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Are EPZs potential labour traps for women?

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Abstract

Developing countries have since the 1960's implemented export oriented strategies to benefit their global trade. Export Processing Zones (EPZ) are one of the most established trade instruments. Through time the zones have developed into more complex industries.

There are several aspects that are not considered when establishing trade zones, such as income development, educational development and gender equality. This study discusses the gender aspect of EPZs by considering working standards, education and wage levels. Moreover, EPZ development is discussed through cross-country studies while analysing vertical and horizontal segregation.

The thesis asks if EPZs are labour traps for women. The result of the thesis was that females are exposed to discrimination and segregation through their occupation. They often hold low skilled jobs and lack an education. EPZs often offer jobs in areas where there is a low level of employment. EPZs can therefore help to develop areas that would eventually suffer from migration due to the lack of jobs. The conclusion was that there needs to more data regarding the subject and that governmental policies have to be developed and followed. It was also concluded that different areas have different needs. Policies and EPZ strategies therefore need to be adapted to each country.

Key words: Comparative advantages, export-oriented growth, globalization, industrialization, foreign investment, labour, gender, inequality, segregation

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List of abbreviations

EPZ	Export Processing Zone
FTA	Free Trade Area
FDI	Foreign Direct Investments
GB ESP	Governing Body Committee on Employment and Social Policy
ILO	International Labour Organisation
ITA	Investment Tax Allowance
NIC	Newly Industrialised Countries
NGO	None Governmental Organisations
OECD	The Organisation for Economic Co-operation and Development
R&D	Research and Development
WB	World Bank
WTO	World Trade Organisation

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1. Introduction

The reader is introduced to what EPZ- Export Processing Zones are and how they can be seen as a low-income trap for women. Objectives, limitations, target groups and main findings are stated. This will be methodically outlined throughout the thesis.

1.1 Background

An EPZ is an economic zone where countries have decided to reduce or eliminate trade barriers within a certain area. The area is closed off from the rest of the hosting country, in the sense that the zone has its own trading agreement. The International Labor Organisation (ILO) defines the zones as “industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being re-exported”. They can also be described as toll free zones for export production. The EPZs work as their own unit and legal entity within a country. These zones host labour intensive manufacturing activities that involve the import of raw materials and the export of factory products. EPZs are generally set up in developing countries. The zones offer incentives for Foreign Direct Investors, FDI, such as exceptions from certain taxes and business regulations. The two main objectives of the EPZs are to attract foreign investor and to give unskilled labour an opportunity to work (ILO, 1988).

Zones can be managed by private companies or by hosting country’s government. Companies that operate in the zones are in general privately owned. Each country has its own policies regarding EPZs. In some cases there is an authority that controls and regulates the zones. The authorities are often an official organ of the government. These organs are set up to promote, attract and facilitate investment in the zones. Some zones do not allow trade unions. It is often illegal for an individual to enter a zone without permission (GB ESP, 2003). To conclude, EPZs offer areas a chance to protect their domestic industries. They also promote export (Tetsu, 2001).

1.2 Objective

The main objective of the study is to understand if EPZs are potential poverty- traps for women. It is of interest to understand what factors affect gender inequality among EPZs. Women are generally overrepresented in firms established in EPZs. The thesis will consider why this is the case.

1.3 Purpose

The thesis will discuss how gender segregation arises. This will be conducted by comparing wages and occupational skills among women and men in EPZ sectors. Moreover, working condition in EPZs are discussed. Information is gathered through qualitative studies.

Questions that will be answered throughout the thesis are; Is there a possibility that women are actually forced into working within EPZs due to the lack of options? Can the introduction of EPZs led to better conditions in the future?

1.4 Limitations

There is a limited amount of information available regarding employment and wages in EPZs. This analysis does not explain the mechanism leading to inequality neither does it identify the cause-and-effect relations of EPZs and gender inequality. Another limitation is the number of countries observe. The main findings of the cross-countries analysis are based on statistical data that does not extend any further than 2008.

1.5 Outline

The structure of the thesis:

Chapter 1 covers a brief description of the background of EPZs, in addition, purpose and limitations are presented.

Chapter 2 discusses the design of EPZs and reasons behind their rapid development. Moreover, the evolution of EPZs is presented.

Chapter 3 presents the geographical distribution of EPZs. It will conclude an overview of previous studies of EPZs, and examine the expansion of EPZs. The will include a focus on four different countries that have established EPZ. These four countries, China, Honduras, Nicaragua and South Africa represent the different ways EPZ have developed.

Chapter 4 will explain aspects related to employment and gender. It will start of by discussing the feminization of EPZs. Horizontal segregation, vertical segregation and discrimination will be discussed. The chapter will also cover how one can measure the relationship between female employment, wage and inequality.

Chapter 5 presents the main conclusions and findings of the thesis while raising suggestions for further research.

2. EPZ – Design and theoretical considerations

This chapter discusses the design of EPZs and reasons behind their rapid development.

Moreover, the evolution of EPZs is presented while discussing theory and available research.

2.1 The design of EPZ

Trade integration has shown to contribute to long-term growth trends and economic development. As a country develops the linkage between FDI and trade becomes tighter. Trade and investment can therefore be considered as interlinked. Efforts that boost trade are likely to positively affect FDI and vice versa.

Studies show that EPZs have become more attractive than other implemented zones, suggested that they offer a compromise between liberal and protective regimes. Other positive effects are smaller operational costs and generally smaller political risks. The operational costs are reduced due to the larger scale of production. The smaller political risks refer to how the EPZ's have a capacity to intertwine the different markets internationally without being affected by the political situation (Amirahmadi and Wu, 1995).

Lastly, The EPZ concept covers different types of free trade zones. There are special economic zones, free ports and local manufacturing operations that all fall under the category EPZ. These operations are established to meet the need of the FDIs, and the economy of the region that they are established in.

2. 2 The development of EPZs

Since the 1960's many developing countries have implemented export-oriented growth strategies to promote industrialisation. In the beginning EPZs were mostly "enclave-type zones" but they now also include single industry zones (Abbott, 1997). Enclave- type zones are best described as industrial area that constitutes a free trade enclave that is separated from the custom and trade regulations of the host country. Below is a table that shows the effect on export by EPZs.

The major difference between EPZs today and EPZs established in the 1960s is the amount

of data published. EPZs of today have access to a greater amount of statistics that covers the development of EPZs. As mentioned earlier, the EPZ give a lot of financial incentives. One of them is offering tax reliefs. (Desai, Potter, 2008).

2.3 How to discuss EPZ theories

When discussing EPZ theories one has to understand why they are established and what agenda each theory has.

There are a couple of purposes that governments have in mind when they establish EPZ. One of the main reasons is to generate jobs, create currency flows, and attract foreign investments and technology. The main goal is to obtain better working environments, improve management and create linkages between FDIs, EPZs and domestic firms and industries (GB ESP, 2003). EPZ are discussed in different ways depending on which situation one wants to analyse. There are several views to discuss from a governmental point of view. I will discuss the four most prominent.

The first view considers EPZs as an opportunity to expand future economic reforms.

The second view sees EPZs as a provider of foreign currency. This is especially needed for the host nation and can create jobs that can alleviate some of the unemployment problems in developing countries. This view does not focus on liberalizing the rest of the economy. The EPZ remain an enclave production area.

The third view considers EPZs to be an economic experiment, where theory is applied to real situations. Chinas EPZ-development embodies this view. In China, new production, labour and financial theories were evaluated and then later applied to the rest of the Chinese economy.

The least orthodox view is the last and the most recent. It considers EPZs to be especially

beneficial for developing countries in which the levels of FDI and trade have been disappointing. EPZs are considered to attract and match the incentives that are provided by their neighbouring, competing, countries.

All four views state that EPZ are a source of technological transfers and human capital development. The zones can provide a well-managed and efficient infrastructure that developing countries often lack. The human capital is also stated to benefit from the technical training and learning-by-doing zones. But it has to be understood that most zones only use low-tech and labour-intensive production processes (Abbott, 1997).

2.4 How to evaluate EPZs

There are three different ways to evaluate EPZs. One is the neoclassical; another is the cost-beneficial analysis and lastly the new growth theory.

The neoclassical analysis was the first theory that was applied. The neoclassical approach did not consider FDI or employment. The analysis only used labour and capital to explain how EPZs progressed. This was done by using the Hecksher-Ohlin's two-factor model. The neoclassical approach focused on the final price of the goods after the removal of tariffs and taxes. The country that was examined was considered to have a great amount of labour. Therefore, according to the Rybczynski theorem, when international capital would flow in, the resources would be more focused on capital-intensive production (Shigemi, Yabuuchi, 2003). By using Hecksher-Ohlin's theory it was stated that, a reduction of a tariff on an imported intermediate good could have a positive outcome. The result would be that the foreign firm in an Export Processing Zone would use more of the good. The effect would also be that the labour demand increased (Tetsu, 2001). The analysis also suggested that EPZs would have a negative effect on welfare and that the EPZs would increase inefficiency by distorting production away from its comparative advantages. The theory has improved through time, but it still lacks explanatory power in regard to there being additional factors that affect EPZs. It has therefore been natural to seek other options that explain the development of EPZs. (Johansson, 1994).

The second evaluation method was the cost-benefit analysis. It also used the Heckscher-Ohlin model, but would consider more aspects than the neoclassical model. Direct financial flows from FDI were considered to have no welfare outcome for hosting countries. Local resources and net benefits within the country were focused on. (Kankesu Jayanthakumaran, 2003). The main disadvantage of this analysis was that it often lacked adequate data. The second disadvantage was that the cost-benefit analysis did not consider future technology transfers and development effects (Johansson, 1994). These two factors are key when discussing EPZs.

The New Growth Theory, which is used in more recent studies, is better suited as an evaluation tool when discussing EPZs. The New Growth Theory especially covers the impacts of *spillover* created by FDIs.

Spillovers show how individuals and firms benefit from "*learning by doing*". It also covers the benefits from when workers copy their colleagues' work regime. This later covers the effects of human capital formation in host countries. The New Growth Theory addresses how domestic firms seldom have the capacity to offer managerial knowledge. The reason for this can be that the firms rarely have access to international distribution channels. Domestic firms also lack *entry info* when and how entering an international market. A multinational business on the other hand has a comparative advantage and often understands different markets. Once these elements are addressed, then the EPZs can benefit from the *spillover* created (Johansson, 1994)

2.5 Analysing the development of EPZs- considering positive and negative spillovers

Cost-benefit analyses have shown that EPZs have a positive effect on the hosting country and that the gains exceed the costs for the zones (UN, 1985). The reason for this can be that many EPZs often need a detailed policy guideline to succeed. The guidelines are not mandatory for the establishment of EPZs but are considered since they offer positive spillovers on both the host country and the EPZ. These guidelines are numerous and I will therefore only discuss a few.

It has been shown that EPZs develop better when situated in countries with a stable monetary and fiscal policy. Clear private property and investment laws have also been shown to provide a prosperous environment for EPZs. Private development infrastructure and communication through FDI can have spillover effects on the host country. Telephones, roads, ports and airports are all common spillovers in countries with established EPZs. Business friendly labour laws have also been shown to be beneficial. But it is furthermore only a recommendation to have a consensus regarding environmental issues. The host country and the EPZs should have the same stance since, for example, potential pollution levels affect a whole region and not just the manufacturing area. These policies are, as mentioned, guidelines and do not guaranty a positive spill over effect. According to Dorsati Madani, the establishing of EPZ is not the first best policy choice when compared to other types of liberalization of economies. Madani also states that there is no guarantee that there will be positive spill overs when establishing an EPZ (Madani, 1999).

Studies show that there can also be negative spillover effects when establishing EPZs. EPZ tend to give foreign corporations more economic freedom than local firms and employers and critics mean that foreign investors lack the incentive to regard the best interest for the area and the host country (GB ESP, 2003).

As mentioned earlier, the main reason for the establishment of EPZs is to generate employment at the initial stages of development. The effect will eventually be that individuals get a higher living standard. Being able to generate employment among EPZs is not only considered as a positive. EPZs are usually established in developing countries where unemployment and underemployment is high. The availability of workers at low wages gives foreign investors an economic incentive to invest in labour-intense production (Murayama, 2008).

As an example, the fabric and textile industry are one of the most common industries in EPZs, along with the production of basic electronics. These industries rarely require high skilled workers and often hire individuals who often lack a formal education. Studies show that many workers receive a low wage and work long hours (Jenkins, 2001). A small

amount of time is spent on teaching the workers their new tasks. The skill requirements are low. Individuals who work at EPZ-factories often stay a short period and then move. Therefore it is considered being less cost-efficient to put time on training the employees. (ILO,1988). It is, for that reason, natural that learning-by-doing has been applied in many of the zones. (Buitelaar, Padilla, Pérez 2000). Technologically advanced companies are therefore rare. The technology transfer is mostly in industries that require a lot of investments (Amirahmedi, Wu 1995).

As mentioned, some countries have adopted special labour laws which give more flexibility to EPZ- based companies. These countries have relatively weak labour inspection practices, and give fewer privileges to EPZ workers according to ILO (ILO, 2005).

In some cases the effect of an EPZ is considered to be negative for the local development. Many studies show that the positive social outcome, such as better health and education, is limited when establishing an EPZ. Especially if the government lacks an integrated national strategy (Amirahmedi, Weiping, 1995). This will be discussed further in chapter four when discussing the development of EPZs in China, Honduras, Nicaragua and South Africa.

This chapter has examined the costs and benefits of EPZs by discussing spill over effects. Spill over's can be positive for a country or region. But there are also potential negative spill over's to consider. This has been done with the help of established theories. One can conclude that the poorer a country is, the less attractive they become to investors. But they can turn beneficial to investors if EPZs can meet the standards of the foreign FDI. Therefore, the negative or positive spill over's are an effect of what policy choices a government makes and what the FDI requires.

3. Geography and development

EPZs have grown and changed since the establishment of the first zones in the world. This chapter aims towards providing the reader with an understanding of the distribution of EPZs across countries.

3.1 The geographical distribution of EPZs

EPZs have been active since 1947 when countries started to grant tax and customs reliefs to international investors (Lim, 1984). The enforcement of fewer taxes on investors has been proven to be successful. In 2007, the International Labour Organization counted that there were 3500 EPZs in the world. They operated in more than 130 countries and employed more than 60 million individuals worldwide (Neveling, 2007).

3.2 How EPZs have evolved in the last 35 years

Considering that EPZs have had a massive developing process, it can be of interest to analyse the development. The trend is illustrated in table 3.1. The reason for the rapid development can be that during the end of 1970 many countries changed their strategy in regard to export-orientated industrialisation.

Table 3.1: Countries with EPZs

	1975	1986	1997	2002	2006
Number of countries with EPZs	25	47	93	116	130
Number of EPZs or similar types of zones	79	176	845	3000	3500
– of which other countries with figures available	0,8	1,9	4,5	13	26

Source: ILO Governing Body Committee on Employment and Social Policy, March 2003.

There had been a strong establishment of import substitution industrialisation. The effect was a deadlock of the industrialisation in countries such as China and South Africa. Regions therefore tried to solve the situation by introducing the establishment of Export Processing Zones (Tetsu, 2001). At this time Japan relaxed their restrictions on investments abroad. All of Asia started to compete to attract Japan's FDI. EPZs became a fitting option for investors and EPZs were therefore successful. The EPZs offered export advantages on simple assembly products, using unskilled labour. EPZs did at the same time not threaten

domestic production (Warr, 1989; 68). Which is one of many explanations to why EPZs had a massive increase in, especially, Asia in the 1970s. This development is illustrate in table 3.1, 3.1.1 and 3.2.

The increase of information can be an aspect to consider. It has most likely helped FDIs to make better choices regarding set ups and situating EPZs. Activities within EPZs have, as mentioned early, also changed. EPZs are not only simple assembly factories but also high tech industries, tourist resorts and science parks. Different types of production have lead to a wider range of EPZs in the world.

By using facts from table 3.1 the percentile change can be examined. The percentile change illustrates which era was most prosperous for the expansion of EPZs. It will also be able to illustrate the decrease of EPZ activity. The reason for the decrease in 1997 until 2006 can have to do with the expansion of global information. Information had at this point increased its ability to spread, due to the internet. As an example, South Africa experienced a decrease in FDI when trade unions started to point out that their EPZs often offered poor working conditions. They also managed to show that cheap labour production was not a viable option when many new technologies required skilled workers. Poor working conditions where shown to result in low productivity. The result was low production quality. FDIs therefore lost their interest in regions that reflected this type of behaviour and outcome (Jauch, 1999).

Table 3.1.1 The percentile expansion of countries with EPZs

	1975-1986	1986-1997	1997-2002	2002-2006
Number of countries with EPZs	88%	98%	24%	12%
Number of EPZs or similar types of zones	122%	380%	255%	16%
– of which other countries with figures available	138%	137%	188%	100%

Source: ILO Governing Body Committee on Employment and Social Policy, March 2003.

* Calculated in regard to table 3.1

In the tables 3.2 and 3.3 it becomes clear which regions have benefited the most from introducing EPZ.

Table 3.2: EPZs Geographical development (2007)

Geographical area	Employment	Number of zones
Asia	55 741 147	900+
of which being China	40 000 000	
United States	340 000	713
Caribbean	546 513	250
Central America and Mexico	5 252 216	155
Sub-Saharan Africa	860 474	90+
North Africa	643 152	65
Middle East	1 043 597	50
Europe	364 818	50
South America	459 825	43
Pacific	145 930	14
Indian Ocean	182 712	1
Total (estimated)	66 980 763	3 500+

Source: ILO database on export processing zones, 2007

When combining table 3.2 and 3.3 one can see that China has had the strongest development within EPZ, in regard to the volume of people involved with EPZs. The Pacific has had the greatest percentile increase. The reason for this can be that countries in the Pacific have tendency to be more labour-intensely orientated in their production. This is also a trait that is shared with China. Most mentioned countries lack liberal trade regimes and therefore establish EPZ to remove trade barriers (Amirahmadi, Weiping, 1995). The data shows that some regions have been affected by implemented import-substitutions. Import-substitution models were implemented in many of the South American countries in the beginning of the 1980s. The effected regions adopted new policies to meet the need for foreign exchange. This is often described as the reason for the success of EPZ in South America. Their slow expansion in 2007 can be related to that many South American countries have developed a stable government and that they have more open border than before (McCallum, 2011). The difference between The Indian Ocean Island and countries, with established EPZs, is that the islands have a comparatively high level of education. They also have an established local business community. This can be the main reason for the low interest in establishing EPZs.

Table 3.3: Change in EPZ employment by region, 2002–2006

	2002	2006	increase in individuals working in EPZs	(%)
Pacific	13 590	145 930	132 340	973,8
Middle East	328 932	1 043 597	714 665	217,3
Eastern and Central Europe	543 269	1 400 379	857 110	157,8
Caribbean	215 833	546 513	330 680	153,2
Sub-Saharan Africa	421 585	860 474	438 889	104,1
Asia	7 710 543	14 741 147	7 030 604	91,2
South America	299 355	459 825	160 470	53,6
North Africa	440 515	643 152	202 637	46
China	30 000 000	40 000 000	10 000 000	33,3
Central America	4 490 757	5 252 216	761 459	16,9
Indian Ocean	170 507	182 712	12 205	7,2

Source: ILO (2002) and Singa (2007) through Milberg (2007)

It should be noted that, countries with successful EPZs share common traits. The assumption one can make, in relations to both tables, is that EPZs would most likely prosper when established in low- and middle-income countries. These countries are often dependent of foreign capital and in a need for flexible export-substitution relationship. A big population combined with few job opportunities is also positive when establishing EPZ. The reason for this is that the production is often labour-intensive.

3.3 How EPZs expand

EPZ go through many different stages over time and several zones share common development traits. In the beginning there is often a high amount of FDIs, which mainly focus on textile and electronic industries. Later when the zones develop, the volume of production and export rises at a slower rate. Cost and labour skills then rise and high-level businesses start to replace the earlier established industries. At the end of the cycle the EPZ tends to diminish their export. The numbers of EPZs later tend to decline. At this point it is common that the region goes through a structural change. The effect is that the region chooses to focus on a specific area or industry.

The most common and known changes are the high-tech industrial changes (which South Korea and Taiwan experienced). There is also a focus on changing economic activities and improving services and agro business, which is common in EPZs in China (Amirahmadi and Wu, 1995). The table below illustrates this development. It shows how the distribution of

specific industries has changed. It also illustrates that leading EPZs have a tendency to increasingly focus more on technological markets.

3.4 Export divisions among leading developing countries

	1980	1990	2000	2006
Clothing	17,20%	20,10%	27,60%	37,70%
Computers	n/a	n/a	19,50%	35,30%
Textile	11,80%	18,60%	25,70%	31,40%
Other Office and Telecom equipment	7,70%	14,40%	17,50%	30,30%
All manufactures	3,60%	7%	11%	16,60%

Source: WTO (2007)

It is of interest to further understand this shift and if it is common among all EPZ countries. It is especially interesting to examine the differences and common traits among EPZs. The thesis will discuss four different countries expansion and their change in this chapter. The countries that will be discussed are China, Honduras, Nicaragua and South Africa. There is, as mentioned, a wide variation regarding EPZs characteristics. The four countries have a similar, percentile, amount of workers in EPZs. Which makes it especially interesting to examine their similarities and differences.

Table 3.5 Employment in EPZs as a percentage of total employment in 2002

Nicaragua	6,9%*
Honduras	4,70%
China	4,10%
South Africa	2,60%

Source: ILO (2002)

*Calculated in regard to Nicaraguas total employment 2002

3.3.1 China

The Chinese EPZ regions are called Special Economic Zones. They differ from other types of EPZs in the world. SEZ are big areas where people not only work but also live. Business is connected to the population in the SEZ (Wingborg, 2011). In the 1980s, EPZs allowed FDI investments and experienced positive effects of modern techniques and human resource management. Import and export rose steadily from the 1980s and is still on the rise. The establishment of EPZs were considered key for the economic growth in China. It should be noted that China stands for half of the global expansion of the employment among EPZs (Singa, 2007).

The flexibility in employment, wages and production methods contributed to a faster growing market. Data regarding the upgrade of technology and surplus labour has show to be correlated to the expansion of EPZ in the region. In the middle of the 1990's, new labour laws were adopted which dismantled the old employment laws and regulations (Amirahmadi, Weiping, 1995).

Until recently China offered low wages across the country. But there are two trends that have change the situation radically. The comparative advantages have diminished and salaries in and outside of EPZ are more alike. The effect has been that skilled and professional labourers have been attracted to EPZs. Secondly, the wages of Chinese workers have grown the last 20 years due to the rapid economic growth and there has been a decrease of labour supply. The decrease of labour supply is another reason for EPZs to offer workers a higher wage. The demand for workers is higher than ever since the labour output is lower than the 1980s (Amirahmadi, Weiping, 1995).

The adoption of labour laws in 2008 has been noteworthy for several reasons. Previous laws were only applied to the urban workforce. The new laws include rural workers. The new laws offer legal protection and job security to workers. And lastly, the new laws require workers to turn to unions in relation to major decisions regarding dismissal and redundant. China has made an effort to integrate these new laws within their EPZs. This has

in return provided a protection for rural workers, which did not exist before 2008 (McCallum, 2011).

3.3.2 Honduras

Honduras first EPZ was established in 1976 in the country's primary seaport. Honduras later developed at special production sharing agreement with the US apparel companies. In 1980 Honduras had a duty-free entry into the US. Certain textile assemblies could, therefore, be done outside of Honduras.

In the late 1980s the congress privatized the zones and made a strategic decision that EPZs would only be utilized to boost growth and export. It was also stated in 1987 that EPZs in Honduras would only use their local work force. This strategic decision differs Honduras from other EPZ. Many EPZs have been positive towards migration since it offers them a higher amount of workers to choose between. The decision can have been a way to keep capital within Honduras. It can also have been an effort to create a security for local workers.

A study, by ILO from 2007, showed that 50% of the workforce in the manufacturing industries, worked within EPZs. According to the same study, workers in EPZs earned a higher wage than those outside of EPZs. ILO compared the lives of workers within and outside of the EPZ-structure. The data showed that workers inside the EPZs had not only a higher wage but also had a greater chance of advancing in their sector or gets promoted. On the other hand, EPZ workers also showed to have poorer health and less leisure time than those who did not work in EPZ industries (McCallum, 2011)

Another aspect that has to be considered when discussing Honduran EPZs is the wage level. EPZ workers have a higher total salary but they work more hour than those outside of EPZs. By using a strategy called "goal achievement" the workers are force to work long hours to reach their daily goal. The production level is changed for every time that the worker expands their output. This means that they will need to produce more than what they did the day before. Overtime is sometimes not paid and the worker often receives a minimum

wage or less. And higher wages within the EPZs does not always mean that the Honduran workers are able to “live” on their wage.

Management within EPZs should also be discussed since management is known to hold an anti-union stance, which means that by using intimidation tactics and illegal dismissal they often encourage workers not to unionize. The Centre for Women's Rights (CDM) has reported several occasions when unionists have been black listed and denied the freedom of association within EPZs. The poor legal enforcement mechanism has made it difficult to protect the right for individuals to unionize (McCallum, 2011).

3.3.3 Nicaragua

Nicaragua shares many traits with Honduras. EPZs were established in the same time period, in 1979. By establishing EPZs, companies managed to create a way to avoid a series of laws that diminished the incentive to establish processing plants. The government saw it as a chance to minimize unemployment.

There are however some big differences between Honduras and Nicaragua. In Nicaragua workers have a stronger legal system that protects their right to unionize. This made it easier for unions to mobilize and therefore stabilize their existence. “The Working and Unemployed Women's Movement (MEC) is one union movement, which has informed thousands of female workers about their legal and human rights. They have also educated women through job training and skill improvement within EPZs. At the same time Nicaraguan workers face the same problems as the Hondurans, to some extent. Unions in Nicaragua have also been attacked and denied the freedom of association.

Nicaragua also differs from other countries with EPZs, such as China. Data and surveys have shown that EPZ workers in Nicaragua have been denied official Nicaraguan minimum wage. Low wages and violations of labour laws are common. It has also been reported that workers work and live under poor conditions. The lack of adequate sanitation is common and there is seldom access to sufficient water supplies (McCallum, 2011).

3.3.4 South Africa

South Africa adopted an EPZ strategy fairly late. It was not until 1997 that the country had the political and economical platform to establish EPZs. The post apartheid crisis, in 1994, helped the establishment of EPZs. Many individuals were jobless and the government needed a strategy to curb unemployment. South African EPZs are called Industrial Development Zones, IDZ. IDZs became very unpopular in an early stage of establishment. This was due to major economic failure within the country, but also because of the violations of labour laws and human rights. There was a lack of political consensus between parties, which later lead to the failure to implement a coherent strategy for IDZs growth.

In general, many South African IDZs failed to attract FDIs. South Africa on the other hand attracted FDIs to a greater extent. Therefore IDZs where no longer need (McCallum, March 2011). The reason for the IDZ failure was based on the spread of information regarding productivity among IDZs. As mentioned before, work unions had managed to show that poor working conditions would lead to a slow production. It was also stated that products would have a low quality level (Jauch, 1999).

3.4 Shared aspects of examined EPZs

Concluding this chapter one can see that EPZ are established when a country experiences a trade difficulty or if it faces low employment. As stated, China had less restricted trade with the rest of the world. Honduras needed to trade with the US to boost growth and export. Nicaraguan EPZs where established to avoid a series of laws that would make export processing plants hard to manage. South Africa implemented EPZs to avoid an increase in unemployment, due to the post apartheid economic crisis.

All four countries have been able to attract FDI to some extent. Some countries have had a positive social outcome. Many individuals come from rural areas and have not had a job before entering the EPZ market. This makes it especially hard to monitor if they have had the chance to actually achieve a higher living standard. By studying workers who do the same type of work, both on the inside and outside of EPZ, a pattern can develop. Lastly, this pattern can explain if EPZs are actually good for individuals or not. And it can place a focus on if it is positive for women to work within EPZs. Therefore it is of importance to discuss what impact EPZs have on women who enter the workforce.

4. Gender aspects

This chapter covers aspects related to gender. It will start by discussing the feminization of EPZs. Horizontal and vertical segregation is discussed while presenting how one can measure the relationship between female employment, wage and inequality. “Lock in effects” are discussed at the end of the chapter.

4.1 Feminization of EPZs

Women, as mentioned in previous chapters, hold a majority of the employment in EPZs. Studies show that, in some cases, females represent 90% of the workforce. Many women worked in the informal agricultural sector before they became a member of the EPZ workforce. This development has been explained as a form of feminization of EPZs. Trade liberalization, international competition and labour deregulation, has been considered to, led to a feminization. There are studies which show that there is a positive correlation between trade openness and feminization of labour. The correlation has been criticised since many researchers mean that it is not only the trade openness that has led to feminisation but that it is rather the type of manufacturing that takes place within the EPZ that effect female employment (Tejani, 2011).

It has been shown that women who have access to paid employment increase their self-confidence and assertiveness. At the same time, social norms have resulted in that females do not always have control of their income. They are also left with less time to rest, since they are still responsible for the family household. Women expansion within EPZs has been described as a double edged sword, since EPZs both promotes females to work in the formal sector but can lead to gender inequality among workers (Tejani, 2011). This will be explored further in the section below.

4.2 Vertical segregation, horizontal segregation and discrimination

The purpose of this section is to understand the key components of the gender pay gap. This section will establish how much of the pay gap can be explained through segregation, discrimination and the choice of female workers. Occupational segregation is a concept used to describe the gender distribution of jobs across sectors and industries. This type of segregation is often applied within gender topics, and therefore relevant for this section (Murayama, 2008). The intention is to obtain information that reflects the working situation for females within EPZs. In order to achieve this, there will be a focus on vertical and horizontal segregation and discrimination. These topics will then be discussed in relation to women in EPZs.

All EPZs have specific economic endowments and their own historical and political background to consider. Each country has its own past of industrialisation, as discussed in chapter 3. Therefore there is a great chance that situations can vary.

Female workers are over represented and are often younger than their male co-workers. They usually lack previous trade union experience. They often experience insecure jobs, sexual harassment and lack maternity protection and education (Pyle, 2001). If men chose to unionise they rarely regard problems that female co-worker experience, since females are rarely involved in unions (Sukthankar, Gopalakrishnan, 2012). This will be explored further with the help of Jonungs study on occupational segregation.

According to Jonung occupational segregations are caused by gender-based discrimination and that it occurs in patterns. One pattern is horizontal, where there exists segregation across occupations. The other pattern is vertical. The vertical pattern discusses the hierarchy of occupations. These two are considered to contribute to the gender pay gap. The gender pay gap is the difference between male and female wages. The differences are expressed as a percentage of male earnings and are stated as a measuring method by OECD through their family database (OECD, 2013).

The high gender pay gap, within EPZs, is reflected through the amount of horizontal segregation, vertical segregation, as mentioned. It is also reflected through the amount of discrimination towards females.

Earlier in this section it was declared that horizontal segregation was an overrepresentation of a certain group in an occupation or sector. This type of segregation refers to a concentration of women or men in a sector or economic activity. It can be used to explain the gender pay gap. Vertical segregation, on the other hand, is best described as a “hierarchal segregation”. Attributes such as income, prestige, job stability, etc are traits that these occupations attract. It is often referred to as a “glass ceiling”, a barrier that prevent females from entering certain types of occupations. Vertical segregation is the force that tends to maintain females in the lowest levels of occupations. Vertical segregation is, often, based on basic understandings of the female role in the society (Blackburn, 2009). Another example of vertical segregation would be Janet Saltzman Chafetz studies. Her studies claim that females lack the choice to choose any other jobs than low jobs, within EPZs. The reason for this is that females are often ill literate and lack an education. Saltzman Chafetz also discusses how females are excluded from the production process when it becomes technically challenging.

The situation that arises is a reflection of strong vertical segregation where women are considered to be primarily responsible for the family and men are regarded as responsible for non-domestic tasks. This creates a power differential in which men hold more power than females. The difference in value according to male and female work is consistent across genders. Less skilled jobs become “female jobs” (Maria Charles, 2003).

Discrimination, in contrast, is a systematic disadvantage that a specific group is exposed to. In this case it is women that are disadvantaged. That is, if females are regarded differently then they lack the choice to choose a job (Thomson, 2006: 2-3). An example of that would be the lack of education among females within EPZs, as mentioned earlier in the section. Females are also discriminated in the form of hiring and benefits. Females are at many times denied maternity leave and force to do pregnancy test before they start working.

EPZs have shown to have a tendency to hire young women without child(Tejani; 264). Shaw means that wage discriminations are secondary, since social discrimination is the core to why females do not even enter certain markets within EPZs (Shaw, 1998).

The table below covers four different continents. By using three countries from each continent one can see if there is large difference between male and female salaries in EPZs and if there is some sort of pattern in regard to the subject.

4.1 Female Wages as a Percentage of Male Wages in EPZs

	1985	1990	1998	2001
Asia				
Hong Kong, China		69	61	65
Malaysia	49	50	63*	
Sri Lanka	70	88	83	86
Latin America				
Costa Rica	74	74	80	81**
El Salvador	81	94	75	92
Brazil	51***	54	59	61
Middle East				
Bahrain	83	62	45	44
Egypt	68	68	69	75****
Jordan	62	57	60	68*****
Sub-Saharan Africa				
Botswana			54	52*****
Kenya	76	73	48	
Swaziland	72	88	87	

Source: UNCTAD (2004), table 5; expanded by author using ILO (2009)

*=1988

**=1991

***=1995

****=1997

*****=1999

*****= 2000

There is a consistency among the female wage levels in EPZs. Women often hold a lower income than men, even if they work within the same field. This makes them cheap labour for employers (Tejani, 2011). It gives an incentive to believe that women are exposed to both segregation and discrimination when working in EPZs. But one also has to consider that the data only covers wages within EPZs and does not compare it to data of wage level outside of EPZs.

Since females often hold occupations that requires low skills they are highly vulnerable to export fluctuations and company cut backs (Tejani, 2011).

The aim of this section was to identify the key explanatory factors to explain of why there is a gender pay gap within EPZs. It was also important to understand if the pay gap was an attribute to individual choice or discrimination. Research used in this section described that females rarely had the opportunity to acquire highly skilled jobs. This was explained through horizontal and vertical segregation. Discrimination was also discussed. Table 4.1 showed that their existed a pay gap. Since the pay gap is highly affected by vertical segregation, horizontal segregation and discrimination one can assume that EPZs are potential labour traps for women. What we do know is that females rarely have a choice in regard to what they earn and what they do when working in EPZs. The chapter showed that they often lack the options to change jobs or work in other sectors than those presented to them. It also illustrate that females receive a much lower wage level than their male co-workers.

4.3 Are EPZs potential labour traps for women?

After section 4.1 it is natural to discuss if EPZs are actual labour traps. It has been described that females within EPZs often lack options when working and that they received lower wages than men. But that does not answer if EPZs are labour traps. It simply reflects that EPZs are not the best work option, in relation to equality. Therefore this subject must be discussed further.

Some EPZ-based companies, especially in the Caribbean, have developed a preference for hiring female workers. Females are cheaper to employ, less likely to unionise and considered to be good at performing monotone tasks. Since many EPZ operate as production units, they prefer individual who manage doing tedious, monotone work. The type of work that assembly operations often offer (Dowlas 1997:559). Example alike these are fairly common and reflect that females are, at times, occupationally segregated at the workplace.

Occupational segregation aspects can be applied to EPZs. They can in this case be split into four divisions. :

- Labour supply theories of occupational choice
- Labour demand theories of occupational hiring
- Transition cost theories of occupational matching
- Institutional theories

Labour supply theories of occupational choice focuses on individual taste in regard to gender, sex role socialization and the amount of labour that is divided in the home. Labour demand theories focus on how employees chose to hire individuals. It describes the employer's perspective of investing in human capital. It also considered occupational discrimination that can occur. The transition cost theories cover aspects such as statistical discrimination and how it can result in negative screening based on pre-conceived thought about a specific gender. The last division is based on individual choice in the form of institutions, social norms laws, customs and domestic or local traditions (Jonung, 1998).

The first three divisions focus on occupational segregation based on the decision of the labour supplied. The fourth division covers an economic aspect of occupational choice. It has been the basis for most of the economic research done in this field. Since this is an economic thesis I will chose to focus on the economic perspective and the research done in that field. These aspects can be used to determine why there is a difference in the gender distribution of jobs in EPZ.

As discussed in chapter 3, there has been an increase of women in EPZs and wage differentials are fairly high. It has also been stated that they often lack the option to choose jobs and sectors to work within.

4.4 Measuring Occupational segregation- employment, wage and inequality

This section will discuss the four aspects that Jonung uses to discuss occupational segregation. It will mainly discuss labour supply theories since they can be of use when considering how one can measure occupational segregation.

Labour supply theories of occupational choice discuss aspects such as taste, sex role socialization and how domestic labour is divided. Some labour supply theories mean that occupational segregation can be a product of preferences among men and women. Meaning that men and women have different tastes. Females are assumed to prefer domestic work to working in the labour market. Women are considered to have a tendency to work within occupations that are alike the chores they do in their homes. The theories do not give a set distribution of what a female versus male occupation would be, according to Jonung. And it does not predict what the characteristics of male/female occupations should be in terms of wages. And they do not discuss topics such as level of education, former training or unemployment, to mention a few factors. If female jobs pay less in a competitive market then it should be a result of supply and demand (Jonung, 1998). Female's jobs in this scenario would be low skilled work opportunities within EPZs. Since it has been stated that females who work within low skilled jobs receive a low income. They also lack the ability to acquire a more advance job in their sector. The more advance job would be considering a male job.

The supply curve for women applied to EPZs, called S_f in the figure below, assumes that women prefer jobs that are domestic. Monotone job opportunities with a low preference in specific skills would be, in this case, considered to be a female occupation.

In EPZs a vast amount of women enter the market without any experience of the labour market. Most women have had experience in domestic work, which makes this measurement highly applicable. Consider that females within EPZs will enter the market when the reservation wage is high enough to make them want to participate in the labour market. Male workers supply curve will be called S_m , and will be steeper than the female curve since men consider their place to be in the labour market regardless of wage changes.

D_a and D_b represent the demand curve for occupations A and B. Workers are considered to be indifferent to A and B and employers, at this point, do not care if they hire females or males. Men and women will be distributed randomly between A and B.

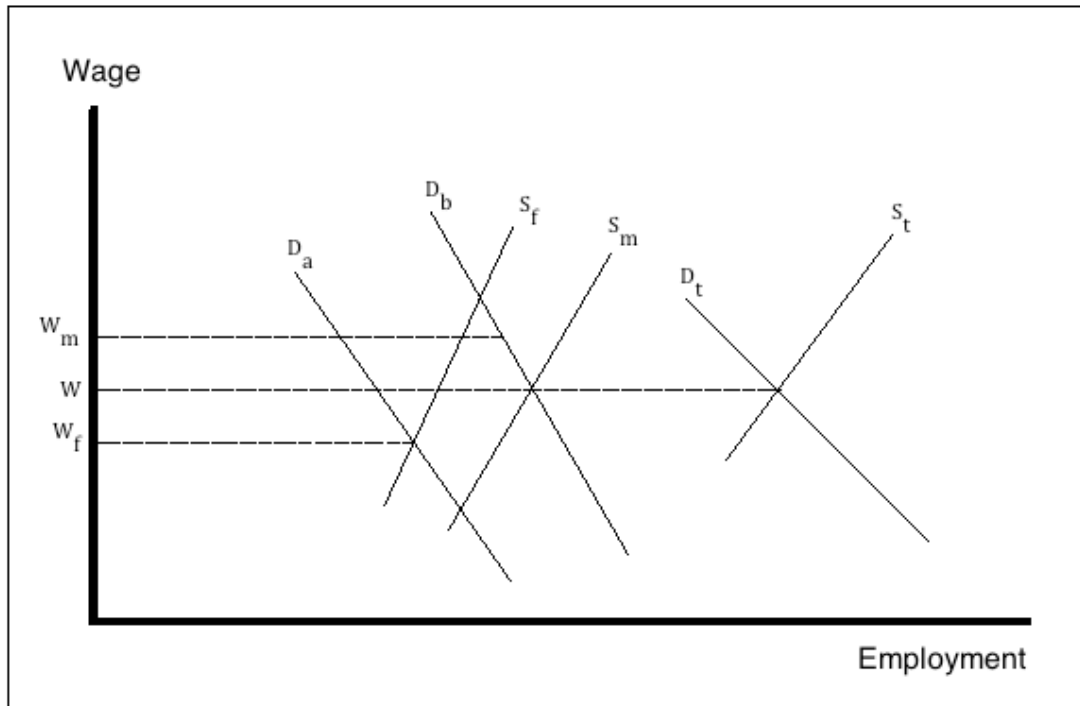


Figure 4.1 The effect on female wages due to occupational preference
 Source: Jonung, 1998:7, 41-42

If the females have a preference towards occupation B and men are indifferent towards the two occupations then the outcome will be that women will be working with men. And men will only occupy occupation A, since females prefer B to A. The wage will remain the same in both A and B, because even if women could consider working for less in B, men would not.

If women would suddenly prefer A over B then that would mean that they would work for a lower wage in A than in B. This would make them more attractive for employers, since they are cheaper to hire than men, alike the situation that was described in the Caribbean. The wage will then fall in A. And the wage in B will rise since females are choosing A over B. There will later be a wage difference between A and B. A will become a female job as long as

the wage difference does not compensate for the fact that women dislike occupation B. If there would be some integration between sexes in occupation B, then there will be an upward pressure in occupation B and a downward wage pressure would occur in occupation A.

The figure illustrates that the assumption of different preferences would only occur in the last case. Therefore a necessary attribute, for a wage difference among occupations, will need to be that females prefer occupations that are less productive. In that case demand will have to be low in relation to the supply on the market. Or that jobs that are preferred among women are located in places where men are fairly scarce. Jonung means that there is not explanation to why female jobs would be both low on demand and less productive (Jonung, 1998).

These preferences can be assumed to be socially constructed and can be considered a “pre-market” discrimination, social discrimination or sex roll socialisation. Sex role socialization is the process by which individuals learn gender. Which would be represented as values, interaction with friends, interaction with media, work relations and contact with society, just to mention a few. Therefore it can be assumed that preferences are based on individuals observations and that they later have adjusted and imitated or even obeyed to acquire these preferences. Male characteristics that are highly valued among men are strength, competitiveness, achievements, authority and technical /mathematical ability. Females are assumed to have more nurturing abilities and are often considered to be cooperative and subordinate to men (Jonung, 1998).

4.5 Determination of wage structure among females working within EPZs

A competitive market view can be applied to the EPZs labour market processes, to explain why this process occurs. Job structure and the choice of occupation can also be explained by using a competitive market view. The factors used are price and quantity. Price represents the wage level and quantity represents the individuals who receive a salary. This theory can be used to explain why occupational segregation by sex and wage occurs and why these factors are closely linked to each other (Jonung, 1998).

Workers and jobs are matched through the labour market. On the supply side one finds individuals. On the demand side one can find employers. Individuals choose between different jobs through weighing their background, education, and costs. Time and effort against benefits is also considered. Benefits are defined as wage level, prestige and amount of power. Employers on the other hand consider costs such as wages, expenses for non-monetary benefits and cost due to absence from work. According to Jonung, employers are willing to pay more for people with certain talents and skills. The reason for this is that they are considered more productive. This can be applied to female workers in EPZs. Many women come from rural areas and are rarely educated and apply for jobs within EPZs that are common for not requiring any developed skills. According to competitive market theory the incentive for people with talent are high when it comes to applying for well-paid jobs. EPZs do offer a higher or similar wages when comparing with non-EPZs. But the gender pay gap and other forms of discrimination continues to persist (Tejani, 2011).

Some theories question the strength of competitive forces of supply and demand when determining labour market outcome. They mean that the role of institutions, laws, tradition and social norms also determine wage levels and job placements. They claim that individual's behaviour is shaped after what their jobs require from them (Jonung, 1998).

Lastly, women who have a higher or equal educational level, like their male co-workers, have a greater chance of staying employed and receiving a compatible wage. Especially when the technological content of the production increases. Since EPZs, often, develop a

higher technology production they tend to minimize their female intensity. The view on women and the view of their capability will also need to change (McCallum, 2011).

4.6 Lock in effects

The lock in effects within the EPZs means that either workers rarely have the chance to unionise or they lack the time to apply for other jobs with higher wages. It has been stated that female worker do not unionize to the same extent as men, since they are at a higher risk of losing their jobs (McCallum, 2011).

It has also been stated that females work for a lower wage and for longer hours than men. Therefore they do lack the time to apply for jobs. Female workers also experience a lock in effect due to the fact that they often lack skills to develop at other workplaces (Gillette, 1998). The effect of this will eventually be that they will not feel comfortable applying for jobs that they cannot match with their competency. They are therefore locked to the job that they have. Which is often a job that requires no or low skills, offers a low wage and is situated in an area that does not offer any other jobs outside of EPZs. The lock in effects that females experience in EPZs can be a reason to believe that EPZs actually are labour traps for women.

5. Conclusion

The main objective of the thesis was to gain insight to whether EPZs were considered to be poverty- traps for women. Factors that affected inequality, such as wage, education and gender, were presented. The thesis covered why females were overrepresented in certain types of jobs. Moreover, it also worked towards an understanding to why females were discriminated in regard to occupations and wage levels within EPZs. The thesis discussed how gender segregation was developed. Wages and occupational skills within EPZs were compared. Working conditions within EPZs were described.

The main purpose was to answer if women were forced to work within EPZs due to the lack of options. The main purpose was also to answer if EPZs could lead to better working conditions in the future for women.

The cross-country study showed that females were rarely forced into working within EPZs. It was however clear that they often lacked comparable formal occupational options in their region. It also became clear that females often lacked the opportunity to choose which sector they preferred to work within. The effect was that they worked within jobs that require low skills. They were considered to be better at low skilled jobs, since they came from the domestic non-formal sector. Females often lacked an education and did at times lack the opportunity to unionise. This has been stated as discrimination towards females. They were also exposed to segregation, which makes it fairly hard to advance to a high skilled sector as a woman.

The working conditions would be able to improve if there were set policy guidelines for EPZs. It has been understood that institutional guidelines would have a positive effect on equality. But one has to consider that policies cannot always be applied to all types of EPZs and host-countries. Even if there are specific EPZ guidelines, EPZs will need to adjust to the host-country's need and development. The theories are therefore not mutually exclusive. It is necessary to use several theories to best work against gender segregation.

The collected data has been relevant. It has brought light to factors where it would be most beneficial for EPZs to develop. It is important to show how the establishment of EPZs has affected different countries.

Lastly and most importantly, EPZs are created to generate jobs, stimulate currency flows and attract foreign investments. This thesis showed that EPZs had not been created to stimulate gender equality. The goal to obtain better working environments, improve management and develop linkage was shown, throughout the thesis, to be secondary.

To conclude the thesis, more attention has to be paid to changing occupational segregation over time. This can be done through collecting even more data in relation the subject. In return it would be less difficult to analyse, and later determine, what should to be done. This is to avoid the chance that females will suffer from a poverty trap, if they work within EPZs.

There are still questions that could be answered. Further studies on this subject could be to include what actually reduces the amount of inequality and what need to be done to banish gender inequality within EPZs. Additional cross-country comparisons would be beneficial in further understanding of the effects of gender segregation and discrimination within EPZs. Lastly, a measurement for EPZs risk aversion to promote women would be of interest.

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Excels charts

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