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Trade Openness and Gender in Uruguay: a CGE Analysis

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Data from Uruguay show significant gender differences both in the labor market and in the distribution of home tasks. In the labor market, wages and the employment rates are lower for women, who also face a higher unemployment rate. At home, women spend more time than men in domestic work and less in leisure activities. For a small economy such as Uruguay, trade policy can have a substantial impact on the relative demand for male and female workers and, therefore, may increase or reduce these gender differences.

A team of Uruguayan researchers examines the gender differentiated impacts of trade openness on employment, wages and time allocation, using a series of gender aware CGE models. The version used for the analysis presented here includes gender-disaggregated market work, domestic work and leisure. In order to calibrate the model, the team makes use of a recent time use survey in Uruguay.

The team simulated different tariff reform scenarios. Trade openness, defined as a unilateral reduction of tariffs on imports from all destinations, is found to improve the situation of women in terms of employment and wages. However, the precise impacts depend on the exact nature of the trade reform. If it results in an increase in net exports to Argentina, demand for female workers increases and gender wage gaps decline. On the contrary, if net exports to Brazil and the rest of the world increase, it is the demand for unskilled male workers that increases.

Integration to MERCOSUR is also found to have a positive impact on female participation in the labor

market (see Table below). Furthermore, whereas trade openness favors skilled women most, integration to MERCOSUR is more advantageous to unskilled women in terms of employment, but not in terms of wage rates.

Table: Labor Market Impacts of MERCOSUR

Labor category	% Variation
Unemployment	
Female unskilled	-2.04
Male unskilled	-2.21
Employment	
Female unskilled	0.18
Female skilled	0.15
Male unskilled	0.05
Male skilled	0.08
Wages	
Female unskilled	0.30
Female skilled	0.40
Male unskilled	0.22
Male skilled	0.22

Other, more direct, gender policies, such as a subsidy for female workers, would be more effective than trade policy, especially given very high female unemployment rates. In the same way, the government should avoid increasing protection of female intensive sectors as a policy to promote female employment. A simulation of the imposition of reference prices on female-intensive textile and garment imports is found to improve employment for unskilled women, but at the expense of reduced employment for all other labor categories due to the efficiency losses of reduced trade.

This Policy Brief is based on the Working paper MPIA 2008-16