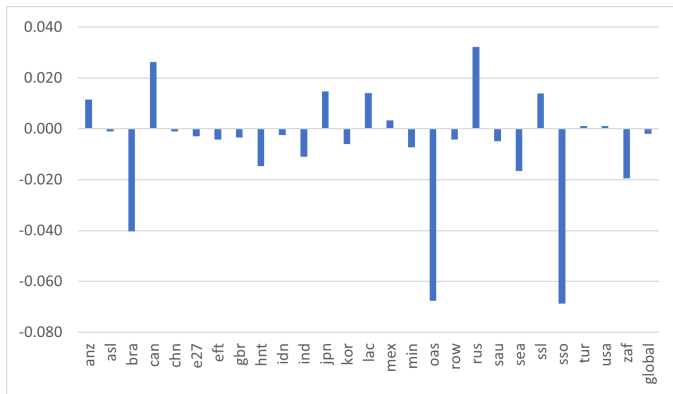
Source: Bekkers et al., 2023

The impact of lower NTMs in the goods sector

- Large NTM-related trade cost reductions could reduce the male wage premium by 0.05%.
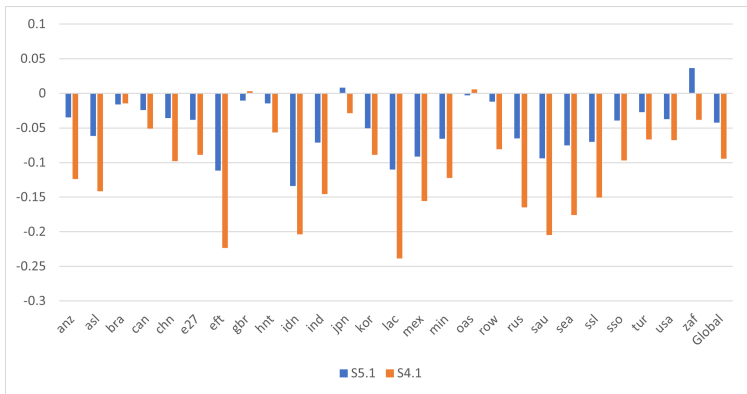
Regional impact of removing NTMs

Source: Bekkers et al., 2023

The impact of lower services trade costs

- Reducing services trade costs can lower the male wage premia by a more meaningful 0.05%.
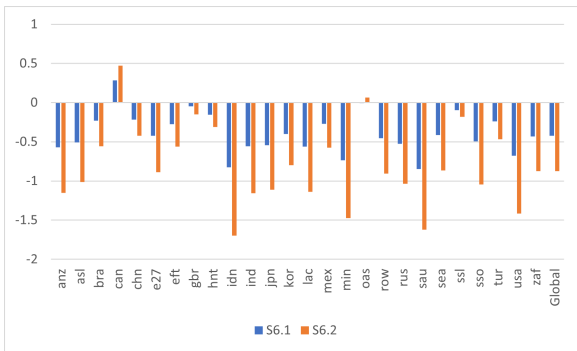
Regional impact of services reform

Source: Bekkers et al., 2023

Introduction and motivation
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The impact of digitalization

- Reducing services trade costs via lower face-to-face intensity has the largest effect and lowers the male wage premia by 0.6%.

Regional impact of lower face-to-face costs

Source: Bekkers et al., 2023

Conclusions

- Tariff reforms have only a very small impact on gender wage inequality due to competing channels. Services reform has a somewhat larger but still small impact.

- Several caveats exist that might downward bias the results.

- Overall, the results suggest that trade policy reform is not a major lever to reduce the gender wage gap. Reducing other barriers are a more promising avenue, as highlighted by the digitalisation scenario.

Thank you