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Gender sensitisation of trade policy in India

CASE STORY ON GENDER DIMENSION OF AID FOR TRADE

GENDER SENSITISATION OF TRADE POLICY IN INDIA

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1. Introduction

Trade liberalization may not be a gender-neutral process. The extent to which trade may impact men and women differentially depends largely on the gender ratio in the sectors that expand due to trade. Exports may, directly or indirectly, provide additional employment opportunities to women, with low opportunity cost, favourably affecting the gender work-participation rate of the economy. However, it may increase the vulnerabilities of women in tradable sectors and lead to higher gender inequality in distribution of gains if there exists gender bias in terms of returns to labour.

The issue becomes more relevant in case of developing countries where women are at a disadvantage in terms of access to resources right from their births. In case of India, the percentage share of female population in total population is around 48%, while the work participation rate of females is only 26%. In the organised sector, only around 19% of the total employees are women. This clearly indicates a gender-lag where women start with a lower access and participation in economically gainful activities.

Not only the access to resources but the returns to labour also differ significantly with respect to gender in India¹. The average wage rate for regular wage/salaried women employees is only 67% of the men employees in the urban areas while it is only 55% in case of rural areas. Lower wages of women with comparable skills to men may result in increase in demand for their labour, ultimately leading to equality in work participation rate. However, because of lower returns to women labour the gains of trade may not be equitably distributed. Further, trade often results in a premium on skills. Thus, the resulting increase in the wage gap between skilled and unskilled workers may increase the gender wage gap, given that in most countries the average man has a higher level of labor market skills than the average woman.

Gender sensitive trade policy can be used as an important tool in the hands of policymakers to enhance gender equity in terms of work participation rate and returns to labour, directly in tradable sectors and indirectly in other sectors of the economy. It may also target to lower the vulnerabilities created in tradable sectors for women. In this context, UNCTAD-Commerce Ministry, Government of India-DFID project on “Strategies and Preparedness for Trade and Globalisation in India” which is aid for trade initiative of UK government seeks to gender sensitise the Indian trade policy.

In order to arrive at gender sensitised trade policy in India, the project intervened at three levels. **Firstly**, it identified gender sensitive export-oriented sectors and gender sensitive products for the policy makers; **secondly**, it estimated the impact of trade on gender using both econometric

¹ Employment and Unemployment Situation in India, NSS 62nd round

studies as well as sectoral surveys at All India level; and **thirdly** it undertook targeted policy advocacy.

2. Gender Sensitive Tradable Sectors

In order to pursue gender sensitive trade policy one of the first requirements is to identify tradable sectors which may directly and indirectly generate higher women employment in the economy. **Gender Employment Multipliers of exports were estimated across 46 sectors of the economy using the input-output matrix.** The gender employment multiplier of exports for a sector can be defined as the total amount of employment generated in the economy due to rise in one unit of exports of the sector. The total employment includes direct employment generated in the sector due to increase in its output for exports and indirect employment generated by the sector due to its increased demand for inputs from other sectors.

Using the available input-output matrix for India for the years 2003-04, gender employment coefficients and change in output due to increased exports over the period 2003-04 to 2006-07, we derive gender employment multipliers for 46 sectors of the economy. In sectors for which the gender labour coefficients were not available, other secondary sources were used to arrive at the gender labour coefficients. Gender employment multiplier for a sector indicate the extent of employment generated for men and women in the economy, if there is a unit increase in output for exports of the sector.

- Using the gender employment multipliers for exports, gender sensitive sectors were identified. The results show that exports in the period 2003-04 to 2006-07 generated 9.38 million employment for women and 16.60 million for men. This implies that though in this period exports generated additional employment for women in India, **only 36% of the total employment generated went to women.**
- However, the share of females in additional employment generated due to exports exceeds the share of females in total employment by nearly 5 percentage points. **Exports have led to reduction in gender employment gap.**
- It is interesting to note that the exports generated female employment is found to be high, in food crops, plantation crops and cash crops within agriculture sector; in cotton textiles, textile products, wood furniture and miscellaneous manufacturing products within manufacturing sector; and among services sectors, the generated female employment is found to be high in domestic trade, hotels and restaurants, other transport services and tourism.

2. Gender Sensitive Products

In order to use trade policy for reducing gender inequity in the economy, it is important to identify gender sensitive products or those products where women employment is higher than the other products. Since trade negotiations are undertaken at the product level, identification of these products enables the policymakers to pursue higher market access for these products and also exclude the products from tariff preferential regime in order to avoid displacement of women employment in the economy due to imports.

Identification of gender sensitive products needs data on trade as well as employment at the product-level. However, one of the limitations in India is that trade data is at the product level but employment data is at the industry level. The project constructed a detailed concordance matrix matching six-digit product level HS codes (Harmonised system of tariffs 2002) and three-digit

industry-level NIC codes (National Industrial Classification). This provided trade data at the industry level. Using Annual survey of Industries data at NIC codes, those industries were identified which had women employment three times higher than the average women employment in the manufacturing industry as a whole. The industries identified which had three times the average women employment (>35%) were manufacture of the tobacco products; manufacture of wearing apparel, except fur apparel, manufacture of other food products; and animal husbandry. Using the concordance matrix, the gender sensitive products produced by these industries were identified. **Gender sensitive products** were therefore defined as products that are produced by the industries where female employment is three times higher than the average for the entire manufacturing sector.

4. Impact of Trade on Gender Employment: Econometric Estimations and Primary Surveys

To assess the impact of trade on gender employment, both econometric modelling and survey based analysis were used. The econometric exercise was undertaken for the organised manufacturing sector and impact of exports and imports on gender employment in 54 industries at three-digit level of industrial classification for the period 1999-00 and 2004-05 was estimated. Labour demand equations for men and women were estimated using dynamic panel data estimations. For the survey based analysis, primary surveys were conducted in 10 sub-sectors with relatively high female employment covering different regions of the country. These sectors included Tea, Coffee and Rubber; Food Processing - Cashew processing, Horticulture, Dairying, and Chilli processing; Textiles and clothing (including Handlooms); Handicrafts; and Fisheries & other marine products.

The econometric estimations revealed that **Export intensity has a positive and significant impact on women employment. But imports have not led to any displacement of women employment.** Contrary to this, results for total employment show that though export intensity has positively affected employment in the industry, imports have led to a fall in employment. Low tech industries have higher employment as compared to high-tech industries but in case of women employment, **better the technology higher is the proportion of women employment.** Further, it was found that **when real wage rate rises, the fall in women employment would be higher than that of men.** Women employment was therefore found to be more elastic with respect to wage rate.

The primary survey, which was conducted in the year 2006, revealed that women employment and wages have increased in export oriented sectors with higher export growth. This is evident for example in the sub-sectors of handicraft, especially hand-made carpet, wearing apparel and fisheries. More than 81% respondents in carpet handicraft sector indicated an increase in employment due to increase in exports. Conversely, **women seem to have borne the major brunt of fall in employment** in case of decline of exports. Tea and coffee production, which are dominated by plantation production and are labour intensive, experienced a sharp fall in exports in the international market, approximately 159 percent in value terms in the year 2006. In this period, average daily total employment in tea plantations declined by 12% with a 15% fall in the average daily employment of women.

The survey results indicated that female workers earn less than male workers irrespective of the industrial sector, region or location. For example, in the cashew sector, men get higher wages than women mainly because men are engaged in managerial roles while women are largely deployed in unskilled/ low-end jobs. It is also found that the positive effect of trade expansion on women's employment and wages has positively affected **intra-household dynamics.** For instance, spouse's cooperation in the household work has been reported to increase by 43% respondents. A sizable proportion of the women respondents reported that they enjoyed the freedom to spend only up to one fourth of their earnings. Only a small proportion of the respondents enjoyed 100 per cent freedom to spend their entire earnings.

An important observation from the survey was that **there** is a definite increase in demand for casual workers to cope with export-related trade growth, which leads to a **rise in the informal sector workers, a high percentage of them being women**. Casual labour for women provides additional employment to women but women employees can be easily hired or laid off depending on demand fluctuations, which implies that their employment is precarious. Women are also subjected to poor wages and conditions of work.

India has become one of the largest exporters of Information and Technology Enabled Services (ITeS) in the world. This has opened new avenues of employment for women. Flexi-timings, part time and work from home options have brought more women into the work force. To assess the direct and indirect impact of trade in ITeS services on gender employment across the economy, impact of 20% increase in exports from 2003-04 level is estimated. The results show that a 20% increase in exports of ITeS will have differential impact on gender employment in different sectors depending on the extent to which ITeS services are used in the sector and the existing gender employment coefficient of the sector. It is found that a 20% rise in exports in ITeS increases female employment as a percentage of total employment by more than 50% in animal husbandry, beverages, forestry and plantation crops. However, the female employment increases by less than 10% of total employment in sectors like electrical, metal products, railway transport services, industrial machinery and crude petroleum. These are sectors which have low female employment, plausibly because of use of high technology to which females have lower access.

The primary survey was conducted for 65 ITeS and BPO firms and information was collected for the period 2003-04 to 2005-06. The results of the survey indicates that the export of ITeS have offered new employment avenues for women, consequently there is a possibility that some women, for whom the opportunity cost was almost nil, may have found gainful employment in this sector. There has been a rise of almost 10% in female employment in three years in the total number of companies surveyed. The female employment is 34% in the surveyed firms, which is greater than the female in total services sector, i.e., 16%. This sector provides employment opportunity to mainly educated women. Most of the females employed are educated, i.e., at undergraduate level. However, in the unskilled category the proportion of females to males is higher implying that the gender bias increases with the skill. This may be indicative of lower number of females in the labour market with higher skills as compared to those with lower skills.

On an average, 65.3% of total females and 34.6% of total males were employed under permanent employment, indicating females are largely preferred for permanent jobs than contract jobs. One of the reasons for this could be lower labour turnover for women. However, it is interesting to note that even for graduate and above, **the salaries earned by females on an average were only 70-75% of that earned by males with similar education level**. This implies that with higher exports of services, even if employment opportunities for women grow at the same rate, the benefits of the growth will go more to males as compared as females

5. Conclusion: Moving towards gender-sensitisation of trade policy

The primary objectives of trade policies are not expected to include promoting gender equity. However, given the rising importance of trade and non-neutral impact of trade on gender employment and returns to labour, it becomes relevant to gender sensitise trade policies. UNCTAD-Commerce Ministry, Government of India-DFID project has attempted to mainstream gender in trade policy formulation by identifying the gender sensitive sectors and gender sensitive products for the Ministry of Commerce (MOC), Government of India. A detailed examination has been conducted to estimate the impact of trade on gender employment and returns to labour. This will help the government in designing special incentives to export-oriented units supporting higher women employment. For example, a threshold can be decided for share of women in total employment, above which the incentives can be provided.

The results also highlight that women's education and skill accumulation are the most important factors determining the impact of trade on women's employment and the gender wage gap. As long as women remain less qualified than men, they are likely to remain in lower paying, less secure jobs, even if better-paying jobs become available through trade expansion. Education and skills, especially IT skills, can provide greater employment opportunities to women and enhance their power to negotiate wages and other work conditions.

In order to sensitise the trade policy, the UNCTAD-Commerce Ministry, Government of India-DFID project has developed four documentaries and a promotional film on impact of trade on gender. These films were screened on national and international platforms, which include an international conference organised by the project in New Delhi in December 2006, expert group meeting on trade and gender in UNCTAD, Geneva in March 2009. The project has also provided training to inter-ministerial group and other stakeholders on gender implications of trade. An attempt is made to include the gender sensitive products in the recommended exclusion lists prepared for the MOC by the project on bilateral FTAs of India.

The success of the intervention of the project in gender sensitising trade policy is not quantifiable. India has not yet announced gender sensitive trade policy but there have been some initiatives of the MOC, Government of India which indicates the gender sensitivity. Special schemes and incentives for women in some export-oriented sectors have been announced along with setting up of a steering committee, to encourage studies on impact of trade on gender in the Indian economy. The MOC, jointly with Commonwealth Secretariat, has undertaken 'training the trainers' programmes on gender sensitisation of trade.

The process of globalisation is no longer an enclave process which may influence only those that participate in trade. The impact of globalisation reaches all sectors and sections of the societies irrespective of their level of participation in the process. This has necessitated the need to formulate trade policies to incorporate concerns of all affected. Gender is one area which has remained out of the orbit of trade policy formulation in many countries, especially developing countries. One of the major challenges faced by trade policy makers is to ensure gender equity in distribution of gains of trade. For this purpose, it is important to assess the impact of trade on gender employment and wages in different sectors; identify the sectors where gender inequality is high which would imply that any growth of trade in the sector will further increase gender inequality; identify the sectors which provide potential for improving gender equality; and accordingly formulate sector-specific policies.