

BRAZIL'S TRADE LIBERALIZATION REDUCED GENDER GAPS IN EMPLOYMENT

Lifting import barriers in the '80s-'90s reduced employment rates - as male employment fell more than female employment, the gender gap narrowed.



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Overview

In almost all countries, women are less likely to be employed than men, and typically earn less than men. Over the past decades, gender gaps in employment have narrowed in many regions of the world, including Latin America. This development has generally coincided with a process of globalization and increased

international trade. There are many studies on the effects of trade liberalization on employment, wages, and inequality between low-skilled and high-skilled workers. However, until recently, there has been little research on the impact of trade liberalization on gender inequality in the labor market.

Key Results

- Trade liberalization led to a reduction in employment rates.
- Male employment declined more than female employment.
- Gender gaps narrowed, but not because women benefitted from free trade.

By

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The Growth to Empowerment (G2E) program within GrOW examines the impact of economic growth on women's economic empowerment.

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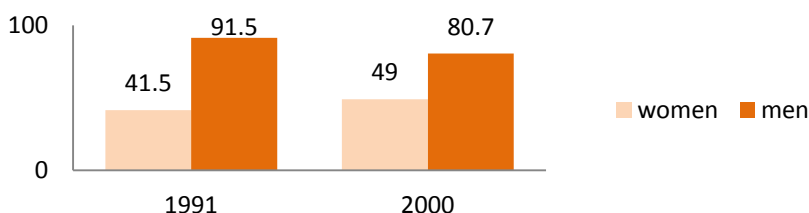
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Background

Until the late 1980s, Brazil was one of the most heavily protected economies in the world. Tariffs as high as 102% were imposed on heavily protected sectors, such as automobiles and textiles. After the transition from military rule to a civilian government in 1985, Brazil embarked on an ambitious liberal reform agenda, including a comprehensive trade liberalization program. Tariffs and other import barriers were substantially reduced through the mid-1990s, leading to increased import penetration in the tradable sectors.

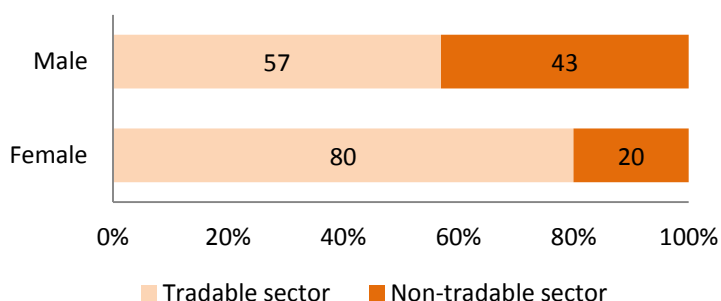
Previous studies found that these tariff cuts led to a reduction in employment and wages, and increased unemployment. In this study, we analyze the gender-specific impacts of the reforms on labor market outcomes, focusing on the population aged 25-55.

Figure 1. Employment rate, women and men aged 25-55



Though part of a longer-term trend, Brazil's trade liberalization period is characterized by an increase in female employment, while the male employment rate declined (see Figure 1). During this period, the proportion of men and women working in different sectors conveys the typical pattern of gender segregation, with female workers being more concentrated in the non-tradable sector than male workers (Figure 2).

Figure 2. Proportion of male and female workers across sectors, 1991



Methods and Data

The tariff reductions that were imposed as part of the reforms were much larger for some industries than others. We use a data set on nominal tariffs and effective rates of protection by industry between 1987 and 1998.¹ In general, the industries that had been protected by the highest import tariffs in 1987 - such as automobiles and apparel - faced the largest tariff reductions after 1987. And vice versa, tariff reductions were relatively small for industries that were initially less protected, such as chemicals and plastic products.

1. The data set was collected by Kume et al. (2003) and calculated by Abreu (2004).

These differences in tariff reductions are used to measure how each of almost 500 microregions (groups of neighboring municipalities with similar economic and geographic characteristics) in Brazil were exposed to the reforms. The basic idea is that regions that specialized in the production of automobiles were more exposed to the reforms than regions specialized in chemicals, because automobile import tariffs declined more than import tariffs on chemicals.



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We then analyzed the gender-specific impacts of trade liberalization by comparing changes in male and female labor market outcomes across the microregions of Brazil. We use data from the Brazilian Census Bureau's Demographic Census for 1991 and 2000, which has data on employment status, industry, and wages for all people over the age of 10. For each region, we calculated the fraction of working men and women aged 25-55 in 1991—at the onset of liberalization—and again in 2000.

Main Results

- **Trade liberalization led to a reduction in employment rates.** Between 1991 and 2000, the proportion of working age men and women in employment declined significantly in regions that were more exposed to import tariff reductions, compared to regions that were less exposed.
- **Male employment declined more than female employment.** Liberalization reduced employment especially in the tradable sectors, where men account for a relatively large share of the workforce. Women, on the other hand, mainly work in non-tradable services. As a consequence, men were significantly more likely to lose employment than women. Furthermore, the impacts were concentrated in the low-skilled population.
- **Gender gaps narrowed, but not because women benefitted from free trade.** We find no evidence that liberalization improved women's position through reduced discrimination or expansion of female-intensive industries. Gaps simply narrowed because men lost more than women.

Policy Lessons

Trade liberalization may require a gender-specific approach to help workers adjust.

As several studies have shown, workers typically bear significant costs when import barriers are reduced. These costs are not equally shared by all. When designing policies to help workers adjust to liberalization, a gendered policy makes sense when male and female workers are concentrated in different industries, as is the case in most countries.

Further Reading

Gaddis, I. and Pieters, J. (2017). The gendered labor market impacts of trade liberalization: evidence from Brazil. *Journal of Human Resources* 52(2): 457-90.
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The **GrOW initiative** funds 14 research projects aimed to empower women to participate in economic activities, providing evidence that can inform social and economic policies to improve poor women's lives, while promoting economic growth.

Research Project – G2E (Growth to Empowerment) is a project of the GrOW initiative: Pathways for shared prosperity: Understanding the links between women's economic empowerment and growth.

Information

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