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International Trade, the Gender Wage Gap and Female Labor Force Participation*

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Abstract

Recent work in gender economics has identified trade as a potential determinant of female labor force participation (FLFP). It is usually suggested that FLFP rises whenever trade expands those sectors which use female labor intensively. This paper develops a theoretical model to argue that, quite surprisingly, the opposite effects can occur. Distinguishing between female intensive sectors (FIS) and male intensive sectors (MIS), we show that FLFP may actually fall if trade expands FIS. When FIS are capital intensive, trade integration of a capital-abundant economy expands FIS and contracts MIS. Consequently, male workers migrate from MIS to FIS, diluting the capital labor ratio in the FIS. Under a high complementarity between capital and female labor, the marginal productivity of women drops more than that of men. Thus, the gender wage gap widens and FLFP falls. Employment patterns in the U.S. following NAFTA are broadly consistent with our theory.

Keywords: Female Labor Force Participation, Gender Wage Gap, Home Production, NAFTA.

JEL Classifications: F10, F16, J13, J16.

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