



Investment *for* Development Policy Research Series

# **INVESTMENT BY TNCs AND GENDER: Preliminary Assessment and Way Forward**



## **ACKNOWLEDGEMENTS**

This report was prepared by Axèle Giroud, under the overall direction of James Zhan, with guidance from Hafiz Mirza, with inputs from Noelia Garcia-Nebra, Haley Knudson, Will Speller and Tadelle Taye, secretarial support from Evelyn Benitez and editing by Lise Lingo and Tess Ventura. Comments were received from Stephania Bonilla, Joseph Clements, Chantal Dupasquier, Fulvia Farinelli, Natalia Guerra, Ariel Ivanier, Joachim Karl, Fiorina Mugione, Elizabeth Tuerk, and Celia Ortega Sotes. Two consultants supported the preparation of the report, Sarianna Lundan and Simona Gentile. The report was reviewed and benefited from additional suggestions from Raphael Crowe, Lorraine Eden, Stephanie Seguino and Simonetta Zarrilli.

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# TABLE OF CONTENTS

<b>KEY MESSAGES</b> .....	<b>vii</b>
<b>I. INTRODUCTION</b> .....	<b>1</b>
<b>II. WHY DOES GENDER MATTER?</b> .....	<b>3</b>
<b>III. THE IMPACT OF INVESTMENT BY TNCs ON GENDER ISSUES IN HOST ECONOMIES</b> .....	<b>7</b>
A. In what ways does investment by TNCs impact gender issues?.....	7
B. Do liberalization and the link between FDI and trade matter for gender issues? .....	10
C. Investment by TNCs and gender inequality in the labour market .....	12
1. Wage gap.....	12
2. Access to employment .....	13
3. Employment quality .....	18
D. Globalization, trade and FDI, and women empowerment.....	19
E. Investment by TNCs and impact on women: a potential sequence .....	20
<b>IV. WHAT ARE THE KEY DRIVERS AND DETERMINANTS AFFECTING TNCs' IMPACT ON GENDER ISSUES?</b> .....	<b>23</b>
A. TNC-specific factors affecting impact on gender issues .....	23
1. Human resource management.....	23
2. Corporate social responsibility .....	25
3. Summary and suggestions .....	27
B. Host country/region-specific factors and impact on gender issues .....	27
1. A number of factors within host countries matter .....	27
2. Focus on education and skills upgrading .....	29
3. Focus on employment conditions .....	30
4. Focus on entrepreneurship .....	31
C. Final remarks.....	32
<b>V. PRELIMINARY POLICY IMPLICATIONS AND ISSUE AREAS FOR TNCs</b> .....	<b>33</b>
A. Preliminary policy implications.....	33
B. Set of issue areas on gender and investment for TNCs .....	36
<b>VI. FUTURE AGENDA FOR RESEARCH</b> .....	<b>39</b>
<b>BIBLIOGRAPHY</b> .....	<b>45</b>
<b>ANNEX</b> .....	<b>53</b>

## BOXES

II.1	Causes of gender inequality .....	4
II.2	Women's empowerment principles.....	4
II.3	Mainstreaming gender in trade and policy at UNCTAD .....	5
III.1	Egypt: top destination for offshore services and employment opportunities for women.....	9
III.2	Feminization and defeminization of employment .....	10
III.3	Gender, labour utilization and rapid economic growth: the Asian Tiger story .....	11
III.4	Gender inequality in agriculture in developing countries .....	15
III.5	From nimble fingers to nimble voices: employment of women in services .....	16
III.6	What happens to women employees when sectors upgrade technologically? Services outsourcing in India .....	16
III.7	Women in the informal sector: employment through NEMs .....	17
IV.1	Developing business skills: the case of Tupperware in India.....	23
IV.2	Women on the boards of the largest TNCs .....	24
IV.3	Foreign subsidiaries building advantages by hiring women .....	25
IV.4	Examples of private financing and women empowerment in developing countries.....	26
IV.5	Selected work by UNCTAD on gender .....	29
IV.6	The World Bank Youth Employment Inventory .....	30
IV.7	Key facts: women and EPZs .....	31
V.1	How can women's empowerment be strengthened in SEZs/EPZs?.....	36

## FIGURES

III.1	TNC activities and impact on gender issues .....	7
III.2	Global and regional distribution of employment by aggregate sector, by gender, 2011 .....	14
III.3	Investment by TNCs and impact on women: a potential sequence of impact .....	21
IV.1	Skills women apply comparatively more than men for managerial jobs .....	24
IV.2	Suggestions for TNCs to build, foster and encourage gender equality and women empowerment in home and host countries.....	27

## TABLES

III.1	General FDI impact in host countries: overall and selected gender-related elements .....	8
III.2	Wage gap (female-to-male wages: percentage points) .....	13
III.3	Examples of job segregation per sector of activities.....	19
IV.1	Selected indicators of gender differences in the Law, 2013, by region, percentage .....	28
V.1	Some suggestions to mainstream gender into investment-related policies.....	34

## NOTES

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## KEY MESSAGES

Through their activities in foreign direct investment (FDI), trade, non-equity modalities and business relationships with local suppliers, transnational corporations (TNCs) have significant gender-specific impacts in developing countries. This report is a preliminary assessment of this impact, based upon a review of the literature. It focuses mainly on gender equality, spanning the wage and employment impact of TNCs, and the related potential for women's empowerment. Gender equality matters because it is positively linked to economic growth, but the strength of the positive impact is mediated by various contextual factors, such as the structure of the economy, the sectoral nature of job segregation, and sociocultural factors. Hence, gender impacts matter to the sustainable development of countries.

Investment by TNCs can be instrumental in creating job opportunities for women, particularly in labour-intensive, largely export-oriented industries – for instance in textiles, garments, electronics and selected agricultural subsectors; in call centres; and in hotel, catering and tourism. In many developing countries, TNCs have enabled women to enter the formal labour market for the first time, within their own companies or linked companies, through the business opportunities generated with local suppliers or through global supply chains. The inclusion of women in the formal sector is important because it is linked, notably, to a higher standard of living and better social outcomes for households in terms of health, nutrition and education benefits.

However, there are risks, and a rise in investment by TNCs may increase gender inequality, for instance, when the jobs created for women remain confined to low-paid activities or occur in the informal sector, if adequate employment and working conditions are lacking, or when upgrading of skills is insufficient for women to remain employed when industries upgrade and/or when employment in low-cost, labour-intensive activities declines.

*Enhancing the benefits of TNCs' activities for women in developing countries, including support for women's empowerment, requires corporate actions and targeted policies.* Thus, in this report, UNCTAD puts forward key policy recommendations, issue areas for TNCs and potential related international standards.

Maximizing the benefits for women of investment by TNCs requires initiatives at the national and international levels. Based on the analysis presented in this report, three key policy interventions are identified, with preliminary policy recommendations. Governments should consider the following:

- **Adopt a strategy towards gender issues:** This strategy should be embedded within the overall national development strategy, and consider the coherence and complementarity of national policies ranging from education, labour, health and infrastructure to entrepreneurship, as well as trade and investment.
- **Consider harnessing investment for gender development:** To achieve this, governments can take a number of actions. To promote employment of women in TNCs, governments should provide infrastructure and social protection to enable women to work for TNCs, prepare and protect women who work for TNCs, and promote career development for women. To promote gender-friendly TNC value chains, governments could support women entrepreneurs, foster local procurement and linkages, and facilitate TNCs' practices that favour gender development.
- **Develop strategies specifically for labour-intensive export-oriented sectors and sectors in which capital has high physical mobility:** The incorporation of gender concerns in investment policies for these sectors would benefit from international initiatives, including stronger cooperation.

UNCTAD also proposes a set of issue areas to guide TNCs in their inclusion of gender concerns in business models. These issue areas are based on this preliminary assessment of the impact of investment by TNCs, and on the recognition of the importance of gender equality and women's empowerment for achieving sustainable development. The core areas include the following:

- Non-discrimination and equality in treatment between men and women
- The incorporation of gender concerns into investment projects and business models
- Reporting on gender participation
- Engagement in the promotion of women's empowerment
- Equal rights in collective bargaining
- An assessment of the gender impact of divestment decisions as well as gender-sensitive divestment models

These areas can be a voluntary guide for TNCs and should be developed further in light of future research, multi-stakeholder consultation and piloting.

The report ends with a future research agenda on investment by TNCs and gender. Suggestions include the following:

- Gender considerations within TNCs' human resource management and corporate social responsibility strategies
- Types of TNCs and impact on gender
- TNCs, global value chains and gender
- Dynamic perspectives on upgrading and the role played by women in the process
- The impact on gender of investment by TNCs in the services sector
- Investment by TNCs in footloose industries and impact on gender
- The social and environmental impacts on gender of investment by TNCs

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