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UNCTAD/DIAE/INF/2021/1

Acknowledgements

This report was prepared by a team led by Amelia U. Santos Paulino and Claudia Trentini under the guidance of Richard Bolwijn and the overall direction of James Zhan, Director of the Investment and Enterprise Division in UNCTAD. Jennifer P. Poole, Associate Professor at the School of International Service at American University in Washington, DC, was the lead consultant for the report and coordinated the background technical research.

Carli Bezuidenhout (North-West University), Austin C. Davis (American University), Ana Margarida Fernandes (World Bank), Hiau Looi Kee (World Bank), Marianne Matthee (University of Pretoria), Ricardo Monge (LEAD University), Johan Mulder (Economic Commission for Latin America and the Caribbean), Anh Pham (George Mason University), Jennifer P. Poole (American University), Luis Rivera (LEAD University), Amelia Santos Paulino (UNCTAD), Victor Stolzenburg (World Trade Organization), Claudia Trentini (UNCTAD), Caro Janse van Rensburg (North-West University), Renata Vargas Amaral (American University), and Christian Volpe Martincus (Inter-American Development Bank) provided background research papers and inputs.

The report benefited from inputs from Stephania Bonilla, Julien Bornon, Kumi Endo, Isabel Garza Rodriguez, Nathalia Guerra, Isya Kresnadi, Ian Richards and Lorenzo Tosini. Pedro Cayul provided research assistance.

The report also benefitted from extensive feedback and advice from Laura Addato, Syed T. Ahmed, Nicole Bidegain Ponte, Esther Ann Boler, Claire Defossez, Berna Dogan, Lorraine Eden, Bilge Erten, Anna Gollub, Malinka Koparanova, Jessica Leight, Letizia Montinari, Carol Newman, Marit Nilses, Kelli Okuji-Wilson, Maria Cecilia Plottier, Joana Silva, Emily Sims, Heinz Tuselmann, Carolina Villegas, Fernanda Wagstaff and Simonetta Zarrilli.

The manuscript was copyedited by David Einhorn. The design of the charts and typesetting were done by Ana Beatriz Dominguez Organero. Production of the report was supported by Katia Vieu.

The financial support of the Kingdom of the Netherlands for the development of this publication is gratefully acknowledged.

Contents

Key Messages

The gender policies and practices of multinational enterprises (MNEs) affect gender equality in the workplace in host countries of foreign affiliates. Depending on an MNE's home-country norms and values and those of its customer and stakeholder bases, outcomes in developing countries can be positive, although this is not automatic.

MNEs affect gender equality in host countries directly, through employment practices in foreign affiliates, and indirectly, through spillovers in local labour markets.

The direct effect is well documented – including in UNCTAD's earlier work on foreign direct investment (FDI) and gender equality. It is especially pronounced in employment opportunities for higher-skilled women. For example, on average across developing countries, foreign affiliates employ about 5 percentage points more female administrative workers (just under 40 per cent) than local firms.

This report is the first to present empirical evidence on the indirect spillover effects to local firms and labour markets. It brings together a set of case studies – developed for this report and published separately – covering five countries across Africa, Asia and Latin America.

The adoption by MNEs of explicit non-discrimination policies ensuring equality in hiring practices, pay and promotion opportunities across their networks of affiliates is an important starting point for a positive impact. Active enforcement and support – for example to promote equal access to training, provide maternity leave without fear of repercussions, and avoid unfair dismissals – are necessary to translate global policies across societal and cultural differences.

Where MNE policies and practices result in broader positive gender equality outcomes in developing host countries, the effect is more pronounced for women's employment and career advancement opportunities. The presence of foreign firms does not appear to contribute as much to closing the gender wage gap.

The main transmission mechanisms for MNE gender policies and practices to host economies are supply chain links with local firms, competition and demonstration effects, technology effects (i.e. the local adoption of technologies that favour female participation in the workfoce), and labour mobility (i.e. former employees of foreign affiliates joining local firms).

The relative importance and effectiveness of the various transmission mechanisms depends on country- and industry-specific circumstances. Examples from the country case studies illustrate this:

- In the Bangladeshi textile and garments industry, downstream business partners of MNEs were found to have 50 per cent more female administrative workers than local firms. In addition, domestic firms that shared the same domestic supplier as MNEs hired more female administrative workers. Thus, the presence of MNEs affects gender practices of domestic firms through upstream and downstream supply-chain linkages and demonstration effects.

- Evidence from Brazil shows that, although labour mobility appears to be a weaker transmission mechanism for gender policies and practices, it contributed to reducing the wage gap in the transportation and communications industry by about one-fifth.
- In contrast, in the Costa Rican information and communications technology sector, the effects of labour mobility and of competition and demonstration proved relatively strong. The effects were boosted by the high share (almost two-thirds) of employees of local firms having worked for foreign affiliates, leading to very similar gender practices across the sector.
- In geographical regions with foreign affiliates in more technology-intensive sectors in Viet Nam, increased FDI was found to be associated with higher female employment. However, much of the employment gain was at the bottom 10 per cent of the wage distribution.
- The direct effect of MNEs on gender policies and practices is confirmed by the experience of South Africa, where foreign affiliates hire more women at higher skill levels and offer a wage more than double the average in domestic firms, although the gender wage gap remains.

The various transmission mechanisms are interdependent and mutually reinforcing, and their impact is difficult to measure separately. However, distinguishing the individual mechanisms is helpful for the identification of targeted policy approaches. For example, supplier capacity-building initiatives, exchange programmes, training, and awareness or role model campaigns can be effective in disseminating the gender equality practices of MNEs. Host-country policies and programmes aimed at strengthening local absorptive capacity and developing inclusive linkages are most important.

Home-country policies can also promote positive gender equality outcomes. Where governments in developed economies provide support to MNEs for investment overseas, especially in low-income countries, through outward investment promotion organizations or in the form of investment guarantee schemes, such mechanisms can be made conditional on reporting on gender practices throughout affiliate networks.

Finally, the transmission of positive gender policies and practices can be advanced through international standards and through the global policy environment for investment. International reporting standards are key to driving a positive impact. Currently, among the 100 largest MNEs, only 23 report on gender practices in their global networks. As for the global policy environment, including gender equality objectives in trade and investment agreements could help in attaining those objectives, for example by discouraging the lowering of labour market standards for the purpose of promoting investment.

The transmission of positive gender policies and practices through multinational enterprises		
Channels	**Policy options**	**Level of action**
Direct channel		
Women employed in foreign affiliates	Encourage the adoption of a gender strategy at the corporate level to ensure equal working conditions and to facilitate women's employment, training and promotion throughout the network of affiliates.	Host country
	Foster MNE reporting on gender at all levels of the hierarchy and with a geographical breakdown.	International level
	Avoid a race to the bottom of social standards while competing for foreign direct investment, including through regional coordination.	International level
	Home-country governments can make investment guarantee schemes conditional on reporting and applying consistent gender policies and practices throughout the MNE network of affiliates.	Home country
	Take gender equality impact into account in targeted investment promotion strategies.	Home and host country
Indirect channels		
Supply-chain relationships	Promote linkage programmes between local companies and MNEs, including through supplier capacity-building.	Host country
	Promote the participation of women in supplier training and capacity-building programmes.	Host country
	Home governments can set up a social dialogue between MNEs, their partners or suppliers in host economies and other relevant stakeholders, to help companies achieve their gender objectives and transmit them along the value chain.	Home country
Competition – demonstration	Encourage transparency on gender policies and practices in foreign affiliates.	International level
	Showcase the appointment of women in top positions and in jobs where they are underrepresented.	International level
	Promote knowledge-sharing and networking programmes between MNEs and local companies.	Host country
Technology	Encourage the participation of women in education and training at all levels.	Host country
	Encourage the participation of women especially in science, technology, engineering and mathematics (STEM) training and careers.	Host country
	Women participation could be fostered through partnerships between MNEs and universities, and other educational institutions.	Host country
Labour mobility	Improve national education policies and labor training, particularly for women.	Host country
	Facilitate partnerships, internships and labour mobility programmes across foreign and local companies.	Host country
	Encourage MNEs to participate in local business associations and related community initiatives.	Host country

Source: UNCTAD

1. Introduction

This report investigates the international transmission of gender policies and practices by multinational enterprises (MNEs) and the role of that transmission in advancing gender equality in the labour market. It puts forward policy recommendations, based on solid and novel empirical evidence, aimed at maximizing positive outcomes.

Foreign direct investment (FDI) is credited with a wide range of economic and social benefits that transmit through diverse channels. This includes not only tangible factors such as employment creation and external finance, but also intangible benefits such as the transfer of productive technologies, skills, innovative capacity, and administrative efficiencies. Attracting FDI thus remains a desired policy outcome in developing and developed countries alike (UNCTAD 2020a). One key issue to explore is whether the benefits associated with FDI also translate into more gender-equal labour market outcomes. This report addresses this topic by investigating the role of FDI and MNEs in promoting gender equality. It also builds on previous UNCTAD research on this critical subject (e.g. UNCTAD, 2014 and various editions of the *World Investment Report*).

Alongside the pure economic implications of foreign investment, MNEs are increasingly expected to maintain social and environmental responsibility and standards. In this context, the United Nations Sustainable Development Goals (SDGs) are becoming a focus of investor interest and company reporting for impact. However, key challenges are the quality of disclosure and the harmonization of reporting standards. One SDG on which companies are increasingly expected to report is gender equality. About 70 per cent of the world's 5,000 largest MNEs now report on progress in this area (UNCTAD, 2020a). Yet overall, women's representation remains unequal. Regulation and investor pressure have led to better representation at the board level, but not at managerial levels. Moreover, the implementation of gender equality policies related to flexible work and childcare remains weak.

While there are several theoretical reasons to expect foreign firms to also transfer best-practice policies regarding women, scarcely any research studies the impact of FDI and MNEs on promoting women's empowerment around the world. To fill the knowledge gap, this report presents original empirical evidence on the role of FDI and MNEs in spreading policies and practices that promote gender equality in the workplace. Specifically, the report contributes to the literature and policy work on FDI, MNEs and gender equality by conceptualizing and presenting original evidence on the mechanisms through which MNEs can influence host-country workplace practices regarding women:

- Directly through employment in MNEs' foreign affiliates, by analysing firm-specific databases covering the entire developing world and detailing the top MNEs' gender practices.
- Indirectly via spillovers or transfer of gender practices from foreign affiliates to local companies.

The transmission mechanisms by which MNEs transfer gender policies and practices to local firms and host countries are illustrated by the analysis of firm-level practices across the world, and by original case studies covering five countries in Africa, Asia and Latin America.[1] Drawing on this empirical evidence, the report provides policy options and possible measures and initiatives that can be adopted by governments and other relevant stakeholders to ensure that foreign investment translates into real benefits for women. The target audience spans beyond policymakers. The policy recommendations and initiatives highlighted are relevant to a broader constituency in host and home countries, including civil society, the private sector, other implementing partners in government, and international organizations. The report will also serve as a valuable reference for scholars and readers interested in the mechanisms through which MNEs transfer gender policies and practices to local firms, and the impact on gender outcomes, notably female employment and the gender wage gap.

Chapter 2 of this report presents the conceptual framework for the analysis of the international transmission of gender policies and practices. Chapter 3 outlines recent advances in the literature that relate foreign investment and MNEs to gender-related outcomes. Chapter 4 outlines the policy environment governing female employment in which many multinationals operate, utilizing key public databases to describe how these policies play out in practice. The investigation begins at the most macro level with a study on the international environment. The report also reviews the domestic policy environment for women across all regions of the world. Chapter 5 presents evidence on the direct transmission channel, including (i) a detailed summary of company-specific policies derived from the top MNEs in the world, (ii) descriptive evidence on firm-specific practices from public databases with broad country coverage, and (iii) a summary of results from several research papers covering all major regions of the world, including papers commissioned for this report, on the firm-level differences in labour

[1] The original background studies were published as part of the Special Issue on Multinational Enterprises and Gender Equality of UNCTAD's *Transnational Corporations Journal* 27(3) in December 2020.

market outcomes for women across foreign and domestic firms. With the policy environment and specific practices in mind, chapter 6 turns to the key empirical evidence supporting the possibility of the international transmission of best practices gender policy and labour market outcomes for women from multinational firms to local host economy firms. In conclusion, chapter 7 presents the key implications and recommendations for policy.

2. Conceptual framework and transmission mechanisms

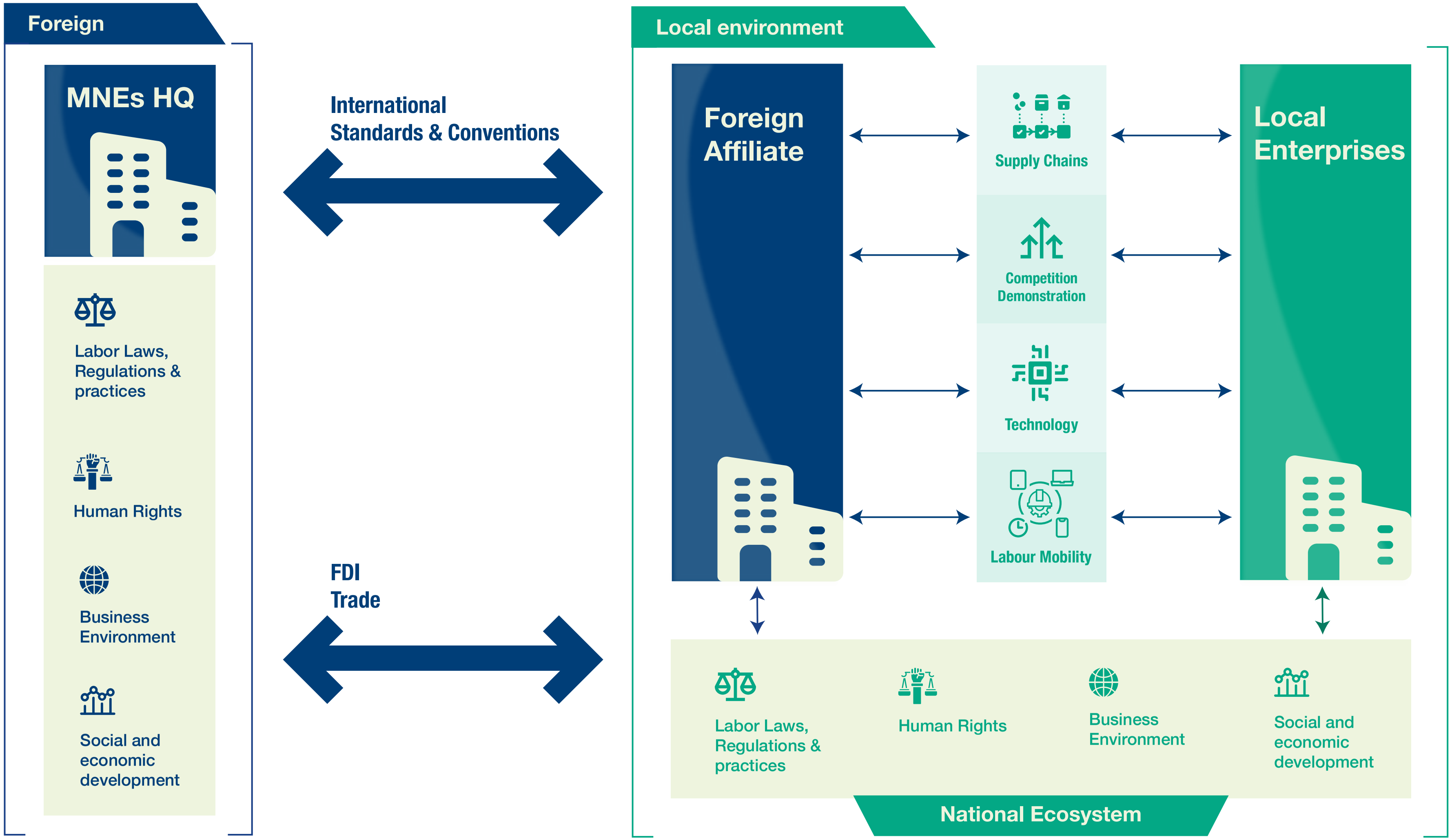
The idea that cross-border investment spreads cultural norms and practices has received widespread attention among sociologists and anthropologists. For example, there is strong anecdotal evidence of multinationals spreading high-quality health standards (e.g. washing hands), customer service (e.g. smiling and queuing), and cultural norms (e.g. wearing business attire). At the same time, very little is known about the impacts of FDI and MNEs on gender policies and practices, despite a long literature on the differential impact of international trade on women.

It is well documented that multinational enterprises are different from domestic firms in terms of size, productivity, average wages, and skill composition (Helpman et al. 2004). A substantive body of literature documents that MNEs can transfer many of these differences to the local host economy as productivity spillovers and increased education and training. There is also a small but growing literature suggesting that MNEs are different from domestic firms in terms of the composition of their labour force and gender wage gaps. Whether these gender-equalizing practices can "spill over" into the domestic economy is the main focus of this report. In theory, there are several reasons to hypothesize an improvement in gender equality with increases in foreign investment. Figure 1 depicts the aggregate spillovers and mechanisms through which MNEs transfer gender policies and practices to local firms. The points that follow delineate several of the theoretical possibilities linking foreign investment and gender equality.

- **Income effect**

FDI, like international trade, brings increased income levels. As gender equality tends to be positively associated with income levels across countries, this would predict an improvement in gender policy and practice

Figure 1. Conceptual framework for the international transmission of gender policies and practices



Source: UNCTAD.
Note: FDI: foreign direct investment; HQ: headquarters ; MNE: multinational enterprise.

with increased foreign investment.[2] For many middle-income emerging economies, increased foreign investment is also associated with increased income levels for the country. As income is associated with better working conditions and higher standards, female empowerment can be expected to improve via the income effect. In fact, according to the International United Nations Development Programme's (UNDP) Gender Inequality Index, advanced economies are more gender-equal than lower-income developing countries, supporting a positive correlation between income levels and gender equality.

- **Competition**

According to Becker's (1957) model of labour market discrimination, firms can only afford to pay women less than men when they can forego profits. The model, then, predicts that discrimination toward women should decrease with increased competition and weaker monopoly power. If an increased foreign presence increases local competition, MNEs may help to promote gender equality by forcing domestic firms to hire equally qualified and productive women. Therefore, gender discrimination potentially diminishes as firms face heightened competition and have less capacity to discriminate against women. However, it is also possible that the crowding out of domestic firms by foreign MNEs may have a negative impact on the employment of men and women.

- **Supply chains**

Multinationals may also be subject to higher international (or FDI source-country) labour or environmental standards. Backlash from consumers may result if MNEs attempt to circumvent these standards, for example, by purchasing intermediate inputs from local firms with weak standards. As such, reputational pressures may force multinationals to bring higher-quality policies and practices to their host countries. These international pressures, in practice, may extend to the suppliers of multinationals as these MNEs become more transparent in social responsibility practices everywhere along their supply chains.

[2] The phrasing "tends to be positively associated" is used because this is not true for all dimensions of gender equality. According to the Organisation for Economic Co-operation and Development's FDI quality indicators in developing countries, FDI is often directed to sectors with higher gender employment equality and lower gender wage equality (e.g. textile and garment sectors), while in more developed countries, the data report the opposite (OECD, 2019).

- **Labour mobility**

If MNEs display more progressive gender policies and practices, and MNE workers learn about these high-quality labour practices toward women—either through explicit labour training or casual observation—then it is possible that these workers will spread best practices by imposing or demanding better treatment when they leave MNEs for employment elsewhere in the host economy. The expectation is that these transfers are likely to be stronger for female employees, for whom the policies are more pertinent, and for managers and human resources personnel, for whom applying these policies is part of their job. These workers then help to introduce these more progressive labour policies into their new places of employment, thus transferring gender-equalizing labour practices to the domestic economy via worker turnover.

- **Export market access**

It is also theoretically possible that exporting to new and different markets impacts domestic firms' gender practices. Multinational firms bring with them knowledge about and access to new and distant markets not previously available to domestic firms. Buyers in international markets may be more demanding in terms of gender-equitable policies and practices (especially if the buyers are from countries with a lower Gender Inequality Index score, i.e. higher gender equality), providing a plausible mechanism for MNEs to enhance female empowerment.

- **Technology**

Finally, the increases in FDI at the end of the last century as a result of key market-oriented policy reforms go hand in hand with trade liberalization and strong technological change. Previous research suggests that women differentially benefit from the addition of new technologies, as women tend to work in communication-intensive occupations, as opposed to men whose jobs may become obsolete with automation (Aguayo-Tellez et al. 2014). There is also evidence that as companies adopt more technology-intensive production, women are at higher risk of being replaced by more skilled male workers. The net effect on employment and wages of female labour is likely to depend on several factors, including whether the technology of the MNE is complementary to women's skills, the share of women employed in the sector, and women's bargaining power (Braunstein and Brenner, 2007). These ideas are particularly relevant for a study on the role of MNEs and gender, since MNEs often spread new forms of technology around the world.

3. The international transmission of gender policies and practices: Theory and evidence

A long and well-established literature exists on the role of MNEs in transferring technology around the world and enhancing local productivity.[3] For example, industries with high levels of foreign participation are more productive (Aitken and Harrison, 1999) and more likely to export (Aitken et al. 1997). Bloom and van Reenen (2010) also offer evidence of management practices being transplanted by MNEs. In addition to these direct productivity effects on subsidiaries, indirect spillovers may exist as domestic firms supply the foreign firms or use their goods as intermediate inputs (Javorcik, 2004; Kee, 2015). A growing literature also posits that workers learn while employed at multinationals and then transfer this knowledge as they transition to domestic firms (Poole, 2013). Positive productivity and wage spillovers from MNEs to domestically owned firms have been documented for all of these mechanisms. Moreover, UNCTAD (2014) provided a preliminary assessment of this impact, focusing mainly on gender equality, including the wage and employment impact of MNEs and the related potential for women's empowerment.

This chapter updates and extends the existing literature with a critical eye and with a focus on the impact of policies and practices from the vantage points of both MNEs and the home and host countries. The stylized facts and key findings from the various strands of literature explored have shaped the conceptual framework presented in chapter 2. While the focus of this chapter is on gender-based labour market outcomes, such as the gender wage gap and female participation in the labour force, foreign investment has also improved other outcomes of interest for women (table 1).

[3] MNEs have also been shown to significantly contribute to poverty reduction by raising average wages (Klein et al. 2001).

For example, research has shown that increased foreign investment is associated with reductions in crime against women and delayed marriage and childbearing.[4,5]

Table 1. What is already known about foreign direct investment and gender equality?

Female employment	Gender wage gap
Trade liberalization and export-oriented manufacturing results in the feminization of the labour force due to the assimilation of technologies and practices that give women an equal playing field.	The evidence on the impact of foreign direct investment (FDI) on the gender wage gaps is ambiguous and reveals varying outcomes depending on a number of diverse factors.
FDI, in itself, is also associated with an increase in female employment and particularly enhances female representation at the managerial level. This is due to the transmission of management norms by multinational enterprises.	Under competition theory, FDI is expected to reduce the gender wage gap, since foreign firms are more likely to operate under highly competitive market conditions and are thus less likely to discriminate.
The transmission of positive gender norms through FDI can also lead to productivity advantages for foreign affiliates compared to domestic firms when women have a comparative advantage in relevant skills.	There are exceptions, however, to the expected outcomes under competition theory. For example, the gender wage gap can be stronger in FDI-receiving trading firms than in domestic firms where there are obstacles to unionizing in the former.

3.1. Female employment

Standing (1999) argues that in low-income countries, the emphasis put on trade liberalization and export-led industrialization has led to a “global feminization of labour.” Globalization has introduced production techniques that have been changing skill and job structures, and the decline in the proportion of jobs requiring “craft” skills, traditionally the domain of men, has influenced gender divisions. In line with such an argument, Aguayo-Tellez et al. (2014) show that tariff reductions under the North American Free Trade Agreement (NAFTA) prompted Mexican establishments to adopt modern

[4] Li et al. (2019) leverage India’s foreign investment liberalization in the 1990s to explore the role that global integration plays in enhancing female empowerment. Their work demonstrates that in areas of the country with a stronger foreign presence, reported rapes decline, showcasing a positive social spillover from MNEs.

[5] Drozdoff et al. (2020) study how an increase in FDI in Viet Nam impacts marriage ages and childbearing for women. The authors find that increased FDI decreases the probability that a woman is married or has children at age 20. This supports the argument that FDI can impact not only female employment, but also women’s family life decisions in a low-income country.

technologies that require less physical strength, resulting in an increase in the number of female blue-collar workers, as well as in their wages, but not in the number of female white-collar workers.

Similarly, Tejani and Milberg (2016) find that, since the mid-1980s, export growth in Latin America has led to further feminization of the manufacturing labour force. However, they also find that the female share of the labour force in East Asian countries declined during this same time period. The authors show that while exporting does indeed stimulate a search for low-cost labour, such competitive pressures are less likely to apply, as labour costs make up a smaller share of the total cost in capital-intensive production. Gereffi and Wyman (1990) refer to this transition as the shift from primary to secondary export-oriented industrialization, which involves the production of what they call higher value-added goods that are skill-intensive and require a more fully developed industrial base. Thus, the authors conclude that the capital intensity of production, evidenced by shifts in labour productivity, is negatively and significantly related to shifts in the female share of employment in manufacturing, while exports are statistically insignificant.

The above research suggests that increased exposure to trade is associated with higher shares of female employment in manufacturing. In addition, several recent studies explore the link between foreign investment and female employment composition. In their study of Japan, which relied on data from five firms that had recently been acquired by foreign owners as well as five separate firms that remained under Japanese ownership, Olcott and Oliver (2014) found that the number of female managers rose more sharply at the acquired companies than at the traditional companies over a five-year period. In aggregate, there were five times as many female managers at the acquired companies in 2003 (post-acquisition) compared to 1998 (pre-acquisition)—as compared to an increase of only 10 per cent at the non-acquired companies. Similarly, Kodama et al. (2018) found in their study of Japan that foreign affiliates are more gender-equal than Japanese firms. The authors conducted an analysis that combined propensity score matching with a difference-in-differences approach and found that foreign acquisitions lead to a 6 to 7 percentage point increase in the share of female workers, suggesting that FDI has the potential to improve the allocation of talent and in this way contribute to faster economic growth.

In a study of Chinese manufacturing firm data over the period 2004–2007, Tang and Zhang (2017) found that foreign firms, especially those from more gender-equal cultures, generated cultural spillovers to domestic firms The authors showed that foreign affiliates whose home countries' cultures are more gender-equal tend to hire proportionately more women and appoint more female managers, and that there is a positive correlation between domestic firms' female labour shares and the prevalence of FDI across industries and cities. Altogether, the cultural effect of FDI, as found by the authors, is estimated to have contributed to about a 1 per cent increase in aggregate manufacturing productivity by improving gender norms, assuming women have a comparative advantage in skill-intensive rather than physically intensive tasks.

Siegel et al. (2019) show, however, that such spillovers to domestic firms are gradual. In a study of the Republic of Korea, the authors show that MNEs improved profitability and productivity by aggressively hiring an excluded group (women) in the local managerial labour market, and that the gradual nature of the host market's shift toward a new equilibrium freer of discrimination gave multinationals a multiyear competitive advantage. Similarly, in their firm-level study of Republic of Korea, Choi and Greaney (2020) find strong evidence that MNEs from more gender-equal countries tend to employ proportionately more women and female CEOs. Further, they show that the differentials increase with the level of gender equality in the MNE's home country, and that the reorganization due to foreign acquisition increases firm-level productivity as a result. One exception to this idea is Sharma (2020), who does not find the female employment composition effects of FDI in India to be positively related to the gender equality of the FDI-source country.

3.2. Gender wage gap

Under competition theory, foreign-owned firms are expected to hire more females in part because they provide a cheaper and more flexible alternative to males. But the gender wage gap should be smaller among foreign-owned firms than domestic firms because the former are more likely to operate under highly competitive market conditions, and are thus less likely to discriminate following the seminal model in Becker (1957). Kodama et al. (2018), in a study of Japan from the 1990s to 2016, find that, indeed, the gender wage gap is smaller in foreign-owned firms. By contrast, Priit and Masso (2018), in a study of Estonia from 2006 to 2012, find that foreign-owned firms display on average a substantially higher gender wage gap than domestically owned firms. The authors show that the largest gender wage gap is among managerial occupations—which are more likely to require continuous availability for work purposes. Likewise, Magda and Salach (2019) find that the gender wage gap in domestically owned firms in Poland is slightly smaller than that in foreign-owned firms, contrary to competition theory. The authors highlight, however, that the nature of the gender wage gaps and the factors that underlie them differ between domestic and foreign-owned firms.

As Bezuidenhout et al. (2019) argue, trading firms that require a more flexible workforce are able to exploit women's weak bargaining position, as women are less likely to unionize. In their study of South Africa, the authors find that trading firms and foreign-owned firms do indeed exhibit a larger gender wage gap than non-trading firms. The authors also find, however, that firms that both export and import behave more equally than firms that only import or only export. They interpret this as evidence that foreign ownership may be relevant insofar as it is more prevalent among two-way traders.

4. The regulatory environment and practices

This chapter first outlines the policy environment governing female employment in which many multinationals act. It investigates the role of gender provisions in international trade and investment treaties, and then presents information on differences across countries in gender-based policies, as well as the related outcomes in terms of inequality indexes, human development and labour participation across gender. Throughout the chapter, the discussion remains mindful of the strong divide in many developing nations between the laws on the books (*de jure* regulations) and the laws as they are enforced (*de facto* regulations).

4.1. International labour laws on gender

This report implicitly asks whether and how MNEs may influence and transfer the practices in the host countries where they operate in a way that contributes to improving practices that affect women. However, there have long been concerns by opponents of corporate globalization about a race to the bottom; that is, countries compete via their tax levels, or labour and environmental regulations, to attract foreign investment. The theory suggests, then, that as multinationals seek places to operate around the globe, they look for weak standards and low tax rates. Olney (2013) finds evidence of such a race to the bottom for foreign investment using data from the Organisation of Economic Co-operation and Development (OECD). He demonstrates that larger foreign investment flows to countries with weaker employment protection. In this context, it is theoretically possible that foreign firms contribute to poorer standards for women around the world.

In contrast, as is carefully documented for the case of Indonesia by Harrison and Scorse (2010), multinationals may also be subject to higher international standards. If, and when, they circumvent and diminish labour practices, they potentially face a backlash from consumers. These reputational pressures force multinationals to bring higher-quality policies and practices to their host countries. In this case, multinational firms may be expected to have higher-quality labour practices involving women.

If firms seek out lower labour standards in making decisions on where to locate production, countries hoping to attract foreign investment may competitively weaken policies. However, one lever the international community has to avoid such a race to the bottom is to include labour provisions in international agreements. In fact, it is becoming more commonplace to include gender provisions in international trade agreements and bilateral investment treaties. This section documents existing rules governing gender practices in some of these cross-national treaties to which multinational firms must adhere.

4.1.1. Gender provisions in international trade agreements

The discussion on the inclusion of gender-related provisions in trade agreements is not new. The first gender-related provision appeared in the 1957 Treaty of Rome, establishing the European Economic Community, which required each member state to guarantee the application of the principle of equal pay for women and men. Since then, gender-related provisions have appeared in many regional trade agreements. While some countries have opted for a more comprehensive approach in their most recent trade agreements (such as the chapter on trade and gender in the recent trade agreement between Chile and Canada), others have included very aspirational and non-binding gender-related provisions. Moreover, gender-related provisions are often tied to other cross-cutting (and also aspirational) issues such as the environment and labour. Many, if not all, gender-related provisions are couched in best endeavour and cooperation language, appear in a variety of places in the agreement text, and are not enforceable.

In recent years, and most remarkably since 2016, the number of regional trade agreements with gender-related provisions has increased significantly. Chapters on trade and gender mostly cover issues like cooperation activities and institutional arrangements, including the establishment of a trade and gender committee, and consultation procedures. Other gender-related provisions can be found spread throughout the text of regional trade agreements, be it in the preamble or in chapters on labour, investment, cooperation, sustainable development or small and medium-size enterprises (SMEs). For example, the United States-Mexico-Canada Agreement includes two provisions related to SMEs owned by women in its chapters on both competitiveness and SMEs. However, although there has been an increase in the prevalence of gender provisions in international trade agreements, much work remains to be done because, as stated, the provisions are largely aspirational, non-binding, and not enforceable.

4.1.2. Gender provisions in bilateral investment treaties

In contrast to international trade agreements, very few bilateral investment agreements include gender provisions. Only four have been found to date. For example, the Dutch model bilateral investment agreement (which is advanced, by many metrics) includes a commitment to promote equal opportunities and participation for women and men in the economy. Article 6 of the agreement suggests "removing barriers to women's participation in the economy" by encouraging "cooperation activities…including international investment." However, the agreement also recognizes that maximizing the benefits for women in terms of investment by multinationals also requires initiatives at the national level. Therefore, once again, much work remains to be done on including gender as meaningful provision in international agreements, including by empowering cooperation between the public and private sectors.

4.2. Domestic gender polices and practices

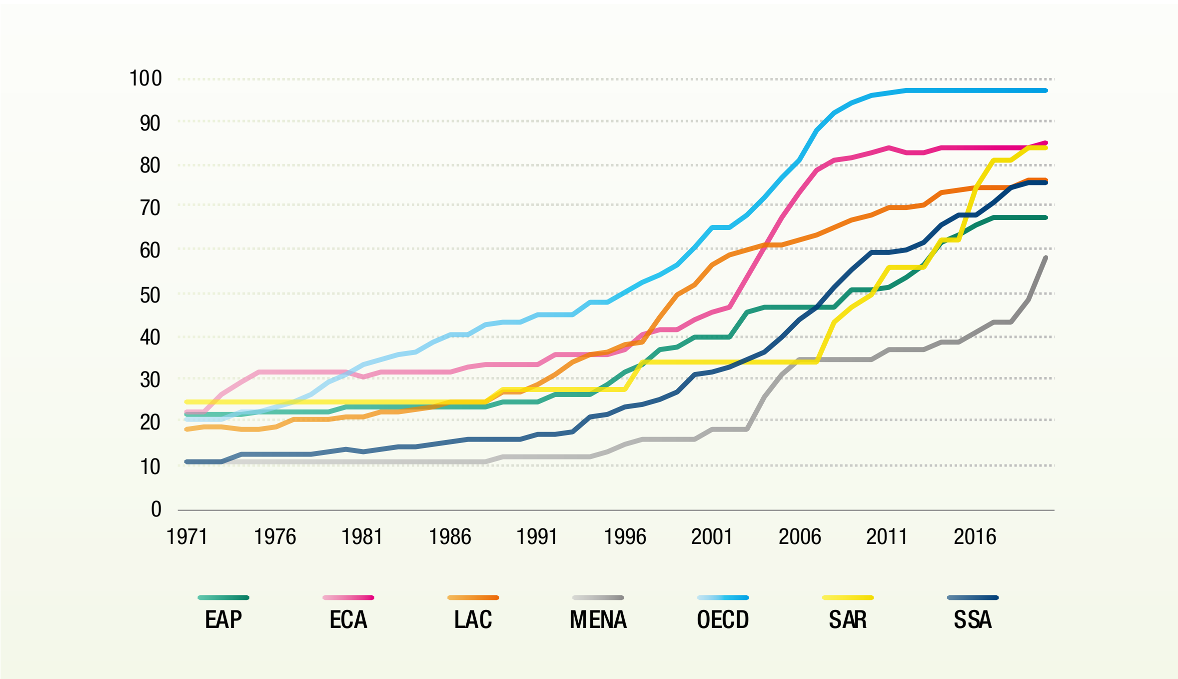
International agreements have weak enforcement provisions for their policies for women, and to the extent that international trade and investment treaties do not cover all countries where multinational firms operate, this section documents differences across countries in the labour regulatory environment related to gender-based policies. First, what are the policies in place? Are there differences across regions of the world in terms of the labour market regulatory environment related to gender-based policies? For example, are the labour laws flexible enough to allow women to work at night alongside men? The answer to this question may have particular relevance to multinational enterprises operating in special economic zones. In order to ensure broad country coverage, this section relies on publicly available databases, such as the World Bank's Women, Business, and Law database. Once again, the divide in many developing nations between the laws on the books and the laws in practice should be underscored. Therefore, this section also presents information from the United Nations Development Programme's (UNDP) indices of gender equality to demonstrate how policy around the world has settled into practice.

4.2.1. Country-level gender policies

The World Bank's Women, Business, and Law database identifies barriers to women's economic participation covering 190 countries since 1970. The database considers women's workplace and pay rights by measuring them against a more equal labour environment using an index ranging from "0 = no access to workplace" to "100 = equal rights for women." The index covering legal rights in the workplace includes the probability of getting a job, whether anti-discrimination is a law, whether there is legislation on sexual harassment, and criminal penalties for sexual harassment. The index covering equal rights in compensation for women includes whether there is a law mandating equal remuneration, whether women may work the same night hours as men, whether women may work in dangerous jobs, and whether women may work in the same industries as men.

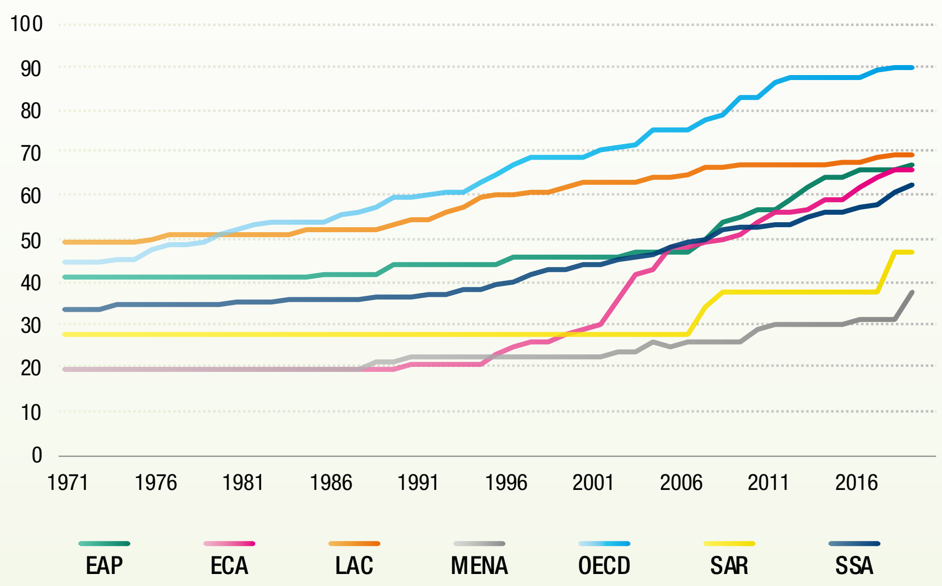
Figures 2 and 3 illustrate the changes over time across regions of the world in these basic rights for women for workplace rights and pay rights, respectively. A high number reflects more equal rights for women. It is clear that across all regions of the world, equal rights for women have seen remarkable improvements since the 1970s. In fact, the changes are most notable since the mid-1990s and early-2000s, when much of the world also underwent substantive liberalization and global integration. However, despite the progress, in some regions of the world women still face serious barriers to equality in the workforce. For example, even as recently as 2019, women in the Middle East and North Africa region accessed only around 60 per cent of the rights of men in the workplace and only around 40 per cent of equal pay rights. Even in the OECD countries, women are estimated to receive around 90 per cent of the rights that men receive in terms of remuneration.

Figure 2. Women's workplace rights by region (per cent)



Source: UNCTAD calculations based on the World Bank's Women, Business and Law database.
Note: The figure shows the percentage of workplace rights enjoyed by women; 100 per cent = more equal. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Cooperation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 3. Legal rights on equal pay by region (per cent)



Source: UNCTAD calculations based on the World Bank's Women, Business and Law database.
Note: The figure shows the percentage of legal rights for equal pay enjoyed by women; 100 per cent = more equal. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

4.2.2. Country-level gender practices

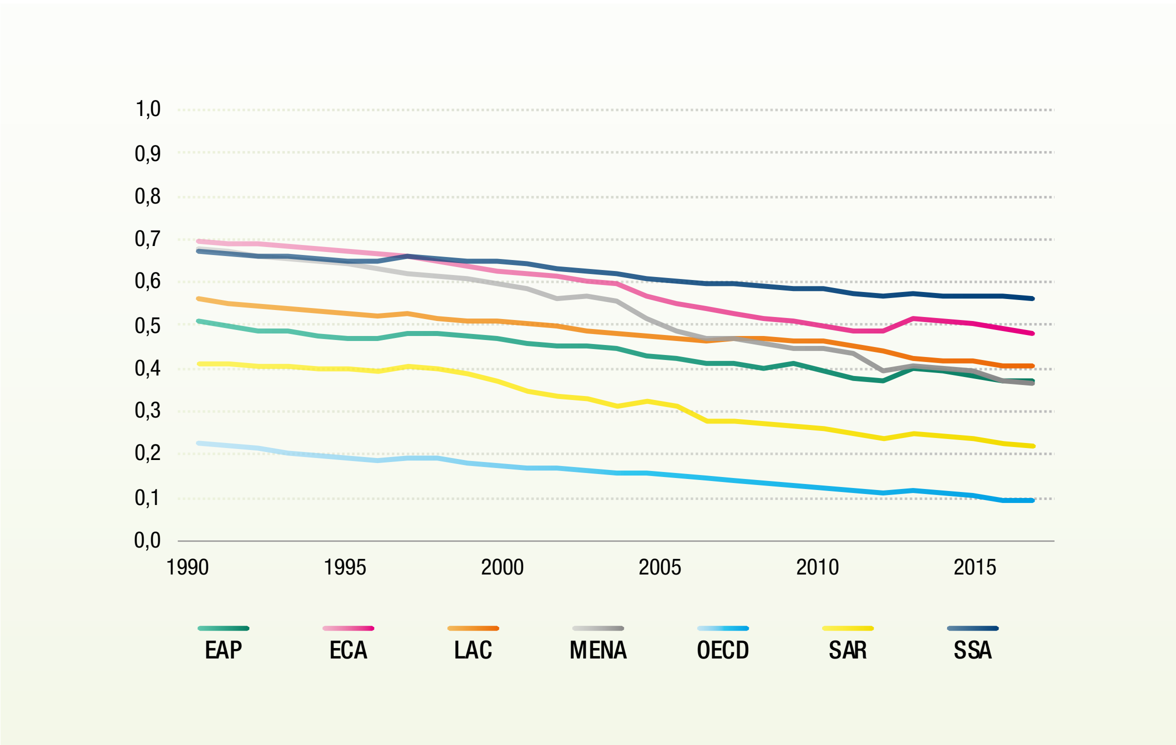
The UNDP's Gender Inequality Index (GII) and Gender Development Index (GDI) show barriers to female employment in terms of access to health care, education and the labour market.[6] They cover all countries in the world, but for a short time horizon. Both indices range between 0 and 1. The GII calculates equality based on reproductive health, empowerment through education and parliament, and labour force participation. In this setting, a lower value denotes more gender equality. The GDI illustrates how women fare in terms of development outcomes such as life expectancy and education. In this setting, a higher value denotes more gender equality.[7]

[6] To have a consistent time series, this report uses a reformulated version of the indices by Stotsky et al. (2016).

[7] For more information about both indices, see the UNDP's Gender Inequality Index (http://hdr.undp.org/en/content/gender-inequality-index-gii) and Stotsky et al. (2016).

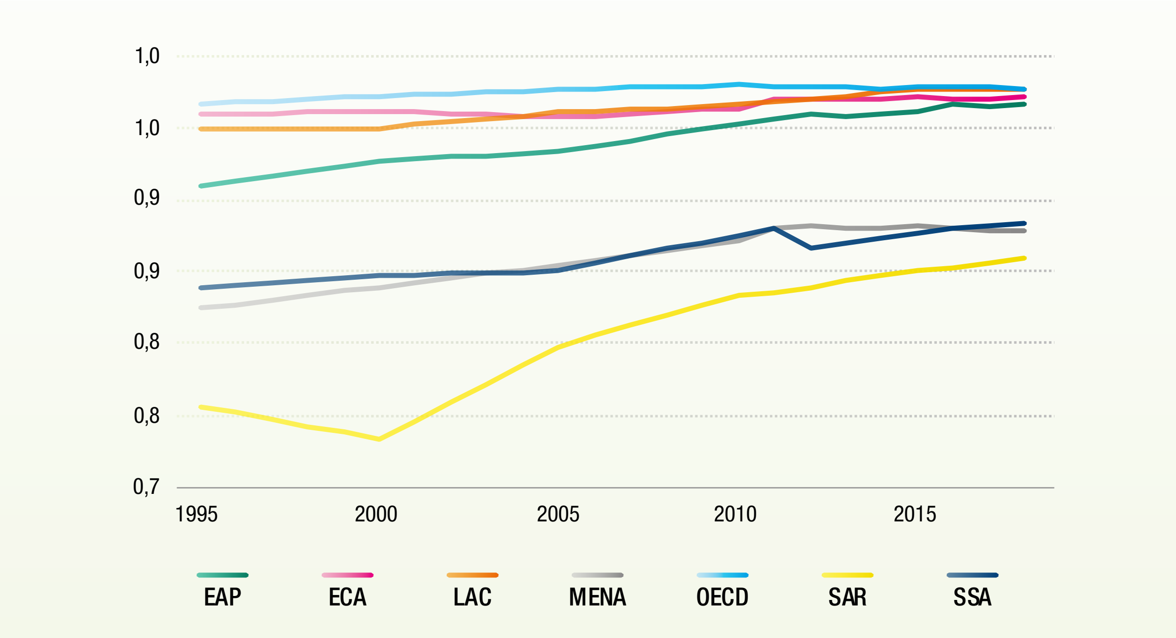
Figures 4 and 5 report average values for these two indices across regions of the world since 1990 and 1995, respectively. Once again, while there have been some advances toward gender equality (lower values in 4and higher values in 5), women are still far from equal in terms of key development outcomes. The average GII score for advanced economies is 0.11, while for low-income developing nations it is 0.54. South Asia, sub-Saharan Africa and the Middle East are outliers in terms of weak gender development equality. These discrepancies can also be seen in figure 6, which illustrates the average Human Development Index score for women and men in each region, and where the gender disparities are largest for these same three regions.

Figure 4. Gender Inequality Index by region



Source: UNCTAD calculations based on the UNDP's Gender Inequality Index database.
EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 5. Gender Development Index by region



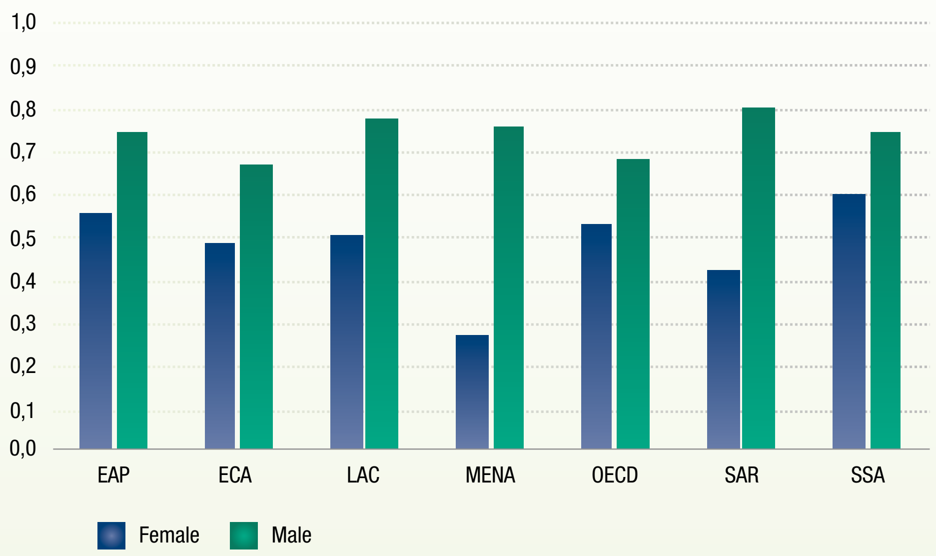
Source: UNCTAD calculations based on the UNDP' Gender Development Index database.
Note: The index ranges from 0 to 1: a higher value indicates a higher level of development. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 6. Human Development Index by gender and region

Source: UNCTAD calculations based on the UNDP's Human Development Index database.
Note: The index ranges from 0 to 1: a higher value indicates a higher level of development. Pooled data for period 1990-2018. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

Perhaps the most striking example of how far women still have to go in every region of the world is reflected in figure 7, which reports the average labour force participation rate by gender for each region. In all parts of the world, male labour force participation far exceeds female labour force participation. Female labour force participation rates barely reach 50 per cent in most regions of the world. In the Middle East and North Africa region, only around 20 per cent of women are in the labour force; in South Asia, this statistic sits at around 40 per cent. For men, the comparable numbers are around 80 per cent for both these regions.

Figure 7. Labour force participation rate by gender and region (per cent)



Source: UNCTAD calculations based on the UNDP's Human Development Index database.
Note: Pooled data for period 1990-2018. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

5. The direct transmission channel

Though women have made progress toward equality in the last half-century, the data on domestic policy and practice suggest that much work remains to be done to ensure that women receive equal opportunity and access. This chapter considers a final layer of policy protection toward women—company-specific policies. Through case studies of the top 100 multinational enterprises,[8] this chapter documents the policies and practices of specific companies. It also presents a series of baseline statistics calculated from publicly available Enterprise Surveys with information on gender practices, gender composition and gender management practices, as well as foreign ownership. The statistics present firm-level differences in gender practices across domestic firms and foreign-owned affiliates. Finally, this chapter, reports some of the newest evidence regarding the differences in gender practices between multinational and domestic firms based on the background studies commissioned for this report covering all major economic regions of the world.

In summarizing the evidence, it is clear that there is no one-size-fits-all policy. Different countries have different domestic practices, and these will likely have a strong impact on gender equity and female empowerment. This previews future policy implications that the first step in domestic policy toward women is to break down barriers to entry in all occupations. Furthermore, foreign ownership and cultural exchange should continue to be expanded, particularly in areas of the world with weaker protection for women. In addition, the review in this chapter notes that foreign investment flows to different industries in different countries—some countries see strong FDI in female-intensive sectors (as in Bangladesh and Viet Nam), while other countries receive most foreign investment in more male-intensive manufacturing industries (like Brazil). Finally, it should be remembered that the type of foreign investment and from where it originates matters a great deal for the possibility of spreading gender equality.

5.1. Policies and practices in the largest multinational enterprises

Evidence on the gender policies and practices of top MNEs could help to explain the transmission mechanisms of international investment to host countries. Companies, especially listed ones, are increasingly expected to

[8] Since 1993, UNCTAD has published a list of the top 100 non-financial MNEs ranked by foreign assets.

report on non-financial issues covering many environmental, social (including gender) and governance aspects. Non-financial reports are expected to become an important source of data for monitoring SDG progress, but as they are not obligatory, practices vary across countries and also across companies, limiting the usefulness of such reports.

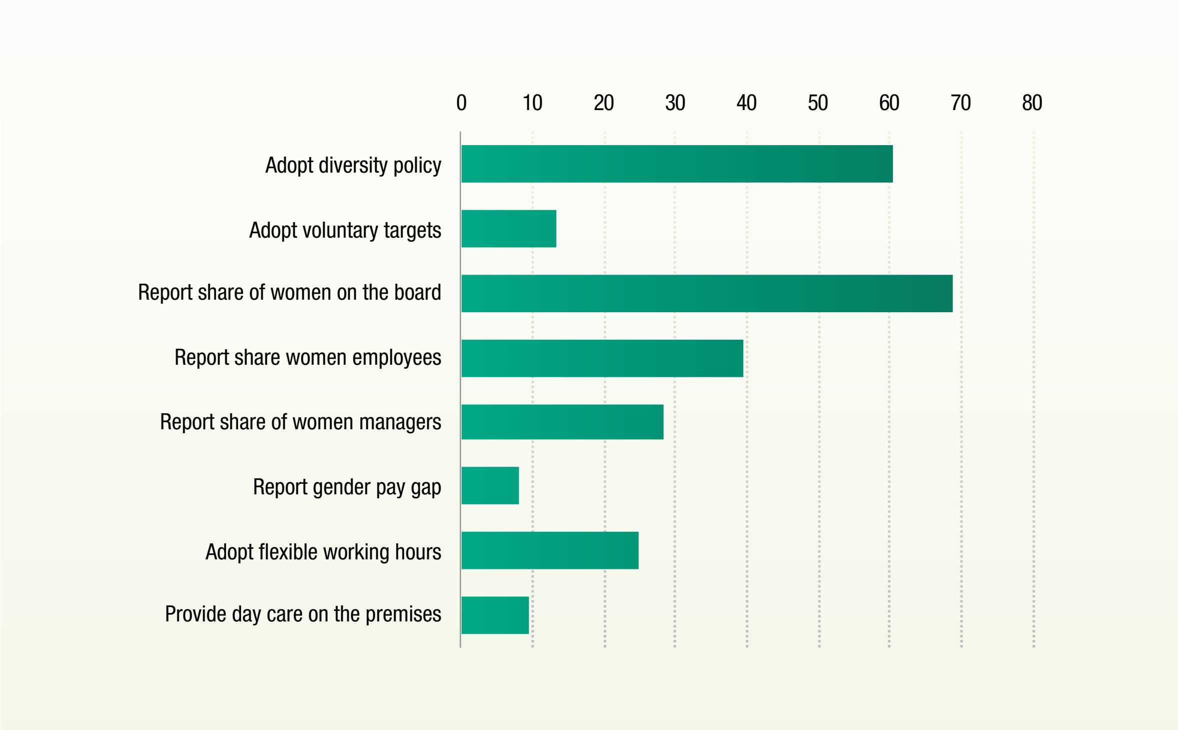
This section looks at gender practices of top MNEs across the world. It first describes what corporations are disclosing in their non-financial reports in the domain of women labour outcomes, using information from Refinitiv for a sample of the top 5,000 MNEs. It then looks at individual environmental, social and governance reports of top 100 MNEs to see if the data published by corporations can be a useful source of information to assess their gender corporate culture and their ability to transfer this globally. The focus will be on the most reported indicator: the share of women employees and the differences between headquarters and foreign affiliate statistics.

In the domain of gender equality, corporations typically report on the existence of a diversity policy and on some quantitative indicators, including the share of women in the workforce, the share of female managers, the number of women on the board, and, more recently, the gender pay gap. These statistics are usually calculated for the total workforce, including consolidated subsidiaries and across occupations. Other indicators related to the promotion of a more balanced and inclusive working environment include the provision of daycare services on the company's premises and the availability of flexible working hours.

The most widely reported indicator is the share of women on the board, since reporting on corporate governance is already a legal requirement in many jurisdictions for large listed entities. In addition, in the last decade, a number of countries legislated on quotas for women on corporate boards in an effort to raise the share of women in senior positions (UNCTAD, 2018). This indicator was reported by almost 70 per cent of the top 5,000 MNEs worldwide in 2018. It is reported independently of the adoption of a diversity policy, which is reported by about 60 per cent of corporations. It is thus not surprising that only a minority (a little more than 10 per cent) of the most inclusive MNEs are also following up their internal policy with voluntary measurable targets.[9] Figure 8 shows the likelihood of reporting these statistics across the top MNEs.

[9] These statistics are based on a sample of 4,439 MNEs analyzed in Chapter V of UNCTAD's World Investment Report 2020 (UNCTAD 2020a). About 70 per cent of these corporations publish a non-financial report containing one or more of these indices. To be as inclusive as possible, the data used are for the 2018 financial year, since many corporations, especially in emerging economies, publish an environmental, social, and governance report many months after the financial accounts.

Figure 8. Reporting rates of gender-related indicators among the top 5,000 multinational enterprises, 2018 (per cent)



Source: UNCTAD based on Refinitiv.

Reporting rates are lower not only in countries where companies are recently starting to publish non-financial reports, but also where such reporting can be the source of criticism and privacy breaches. For example, companies from North America often do not disclose the share of female employees on the grounds of confidentiality considerations.

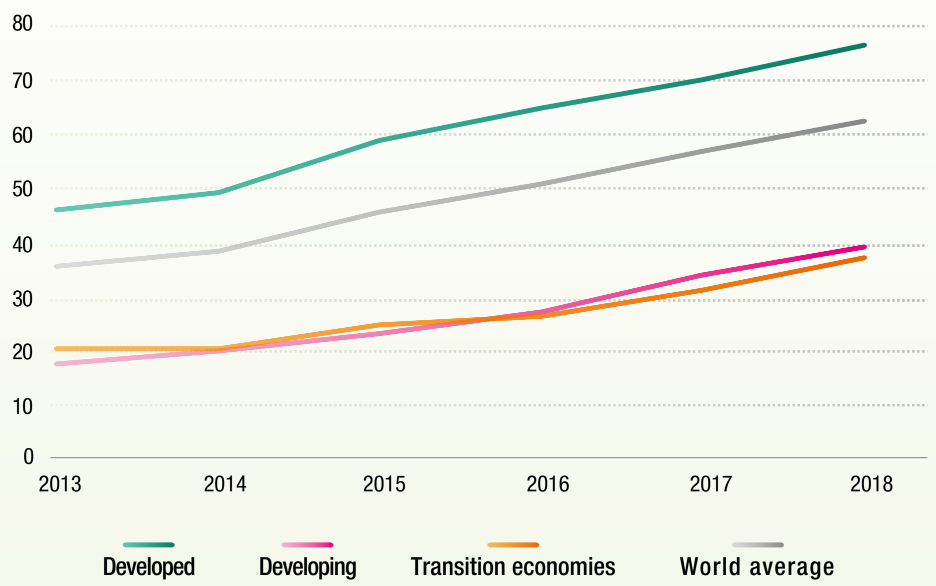
Similarly, female manager shares are reported only by per cent of MNEs globally (see figure 8). Data on the gender pay gap is mostly missing, with only some corporations from advanced economies in Europe and North America reporting it.[10] In addition, the reporting of the gender wage gap is also quite difficult to interpret and compare across corporations, as computational methods vary. Some companies report wages of men over women, and some wages of women over men, which highlights the urgency of establishing common criteria.

The attention of corporations to gender issues as proxied by the existence of a diversity policy is relatively recent, especially in emerging economies,

[10] National regulations in the United Kingdom, France and Germany require corporations to report gender pay gaps.

where the number of such policies doubled in the five years leading up to 2018. Nevertheless, only 37 per cent of MNEs based in developing countries report having an internal diversity policy, in contrast to corporations based in advanced economies, where three-quarters report having such a diversity policy, with peaks of over 85 per cent in Europe and North America. Reporting rates are influenced by culture and home-country attention to gender issues, by disclosures required by the stock market, and most importantly, by the visibility and size of the company. All of the top 100 largest global MNEs report having a diversity policy, including non-listed companies from emerging economies such as petroleum conglomerates CNPC from China and Petronas from Malaysia. Figure 9 reports data on the share of the top 5,000 MNEs that report having an internal diversity policy across country type and over time.

Figure 9. Share of top 5,000 multinational enterprises that have a diversity policy (per cent)



Source: UNCTAD based on Refinitiv.

Differences between industries, especially for indicators such as the share of female employees, typically reflect the nature of those industries' activity, for example, the level of interaction with customers (female voices are preferred for call centres) or historical gender roles (women in care work). Industries with the highest share of women employees tend to reflect this relationship, with services industries and light manufacturing at the top of the list (UNCTAD 2020a). These industries also tend to have larger shares of women managers and women on the board. This implies that the transmission of gender practices to and the impact on host economies varies by home country and by industry.

But do these indices measure corporations' global practices or only headquarters culture? When reporting on financial outcomes, the International Financial Reporting Standards require corporations that control other entities (such as subsidiaries) to prepare consolidated financial statements (box 1). Data for this consolidated report aggregate the results of the companies belonging to the group. UNCTAD (2019) recommends that a similar approach be followed for compiling non-financial indicators. Consolidated data do not allow for gauging the extent to which MNEs transmit their practices to foreign subsidiaries. However, this approach also implies that data are collected and recorded at a disaggregated level by most MNEs, allowing them, if requested, to report on the basis of countries or regions.

Data from firm-level environmental, social and governance reporting documents of the top-100 MNEs show a wide variety of reporting practices on measurable indicators. The share of women employees is reported by 93 corporations. Among those not reporting, five from the United States and one from Luxembourg do not report on the grounds of confidentiality. The remaining two are from China. Only 23 MNEs report some geographically disaggregated data or at least a breakdown between home and host countries. Most report global consolidated indices, while four MNEs

Box 1. Sustainability reporting

Company reporting provides stakeholders with the means to assess economic, social and governance performance, and to evaluate the impact of the private sector on SDG implementation.

To facilitate further progress on SDG reporting by companies, UNCTAD developed its *Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals* (GCI). It provides practical information on how companies can report data on their contribution to the SDGs in a consistent manner, and in alignment with countries' needs to monitor attainment of the 2030 Agenda. The 33 core SDG indicators cover the economic, environmental, social and institutional areas.

The GCI contains two indicators directly linked with gender as part of the social and institutional indicators: C.1.1 Proportion of women in managerial positions, and D.1.2 Number and percentage of women board members. In addition, the GCI recommends providing a breakdown by gender for other indicators such as employee wages and benefits by employment type and gender, and expenditure by employee training.

To assess the impact of multinationals on host countries' progress in meeting the SDGs, the GCI further recommends providing a geographical breakdown of the core indicators. This allows for evaluating the extent to which multinational enterprises apply their own gender practices to foreign affiliates, affecting the direct impact of their operations on host countries.

Source: UNCTAD.

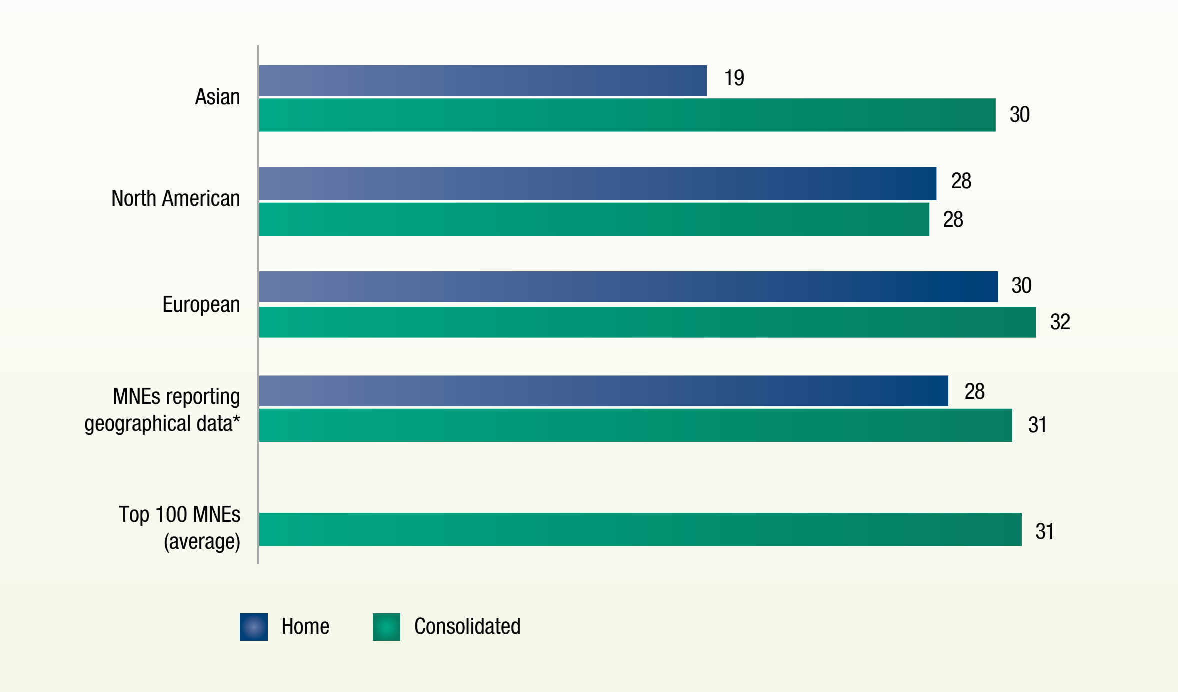
from Japan report headquarters statistics only. For shares of managerial employees, the geographical breakdown is even rarer, reduced to only a handful of MNEs.

Most of the MNEs reporting geographically disaggregated social data are European, as often this information is required by national legislation. Home-country shares of employees are typically close to consolidated shares, suggesting that MNEs apply the same practices and polices across the world and can therefore be important actors in promoting gender-equal practices in the labour market.

Surprisingly, in some cases home shares are lower, reflecting the higher shares of senior positions in headquarters or different home cultures, as in the case of Japan and the Republic of Korea. In this case, MNEs adopt host-country practices and transfer them back to headquarters, where they are among the most advanced employers compared to the national industry averages. Unfortunately, the lack of data on the geographical breakdown of managerial employees does not allow for verifying the hypothesis on the lower home-employee share, as shown by the reports of only four MNEs. For example, the only textile company in the ranking, Christian Dior (France), reports a majority of women employees especially in the manufacturing or retail lines of business, both at home and in host economies (with a consolidated share of 74 per cent). However, as the share of women employees includes all level of occupations, Christian Dior's home statistics are 10 percentage points lower at 64 per cent. This underscores the importance of geographical breakdowns of indices for all levels of occupations. Figure 10 illustrates the share of female employees across locations for the top 100 MNEs.

In addition to the potential role of MNEs, the analysis presented here highlights the need to harmonize practices across countries, independent of the listed status of the company, in order to make data comparable. In particular, a geographical breakdown would allow for a better comparison across corporations in the same industry independent of the geographical spread of their subsidiaries, while also allowing for assessing the social impact of corporations in host countries. Of particular interest would be the geographical detail of gender indices at all levels of occupation in order to fully evaluate MNEs' gender practices and opportunities to transfer these norms. The analysis also raises the question of how to make voluntary reporting more compelling. This is particularly important not only in trying to assess MNE and private business contributions towards achievement of the SDGs, and in particular gender equality (SDG 5), but also in considering company non-financial accounts as a reliable data source for national reports on sustainability.

Figure 10. Top 100 Women shares of employees by region, 2018 (per cent)



Source: Prepared by UNCTAD based on individual firms' environmental, social and governance reports.
Note: This refers only to 23 MNEs reporting data for the geographical breakdown of women employees.

5.2. Firm-specific practices around the globe

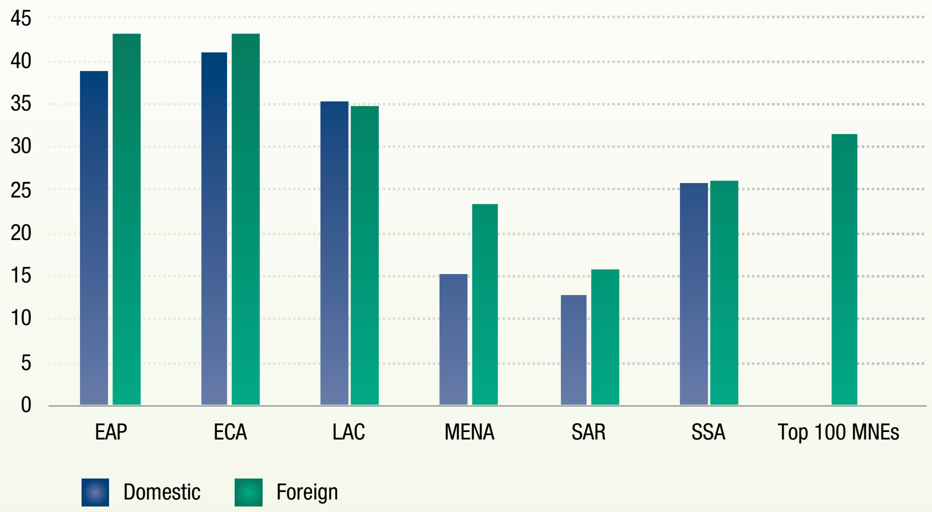
This section presents firm-level information on workforce composition by comparing domestic to foreign-owned companies across 134 countries over 2003 to 2019, and across all sectors of the economy. On average, the data cover around 530 firms per year per country for a total of over 160,000 firms worldwide.[11] The figures in this chapter report unconditional averages of foreign-owned and domestic firms (and for the top 100 MNEs, where possible, as a comparison) across different regions of the world and across the three broad sectors of the economy in terms of the female percentage share of the workforce in terms of production workers, administrative workers and top managers.

[11] Firms covered by the World Bank Enterprise Surveys (various years), available at https://www.enterprisesurveys.org/en/enterprisesurveys.

5.2.1. Female workforce

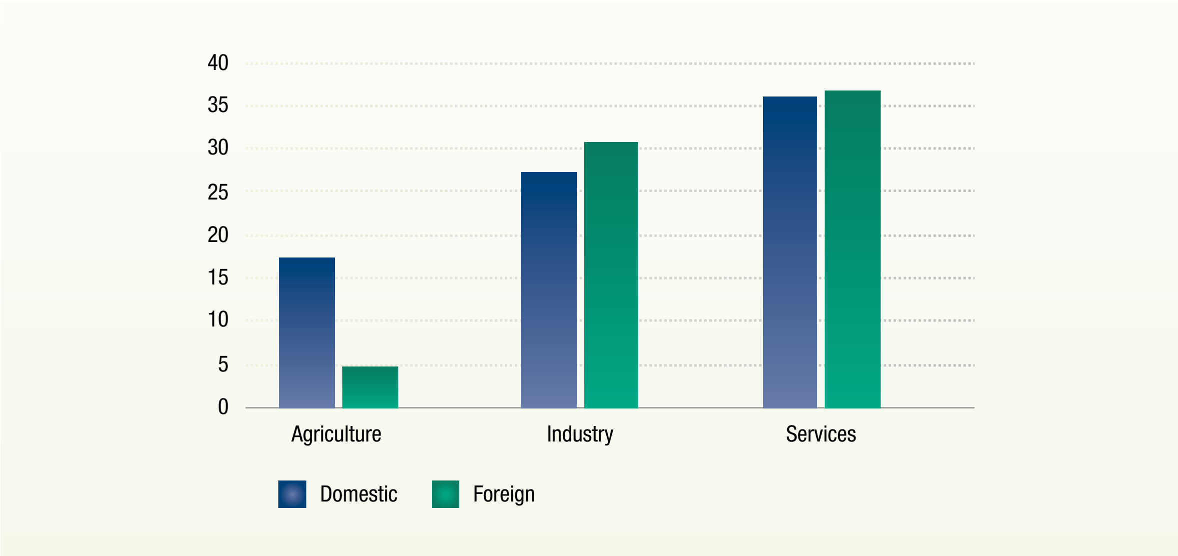
Figures 11 and 12 highlight the relationship between firm ownership and the share of the workforce that is female. In contrast to the previous two metrics, multinationals on average report slightly higher shares of female workers than do domestic firms. However, the numbers are quite close and may not actually be statistically different from one another. On average, women constitute approximately 30 per cent of the labour force of all three firm types (domestic, foreign and top 100). These statistics are only unconditional averages. When considering the relationship between firm-level foreign ownership and the firms' share of women employees, controlling for industry differences, time trends, and other controls, there is a strong and positive association between MNEs and female employment. This holds for both production and nonproduction workers. The gap between female employment shares is lowest in the services sector, likely because this is a sector that traditionally employs the most women, pointing to important industry-specific differences.

Figure 11. Share of female workforce in domestic and foreign-owned companies by region (per cent)



Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003-2019. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; OECD: Organisation for Economic Co-operation and Development; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 12. Share of female workforce in domestic and foreign-owned companies by sector (per cent)



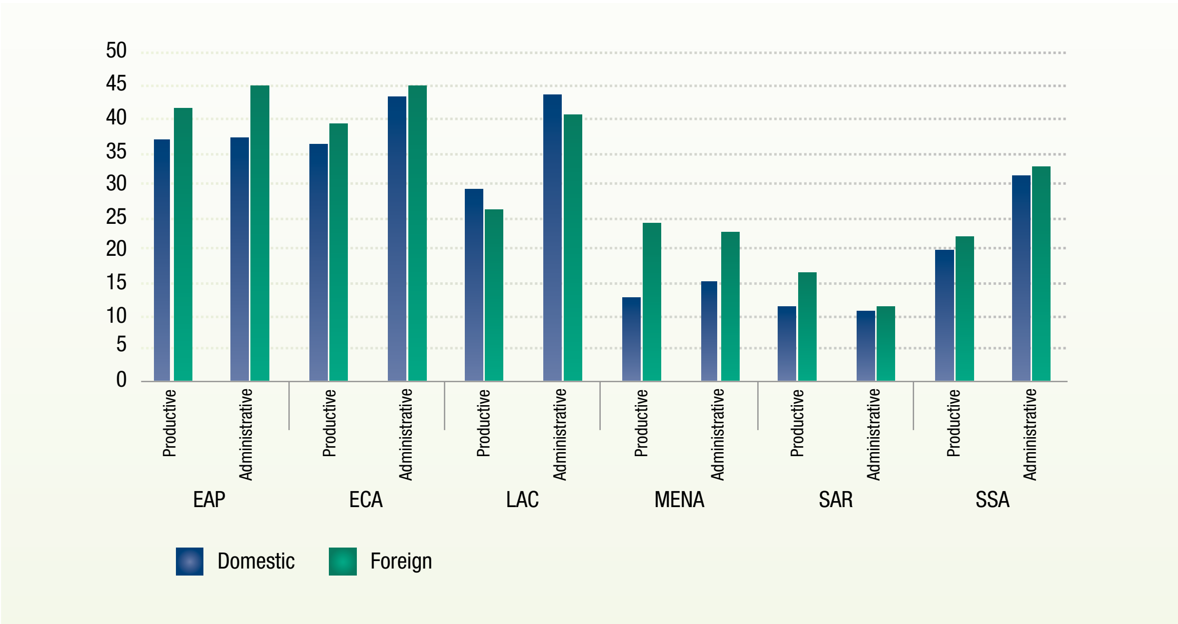
Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003–2019.

5.2.2. Female production and administrative worker shares

Figures 13 and 14 report statistics on the share of women in production versus nonproduction/administrative positions. Production workers may be blue-collar positions, for example on the garment floor, while nonproduction workers may be service-oriented, white-collar positions, such as administration and sales. Note that this information is not available for the top 100 MNEs.

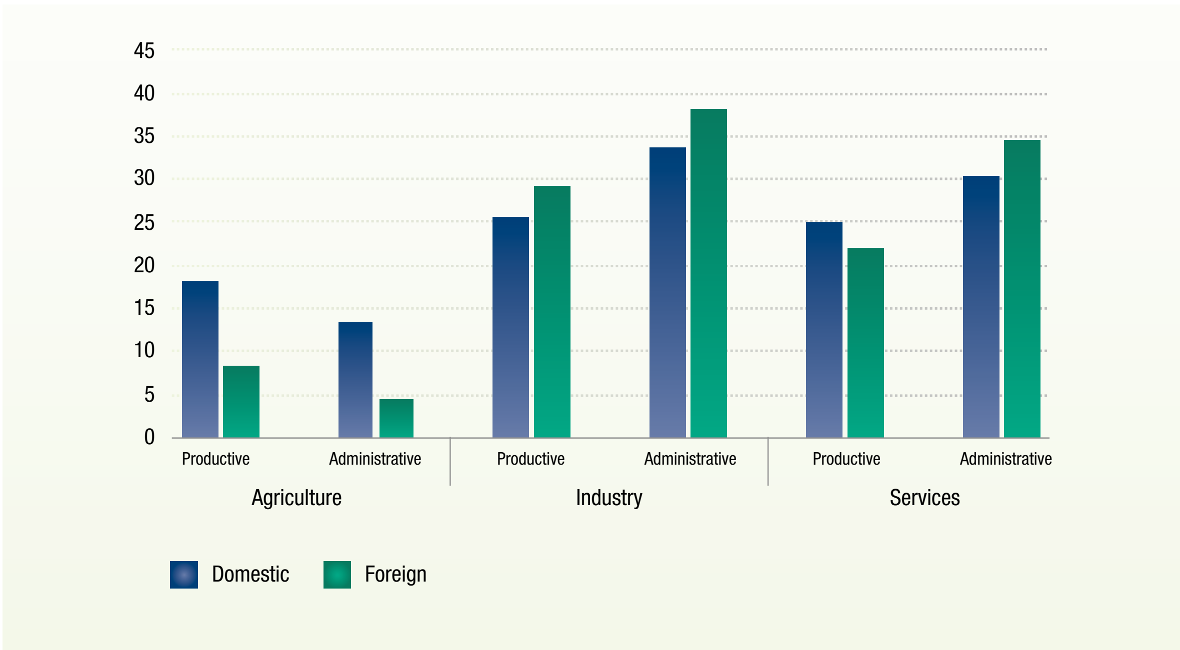
The statistical analysis presented in this chapter shows that multinational firms report slightly higher shares of female workers in both production and administrative occupations. However, the gap between foreign and domestic firms appears to be larger for nonproduction workers on average. This is consistent with evidence presented across the literature showing that multinationals employ larger shares of female workers, particularly in management and nonproduction positions. Interestingly, Latin America is the only region of the world for which the share of female workers is lower in foreign firms than in domestic firms; this holds for both occupations. At the same time, the shares of female employment are still much higher than in other regions of the world (e.g. the Middle East and South Asia). In services industries, though domestic and foreign firms look quite similar in terms of overall female employment shares, when disaggregated, foreign firms report lower shares of female production workers and higher shares of female nonproduction workers, again pointing to the importance of foreign investment in female-intensive sectors like services for promoting gender equality.

Figure 13. Share of female production and administrative workers in domestic and foreign-owned companies by region (per cent)



Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003–2019. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 14. Share of female production and administrative workers in domestic and foreign-owned companies by sector (per cent)

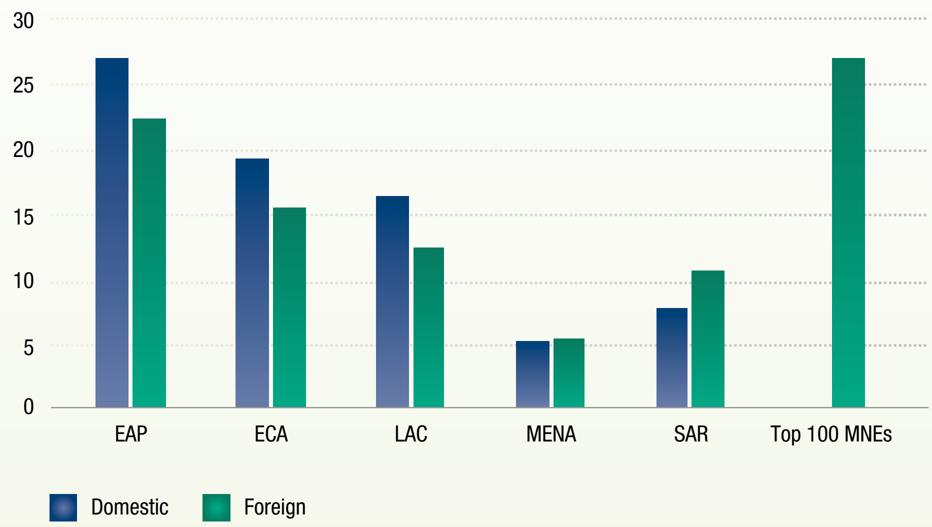


Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003–2019.

5.2.3. Female managers

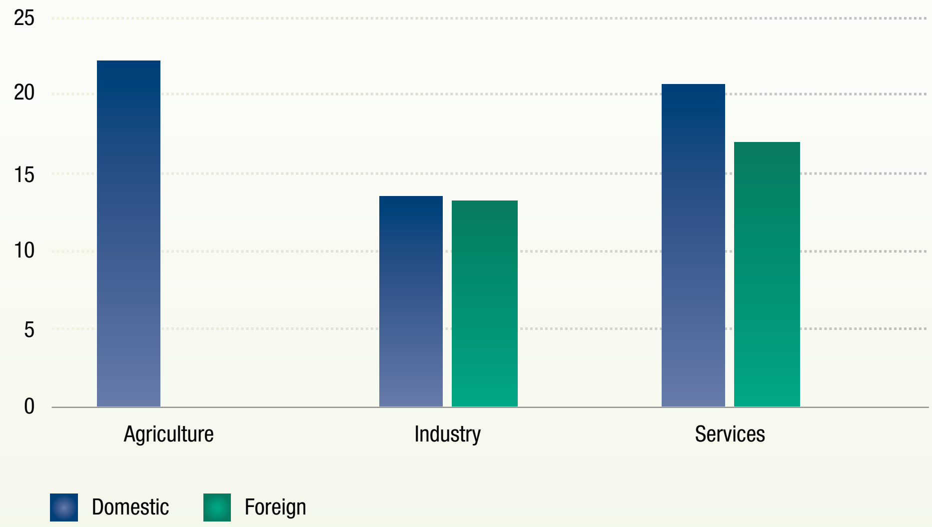
Figures 15 and 16 highlight the share of female managers by domestic and foreign-owned companies by region and sector, respectively. The share of female managers is almost 27 per cent in the top 100 MNEs, as compared to around 15 per cent in all foreign-owned enterprises. This underlies the importance of the size of enterprises, as the data under consideration are composed of mostly very small companies. These data are consistent with some of the literature discussed earlier. Once again, firms in the Middle East and South Asia are the outliers, exhibiting lower domestic rates of female management than the multinational firms locating in those regions. Additionally, domestic and foreign firms are most equal in terms of the share of female managers in the industrial sector.

Figure 15. Share of female top managers in domestic and foreign-owned companies by region (per cent)



Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003–2019. EAP: East Asia and Pacific; ECA: Europe and Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; SAR: South Asia; SSA: Sub-Saharan Africa.

Figure 16. Share of female top managers in domestic and foreign-owned companies by sector (per cent)



Source: UNCTAD calculations based on the World Bank Enterprise Surveys database.
Note: Pooled data for the period 2003–2019.

5.3. Firm-specific evidence from case studies

The review of the extant literature in chapter 3 placed considerable importance on the relationship between local policies toward women and the policies in place in the FDI source countries. Moreover, these studies largely focused on developed economies (Japan, Estonia and Poland) and on emerging economies (Republic of Korea and China). This section offers new evidence from research commissioned for this report on large developing and emerging economies. This new research offers deeper insight into the differences across multinational and domestic firms for several countries around the globe, covering all major economic and geographic regions. The commissioned case studies include research on Bangladesh, Brazil, Costa Rica and South Africa. In addition, interesting new evidence is presented from other countries, including India, Chile and Uruguay.[12] The

[12] Some of the background studies that inform this chapter and the report were published in the Special Issue on Multinational Enterprises and Gender Equality of the Transnational Corporations Journal 27(3) in December 2020.

evidence in these case studies allows for a deeper investigation of the link between foreign ownership and female labour market outcomes because the studies allow the researcher to control for several other features—that is, the evidence presented here consists of conditional correlations rather than unconditional averages.

In summary, once again the evidence is largely mixed. There is no uni-directional answer even within similar regions of the world as to whether multinationals pursue more gender-equal policies than their local counterparts.

5.3.1. Latin America

In reporting averages across all firms in Latin America from the Enterprise Surveys, the previous section noted that MNEs reported lower female management shares, and roughly equal female employment composition, whether as production workers or nonproduction workers. As will be seen, these data clearly mask important country-level heterogeneity even within the region.

Across the four case country studies in Latin America (Brazil, Chile, Costa Rica and Uruguay), the statistics offer diverging conclusions. In Uruguay, the only country with information on the share of firm owners (and managers) who are female, foreign-owned firms are more likely to have female owners and to employ female managers and directors. Specifically, in 2013, less than half of all firms had more than 50 per cent ownership by women. Similarly, only 46 per cent of all firms in Uruguay report having a woman as director or president. However, almost 60 per cent of foreign-owned firms have majority ownership by women and report having a female director or president.[13]

The data from Uruguay would suggest that enhanced foreign ownership might improve female empowerment. And, actually, this is also consistent with the evidence from Chile, where foreign ownership increases the share of female workers within the firm (Delgado, 2020). One year after foreign acquisition, the share of female workers is 1.6 percentage points higher in acquired firms than in non-acquired firms, and this figure increases to 3.6 percentage points two years after acquisition. Furthermore, the increase in the share of female workers is driven entirely by the skilled workforce. Once again, this evidence appears to be consistent with the notion, presented both in the prior literature as well as in statistics across the globe, that foreign owned firms are particularly strong at employing high-skilled women.

[13] Data for this research was sourced from Carballo et al. (2020).

Interestingly, although the evidence from Chile and Uruguay point to more progressive policies and practices towards women in foreign-owned firms, in the Costa Rican information technology (IT) sector there is no statistical difference in the share of female employment across firm type (Monge-Gonzalez et al., forthcoming). However, this may simply be an artifact of the IT sector rather than anything about gender equality and multinational firms, since it is known that the industry into which the foreign investment flows is a key factor.

Perhaps the most striking contrast to the data from Uruguay and Chile is the evidence on Brazil. In that country, female employment is lower among firms receiving FDI, even controlling for industrial composition. Throughout the period of 1996 and 2004, the share of women employed in MNEs is about 15 percentage points lower than the share of women in domestic firms, and this gap is consistent over time. The differences in industrial composition explain much but not all of this gap; even controlling for industry, the share of women in MNEs is 3.3 percentage points lower than in domestic firms.

In addition, estimates of the gender earnings gap after controlling for basic individual, job and enterprise characteristics show women working in multinational enterprises in Brazil earn 25 to 30 per cent less than their male counterparts, similar in magnitude to the earnings gap in domestic firms. However, the gender earnings gap in MNEs increases over the sample period, suggesting that foreign firms exhibit larger earnings differentials than domestic firms in Brazil. In this setting, it is hard to imagine how multinationals could promote more gender-equal labour market outcomes.

5.3.2. South Asia

South Asian has consistently been an outlier in the discussions in this report, with data showing weaker rights for equal pay, a higher Gender Inequality Index score, lower Gender Development Index score, and larger gender gaps on the Human Development Index and in labour force participation rates. Likely due to laggard domestic policies toward women, the Enterprise Survey statistics on South Asia (in contrast to most other regions) report higher shares of female ownership, higher shares of female managers, and higher female workforce composition in MNEs, most strongly for the production workforce. This reflects weak local policies toward women rather than anything that multinational firms may be doing differently.

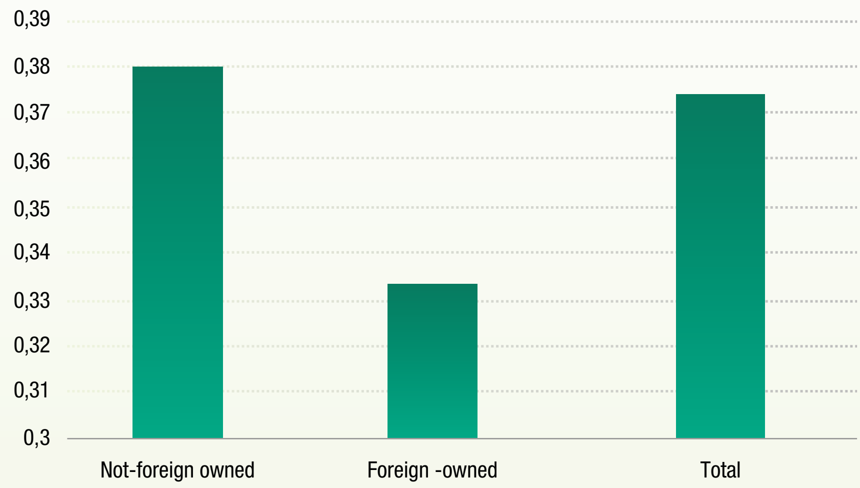
Across the two country studies for South Asia on Bangladesh and India, the empirical estimates tend to corroborate the statistics on female participation in the workforce. In addition, the two studies appear to support each other.

In the Bangladeshi textile and garment industry, firms with FDI hire significantly more female administrative workers and production workers than domestic firms. This is true even after controlling for firm size, location and industry type. The same holds in India, where FDI improves gender outcomes in terms of employment (Sharma, 2020). This result is confirmed from both the household- and firm-level panel data. The increase in employment of female workers is mainly driven by the increase in employment of unskilled female workers. In South Asia, an area of the world with poor policies and practices regarding women, it appears that an expansion of foreign investment may help with female empowerment. Interestingly, this is also true for the three countries from East Asia with case studies (Japan, Republic of Korea, and China) reviewed in chapter 3. This evidence reinforces the notion that domestic labour practices regarding women are a key driver of female empowerment.

5.3.3. Sub-Saharan Africa

Data on sub-Saharan Africa are limited. Like South Asia, in the aggregate, the countries in sub-Saharan Africa appear to lag in terms of gender-related policies and practices, while the unconditional statistics report roughly equal shares of female employment composition across foreign and domestic firms in the region. Bezuidenhout et al. (2019) report higher gender wage gaps in trading firms in South Africa. Building on that work, new evidence documents that foreign-owned firms exhibit gender wage gaps approximately 2.4 percentage points larger than similar domestically owned firms, even accounting for a variety of controls and the firm's trading status (Stolzenburg et al. 2020). Figure 17 shows the unconditional gender wage gap as a percentage of mean male income by ownership status of manufacturing firms. The figure shows an inverse difference in the gender wage gap between foreign-owned and domestic firms compared with the difference in employment share. The gender wage gap of foreign-owned firms is 33 per cent, which is much lower than the 38 per cent gender wage gap of domestic firms. Thus, on average foreign-owned firms employ more men but have a more equal wage distribution than locally owned firms.

Figure 17. The gender wage gap as a percentage of male income by ownership status of South African firms, pooled data, 2010–2016



Source: Stolzenburg et al. (2020).

Thus, despite the fact that Africa in general may have weaker policies and practices regarding women, the data – after taking into account many employees and firms characteristics – do not provide evidence that foreign affiliates adopt more progressive policies and practices than domestic enterprises. As in the case of Brazil, it appears that MNEs in sub-Saharan Africa exhibit less-equal gender policies than their domestic counterparts, despite the many theoretical reasons to expect MNEs to support and transfer best practices in gender policy.

6. Spillovers from multinational enterprise gender policies and practices to the host economy

The previous chapter reported mixed support for the notion that multinational enterprises are strong proponents of high-quality labour policies and practices regarding women. In some countries, MNEs had lower female employment shares and higher gender wage gaps, while in others they appeared more progressive in their female employment practices. The key explanations for this discrepancy may revolve around the gender policies in place in the local economies versus the gender policies in place in the FDI source country.

This chapter dives deeper into the implications of foreign investment for gender-related outcomes. Specifically, it investigates the extent to which MNEs are able to transfer high-quality gender-related policies and practices to domestic firms in their host countries. Having established that there are *direct* spillovers to foreign-owned establishments, at least in some contexts (Uruguay, Chile, Bangladesh, and India), this chapter now considers the *indirect* spillovers to domestic firms in the same industry or area.

The analysis largely follows a long and well-established literature on productivity spillovers from multinationals. The next section presents cross-country descriptive evidence on the relationship between the participation of foreign-owned enterprises in the country and gender-related policies and practices, relying on the same publicly available databases as in previous chapters of this report. Then, where there are panel data that allow for a more sophisticated and causal interpretation of the role of MNEs in transferring gender policy and practices to the local host economy, section 6.2 summarizes the micro-evidence on the ability of MNEs to promote women's empowerment based on the various background case studies.

6.1. Cross-country evidence

Is foreign investment associated with more equal employment policies and practices for women? The discussion in the conceptual framework offered several theoretical reasons for the positive transmission of gender equality from multinational to domestic firms, under the key assumption that MNEs maintain high-quality labour policies regarding women. Unfortunately, some of the empirical data presented suggest the opposite—that MNEs actually display worse gender disparities than domestic firms. Therefore, the expectations for a positive transmission to the domestic economy are reduced.

6.1.1. Policy spillovers

With information from the Women, Business, and Law database on the prevalence of equal rights in the workplace and equal rights in remuneration across countries and over time, alongside data from the Enterprise Surveys aggregated to the country level on the incidence of foreign ownership within a country over time, this section presents several simple correlations to examine the empirical evidence.

Unfortunately, the cross-country analysis does not present a strong statistical relationship for spillovers of foreign investment to local policies on equal rights for women. Accounting for regional variation, time trends, and controls for average firm size, average firm age and the likelihood that firms are part of a larger holding company, the association is not statistically significant, although there is a positive association between the average percentage of foreign ownership at the country level and overall rights for women. The positive association is stronger when country-specific, idiosyncratic characteristics are co-considered in the analysis. Breaking the analysis down into workplace rights versus pay rights offers similar conclusions (table 2). Together, these results indicate that policy should take into account the potentially differential outcomes of foreign investment for men and women.

Table 2. Impact of the presence multinational enterprises on workplace and equal pay rights enjoyed by women

	(1)	(2)	(3)	(4)
Variables	**Workplace**	**Workplace**	**Pay**	**Pay**
Foreign presence (MNEs) (per cent)	-0.120 (0.273)	0.584 (0.602)	0.188 (0.312)	0.510 (0.436)
Observations	259	259	259	259
R-squared	0.211	0.873	0.197	0.929
Region fixed effect	Yes	No	Yes	No
Year fixed effect	Yes	Yes	Yes	Yes
Country fixed effect	No	Yes	No	Yes
Controls	Yes	Yes	Yes	Yes

Source: UNCTAD.
Note: Robust standard errors in parentheses. ***p<0.01, **p<0.05, *p<0.1. Controls include average firm size, average firm age and the likelihood that firms are part of a larger holding company. Columns 2 and 4 present results controlling for country fixed effects.

6.1.2. Practice spillovers

When considering gender-related labour market practices from the Enterprise Surveys, the data show a positive and significant relationship between a country's foreign ownership share—the share of firms in the country with some foreign ownership—and the female workforce composition for both administrative and production workers. These results hold even when accounting for industry differences and using firm-level data (columns (3) and (4) of tables 3 and 4).

Table 3. Impact of the presence of multinational enterprises on the composition of the female workforce

Per cent total women	(1)	(2)	(3)	(4)
Foreign presence (MNEs) (per cent)	-0.004 (0.077)	0.045*** (0.014)	0.013*** (0.003)	0.013*** (0.003)
Observations	233	5,089	95,026	88,338
R-squared	0.582	0.4852	0.196	0.361
Region fixed effect	Yes	Yes	No	No
Year fixed effect	Yes	Yes	Yes	Yes
Country fixed effect	No	No	Yes	Yes
Industry fixed effect	No	Yes	No	Yes
Controls	Yes	Yes	Yes	Yes

Source: UNCTAD.
Note: Robust standard errors in parentheses. ***p<0.01, **p<0.05, *p<0.1. Column (1) is at the country level, column (2) at the country industry level, and columns (3) and (4) at the firm level. Controls include average firm size, average firm age and the likelihood that firms are part of a larger holding company.

Table 4. Impact of the presence of multinational enterprises on the share of female production and administrative workers

	Per cent women production				Per cent women administrative			
Per cent women production	**(1)**	**(2)**	**(3)**	**(4)**	**(1)**	**(2)**	**(3)**	**(4)**
Foreign presence (per cent)	0.035 (0.115)	0.078*** (0.021)	0.006 (0.005)	0.016*** (0.005)	-0.631 (0.417)	0.07*** (.024)	-0.010** (0.005)	-0.008 (0.003)
Observations	199	3,211	55,118	49,723	200	3,172	52,463	47,112
R-squared	0.488	0.4769	0.191	0.377	0.919	0.2256	0.234	0.2368
Region fixed effect	Yes	Yes	No	No	Yes	Yes	No	No
Year fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country fixed effect	No	No	Yes	Yes	No	No	Yes	Yes
Industry fixed effect	No	Yes	No	Yes	No	Yes	No	Yes
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: UNCTAD.
Note: Robust standard errors in parentheses. ***p<0.01, **p<0.05, *p<0.1. Column (1) is at the country level, column (2) at the country-industry level, and columns (3) and (4) are at the firm level. Controls include average firm size, average firm age and the likelihood that firms are part of a larger holding company.

Taken together, these robust statistical exercises offer fairly resounding confirmation that MNEs may help to enhance labour market outcomes for women across a wide range of countries and over a long time horizon. Consequently, despite the fact that in the previous section many multinationals did not present as having strongly progressive labour market practices, in the aggregate foreign investment seems to be a strong correlate of female employment for both production and nonproduction workers.

In fact, the exercises from the various background papers for this report also support this notion. In the Costa Rican IT sector, domestic firms in the same industry as foreign firms also report higher female employment shares when compared to similar domestic firms in industries with lower foreign ownership representation (Monge-Gonzalez et al., forthcoming). In

Bangladesh, domestic firms that supply foreign-owned firms also report hiring more female administrative workers (Fernandez and Kee, 2020). In Viet Nam, areas of the country with stronger foreign investment report higher female employment (Pham et al. 2020).[14] In India, increased FDI is associated with higher employment of women, particularly unskilled women (Sharma, 2020). It is also worth mentioning that, in addition to the positive impacts of foreign investment on female employment, research has shown important positive social improvements for women with the expansion of foreign investment (e.g. in terms of reductions in crime and delayed marriage and childbearing).

6.2. Transmission mechanisms

Many of the papers cited in the introductory literature review explore the differences between MNEs and domestic firms in gender policy and practice. This report is the first to document whether (in the previous section) and how (in this section) multinationals may transmit policies regarding women to the host economy. The previous section supports the notion that an expansion of multinational firms in the local economy can help to promote women's empowerment and close gender gaps in employment. This section uses four case studies to attempt to answer the question of how. What are the mechanisms underlying the positive transmission of gender-equalizing practices? The discussion specifically covers four commonly cited mechanisms: competition, supply chains, labour mobility, and technology.

6.2.1. Competition

An increasingly globalized world through international trade and foreign investment is also an increasingly competitive global economy. In Becker's (1957) model of labour market discrimination, the Nobel Laureate remarks that discrimination is only possible in an environment with significant profitability. That is, firms must forego profits if they prefer to hire less productive men over more qualified women or if they prefer to pay men more than their productivity, thus instituting a gender wage gap. It naturally extends, then, that as foreign investment increases competition in the local

[14] The main exception is Brazil, where domestic firms hiring workers from multinational firms report no major differences in female employment shares compared to similar domestic firms that do not hire former MNE workers. This is perhaps not surprising, given that Brazil was also was also a case where MNEs were not particularly progressive in their employment policies and practices.

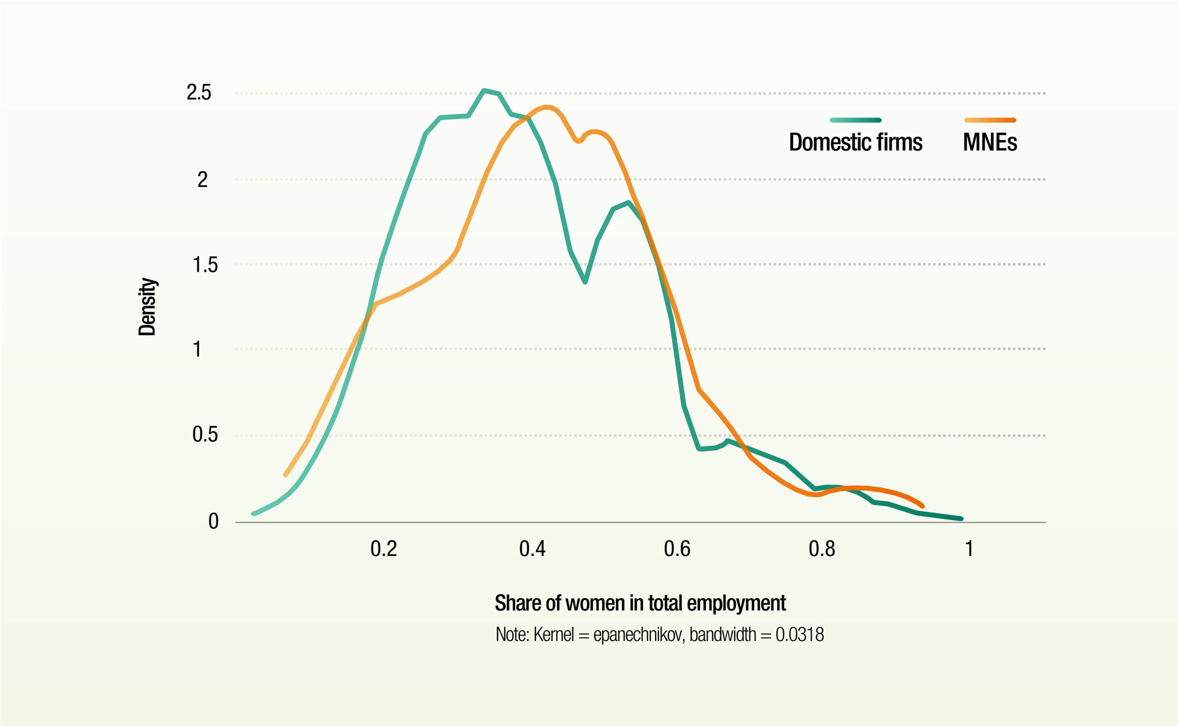
economy, gender discrimination may decrease, in turn increasing female employment and reducing gender wage gaps.[15]

This mechanism is explored in the context of the Costa Rican IT sector in Monge-Gonzalez et al. (forthcoming), who find evidence to support the idea that increased presence of MNEs in the same industry as a domestic firm increases female employment shares among those domestic firms. The stronger the MNE presence in the IT sector in general, and in four sub-sectors – telecommunication, hardware, software and business solution providers – the higher the female employment share in domestically owned firms in the sub-IT sectors. Hence, consistent with competition theory à la Becker (1957), foreign competition does appear to be a strong force for the positive transmission of gender equality from MNEs.

In addition to the possibility of the Becker (1957) competition effect, Monge-Gonzalez et al. (forthcoming) also argue that the presence of MNEs in the same industry may allow domestic firms to imitate the social norms and values present in the multinational firms. In fact, as displayed in figure 18, multinational firms tend to employ more women than domestic firms. Furthermore, according to interviews with companies in the IT sector in Costa Rica, the existence of an inelastic supply of qualified labour in this sector means that domestic companies tend to compete more, and compete even more strongly for the labour factor. In addition, among their strategies is to improve employment conditions for women by trying to imitate the gender practices of multinational companies. These results should not be stretched too far, however, considering that the case study covers a very specific sector of the Costa Rican economy, and a relatively small number of firms.

[15] Of course, competition by foreign MNEs may also have a negative impact on female employment. Many factors, such as the sector of activity, the industrial structure of the host country, and the type of FDI, may play important roles in determining the transmission of gender equality through competitive practices.

Figure 18. Share of women in the workforce across companies in Costa Rican IT sector (per cent)



Source: Monge-Gonzalez et al. (forthcoming).

6.2.2. Supply chains

This mechanism is illustrated through a unique survey of 300 Bangladeshi garment firms to highlight the role of supply chains in MNE productivity spillovers. These data linking domestic suppliers to multinational firms are rare in the information available. Previous empirical work shows finds that foreign firms generate productivity spillovers to domestic firms when they share local intermediate input suppliers—that is, the foreign firms exert pressure on the domestic supplier to improve inputs, which in turn benefits other domestic firms that also buy those intermediate inputs (Kee, 2015). The case study for this report (Fernandez and Kee, 2020) relies on the same empirical strategy to examine the role of foreign firms in spreading gender policy and practice in the Bangladeshi textile and garment industries. The survey for that study includes information on all firms' workforce composition by gender and occupation. The work makes a strong contribution to the literature on FDI and gender equality, and provides context on the role of Bangladesh's garment sector in improving women's economic outcomes.

In summary, the study of Bangladesh's garment sector shows that FDI firms hire more female administrative workers, though the effects are quite small. The study finds that foreign firms employ about three more women in administrative positions, on average, than do domestic firms. However, there are no significant differences between foreign and domestic firms in terms of non-administrative positions, suggesting there is something unique to the types of tasks women may perform in administrative positions.

Next, going a step further and having established that foreign firms employ more female administrative workers than domestic firms, Fernandez and Kee (2020) consider whether the foreign gender practices are transmitted to local firms through supply-chain linkages. Specifically, relying on the unique survey data from Kee (2015), the authors know which Bangladeshi apparel and garment firms are customers of foreign firms (downstream linkages) and which domestic firms may supply the foreign firms (upstream linkages). Among the set of apparel firms, domestic firms that were customers of FDI-receiving firms employ approximately two more women in administrative positions, on average, than other apparel firms that were not downstream customers of multinationals. Interestingly, Fernandez and Kee (2020) do not find significant differences between textile firms that supply to FDI apparel firms and other textile firms. Therefore, while there may be a positive spillover from foreign firms downstream to customers, it appears that gender-related policy and practice does not flow upstream to domestic suppliers of foreign firms.

The case of Bangladesh shows that foreign firms are different from domestic firms—that is, there is a selection into multinational status. However, the study also points out that the domestic firms that are customers and suppliers of multinationals are also different from domestic firms that are not customers and do not supply multinationals—once again, there is a selection effect into the linkage with a multinational. To attempt to account for this possibility, the authors dig into the data with yet one more degree of difficulty, by identifying the "siblings" of foreign firms. In this context, a "sibling" is a domestic firm that receives local inputs from the same domestic firm from which a foreign firm receives local inputs. According to the study, these FDI "siblings" that share local input suppliers with FDI firms employ 1.4 more female administrative workers on average than domestic firms that do not source their inputs from another domestic firm that supplies multinational firms.

The overall theme from the Bangladesh study is that the employment benefits of FDI among Bangladeshi firms is limited to women in administrative positions. This is true for the FDI-receiving firms themselves and their customers, and also for firms that share suppliers with FDI firms. Since administrative workers are engaged in more firm-to-firm interaction than non-administrative workers, this may partly explain why spillovers through linkages are also limited to administrative positions. By resulting in the hiring of more female administrative workers, the presence of FDI firms creates a more gender-conducive environment that encourages the related domestic firms to also hire more female administrative workers, perhaps because female administrative workers are more comfortable dealing with female administrative workers in related firms. While the exact reason may still not be clear, it appears that supply chains provide a mechanism for the positive transmission of female employment opportunities.

6.2.3. Labour mobility

Extant empirical analysis uses matched employer-employee data from the Brazilian Ministry of Labour and the Central Bank of Brazil to explore the relationship between labour mobility and the transfer of knowledge from multinational to domestic firms (Poole, 2013). This research was the first to document multinational spillovers through labour mobility—that is, when workers leave multinationals and are rehired at domestic establishments, workers' wages increase as knowledge is transferred.

The case study on Brazil for this report (Davis and Poole, 2020) relies on the same well-published empirical strategy and data to consider whether worker mobility also spreads information about gender practices. The authors investigate whether workers moving from multinational to domestic firms also transfer information about gender practices. To do this, they explore the relationship between gender composition and gender earnings differentials across domestic firms with various proportions of former MNE workers.

As background, Brazil is a country that, despite many progressive attitudes toward women, still has very low female labour force participation rates and consistently high gender earnings gaps, particularly in the formal sector of the economy. The case study reports that the proportion of women in the formal economy grew from around 38 per cent in 1996 to only 40 per cent in 2004. These numbers are low, but they also underrepresent the increase in female employment over the decade, as the formal labour force significantly grew over the time period with approximately 4 million more women entering the labour force during the sample study timeframe. This increase in participation, however, came despite large and persistent gender earnings gaps. Even after accounting for many possible explanations, women earned on average about 25 per cent less than men, even as recently as 2004.

Given the nature of the Brazilian labour market for women, and that much of the foreign investment into Brazil comes from developed economies and into services-oriented sectors that employ many women, the expectation is that multinational firms following high-quality gender policies and practices around the world—either because they have reputational concerns, or are monitored by international standards agencies, or face heightened competition—would transfer these practices to Brazil.

Therefore, Davis and Poole (2020) first investigate the direct spillovers to foreign-owned subsidiaries in Brazil, with a descriptive exercise on the differences between MNEs and domestic firms in their gender composition and gender earnings gaps. In stark contrast to the standard theory, during the study period the case study found that multinational firms did not offer systematically better employment outcomes for women than domestic firms. Multinational employment was concentrated in large, male-dominated industries. Even controlling for industrial composition, multinational establishments employed fewer women and, on average, showed greater earnings gaps. This suggests that MNEs may not be an engine of gender equality in the Brazilian labour market.

In addition to the analysis of the potential for spillovers in the aggregate, the authors then further inquired about the mechanism underlying the international transfer of gender-equalizing policies and practices. The study found that domestic firms that hired former multinational workers had higher gender earnings gaps than domestic firms that did not hire former multinational workers, though this relationship is statistically indistinguishable from zero.

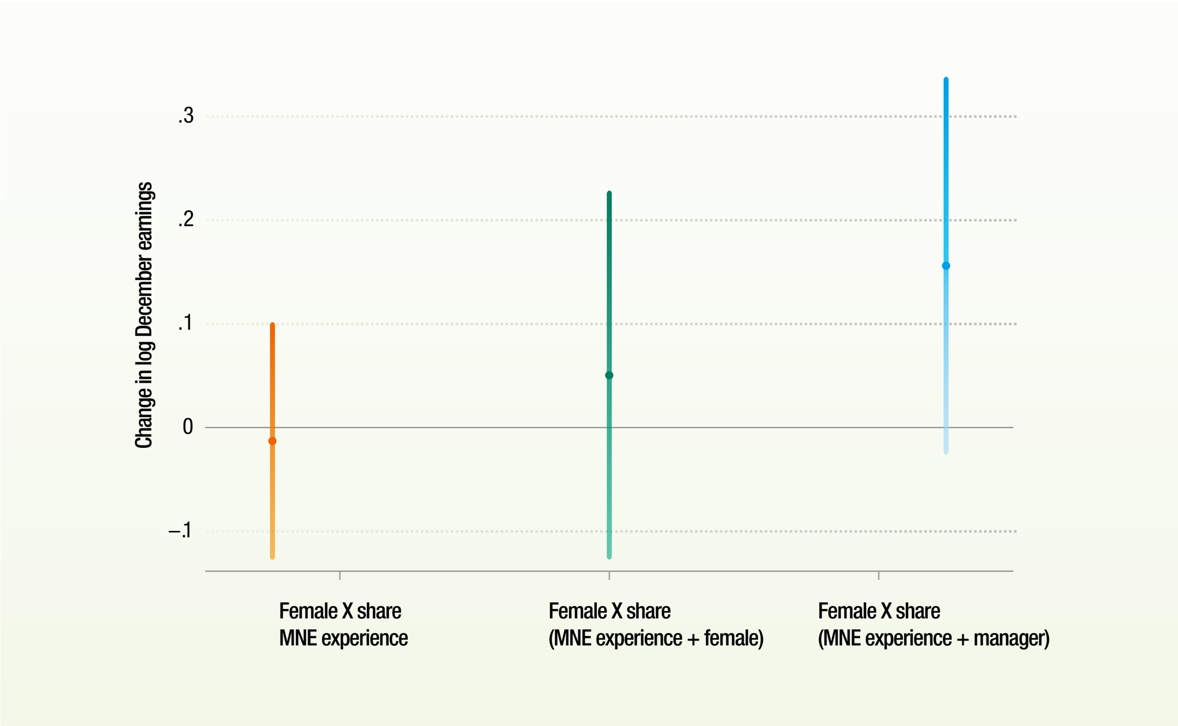
Unfortunately, despite the numerous theoretical possibilities that multinational enterprises may help promote gender equality around the globe, this is not borne out in this case study on Brazil. Part of the explanation may be that the MNEs in the sample exhibited less gender-equal policies than their domestic counterparts. It is no surprise, then, that domestic firms with higher shares of former MNE workers were not very different from otherwise identical domestic firms with lower shares of former MNE workers in terms of their gender practices. A new study using the same methodology and data source, but for more recent years (2011 to 2016), shows that labour mobility is modestly improving the gender gap in Brazil (Davis and Poole 2021).[16]

Figure 19 summarizes the results of the case study of Brazil—that is, multinational enterprises do not support smaller gender earnings gaps in Brazil (first column). The study considered that not all workers with multinational experience are the same—that is, women may be more likely to transfer good gender practices, since they themselves have experienced unfair policies toward women. Similarly, managers and human resources personnel have knowledge about labour policies and regulations and, hence, may better transfer positive practices. Domestic firms that hire larger

[16] Interestingly, Monge-Gonzalez et al. (forthcoming) report some evidence of the positive transmission of gender practices (via increases in the share of female employment in domestic firms) associated with the labour mobility mechanisms for the Costa Rican IT sector.

shares of former multinational workers who are managers demonstrate smaller gender wage gaps than domestic firms that do not hire many former MNE managers.

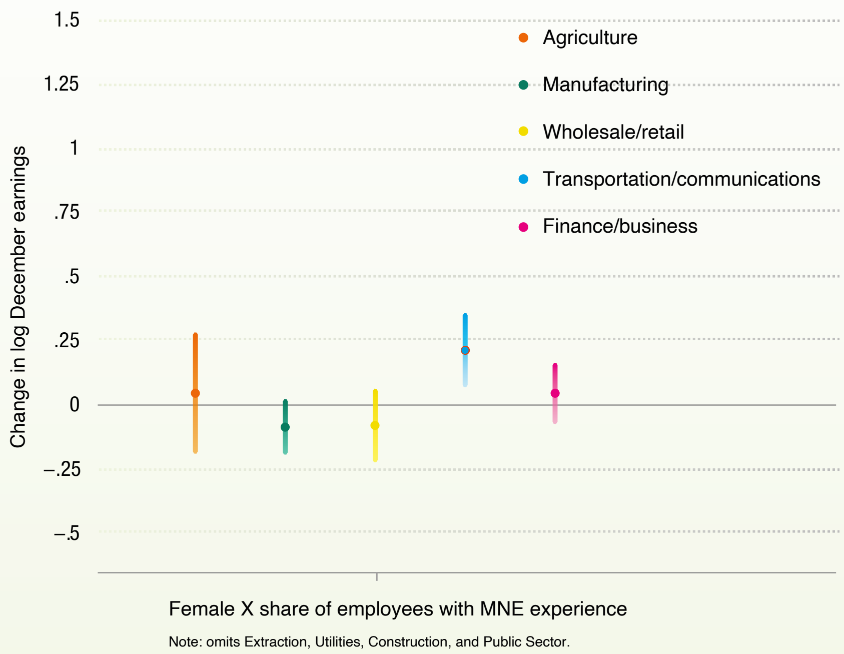
Figure 19. The gender wage gap among domestic companies in Brazil that hire former multinational workers: Total, only women, and managers



Source: Davis and Poole (2020).

Finally, figure 20 reports estimates across broad sectors of the Brazilian economy. By and large, the gender-disequalizing effects of former MNE workers in domestic firms is wholly driven by the result in the public sector. Given that there is virtually no FDI in the public sector, all of the former MNE workers are moving from outside the public sector. As policies and practices in the private sector are very different, perhaps this is an explanation for the weak transmission of positive employment practices for women. Moreover, the public sector is known to be quite rigid in its labour regulations and likely does not react to incentives in the same way that the private sector does. Interestingly, across domestic firms in the transportation and communications sector, those with larger shares of former MNE workers tend to exhibit lower gender earnings gaps. While the data do not allow Davis and Poole (2020) to investigate the exact mechanism, one plausible explanation is the relative advantage that women have in communication-intensive tasks. Perhaps employees at MNEs learn about best practices in sales and customer service, which are strongly communication-intensive tasks, and then bring that knowledge with them to their domestic employment. Given that these tasks are female-oriented, the increase in productivity differentially benefits women.

Figure 20. Gender wage gap by sector, Brazil



Source: Davis and Poole (2020).

While labour mobility may not have been a strong mechanism to support the positive transmission of high-quality gender policies and practices in Brazil in the early 2000s, more recent evidence shows a positive effect for this transmission mechanism.[17]

[17] One possible explanation is that the MNEs locating in Brazil are not particularly progressive in terms of policies toward women. In an UNCTAD (2020b) study on mainstreaming gender in investment promotion, one interview was conducted with a representative of Norway's investment promotion agency, Innovation Norway. The agency's gender focal point in Brazil aims to enhance and facilitate the impact of Norwegian MNEs on gender equality and women's empowerment. According to the interviewee, this facilitation is needed to sensitize Norwegian MNEs about the benefits and potential of having an impact on gender in the host country, as otherwise they tend to adapt to the local Brazilian context, particularly when it comes to gender and other social norms, rather than aim to transmit norms and policies regarding gender from their home country.

6.2.4. Technology

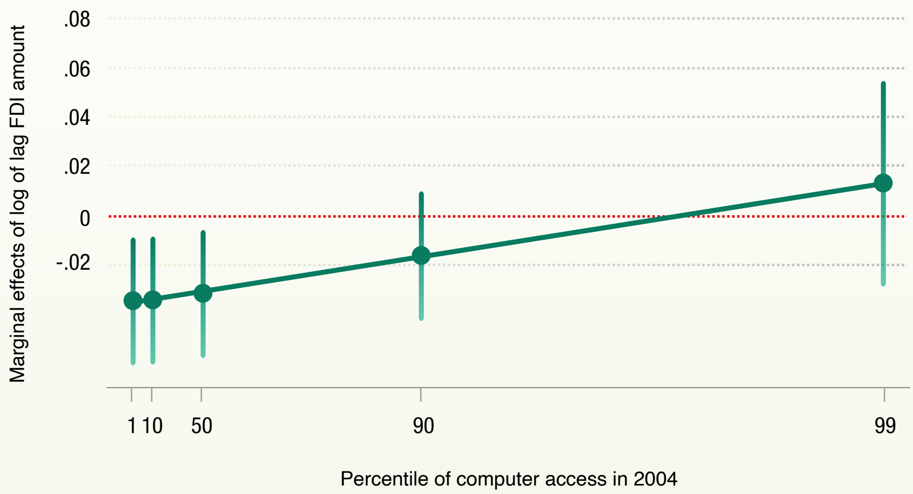
Aguayo-Tellez et al. (2014) document that increased globalization around Mexico's entry into NAFTA increased employment opportunities for women, as work shifted to export-oriented industries requiring female-oriented tasks. That study is extended by the case study on Viet Nam for this report (Pham et al. 2020), which investigates how industry-specific FDI is associated with labour market outcomes for women in that country. The study further examines how the association between FDI and the labour market may vary across provinces with different pre-existing access to computing technology. As multinational firms may benefit from pre-existing technologies in the host country, the hypothesis is that the two economic forces (liberalization and technological change) have an interactive effect on the labour market, particularly on differential gender outcomes.

On average, the case study does not find any evidence for the association between FDI and different measures of labour market outcomes in Viet Nam. However, this lack of evidence is masked by the variation between provinces with low and high pre-existing access to computing technology. Importantly, these results are also different across men and women. The results suggest that in provinces with low access to computers (i.e. weak technology), FDI is associated with a decrease in employment and average wages. The decreases in average wages appear to be driven by decreases in wages at the top of the wage distribution (90th percentile). By contrast, in high-tech provinces, FDI is associated with a differential increase in employment, average wages, and the 90th percentile of wages.

While both women and men see large relative increases in employment and average wages in high-tech provinces following investment liberalization, the increases in wages for women are driven by relative increases in the 10th percentile of the distribution (figure 21), while for men the increases in average wages are driven by increases at the 90th percentile of the wage distribution. Thus, the impact of FDI on employment and wages, respectively, differs across varying levels of local technology.

Together, these results provide suggestive evidence that the employment expansion for women (relative to men) resulting from increased foreign investment is in lower-wage, low-skilled jobs. This hints at the idea that foreign investment replaces skilled opportunities for men in low-technology areas of the country, as would be hypothesized in a "brains versus brawn" story. For example, prior to foreign investment, the male labour force performed the many routine, manual (and relatively brute force) tasks. If foreign firms bring in advanced labour-saving technologies to automate the production process, this differentially harms the male workers.

Figure 21. Effects of foreign direct investment on the 10th percentile of women's wages at different levels of computer access in Viet Nam



Source: Pham et al. (2020).

Therefore, the absorptive capacity of an area in this setting tends to benefit men relatively more. Though women find more opportunities for employment, they are relatively low-wage opportunities. The increased employment opportunities for men associated with increased foreign investment in high-tech areas tend to be skilled jobs and pay higher average wages. Altogether, these results point to a widening of the gender wage gap, especially at the top of the wage distribution.

7. Policy implications and recommendations

This report has analysed the role of foreign direct investment and the activities of multinational enterprises in spreading policies and practices for the promotion of gender equality in the workplace. The report is the first to present empirical evidence of the indirect spillover effects to local firms and labour markets, bringing together a set of case studies – developed for this report and published separately – covering five countries across Africa, Asia and Latin America. In particular, the report has examined the factors that determine the impact of MNEs on gender equality in host countries, and explored the mechanisms through which policies and practices may be transmitted to the local economy beyond the direct impact within foreign affiliates themselves.

The transmission mechanisms through which MNEs transfer gender policies and practices to local firms and home countries – direct employment effects, supply chain linkages, technology, competition and demonstration effects, and labour mobility – are illustrated using core indicators such as the share of female employees for various occupations and the gender wage gap at different levels of analysis: international, country, industry, and company-specific.[18]

The report has presented:

1. The policy environment governing female employment in which many multinationals operate at the international and, most importantly, the national level.

2. The *direct* impact of MNEs on women workers in host countries through their subsidiaries, including analysis of firm-specific practices using publicly available databases and the top 100 global MNEs as determined by UNCTAD.

3. Through the analysis of specific case studies, a conceptualization of the *indirect* impact (spillovers) of MNEs on women workers in host countries and the possible transmission channels of gender practices.

[18] The conceptual framework developed for this study, and in particular the four transmission mechanisms, have also fed into the ongoing work on the OECD's Policy Toolkit on FDI and Gender Equality (OECD, 2020) .

The background studies and the empirical scrutiny of the various transmission mechanisms highlighted the varied factors and different circumstances that affect gender outcomes. These include the regulatory, economic, cultural and business environment in the MNE's host country; the norms and values prevalent in the MNE's home country; corporate gender practices; the industry involved; and the quality and extension of integration (linkages) of foreign companies in the local economy.

Based on the findings and analysis in this report, this section presents a set of policy measures – with practical examples – to leverage the interactions between foreign and local companies to foster gender equality. Harnessing the presence of MNEs in the economy can contribute to general policy approaches to improve gender equality. For example, advancing educational achievements and technological skills of women is a policy objective in many countries. Involving MNEs through partnerships, knowledge-sharing platforms, or supplier training programmes can contribute to positive gender outcomes.

This section first explains relevant areas of intervention aimed at gender equality that form the context for the potential positive impact of MNEs. It then presents possible policies and initiatives that specifically harness their presence to advance gender equality.

7.1. General enabling policies for gender equality

FDI takes place in the context of a national approach to gender equality that can determine and facilitate the strength of the transfer of positive gender practices to host economies and maximize the benefits of investment by MNEs for women. The six areas described below are important in national policymaking in support of gender equality.

1. **Regulatory environment.** This includes a labour law that ensures equal conditions for men and women, but also the ratification of international conventions and actions for gender equality and non-discrimination (e.g. the 1979 UN Convention on the Elimination of All Forms of Discrimination against Women, the 1995 Beijing Platform for Action, and the International Labour Organization conventions on gender equality). Chapter 4 of this report on domestic gender policies and practices revealed wide differences in labour laws and regulations, and in their enforceability, for equal rights in the workplace. This includes issues such as equal rights to pay, working hours, vacation days, severance practices, representation in workers' unions and the right to associate. While women workers' rights have seen remarkable improvements since the 1970s in some countries, the regulatory environment in many others still discriminates against women, precluding their participation

Box 2. Promoting women entrepreneurship through UNCTAD's e-Registration programme

e-Registration is a digital government platform created by UNCTAD that allows for simplified and automated administrative procedures to be placed online. In many cases procedures can be carried out from a smartphone from anywhere.

This makes government services more easily accessible to users, particularly women, who because of cultural norms, security or family commitments are less likely to travel long distances (sometimes in dangerous locations), queue for extended periods (sometimes days), outside multiple government offices, or confront officials demanding bribes.

Following the launch of e-registrations in Benin in 2020, women now account for a third of new entrepreneurs. In El Salvador, more than half of SMEs applying online for COVID-19 rescue packages are also female-owned. In Mali a pilot project is underway to create ready-made insurance packages targeting women-run micro-enterprises that formalize through the platform.

Online platforms make company registration more accessible for women but, they are also able to capture automated data that can help decision-makers tailor policies to promote female entrepreneurship. In Benin, Mali, Lesotho and Cameroon, policy makers have access to real-time information on who is starting a business, where they are located, business activity and other key characteristics. In El Salvador, this can be cross-linked to fiscal and labor data, allowing the economic and social impact of entrepreneurship policies to be measured, which in turn can help support governments' growth and development objectives.

Source: UNCTAD

in some occupations. In some cases, although equal remuneration regulations are in place, they are not enforced.

2. Working conditions. Formal labour contracts facilitate women's access to social benefits and ensure more beneficial working conditions. Access to health care, education and social protection has a significant impact on female employment and reduces disparities in labour force participation (chapter 4). Similarly, facilitating the registration of enterprises can allow for better targeting of social packages for independent workers (box 2). In addition to health and safety benefits, family-friendly labour policies, such as childcare and parental leave, safety in the workplace and maternity leave protection, allow women to participate in the labour force on par with men. Avoiding fiscal disincentives for secondary earners is also important to increase female labour participation. In addition, women are often less able to travel to reach the workplace. Thus, the availability of some hard infrastructure such as transport, public lighting that make roads safer, and telecom services can facilitate women's access to the workplace, particularly in remote areas.

Private companies can also play a role in promoting the adoption of non-discriminatory and equal procedures through their human resource management – that is, their hiring, promotion and salary practices. Also, companies can provide flexible working arrangements, training, and effective measures to counter sexual harassment and discrimination in the workplace. Moreover, governments can encourage companies, including smaller firms, to adopt a voluntary gender strategy.

3. **Women's entrepreneurship.** Promoting entrepreneurship by women is a cornerstone of empowering them in society. Women entrepreneurs often offer better opportunities for other women and act as role models in their communities. In addition, promoting women entrepreneurs contributes to strengthening local entrepreneurship and widens the pool of potential suppliers to MNEs. Key areas of policy intervention to support women entrepreneurs include training and capacity-building programmes and access to incubators and accelerators to close gender gaps in innovative start-ups. Policy options include introducing laws on movable collateral, and improving land tenure by vulnerable groups, especially women, with a view to improving access to relevant financial products and services on appropriate terms (box 3).[19] Within national boundaries, ensuring equal opportunity in public procurement can help women entrepreneurs scale

Box 3. Promoting gender equality through UNCTAD's Empretec programme

Empretec is a flagship capacity-building programme of the United Nations Conference on Trade and Development (UNCTAD) to promote entrepreneurship, including micro, small and medium sized enterprises (MSMEs), and to facilitate sustainable development and inclusive growth. The Entrepreneurship Training Workshop (ETW), one of Empretec's core products, has successfully contributed to increasing the efficiency, sustainability and revenue generation of beneficiaries, in particular women entrepreneurs. The ETW programme also promotes inclusion by targeting early-stage entrepreneurs and those from vulnerable backgrounds, including rural dwellers, migrants and refugees.

Another core element of the programme is UNCTAD's Empretec Women in Business Award. The award was established in 2008 and is granted every two years. Recipients have excelled in developing innovative business ideas, providing jobs, and increasing incomes in their communities. The recognition makes a real impact on the lives of the recipients by improving their access to further training, widening their markets and resources, and boosting their motivation to continue growing their enterprises. It has also helped the women involved in becoming role models in their communities.

Source: UNCTAD.

[19] See also the UNCTAD Entrepreneurship Policy Framework (2013) and Promoting Entrepreneurship for Sustainable Development (2017) programme.

up and develop their business while learning how to adopt relevant quality standards.[20]

4. **Education and capacity-building.** In many countries the average education and training level of women is lower than men's, leading to unequal access to employment and income. Education and capacity-building are an important tool to address this early gap, especially in situations where girls experience challenges and obstacles in accessing quality education, or where educational and training programmes do not take into account women's diverse needs. Moreover, training programs should prioritize the required technological skill sets to perform in the changing work environment of a globally integrated firm. In this context, it is important to increase the participation of women in science, technology, engineering and mathematics (STEM) education programs to reduce occupational segregation in the labour market and allow for more equal representation of genders in high-paying sectors of the economy.

Box 4. Raising awareness and role modelling: The Sustainable Stock Exchanges initiative rings the bell for gender equality

The United Nations Sustainable Stock Exchanges initiative (SSE) provides a platform for sustainable capital markets and guidance for corporate governance. SSEs promote reporting by listed entities on environmental, social and governance practices, including gender equality. One SSE mechanism is an initiative called "Ring the Bell", which is held every year on International Women's Day to raise awareness about the pivotal role the private sector can play in advancing gender equality to achieve United Nations Sustainable Development Goal 5.

In addition to leading by example through their own operations, stock exchanges can influence the behavior of investors and companies, help enforce compliance with legal frameworks and support regulators in promoting the adoption of market standards. Increasingly, stock exchanges are beginning to address gender equality through awareness-raising mechanisms, and others already have developed comprehensive strategies that include listing requirements, investment products, training and networking programmes, and accelerators for start-ups for women, Examples include the BM&FBOVESPA (Brazil) and BSE (India) stock exchanges.

Source: SSE Initiative (2019).

[20] Each year, governments spend more than US$9.5 trillion procuring goods and services from the private sector, making public procurement the largest global marketplace. However, there are systematic inequalities in accessing such opportunities. Gender inequality is also evident in many countries despite affirmative action through dedicated quotas for underrepresented groups, including women, young entrepreneurs and micro, small and medium-sized enterprises. Formulating and implementing proactive government procurement policies and strengthening the capacity of entrepreneurs from vulnerable backgrounds through targeted training can level the playing field.

5. **Cultural norms and stereotypes.** In most countries women and men are associated with different roles in society, leading to unequal representation of genders in education, occupations and care duties within the family. For example, stereotypes make it more difficult for women to enter some positions, access education, obtain the same remuneration, and set up and run their own businesses. Preventing this form of discrimination implies changing often unconscious beliefs and biases. One way countries can influence cultural norms is by reforming educational practices, launching awareness campaigns, appointing women in male-dominated environments, and creating role models. For example, governments can foster women's leadership and accelerate their representation in public institutions and politics. Companies can also contribute to national campaigns championing women in top positions (box 4). For example, when executives of large companies – which foreign affiliates of MNEs often are in a developing-country context – commit to making gender equality a top strategic priority for their organizations, the positive signalling effect encourages others to follow suit to emulate those practices.[21]

6. **Transparency and information.** Transparency about corporations' gender practices and policies is helpful for (i) the company itself to better understand and assess its policies and implementation strategy; (ii) workers to negotiate better working conditions; (iii) customers, investors and other stakeholders to make informed choices; and (iv) policymakers to develop evidence-based policy. In addition, shared information can trigger a peer pressure mechanism for firms that leads to a more efficient application of the policy.

7.2. Policies to promote the international transmission of gender practices through multinational enterprises

The policies and measures outlined in this section can foster the transfer of gender norms through the different mechanisms studied in this report: the direct employment of women in MNEs' local subsidiaries, and the more indirect spillovers to the host economy through supply chain relationships, competition/demonstration effects, labour mobility and technology (table 5).

A key message of this report is the importance of the interaction of MNEs with domestic firms. Thus, the following policy recommendations aim at harnessing this interaction to advance the position of women in the economy.

[21] See Eden and Wagstaff (2020) for a discussion on the role of corporate gender strategy.

Table 5. The transmission of positive gender policies and practices through multinational enterprises

Channels	Policy options	Level of action
Direct channel		
Women employed in foreign affiliates	Encourage the adoption of a gender strategy at the corporate level to ensure equal working conditions and to facilitate women's employment, training and promotion throughout the network of affiliates.	Host country
	Foster MNE reporting on gender at all levels of the hierarchy and with a geographical breakdown.	International level
	Avoid a race to the bottom of social standards while competing for foreign direct investment, including through regional coordination.	International level
	Home-country governments can make investment guarantee schemes conditional on reporting and applying consistent gender policies and practices throughout the MNE network of affiliates.	Home country
	Take gender equality impact into account in targeted investment promotion strategies.	Home and host country
Indirect channels		
Supply-chain relationships	Promote linkage programmes between local companies and MNEs, including through supplier capacity-building.	Host country
	Promote the participation of women in supplier training and capacity-building programmes.	Host country
	Home governments can set up a social dialogue between MNEs, their partners or suppliers in host economies and other relevant stakeholders, to help companies achieve their gender objectives and transmit them along the value chain.	Home country
Competition – demonstration	Encourage transparency on gender policies and practices in foreign affiliates.	International level
	Showcase the appointment of women in top positions and in jobs where they are underrepresented.	International level
	Promote knowledge-sharing and networking programmes between MNEs and local companies.	Host country
Technology	Encourage the participation of women in education and training at all levels.	Host country
	Encourage the participation of women especially in science, technology, engineering and mathematics (STEM) training and careers.	Host country
	Women participation could be fostered through partnerships between MNEs and universities, and other educational institutions.	Host country
Labour mobility	Improve national education policies and labor training, particularly for women.	Host country
	Facilitate partnerships, internships and labour mobility programmes across foreign and local companies.	Host country
	Encourage MNEs to participate in local business associations and related community initiatives.	Host country

Source: UNCTAD

The findings of the report call for action at the international level, by home countries of MNEs, and by host countries of foreign affiliates.

1. **At the international level**, reporting standards and transparency on gender policies and practices are the most important factors driving positive outcomes In particular, reporting standards that provide measurable outcomes throughout a MNE's network of affiliates are key tools to facilitate better transfer of information between foreign affiliates and domestic companies. Measureable reporting standards require statistics by gender on wage, employment at different levels, and participation in training, as well as on the availability of flexible working arrangements and childcare facilities.

   As shown in chapter 5 of this report on top MNEs practices, while companies are quickly adopting diversity policies, only a minority publish detailed gender statistics that allow for an assessment of corporate strategy. In addition, even among the top 100 MNEs, less than a quarter publish geographically detailed information on female employment, which, if it were available, would allow for a proper evaluation of the adoption of the strategy across borders.

Box 5. Avoiding the lowering of gender-equality standards: Regional cooperation in Latin America and the Caribbean

The creation of synergies and linkages between regional integration and gender strategies is crucial to address existing asymmetries in trade and financial agreements. At the regional and multilateral levels, this implies coordinated action to avoid a race to the bottom and predatory competition among countries so that wages do not become the key adjustment variable for increasing exports and attracting foreign capital.

The Santiago Commitment agreed upon by governments at the XIV Regional Conference on Women in Latin America and the Caribbean in January 2020 contains specific recommendations on gender and investment (paragraphs 29 and 30):[1]

Paragraph 29. "*Promote* the adoption of legislation on labour and taxation in order to operate in a coordinated manner at the regional level, avoiding harmful competition among countries, in order to prevent taxation, wage cutting, and gender inequalities being used as adjustment variables to increase exports and attract investment."

Paragraph 30. "*Implement* policies and mechanisms to promote, strengthen and increase production and international trade, with a gender approach, as a pillar of countries' economic development, and pursue programmes to foster the creation of quality employment for women and female-led enterprise in international trade, conducting assessments of the impact on human rights of trade and investment policies and agreements from a gender equality perspective."

Source: United Nations Economic Commission for Latin America and the Caribbean.

[1] The Santiago Commitment document is available at https://conferenciamujer.cepal.org

Governments, in partnership with business associations, security regulators and stock exchanges, investor representatives, and other relevant stakeholders should foster the publication of more comprehensive gender statistics. This includes a geographic breakdown to allow for an evaluation of impact on host countries, in particular the cross-border transfer of corporate gender policies. To encourage better reporting practices for non-listed companies and smaller and medium-sized enterprises, training and capacity-building programmes should be provided on how to use and apply common reporting principles, standards and guidelines for the compilation of non-financial accounts, including UNCTAD's International Standards of Accounting and Reporting guidelines.

Because MNEs are usually larger and more visible, they are well placed to influence local cultural norms by making their gender strategy public and by appointing women to leadership positions and jobs where women are typically underrepresented. Competition or demonstration effects may induce domestic firms to imitate the social norms and values of MNEs. For example, in the case study of the Costa Rican IT sector (Monge-González et al., forthcoming), due to an inelastic supply of qualified labour, domestic companies had to compete with MNEs to attract talent offering better working conditions for women. The study provides evidence showing that the increased presence of MNEs in the same industry as a domestic firm increases female employment shares among those domestic firms.

Another possible action at the international level could be to include gender equality in the objectives of international trade and investment agreements, for example, to prevent lowering relevant labour market standards for the purpose of promoting investment (box 5). This is particularly important in economies that have a comparative advantage in low-wage production.

2. **In home countries,** the evidence in the report suggests unequivocally that when FDI originates from a more gender-equal country – i.e. investment by MNEs based in more gender-equal countries – gender equality in local labour markets improves.[22] This occurs when MNEs adopt a group-wide gender strategy that promotes gender equality and women's empowerment both at home

[22] The home country of the investing MNE is important to the extent that the firm's corporate culture – and in particular its human resource practices – is imprinted with the norms and values that prevail in the home country.

and abroad (in foreign affiliates), as well as along the supply chain in business partners.

Governments in countries home to MNEs can set up a social dialogue between MNEs and relevant stakeholders to help companies achieve gender objectives and transmit them along the value chain (box 6). Where governments provide support to MNEs for investment overseas, and especially in low-income countries through outward investment promotion organizations or in the form of investment guarantee schemes, such mechanisms could be made conditional on reporting and applying the same gender policies and practices throughout the MNE network of affiliates.

3. **In host countries,** the benefits from FDI on employment opportunities for women (like several other benefits from foreign investment) are enhanced and reinforced in places with strong initial conditions, as the case study on Viet Nam illustrates (Pham et al. 2020). This mechanism highlights the importance of adopting stronger domestic policies directed toward gender equality and building absorptive capacity. That is, countries can enhance the positive gender-related impact of FDI by creating a domestic policy environment that

Box 6. Promoting gender equality through public-private partnerships

The government of the Netherlands facilitates public-private partnerships to address specific challenges aimed at raising the level of ambition to pursue gender quality and, in some cases, to (partly) finance addressing risks when the cost of doing so is too high to be financed by private actors. By working with the private sector, the government aims to make an accelerated and economically sustainable impact on the Sustainable Development Goal (SDG) agenda, inducing the private sector to generate scalable and sustainable contributions and to invest in and integrate the SDGs over the long term.

An example is the partnership in Indonesia between the government of the Netherlands, a Dutch dairy multinational enterprise (MNE), an agricultural nongovernmental organization, a public university, and local dairy cooperatives to work towards reaching SDG 8 (decent work and economic jobs) and SDG 5 (gender equality). The aim is to achieve this by further developing the dairy sector in Indonesia and providing training and farm management support to local dairy farmers. The MNE realized that although almost half of the dairy workforce in Indonesia is female, women are substantially less productive because they lack access to resources such as training and finance. This leads not only to a productivity gap between men and women, but also to broader inequality, as women get less recognition for the role they play on the farm. The partnership has addressed these issues by facilitating household dialogue, offering financial literacy and business capacity training, supporting the increased participation of women in cooperatives, and offering leadership modules for women. By undertaking these initiatives, the partnership has enabled investment in equitable relationships between men and women and a more socially enabling environment.

Source: Ministry of Foreign Affairs of the Netherlands.

supports gender equality, including well-designed labour market and industrial policies. In particular, a key recommendation is to continue to build the technological capacity within a country in order to facilitate the absorption of knowledge and best-practice policies for women. The evidence from the case studies presented in this report shows that MNEs report higher shares of female workers in higher-technology areas.

Host-country policies aimed at strengthening local absorptive capacity and developing inclusive linkages programmes – including through the involvement of female-owned small and medium sized enterprises – are particularly important. Investment promotion agencies can play a role in this by helping to promote FDI in areas and industries that are likely to have a positive development impact and spillover effects, including on gender outcomes.

Increasing the participation of women entrepreneurs in capacity-building and training programmes could help improve their quality standards and increase their share of the supply chain. Foreign affiliates and local universities and educational institutions could partner to offer training programmes with a sharper focus on the skills needed in order to increase labour market participation. Also, host-country institutions could help organize exchange or secondment programmes for workers across domestic and foreign companies to facilitate the transfer of skills and cultural norms.

This report has put forward concrete policy recommendations, based on solid and novel empirical evidence, aimed at maximizing positive outcomes for gender equality.

Through its core publications, including the *World Investment Report* and the *Transnational Corporations* journal, UNCTAD will continue its work with partners to advance thinking and policy analysis on the impact of FDI and the activities of multinational enterprises on gender equality. In addition to research and technical assistance, UNCTAD will continue to convene the multi-stakeholder community to debate the issue, particularly through the biennial World Investment Forum.

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UNITED NATIONS
UNCTAD

Investment and Enterprise Division UNCTAD

Palais des Nations, E-10054
CH-1211 Geneva 10, Switzerland

Tel: +4122 917 57 60
Fax: +4122 917 04 98

diaeinfo@unctad.org
http://unctad.org/diae
@unctadwif
UNCTAD Investment