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Institutions Across the World

The Transmission of Gender (In-)Equality Through Commercial Links

Key Messages

- Global firms employ significantly more women than non-global firms. Commercial ties serve as channels for transmitting social norms from partner countries, influencing workforce composition in global firms
- Exposure to gender-equal norms increases the share of female workers across job types – but not in top management positions, where the effect vanishes
- In gender-unequal commercial environments, global firms are significantly less likely to have female top managers, suggesting a “race to the bottom” in leadership
- To ensure inclusive benefits of globalization, policy interventions should focus on advancing women into senior roles, where equality gains currently fall short



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Global firms are larger and more productive than non-global firms (Melitz, 2003). They also employ a larger number of female workers than their local counterparts (Black and Brainerd, 2004; Juhn, Ujhelyi, and Villegas-Sanchez, 2014; Tang and Zhang, 2021). Common explanations for this pattern are that global firms discriminate less or rely on abundant female labor to expand their operations. In this paper, we focus on the unexplored dimension of the transmission of gender norms within global firms to explain higher gender equality (Heckl, Lennon, and Schneebaum, 2025). Do the gender norms of the country with which a firm trades or from which it receives foreign direct investment (FDI) matter? We examine whether trade and FDI serve as transmitters of gender norms from partner countries that influence the hiring practices of global firms. This could mean that the headquarter in the home country demands gender equality in its global workforce, or that firms

seek to demonstrate similar values to an export destination by having a more gender-equal workforce to attract customers abroad.

The idea that trade and foreign direct investment (FDI) can act as transmission channels of norms has been shown in the context of social norms in general. Exporters comply with labor rights abroad and increase the real wages of workers to meet the working condition standards of customers' locations (Greenhill, Mosely, and Prakash, 2009; Harrison and Scorse, 2010). Regarding gender norms, Neumayer and Soysa (2011) show that women's economic and social rights in commercial partner countries influence the level of gender equality in the home country through trade and FDI. Most closely related to our paper is Tang and Zhang (2021), who find that Chinese multinationals owned by companies in more gender-equal countries have a higher share of female workers compared to those from gender-unequal countries. We focus on the comparison of global and non-global firms and examine firms in over 100 countries to control for any institutional characteristics that may influence the share of female workers or a firm's global status.

Combining Firm-Level Data With Gender Equality Information

For our analysis, we examine a pooled cross-sectional dataset of almost 28,000 firms across 104 countries, collected in the years 2007 and 2016 by the World Bank's Enterprise Analysis Unit. The dataset is derived from standardized surveys and is representative for the non-agricultural private sector. The standardized nature of the firm survey is important, since we want to compare the workforce of firms in different countries. The survey provides rich information on firms' backgrounds including their previous sales, their age, and details on their workforce and location. Based on this dataset, we also build our outcome measures including the proportion of full-time, permanent positions in a firm held by women. We further differentiate production and non-production workers and explore the gender of a firm's top manager.

Since we are interested in how commercial links transmit gender norms, we require information on commercial interactions of global firms and a country's gender equality level. While we do not have firm-specific trade and FDI flows, we can rely on country-level information. Bilateral trade data comes from the Center for International Data and the United Nations COMTRADE database, and bilateral FDI data from the United Nations Conference for Trade and Development (UNCTAD). To measure gender norms, we rely on the Gender Inequality Index (GII) from the United

Nations Development Programme (UNDP). This composite index captures five dimensions of gender inequality in a country: the share of parliamentary seats held by women; the maternal mortality ratio; the adolescent fertility rate; the share of women with at least secondary education; and women's labor market participation.

How to Measure the Impact of Commercial Links on Gender Equality

The aim of our study is to estimate how global firms are influenced by the gender norms of their trading partners. A global firm is either an exporter (where exports make up at least 10 percent of sales) or a fully foreign-owned firm. We quantify exposure to gender (in)equality through trade and FDI using spatial lags based on bilateral trade and FDI data, reflecting the impact of partner countries' gender norms. To be more precise, the spatial lags capture how much the level of gender (in)equality of a partner country affects a firm in the home country based on how much the home country exports to the foreign country (trade) or how much the foreign country invests in the home country (FDI). Simply put, if a firm X in country A trades and receives FDI from gender-equal country B, it will be exposed to gender equality. On the contrary, a firm Y in country C exports very little to gender-equal country B but a large share to gender-unequal country D, then this firm Y is exposed to gender inequality.

There are several channels established in the literature that explain why global firms have a higher share of female workers.

1. Firms in less competitive markets, which benefit from higher profits and mark-ups, can afford to engage in costly discriminatory practices. In contrast, firms in highly competitive markets face stronger pressures to maximize efficiency, making discrimination less sustainable and thus reducing gender inequality (Becker, 1957).
2. Based on comparative advantages, we expect trade liberalization to increase employment in industries that rely on a country's abundant resources. In developing economies, where unskilled female labor is the abundant factor, this can lead to greater job opportunities for women once globalization increases (Sauré and Zoabi, 2014).
3. Trade models based on heterogeneous firms emphasize that global firms are larger and more productive and invest more in new technologies. Technological upgrading shifts tasks away from physically demanding skills, which makes female workers relatively more attractive (Juhn, Ujhelyi, and Villegas-Sanchez, 2014).

Thus, to ensure that we capture the impact of social norms transmission via trade and FDI, and not just differences between global and non-global firms, we include a rich set of control variables and compare firms within the same industry.

Although these control variables capture observed differences between global and non-global firms, any unobserved firm differences that determine both the global status of a firm and its female share of workers threatens the causal claim of our paper. Thus, we rely on an instrumental variable strategy that accounts for the attractiveness of a narrowly defined market cell to global firms to capture the endogenous choice of becoming global.

Trade And FDI With Gender-Equal Countries Increase Share of Women

Our outcomes suggest that global firms employ a higher share of female workers than domestic firms and non-exporters, consistent with the literature. Table 1 below shows detailed findings. To understand how gender norms in trade and FDI partner countries influence female employment, we differentiate between exposure to the upper (column 3&5, equal) or the lower (column 4&6, unequal) half of the gender equality distribution in export or FDI source countries. Higher values correspond to a larger impact of gender equality transmission on the share of female workers. The stars indicate that the estimated effect is statistically significant. We find a “race to the top” effect: Global firms have a higher share of female employment than non-global firms when exposed to gender equality through exports or foreign direct investments. The female share of workers in exporting firms is 6 to 7 percentage points (6.59; 7.01) higher than in non-global firms, and multinationals have a 17 to 18 percentage point (17.38; 18.05) higher female

worker share, but only when they are exposed to gender equality. These effects are economically meaningful and large, compared to the average female worker share of 27 percent of all firms in the sample. However, when exporting firms or multinationals are exposed to gender inequality through trade or FDI, their female share of employees does not differ from non-global firms (columns 4&6). This “race to the top” effect of higher female employment in global firms exposed to gender-equal norms holds for workers in both production and non-production jobs.

The home-country gender equality level also plays an important role. Global firms based in relatively gender-equal countries have larger shares of female employees when exposed to gender-equal norms, while those from gender-unequal countries show no significant differences in female employment shares based on norm exposure.

Race To The Bottom In Top Management

The picture changes when we focus on leadership roles. Global firms are less likely to have women in top management roles. Exporting firms are 4 percentage points less likely to have a female top manager, and multinational companies show an even larger gap, being 6.7 percentage points less likely.

Can exposure to gender norms through commercial links explain part of these lower shares of women in management positions in global firms? Our results show that in this case exposure to gender inequality matters. Exporters operating in gender-unequal environments are 4.5 to 6.1 percentage points less likely than non-global firms to have a female top manager. For multinationals in similar contexts, this gap increases to 11 to 13 percentage points. However, when these firms operate in gender-equal en-

Table 1

Outcome Variable: Share of Female Workers

	All observations	Export Markets		FDI Source Country	
		Equal	Unequal	Equal	Unequal
Exporter	2.66	6.59***	-5.45	7.01**	0.53
Foreign-owned	13.61***	17.38***	4.82	18.05***	5.92
Nr. of observations	27,833	13,915	13,918	13,375	14,458

Notes: This table shows the relationship between a firm being an exporter and receiving FDI and its share of female workers, based on its exposure to gender norms in its commercial partner countries. Equal and unequal mean that the exposure to gender norms in partner countries is in the bottom or top half of the distribution of the spatial lags. The models include the full set of control variables and fixed effect, standard errors are clustered at the region within a county level. Stars indicate the p value level: *p<0.10, **p<0.05, ***p<0.01.

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vironments, the effect is not statistically significant. Thus, while global exposure generally leads to more women in production and non-production roles, the opposite happens at the top management level. Global commercial ties, rather than advancing gender equality, seem to reinforce gender inequality norms in leadership roles.

As companies move from worker-level to top managerial roles, the positive impact of gender equality through commercial links fades and even reverses at the top level, resulting in a “race to the bottom” for top management. One possible explanation is that, even in developed countries with higher gender equality levels, women are still underrepresented in senior management (Bertrand, 2018). Thus, there may not be an established norm of women in leadership positions that can be transmitted through commercial links.

Policy Conclusion

These results suggest that globalization can act as an important transmitter of norms and practices that foster more gender equality. We do not find an impact of exposure to gender equality through commercial links on manager positions, which may suggest that women in leadership positions are not (yet) as established. On the contrary, women as leading managers are not able to withstand exposure to more conservative norms. This finding points to a dual influence of globalization: while it can promote gender inclusivity at some levels, it may also reinforce existing gender inequality at the top.

These dynamics underscore the need to address gender disparities at all employment levels and to ensure that the benefits of global integration reach women and men equitably across all types of work. Firms can focus on establishing women in leadership permanently through offering flexibility, schedule predictability, and more family-friendliness overall, also in managerial positions, to ensure that increased globalization does not slow women’s progress up the career ladder.

The paper further highlights that the transmission of norms through trade and FDI is present in global firms only in gender-equal countries but not in gender-unequal countries. Thus, policymakers should focus on fostering gender equality also outside the workplace. A first step toward more equality is to provide equal legal rights to women and allow their access to the political sphere (Klasen, 2020). Regarding women’s inclusion in the labor market, family-friendly policies can promote the inclusion of men in childcare and unpaid work as well as the expansion of public childcare, and they can increase flexibility for female

workers (Olivetti and Petrongolo, 2017). Affirmative action policies like quotas for company boards have a mechanical positive effect on gender equality and may have the potential to increase female workers’ outcomes in other positions as well (see e.g., De Acutis, Weber, and Wurm, 2024). •

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