

Gender gaps in trade: supply chain chains, digital trade, entrepreneurship, and investment

FDI and women empowerment

Claudia Trentini, PhD

Economist, Investment Research Section
Investment and Enterprise Division
UN Trade and Development (UNCTAD)

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What is FDI?

Foreign Direct Investment (FDI) is a long-term investment made by a company (MNE) from one country into a business based in another country, typically acquiring a controlling stake of 10% or more

Types: Includes Greenfield investment (building new facilities) and Mergers & Acquisitions (buying existing firms).

Why do we want to attract FDI?

- Productivity
- Know-how / technology
- Skills, training
- Capital
- Entering the GVC / global markets
- Adherence to quality standards
- Fiscal revenues
- Are there also **non-economic spill-overs?**

Outline of the talk

- 1. Introduction: Transmission of gender policies and practices**
- 2. Empirical evidence and key messages**
- 3. Policy implications and conclusions**



How could FDI improve gender equality and empower women?

- **Are multinational companies different from local firms?**
- How multinational companies can **transmit policies regarding women in the workplace to the host economy**
 - Do multinational companies transfer their gender policies to companies in their host countries?
 - Can gender equality practices be extended to the national economy?



Direct effect in local affiliates

- Female employment
- Wage and working conditions
- Promotions and training

Indirect effects

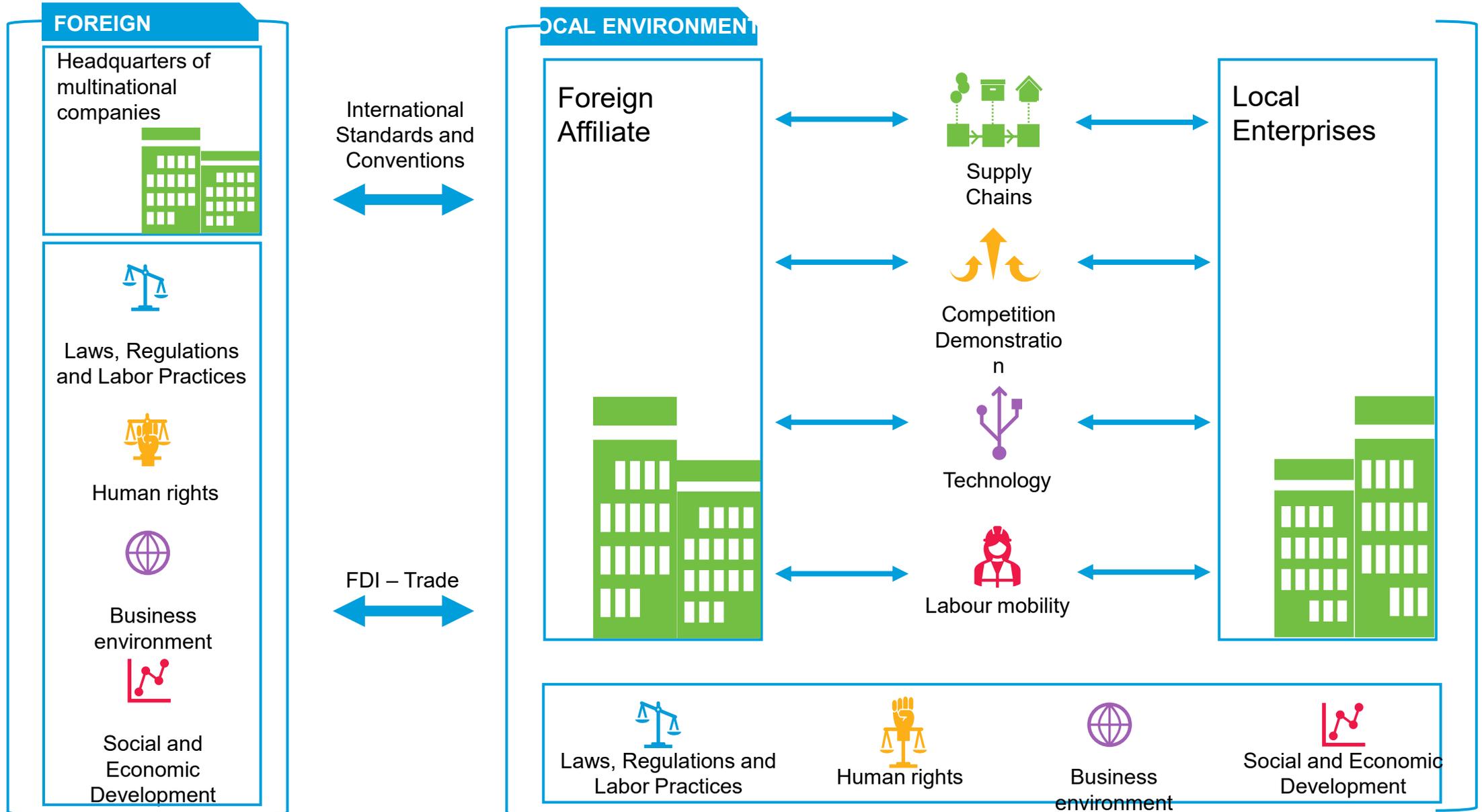
- Do MNEs transfer gender policies and practices to local firms (big and small)?

Transmission mechanisms

- Competition
- Supply chains
- Labour mobility
- Technology



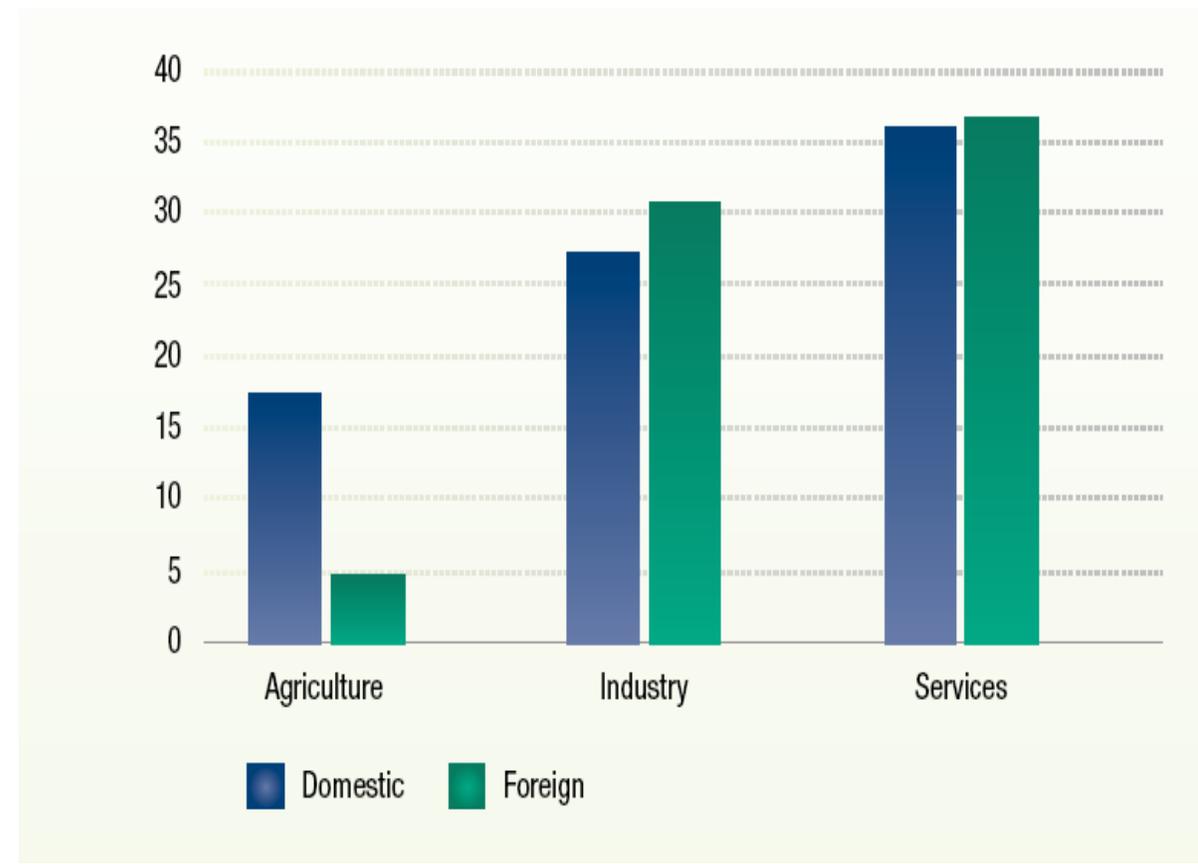
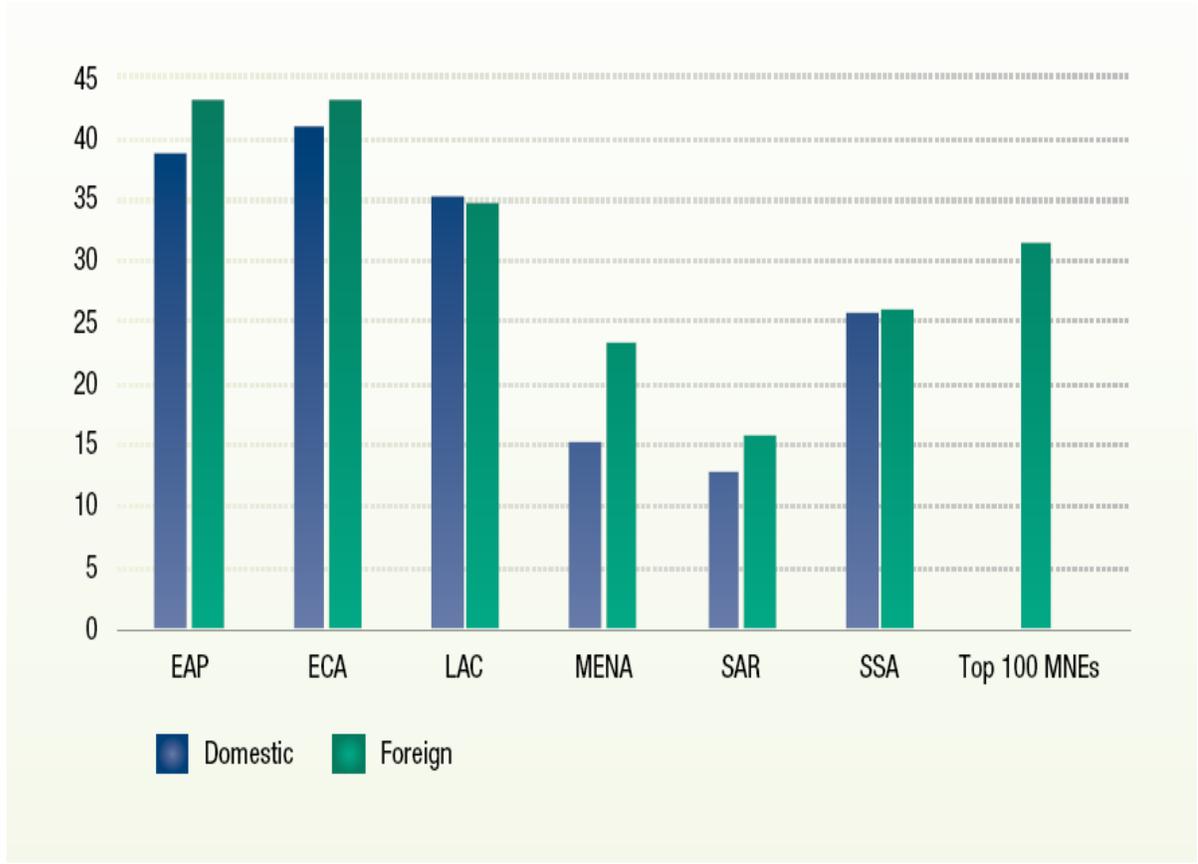
Conceptual framework





Differences in female workforce shares across domestic companies and foreign affiliates

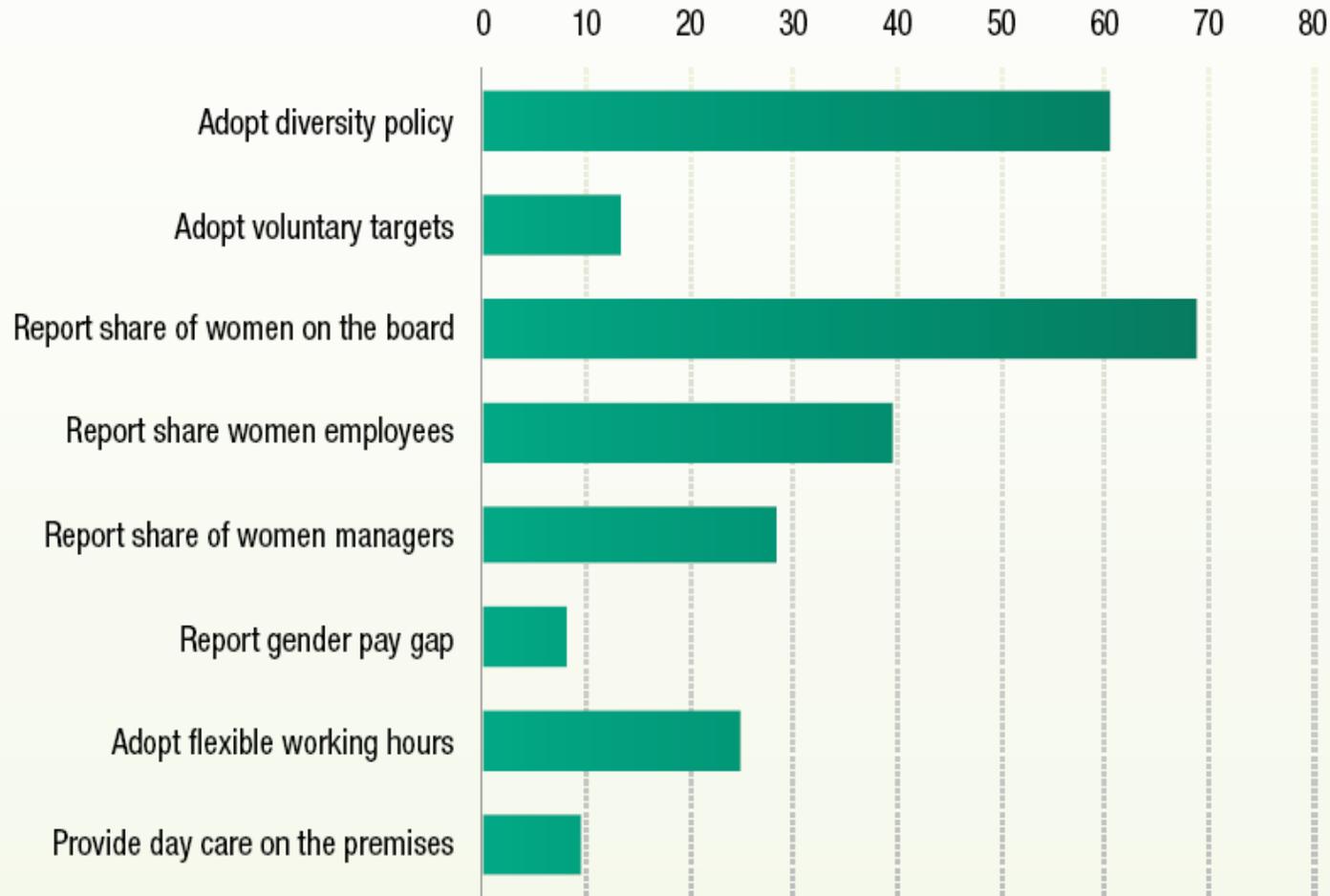
Per cent





Reporting on gender-related indicators among MNEs are increasing

Reporting rates among top 5000 MNEs, 2018 (per cent)



Most MNEs report on women on the board

- Even share of women employees is below 50 per cent

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 **Empirical evidence spillovers to the host economy**

➤ Impact of presence of Foreign affiliates on the composition of the female workforce

Cross country analysis

The increase in 1 per cent in the presence of multinational enterprises in the local economy is associated with

- Between 1,3 and 4,5 per cent increase in the share of women employees
- Up to 7 per cent for administrative workers
- No evidence on pay gap



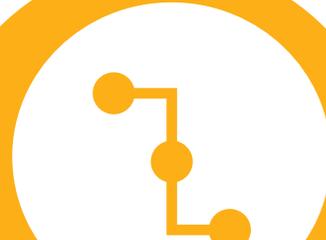
Empirical evidence

The above evidence supports the idea that an expansion of multinational companies into the local economy can help promote women's empowerment and close gender gaps in employment



COMPETITION

Higher female employment shares in domestic firms which compete with foreign firms



SUPPLY CHAINS

Domestic suppliers of foreign firms also **hire more female administrative workers**; domestic firms that share the same domestic supplier as an MNE also hire more female administrative workers.



LABOUR MOBILITY

Domestic firms which hire former MNE workers have **similar female employment shares and smaller gender earnings gaps.**



TECHNOLOGY

Higher female employment in high-tech foreign investment; potential for widening of the gender wage gap.

New evidence from case studies

-  *Costa Rican IT 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.**
-  *Brazil*: 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.**
-  *Bangladeshi garment and textile sector*: downstream business partners of MNEs hire **50 per cent more female administrative workers.**
-  *Viet Nam*: Areas of the country with **stronger foreign investment report higher female employment.** However, much of the employment gain was at the bottom 10 per cent of the wage distribution
-  *South Africa*: 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

Findings on spillovers - a recap

- In contrast to knowledge and technology spillovers, MNEs may actually want local firms to improve their labor standards and policies toward women—leveling the playing field.
- Supplier spillovers seem to be important, while labor mobility spillovers are harder to find—and concentrated in the services sector.
- Technological capacity continues to be a relevant determinant of cultural spillovers as it is for productivity spillovers.
- Policy should target these mechanisms to reinforce the advances of women, meanwhile enhancing economic growth and development.

Key messages

➤ Key messages

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, and Labour mobility**

The relative importance and effectiveness of the various transmission mechanisms depends on **country- and industry-specific circumstances.**

The transmission of **positive gender policies and practices** can be advanced through **policy environment** for investment.

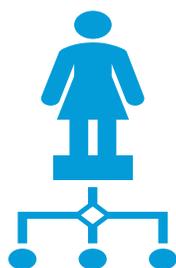
The various **transmission mechanisms** are interdependent and mutually reinforcing, and their **impact** is difficult to measure **separately.** However, distinguishing the **individual mechanisms** is helpful for the identification of **targeted policy approaches.**

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➤ Policy framework (1)

Direct Channels



Women
employed in
foreign
affiliates

Policy Options

Encourage the adoption of a gender strategy at the corporate level to ensure equal working conditions and facilitate the employment, training and promotion of women throughout the affiliate network.

Foster MNE reporting on gender at all levels of the hierarchy and with a geographical breakdown.

Avoid a race to the bottom of social standards while competing for foreign direct investment, including through regional coordination.

Level of action

Host country

International level

International level

➤ Policy framework (2)

Direct Channels



Women employed in foreign affiliates

Policy Options

Home-country government can make investment guarantee schemes conditional on reporting and applying consistent gender policies and practices throughout the MNE network of affiliates.

Take gender equality impact into account in targeted investment promotion strategies.

Level of action

Home Country

Home and Host Country

Indirect Channels



Supply Chain Relationships

Policy Options

Promote linkage programmes between local companies and MNEs, including through supplier capacity building.

Level of Action

Host Country

➤ Policy framework (3)

Indirect Channels

Policy Options

Level of action



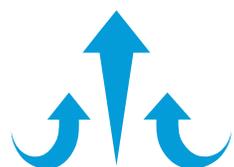
Supply Chain Relationships

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

➤ Policy framework (4)

Indirect Channels



Technology

Policy Options

Encourage the participation of women in education and training at all levels.

Level of action

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 labour 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

Thank you

