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PIDE, Nov 15, 2006: Gender wage gap as competitive advantage?

**Gender wage gap
as competitive advantage?
The Pakistani T&C industry
after the quota expiry**

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Overview

1. The quota phase out: A gender issue
2. Pakistan's T&C sector: Bird's-eye view
3. Preparations, reactions & first results
4. Approach
5. The theoretical lens
6. Results
7. Some answers & more questions



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Female employment in T&C

- **Textile and clothing (T&C) industry employs ca. 27 million workers globally**
- **T&C about 1/5 of total world female labour force in manufacturing**
- **In Pakistan, T&C largest formal employer of women**



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The ATC

- **WTO Agreement on Textiles and Clothing (ATC) phased out quota system governing T&C trade January '05**
- **Quotas, i.e. quantitative restrictions for T&C trade, had to be purchased by producers previously**



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Opportunities...

- **Developing countries have “advantage” of cheap labour force, thus may gain from unrestricted trade**
- **⇒ T&C liberalisation important objective for developing countries in WTO negotiations**



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... and challenges

- **Major shift in production and thus employment to large, cost-efficient producer countries (particularly China)**
- **⇒ expected employment losses:
e.g. 1 mio. Bangladesh/Indonesia, each,
about 350,000 Sri Lanka**
- **⇒ price competition might lead to lower pay and poorer working conditions**



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The textile chain





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Sketch of the T&C sector I

- 46% of manufacturing output, 60-70% of total merchandise exports
- Focus on early stages of the textile chain: spinning, weaving





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Sketch of the T&C sector II

- Ca. 5000 apparel units, with about 80% being cottage industry
- Total T&C workforce 38% of total manufacturing labor force - large shares in stitching and weaving



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Gender features of the workforce

- **About 30% of total T&C workforce female**
- **High concentration of female workers in stitching, about 50% of the workforce**
- **Employment in spinning, weaving, processing exclusively male**



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Gender features of the workforce





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Gender features of the workforce





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Gender features of the workforce





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Preparations... I

- Investment in textile industry reached USD 5 billion 1999-2004

⇔ But: labour-intensive garment and skill development ignored





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Preparations... II

- **Workers' representatives demanded mitigation strategies for labour- and female-intensive garment sector in 2004**

⇔ But: no follow up, T&C union founded in 2005



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... reactions ...

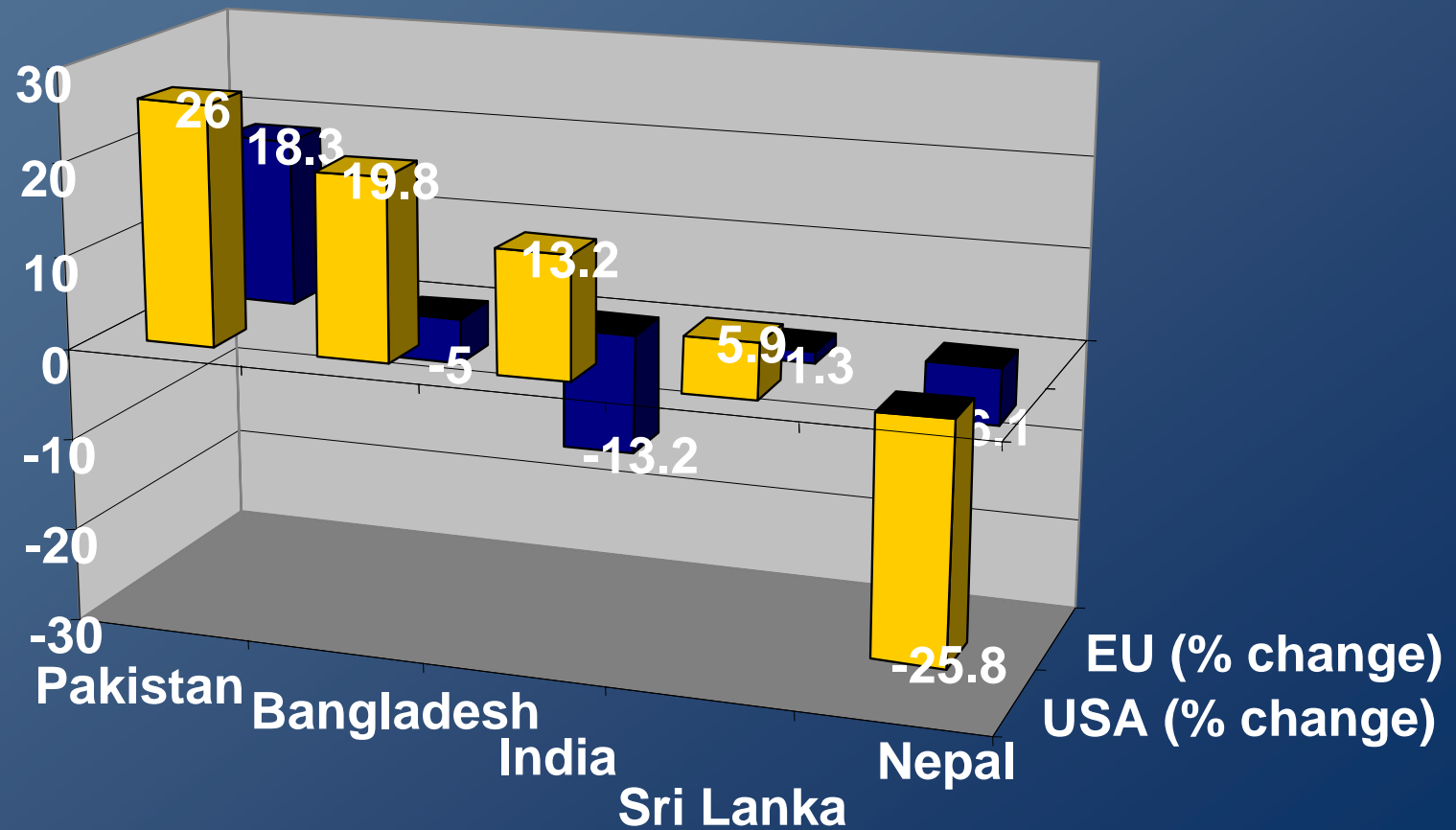
- **EU: limited Chinese textile exports in 10 categories of concern to agreed growth levels until the end of 2007**
- **USA: restrictions on 34 product categories with agreed growth levels (10-15% 2006, 12.5%-16% 2007, 15-17% 2008)**



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... and first results





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Questions

What happens to:

- overall and...
- ...gendered employment

after trade liberalisation?



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The experience

- **Export orientation in manufacturing created a large number of jobs for women in developing countries (e.g. T&C, electronics)**



The explanation

- Exports = $f(w)$, with $w_f < w_m$
- Exports, particularly in labour-intensive industries, depend on labour cost (w)
- Due to the gender wage gap ($w_f < w_m$), female employment helps to compete in world market



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Skill polarisation

- **Standing (1999): Liberalisation leads to skill polarisation – smaller no. of skilled workers male, large no. of unskilled female**
- **Explanation: Gendered access to education and technology with women being disadvantaged**



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The approach

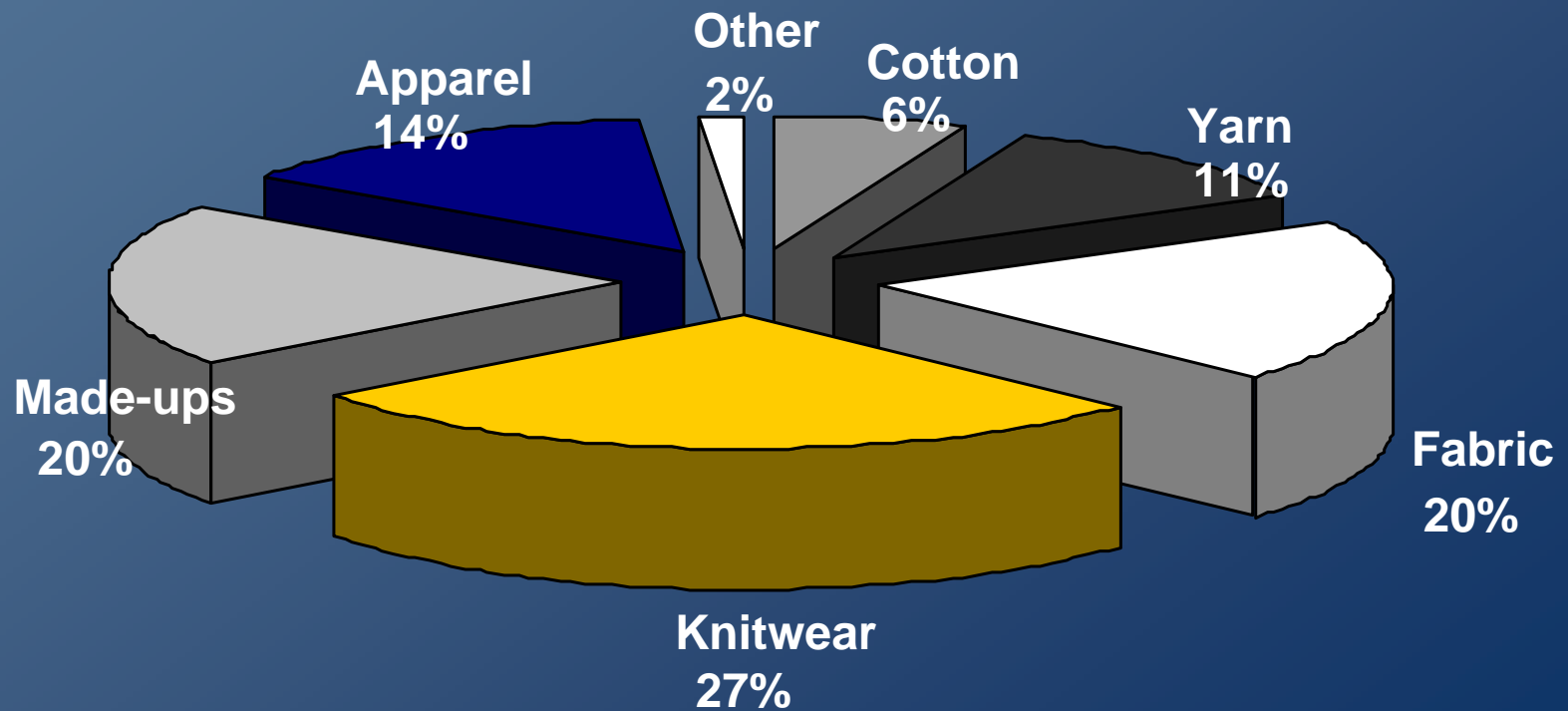
- **Paradigm: Between-method triangulation = method mix**
- **Tools: i. Questionnaires for companies, ii. focus group discussions with workers, iii. expert interviews**
- **Sites: Karachi, Faisalabad**



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Sample: main products





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Sample: employment & sales

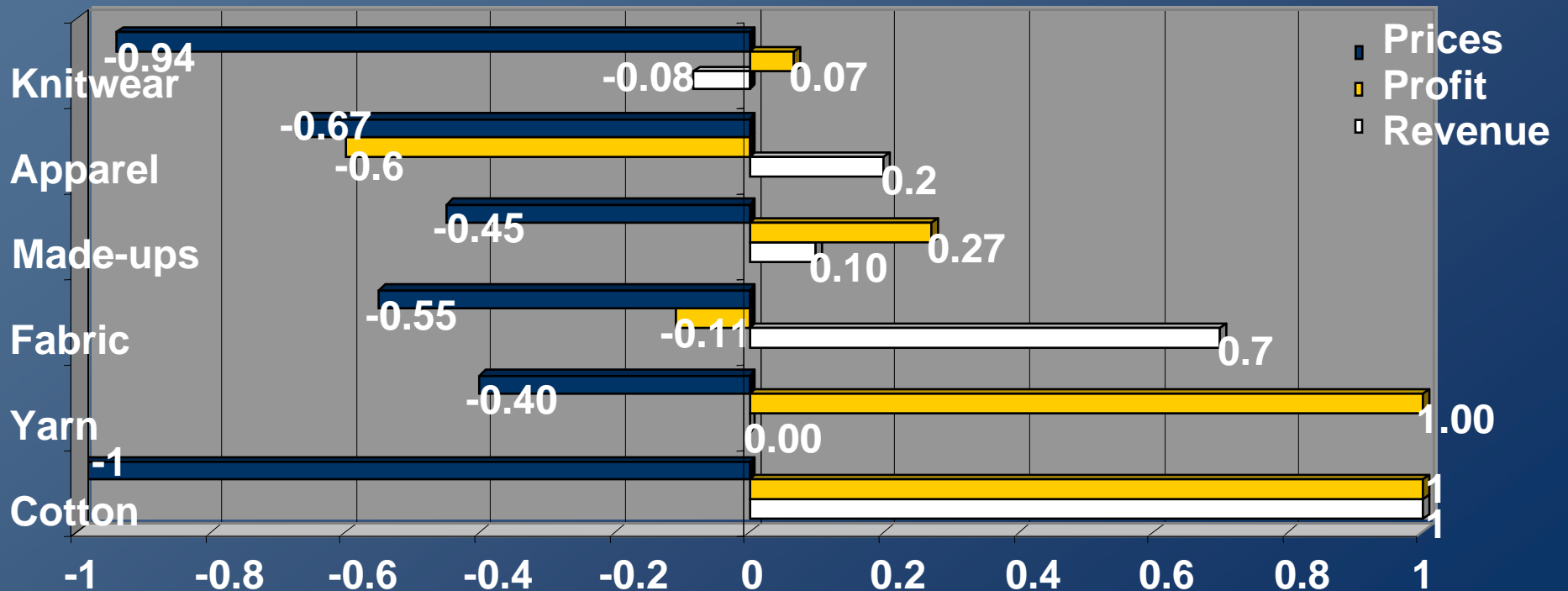
| | Employment | Female employment (%) | Revenue (mio. PKR) | Export share (%) |
|----------|------------|-----------------------|--------------------|------------------|
| Cotton | 2746 | 1.69 | 100 | 77.15 |
| Yarn | 1876 | 4.94 | 1219 | 68.75 |
| Fabric | 626 | 10.99 | 772 | 79.67 |
| Made-ups | 730 | 18.44 | 338 | 88.10 |
| Knitwear | 444 | 15.27 | 320 | 93.75 |
| Apparel | 260 | 24.28 | 168 | 100.00 |



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Sustainable export growth?

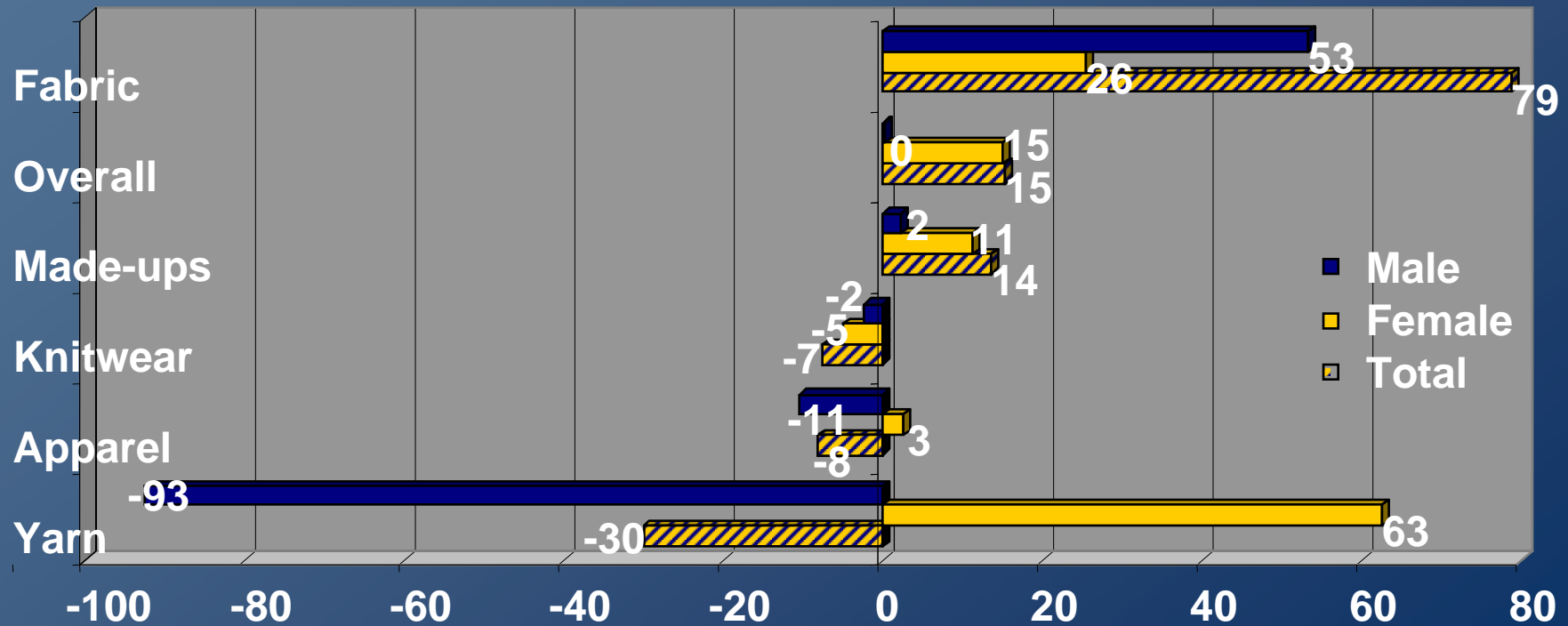




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A closer look at employment

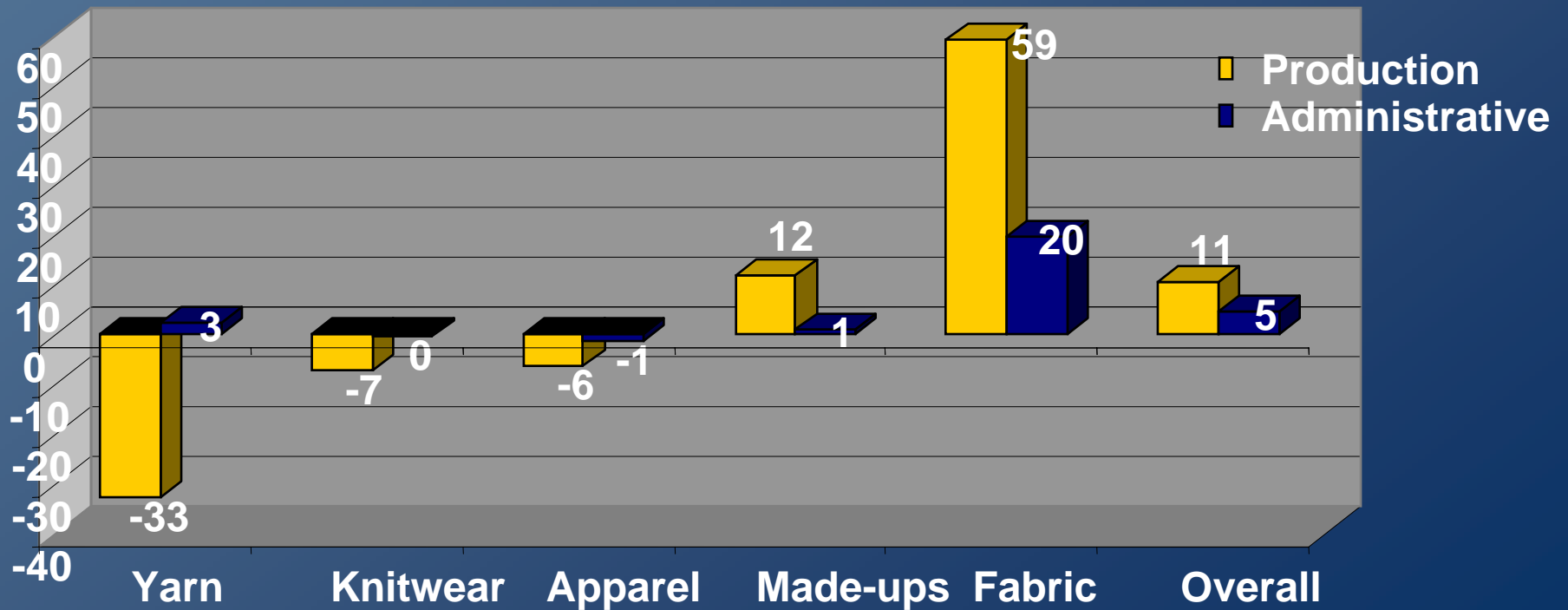




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Unskilled losers in garments

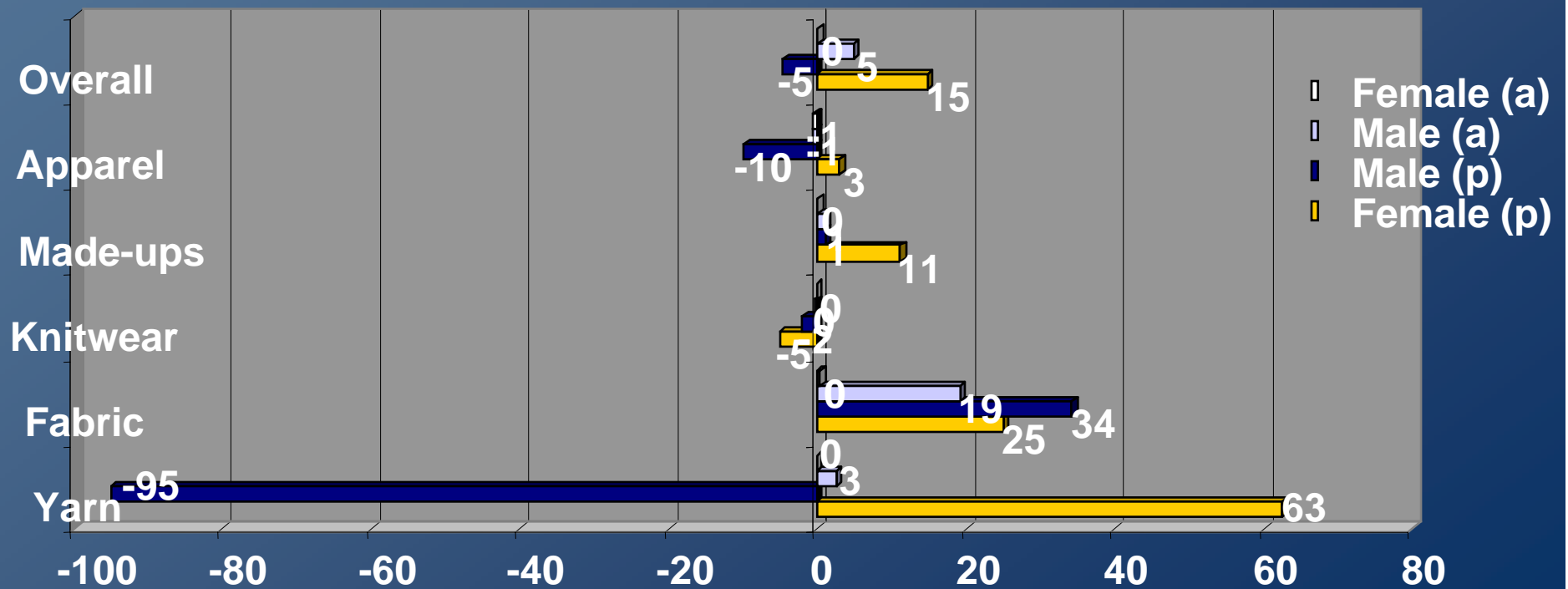




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Gendered skill polarisation?





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Gendered skill polarisation?

- Overall and relative gains in female, losses in male production employment
- Slight gains for males, no entry for women non-production workers
- ⇒ Standing is right!



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The results: A bird's-eye view

- Positive development textile employment, labour-intensive garments are struggling
- % female employment in unskilled occupations ↑, ↓ in skilled work



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Some answers ...

- Steps for mitigation of unskilled, especially female job losses necessary
- Time to facilitation women's moves into skilled work



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... and new questions

- **Gender gaps in wages as women's comparative advantage? For how long?**
- **Stall NAMA negotiations until proper impact assessment?**