THE IMPACT OF FOREIGN DIRECT INVESTMENT
ON WOMEN'S ECONOMIC, POLITICAL AND CIVIL RIGHTS

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**Declaration**

*I hereby confirm that none of the content presented in this thesis has been used to support an application for another degree at this or any other university or institution. This thesis represents the outcome of my personal research efforts. Any material sourced from published or unpublished works of others, which is incorporated in this thesis, has been duly acknowledged and credited to the respective authors within the text.*

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## List of Abbreviations

| | |
|---|---|
| 2SLS | Two-Stage Least Squares |
| ASEAN | Association of Southeast Asian Nations |
| CAPADOM | Central America, Panama, and The Dominican Republic |
| CARE | Cooperative for Assistance and Relief Everywhere |
| CEDAW | The Committee on the Elimination of Discrimination against Women |
| CIRI | Cingranelli and Richards |
| CMCG | Capital Markets Consultative Group |
| CSCE | Commission on Security and Cooperation in Europe |
| CSO | Civil Society Organisations |
| CSR | Corporate Social Responsibility |
| CTT | Climb to the Top |
| EMC | Emerging Market Countries |
| FDP | Faculty Development Programme |
| FLFP | Female Labour Force Participation |
| FSA | Firm Specific Assets |
| GDI | Gender-Related Development Index |
| GDP | Gross Domestic Product |

| | |
|---|---|
| GEM | Gender Empowerment Measure |
| GESI | Gender Equality and Social Inclusion |
| GFCF | Gross Fixed Capital formation |
| GII | Gender Inequality Index |
| GMM | Generalised Method of Moments Technique |
| GNI | Gross National Income |
| HDI | Human Development Indicator |
| HIC | High Income Countries |
| ICCPR | International Covenants on Civil and Political Rights |
| ICESCR | International Covenants Economic, Social and Cultural Rights |
| IFC | International Finance Corporation |
| IHDI | Human Development Index |
| IIA | International Investment Agreement |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| LMIC | Low-Income Countries |
| MDG | Millennium Development Goal |
| MENA | Middle East and North African |
| MNC | Multinational Corporations |
| MNE | Multinational Enterprises |
| NTU | Nottingham Trent University |
| OECD | Organisation for Economic Co-Operation and Development |
| OLS | Ordinary Least Squares |
| SDG | Sustainable Development Goals |
| SE | Standard Errors |
| SIDA | Swedish International Development Cooperation Agency |
| SIGI | Social Institutions and Gender Index |
| STATA | Statistics and Data |
| STEM | Science, Technology, Engineering and Math |
| TNC | Transnational Corporations |
| UDHR | Universal Declaration of Human Rights |
| UK | United Kingdom |
| UN | United Nations |
| UNCTAD | United Nations Conference on Trade and Development |
| UNCTC | United Nations Centre on Transnational Corporations |
| UNDP | United Nations Development Programme |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNIFEM | United Nations Development Fund for Women |
| US, USA | United States of America |
| V-DEM | Varieties of Democracy |
| VIF | Variance Inflation Factors |
| WBL | Women, Business and The Law |
| WCLI | Women's Civil Liberties Index |
| WCSPI | Women’s Civil Society Participation Index |

| | |
|---|---|
| WEF | World Economic Freedom |
| WEP | Women's Empowerment Principles |
| WPP | Women's Political Participation |
| WPPI | Women’s Political Participation Index |
| WTO | World Trade Organisation |

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# Abstract

Foreign Direct Investment (FDI) plays a significant role in enhancing economic growth within host countries. Governments are well aware of the advantages associated with FDI and are actively exploring innovative strategies to attract more foreign investments. However, it is important to note that FDI is not gender neutral and it may affect men and women differently. Many studies have focused on assessing the impact of FDI on productivity, wages and employment levels within host countries. Yet there is limited number of studies that systematically investigate the influence of FDI on women's rights and gender equality. Existing research that has examined the gender dimension of FDI has largely focused on two key aspects: the female labour force and the gender wage gap. However, concentrating solely on these individual indicators may not provide a comprehensive understanding of how FDI affects women. Therefore, with the availability of new and more extensive data sources, there is an opportunity to utilise a broader array of indicators related to gender equality and women's rights. This expanded perspective can offer new insights and contribute to the limited body of literature, with a more nuanced understanding of the impacts of FDI on women and gender equality within host countries.

This research aims to investigate the impact of FDI inflows on women's economic, political and civil rights in the host countries. For this purpose, we use longitudinal data from the Varieties of Democracy dataset for 150 countries over the period 1970-2018. The impact of FDI may also depend on factors including a country's income level, development stages and the absorptive capacity. Therefore, we divide our data into two different income levels of countries, to see how the impact of FDI varies across different income groups. This new dataset allows us to go beyond the previous studies, which tend to focus solely on female labour force participation (FLFP) and gender wage gap. The research includes three empirical chapters, each of which focuses specifically on each aspect of women's rights. We use a number of empirical techniques, including Pooled Ordinary Least Squares (OLS) estimation, Two-Way Fixed Effects, Driscoll Kraay Standard Errors, and Two-Stage Least Squares (2SLS) estimation, to investigate the impact of FDI on women's rights.

Our findings indicate that FDI inflows generally have a positive impact on women's rights. We observe a strong correlation between FDI and FLFP in the full sample of countries. However, upon analysing the impact of FDI on women's rights within two distinct income groups of

countries we observed contrasting effects. Specifically, we find that FDI has a negative effect on FLFP in low-middle income countries, while it has a positive effect on FLFP in high-income countries. Moreover, we find no strong evidence of FDI influencing other aspects of women's economic rights, including the Women Business and the Law Index and Access to State Jobs. Regarding women's political rights, our analysis does not reveal any noteworthy impact of FDI, regardless of the different income level of the countries studied. Conversely, we find a positive impact of FDI on various aspects of women's civil rights, which includes freedom of movement, freedom from forced labour, and women's property rights. Nevertheless, the impact of FDI on civil rights is only visible in high income countries. Furthermore, our research highlights the importance of democracy, as a political institution, in shaping women's rights. These factors, playing a significant role in shaping individual norms and behaviour within a country, can potentially impede or assist the positive impact of FDI on women's rights. In conclusion, based on our study, we find empirical evidence that supports a positive relationship between FDI inflows and women's rights. However, the impact varies across different aspects of women's rights and different income levels of countries studied. The role of political institutions is also crucial in shaping women's rights.

# 1 Introduction

## 1.1 Background of the study

Economic globalisation can be defined as an increase in global market integration, resulting in a rise in the movement of capital, goods, services, and labour. It is notably influenced by factors related to production, FDI and trade flows. Therefore, the expansion of FDI can be considered a valid indicator of rising economic globalisation. FDI is defined as cross-border investments that reflect the objective of a resident entity in one economy, i.e., the home economy, to obtain a lasting relationship in a firm in another economy, i.e. the host economy (OECD, 2008). In this study we particularly focus on FDI, as the component of economic globalisation.

FDI is considered as an engine of economic growth (Braunstein, 2002). FDI can have an impact on host countries in a number of ways. FDI brings in financial resources which help stimulate economic growth and development in the host countries. Moreover, FDI often leads to creation of employment and increased hiring of workers in the host countries, due to an expansion of new businesses. Multinational corporations (MNCs) that engage in FDI also bring advanced technologies and management practices to host countries, facilitating knowledge and skill transfer to the local firms (Blomström & Kokko, 1998).

However, FDI is not gender neutral (Braunstein, 2006). Despite numerous studies regarding FDI little attention has been devoted to the impact of FDI and gender (Braunstein, 2002; Seguino & Grown, 2006; Siegmann, 2006). Studies that emphasised gender perspectives frequently incorporated variables such as FLFP or gender wage gap in their research, often yielding varying outcomes. There are few empirical studies that looked into the details of the relationship between FDI and women’s rights, but are still limited in number and frequently produce conflicting or inconclusive results (Braunstein, 2006; Ouedraogo & Marlet, 2018). Hence, there is a need for gender-specific research, with a wider range of appropriate data which are only now becoming available.

Gender equality is beneficial from an efficiency perspective as it is believed to foster improved opportunities for women, leading to higher human capital development outcomes, poverty reduction and enhanced economic growth. (Sinha et al., 2007).

Gender equality can be measured using a number of indicators including gender wage gap, FLFP or a gap in male and female education (Banerjee, 2019). At the same time, it can also be measured through other dimensions of women's welfare such as women's rights in society. Women's rights are closely connected to gender equality as they represent the specific rights and freedoms that women should have on an equal basis with men. Achieving gender equality requires addressing the historical and systemic discrimination and disadvantages that women have faced. By advocating for and securing women's rights, we can work towards creating a more equitable society where gender-based discrimination and inequalities are eliminated (UNDP, 2020).

Women's rights and welfare have also been considered as the driving forces of economic growth in many studies (World Bank, 2012). In fact, gender equality and women's empowerment are one of the 17 Sustainable Development Goals (SDGs) (i.e., Goal 5) and requires immediate actions to remove the main causes of discrimination that still holds back women's rights in private and public sphere. United Nations Development Programme's (UNDP) SDG Goal 5 targets towards achieving gender equality and empowering all women and girls. If men and women have equal access to education, economic opportunities and formal labour markets, Gross Domestic Product (GDP) levels and productivity will increase through better utilisation of skilled and talented resources (World Bank, 2012).

FDI can affect women's rights and gender equality in a number of ways. For some host countries, FDI inflows can contribute to women's economic empowerment by creating employment opportunities, enhancing access to formal markets, and improving working conditions in the host economies (Aseidu, 2009). Increased FDI inflows have been associated with higher FLFP rates and increased wages for women in various industries (Blunch & Verner, 2001). Moreover, FDI can facilitate the transfer of technology, knowledge, and skills, leading to improved skills and competencies for women. However, it is important to address the potential negative consequences of FDI. FDI can also increase gender inequalities through poor working conditions, low wages, long hours, and limited social protection (Cingranelli & Chang-yen Tsai, 2003). There may also be gender-based discrimination and harassment in the workplace which hinders women's ability to fully exercise their rights, such as discriminatory practices, limited women's access to resources and decision-making positions (Agarwal, 1994). Hence, careful attention must be given to policy frameworks that prioritise gender equality and protect women's rights in the context of FDI (UNCTAD, 2018).

## 1.2 Rationale of the Study

There have been numerous studies examining the impact of FDI on host countries (Kokko & Blomstrom, 1996; Borensztein et al. 1998; Javorcik, 2004), but the focus on gender-specific outcomes and women's rights has been relatively limited (Braunstein, 2006; Cho, 2011; Neumayer & Soysa, 2011). In this study we investigate how FDI inflows affect women’s rights and with new datasets now becoming available, enable us to add new insights to previous related studies on FDI, which often overlooked gender perspectives. This oversight has historically resulted in an inability to acknowledge gender-related aspects when studying the global social, political and economic impacts of FDI.

Gender serves as a significant form of differentiation which has social, economic and political implications globally. Young (2002) stated that all institutions’ power is exercised to the advantage of some and at the expense of others, and gender is a starting point through which such differentiations occur and can be analysed. The 2019 Human Development Report indicated that women and men never enjoy equal rights in any society and their gender related measures, inevitably, showed disparities between men and women in every country (UNDP, 2019).

From this, it is important to study ways in which these disparities arise, from which policies can be developed to try to reduce or eliminate them. This might require external forces to disrupt deeply established inequalities. The aim of the present research is to explore whether FDI can be a disruptor. The impact of FDI on gender depends on a number of factors, including the characteristics of the host country (such as income level and development stage), the sectoral composition of FDI, the policy environment, and the absorptive capacity of the economy (Kokko & Blomstrom, 1996; Blomström & Kokko, 1998; Carril-Caccia & Pavlova, 2018). It is therefore important to identify where FDI has had a positive impact on women, since previous studies yield mixed results, drawing attention to the heterogenous effects of FDI (Aguayo-Tellez, 2012). We also use measures of women’s rights that are not directly connected to the labour market, to assess gender equality in alternative ways.

Therefore, in an attempt to integrate gender into the mainstream FDI literature we use women’s rights as a proxy of other dimensions of gender equality, dividing it into economic, political and civil rights. Bradley & Khor (1993) note that, by considering both the private and public aspects of multiple dimensions of rights (economic, political, civil and social) researchers can enable a wide range of concepts and theories of women's status, resulting from cultural differences, to be embedded in the analysis. Studying FDI's impact on women's rights is both an important entry point and a valuable tool for understanding human development and creating strategies and methods to improve human rights standards globally. Our objective here however is to delve deeper into FDI and conduct a thorough analysis of its effects on women's rights. Therefore, in this thesis we focus on three types of women's rights: economic, political and civil.

## 1.3 Research Gap and Contribution

The existing literature on the impact of FDI on gender inequality includes a range of controversial topics, and the overall findings remain inconclusive. Most literature on FDI and gender, focus particularly on the impact of FDI on women's employment and gender wage gap in the host economies (Seguino, 2000; Oostendorp, 2009; Timmermans, 2014). Moreover, these studies focus exclusively on a country or specific regions or cases. However, the conclusions drawn from these studies often differ, leading to a lack of consensus in the field. Some of these studies conclude that FDI may reduce gender inequality by creating employment opportunities to women, while others argue that women continue to face discrimination in many areas. As a starting point for our analysis, we focus on the commonly used FLFP, categorising our data into distinct income groups. Our study distinguishes itself from previous research by examining various age cohorts of FLFP (15-24 and 25+), enabling us to analyse how FDI impacts different age groups within the female labour force.

Furthermore, previous studies, which focused on single indicators primarily centred around the workplace, makes it difficult to understand women's rights within the context of the family, society, and other non-workplace social settings. As a result, these studies fail to answer important questions on how FDI could reduce gender discrimination and improve women's fundamental rights.

Of the few existing studies empirically investigating the impact of FDI on women's fundamental rights, Neumayer and Soysa (2007), analysed the effects of trade and FDI inflows on women's economic and social rights for the period 1981-2007 and found that FDI inflows have a slight positive effect on women's economic rights only in middle income countries, while there was no effect found for women's social rights. Similarly, Richards and Gelleny (2007) examine the impact of economic globalisation on women's rights in the host countries, using a sample of 130 countries from 1982 to 2003. Their findings reveal that the relationship between economic globalisation and women's status is not consistent and varies depending on the type and era of globalisation. Cho (2013) using panel data analysis of 150 countries for the period 1981-2008, found no reliable impact of FDI on women’s economic and social rights in the host economies.

Overall, however, economic globalisation has been shown to be associated mainly with improved women's status. This suggests that FDI, as one manifestation of economic globalisation, might itself have positive effects on women's rights, although the specific outcomes may differ across different contexts and time periods.

The studies which focus on women’s rights limit their analysis to one particular dataset which is the Cingranelli and Richards (CIRI) dataset. The CIRI dataset, despite being widely used and covering some important indicators of rights, does not distinguish between social and civil rights. The present research purposely distinguishes women’s social rights from their civil rights in accordance with the United Nations 1976 Declaration of Human Rights conventions (discussed in section 2.3).

The CIRI dataset mainly captures government respect for women’s economic, political, and social rights, including equal remuneration law, laws on women’s education and health care. Although focusing on legal protections of rights is important, it can be misleading sometimes, because even if governments do not discriminate against women, there can be strongly rooted cultural norms and practices which hinder women from enjoying their rights (Okin, 1998; Cope, et al., 2020) (discussed in section 2.3.4). In this study, we use the Varieties of Democracy(V-Dem) data set, which includes both government sanctioned rights as well as rights and freedom that are mostly decided by informal structures, to address such limitations. The V-Dem dataset is a much more comprehensive dataset that provides indicators and measurements related to various aspects of democracy around the world, including indicators and variables that cover political, civil, economic, and institutional dimensions of democracy. Crucially, the V-Dem dataset disaggregates indicators by gender, which helps us track progress in women’s rights around the world (Laura, 2020).

By examining women's economic, political, and civil rights, we can obtain a more comprehensive understanding of the state of gendered rights. Our approach allows us to consider not only formal legal frameworks but also informal cultural practices that may restrict women's fundamental rights and basic freedoms. Analysing these different dimensions provides insights into the complex interplay between legal protections, social norms, and cultural contexts that shape women's rights.

We therefore contribute new ideas to the existing literature by using a new dataset which improves over the commonly used CIRI dataset (Cole, 2020). The V-Dem dataset includes women’s civil rights, which have been neglected in most existing literature (Richards & Gelleny, 2007; Cho, 2011), in addition to economic and political rights. This involves examining aspects like family law, legal frameworks and informal laws as they relate to and affect women.

Our study is similar to Richards and Gelleny’s (2007) study, in the sense that they focus on the impact of FDI and trade on women’s rights. However, our study represents a more refined version, as we explore three distinct categories of women's rights: economic, civil, and political. Additionally, we utilise the most up-to-date data available from 1970-2018, in contrast to Richards and Gelleny's study, focused on a narrower time period spanning from 1982 to 2003. Furthermore, our research goes beyond their scope by investigating how FDI affects different income groups of countries. This is important because the impact of FDI can vary depending on a country’s income level and development. Therefore, by looking at the impact of FDI on different country groups can provide us with a better understanding of how the impacts can differ across countries. A notable deviation from previous studies is our intentional focus on civil rights. This enables us to explore how FDI influences the most intimate aspects of women’s lives.

## 1.4 Aims and Objectives

The economic rights this research addresses are the governments’ legal protections of laws on equal pay, any limitations by the law to join a workforce, any laws on sexual harassment in workplace, women’s access to economic resources. The political rights include rights to free discussion, women’s political participation as lower chamber legislators, right to join civil society organisation, right to work as female journalists. Finally, the civil rights include the freedom of movement, access to justice, freedom from forced labour, the right to own a property. Using a relatively new data source that measures respect for women’s economic, political and civil rights separately (Coppedge, et al., 2020), this research analyses how FDI can impact three different types of women’s rights conditions independently. Unlike previous literature we use recent data for 150 countries over the period of 1970-2018. Moreover, the impact of FDI depends on a number of factors, including the characteristics of the host country (income level, development stage), the policy environment, and the absorptive capacity of the economy. Therefore, we analyse the impact of FDI on the rights of women in two different income groups of countries: low-middle income and high-income countries. The categorisation of countries follows the World Bank's definition; therefore, a country is considered low-middle income if it does not meet the World Bank's criteria for high-income classification in a specific year.

From this, the primary aim of this research is to expand the existing literature on the relationship between FDI and women's rights by considering additional measures of women's fundamental rights beyond FLFP. The focus is specifically on exploring the impact of FDI on three key aspects of women's rights: economic, political, and civil rights. Additionally, the study aims to investigate the effects of FDI inflows separately for low-middle income countries and high-income countries, recognising the potential variations in FDI's impact across different income groups and countries.

**To achieve these aims, the research outlines specific objectives:**

- To investigate the effects of FDI on women’s economic rights
- To investigate how FDI affects women’s political rights
- To investigate the impacts of FDI on women’s civil rights

The overarching research question driving this study is:

**Does Foreign Direct Investment affect women's rights?**

To address this question, three sub questions have been identified, each corresponding to a separate empirical chapter.

1. *What are the impacts of FDI on women's economic rights?*

2. *What are the impacts of FDI on women's political rights?*

3. *What are the impacts of FDI on women's civil rights?*

Each empirical chapter, specifically Chapters 3, 4, and 5, focuses on addressing individual research sub questions. To address these sub questions, we have formulated hypotheses, and these hypotheses are elaborated upon extensively within each corresponding empirical chapter.

To address research sub question 1 (RSQ 1), we have developed 3 hypotheses in chapter 3:

*RSQ 1: What are the impacts of FDI on women's economic rights?*

**Hypothesis 1 (H1):** *On average, FDI will positively affect FLFP*
**Hypothesis 2 (H2):** *FDI will positively impact gendered laws in economic freedom*
**Hypothesis 3(H3):** *FDI will positively affect women's access to state jobs and businesses*

Chapter 4 addresses the second research sub question (RSQ 2), and based on the question we developed two hypotheses:

*RSQ 2: What are the impacts of FDI on women's political rights?*

**Hypothesis 1 (H1):** *FDI inflows positively affect women's political participation*

**Hypothesis 2 (H2):** *FDI inflows positively affect women's civil society participation*

Chapter 5 addresses the third research sub question, and we developed one hypothesis based on the sub question.

*RSQ 3: What are the impacts of FDI on women's civil rights?*

**Hypothesis (H1):** *FDI will positively affect women's civil rights*

## 1.5 Research Methods and Summary of Findings

We use quantitative analysis to evaluate the effects of FDI inflows on women's rights in the host economies, based on the investigation of data collected from international organisations, World Bank, ILOSTAT, UNCTAD and V-Dem data set.

We employ cross sectional time-series data of 150 countries over the period 1970-2018. In order to achieve the objectives, we develop three empirical chapters which answer the above research objectives. Each empirical chapter has its own contributions which are discussed in each chapter.

The first empirical chapter is Chapter 3 and studies the relationship between FDI, and different types of women's economic rights. This chapter contributes to existing literature by applying fixed effect regression analysis and using panel data techniques to investigate the links between FDI and women's economic rights across 150 countries over the period 1970-2018. We use 4 indicators of women's economic rights: female labour force participation (FLFP) from ILO STATS, and three other proxies for women's economic rights from V-Dem Dataset, namely Women Business and the Law Index, Women's Access to State Jobs, Women's Access to State Businesses. We use two-way fixed effects estimation to analyse the effects of FDI inflows on each of the indicators of women's economic rights. In this chapter we also use Driscoll Kraay Standard Errors to control for heteroscedasticity and autocorrelation. This chapter also examines the effects of FDI on women's economic rights across different income groups of countries. We find that generally, FDI has a positive relationship with FLFP when using the full sample of countries. However, when countries are divided into two income groups, distinct results are observed. The results show that FDI has a negative impact on FLFP in low-middle income countries, while FDI has a positive impact on FLFP in high-income countries. Finally, we were unable to detect any significant results for the impact of FDI on Women Business and The Law Index which represents gendered laws in economic freedom.

The second **empirical chapter (Chapter 4)** investigates whether FDI contributes to any improvement in women's political rights. This chapter uses the V-Dem dataset and aims to identify and fills gaps in the literature on this field by analysing different aspects of women's political rights. The majority of previous empirical studies use women's seats in parliaments to capture women's political rights, while we use other measures of women's political representation defined by V-Dem. We use V-Dem dataset of Women's Political Participation Index, and Women's Civil Society Participation Index, to find the answers on how FDI impacts women's political rights in these sectors. Following Richard and Gelleny's (2007) analysis we also divide our data into pre and post globalisation era to see the effect of FDI before and during globalisation.

In this chapter, we also use Two Stage Least Squares Approach (2SLS) estimations due to their robustness and effectiveness in comparison to random effect or fixed effect models. We use this estimation technique to address potential endogeneity within our panel data. This is because several empirical studies have also examined the reverse relationship between women's political rights and FDI. These studies have yielded significant outcomes, suggesting an impact of women's rights on FDI. As a result, it is essential for us to consider that women's political rights can also influence FDI inflows.

The findings of this chapter suggest that FDI does not consistently and reliably affect women's political rights. We do not find significant evidence of FDI's impact on Women's Political Participation Index or the Women's Civil Society Participation Index. However, there is a positive and statistically significant association between FDI and women's freedom of discussion, which is a subcomponent of the Women's Civil Society Participation Index. These findings remained consistent across different analytical approaches and were supported by robustness checks. Therefore, it can be concluded that while FDI may have a limited positive impact on certain aspects of women's political rights, its overall influence is not consistently observed.

Finally, our last **empirical chapter (Chapter 5)** examines the impact of FDI on women's civil rights. We use the V-Dem dataset of Women's Civil Liberties Index which focuses on four main areas of civil rights: Freedom of Movement, Freedom from Forced Labour, Rights to Own Property and Access to Justice. In this chapter we also use panel data analysis with two-way fixed effects estimation and again use 2SLS approach to account for any endogeneity.

For robustness and considering the highly significant results obtained from one of the institutional variables (specifically, the polity2 measure for democracy), we introduced an interaction term. We multiplied FDI by the quality of institutions in the host countries (FDI*Polity2) to examine the variations in FDI's impact on women's rights based on the quality of institutions.

Our findings also show that countries with a greater openness to FDI tend to demonstrate better civil rights for women. Our study identifies positive effects of FDI on three key indicators of civil rights, namely access to justice, protection of property rights, and a reduction in the incidence of forced labour. Notably, we observe that in low-middle income countries, the impact of FDI on women's civil rights tend to be weaker compared to high-income countries. Moreover, our analysis underscores the significant role of democracy in enhancing women's civil rights through the FDI link, particularly in developing countries.

## 1.6 Structure of the Thesis

The thesis is structured as follows. Chapter 2 presents the review of literature with a background of FDI, trends and the motivations of FDI, theories on women's rights, theoretical framework on the impact of FDI on women's rights, and the empirical literature on the impact of FDI on women's rights. Chapter 3 is the first empirical chapter on the impact of FDI on women's economic rights. Chapter 4 is the second empirical chapter on the impact of the FDI on women's political rights. Chapter 5 is the third empirical chapter, on the impact of FDI on women's civil rights. Chapter 6 concludes this thesis by highlighting the main results and presenting their academic contributions, policy implications, and scope for further research.

# 2 Literature Review

This chapter presents the theories of FDI, theoretical framework of the impacts of FDI on women, empirical reviews of prior studies examining the relationships between FDI, employment, wages, and women. The chapter is organised as follows:

Section 2.1: This section explores the theories, trends, and motivations of FDI. It aims to provide a comprehensive understanding of the foundations and drivers of FDI.

Section 2.2: This section offers a critical review of empirical studies that have explored the connections between FDI, employment and wages, providing insights into the existing body of research on this topic.

Section 2.3: This section offers a historical context of the evolution of women's rights, discussing various dimensions and aspects of women's rights.

Section 2.4: This section outlines the theoretical framework that explains how FDI can impact women and contribute to gender equality. It serves as a foundation for the empirical analysis conducted in this thesis.

Section 2.5: Summarising the empirical literature on the impact of FDI on gender equality and women, this section offers a review from previous research, which will inform the study's empirical analysis.

## 2.1 Theories and Motivations of FDI

This section aims at providing an understanding of the theories of and motivations for FDI. In 2.1.1 we start by defining FDI and reviewing the recent trend of FDI. In section 2.1.2 we discuss the motivations for FDI.

### 2.1.1 Foreign Direct Investment: Definition and Trends

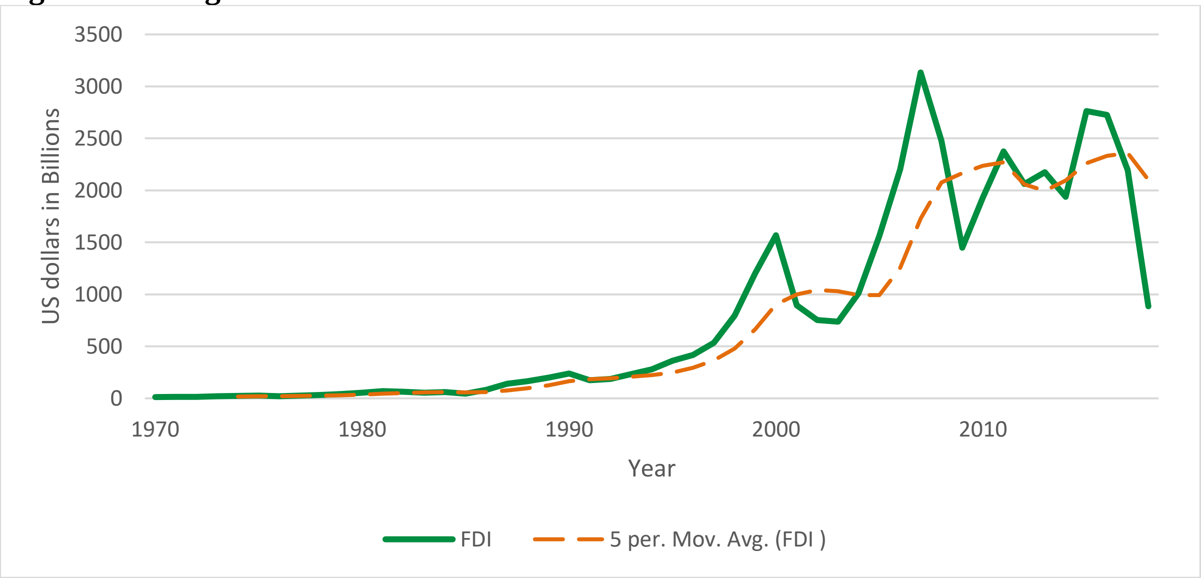
FDI is a key element of economic globalisation and since the 1980s FDI inflows has grown significantly in the world economy. Globalisation process was mainly triggered by Transnational corporations (TNCs) and their associated FDI activities. According to UNCTAD (2006) FDI has become an important mechanism of economic development, as it enhances capital stock in the host countries and promotes economic growth. FDI is also seen as a driver of employment, technological transfers and productivity improvements (Çeviş & Burak, 2007).

Whether developed or developing, all countries are interested in the flow of FDI and some countries in similar geographic areas compete amongst themselves to attract investment. Prior to 1970s, developing economies were often unwelcoming towards TNCs and wanted to limit their activities through domestic and international regulations (Kaufman, 2002 Adams, 2009). However, compared to the 1960s and 1970s, enormous changes have been seen in the patterns of capital flows from developed countries to the developing countries in the 1980s (UNCTAD, 2006).

From the 1970s to 2008, the annual amount of FDI inflows increased from $13.346 billion to $1,697.353 billion. Additionally, the share of FDI inflows as a percentage of world GDP rose from 0.5% in 1970 to 2.78% in 2008. By 2015, FDI stocks accounted for 34.62% of the world's GDP a significant increase from 9.61% in 1990 (Elboiashi, 2011). The importance of FDI extends beyond the economic sphere to political, social, cultural, technological, environmental, and various other aspects.

The figure below shows the long term trend in FDI, which reflects a sharp rise in FDI inflows between 1970s and 2018. Although the growth of FDI inflows slowed down during the financial crisis of 2008, we can see the overall trend is rising (UNCTAD, 2019).

**Figure 2-1 Long Term Trend in Global FDI Inflows**




Data Source: World Bank

With time, an increasing number of countries have implemented policy reforms aimed at attracting greater FDI inflows and achieving stronger integration into the global economy.

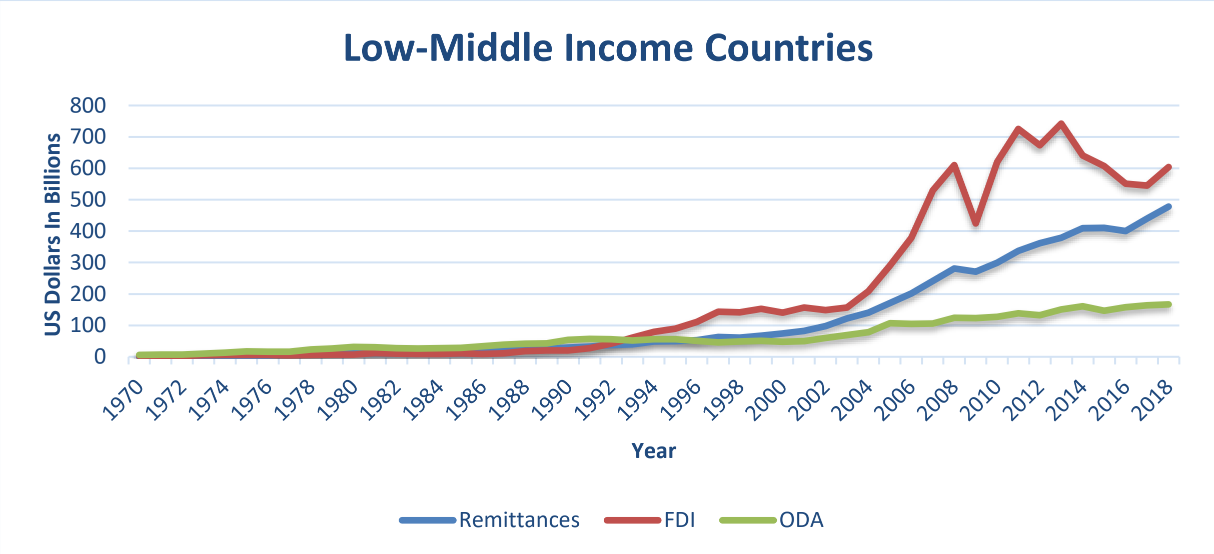
This shift towards economic globalisation, driven by proactive policy changes, has stimulated technological exchange and skill development. As countries engage more deeply with international markets through FDI-driven globalisation, they gain access to global value chains, boost exports, and enhance overall economic resilience. Accordingly, policy adjustments designed to attract FDI have proven instrumental in driving economic globalisation, stimulating growth, and enhancing nations' positions in the global economy. There was a significant change in attitude towards FDI during the 1990s where countries started to recognise the benefits of FDI.

During the period of 1993 to 2003, majority of regulatory changes made by countries worldwide, accounting for 94% of a total of 1,718 changes, were implemented in favour of foreign investors (UNCTAD, 2006). This statistic highlights the significant efforts undertaken by governments to create a more favourable environment for attracting and accommodating FDI. These policy adjustments included various areas such as investment regulations, business facilitation, and legal frameworks, all aimed at promoting a welcoming atmosphere for foreign investors. The substantial proportion of favourable regulatory changes demonstrates the global recognition of FDI as a catalyst for economic growth and development.

The continuous increase in the cross border movement of capital, particularly FDI, along with the accompanying policy reforms and strategies aimed at attracting such investments, can be identified as the primary driving forces behind the broader reform process. The increasing significance of FDI and the measures taken to facilitate its inflow reflect the evolving dynamics of global economic integration, as countries seek to harness the potential benefits associated with foreign investment and leverage it for their development and progress (Donciu, 2013).

In the past five decades, developing countries have experienced a significant influx of financial resource flows, primarily driven by increased global market integration. As a result, external financing options accessible to developing countries has undergone growth and transformation over time. FDI is recognised as the primary source of external financing among the various types of capital flows. This is because FDI is seen as a less volatile source of finance, to portfolio investments, commercial loans, and trade credits. Additionally, FDI holds a significant position in the global economy in comparison to other categories of capital flows (Chuhan et al., 2013). The figure illustrates the trend in external sources of finance for low-middle income countries, encompassing various international investment flows into the country. It is evident from the trend that FDI has remained a consistent and dominant source of finance for low-middle[1] income countries between 2002 and 2018. FDI stands out as the highest contributor among the different types of external financial inflows during this period.

Figure 2-2 Sources of External Finance in Low-middle Income Countries, 2009–2018 (Billions of Dollars)




Data Source: Data Collected from World Bank

*Definition of FDI*

FDI can be defined as cross-border investments that reflect the objective of a resident entity in one economy, i.e., the home economy, to obtain a lasting interest in a firm in another economy, i.e. the host economy (OECD, 2008). This further means that FDI involves transfer of ownership of businesses in the host countries to a foreign investor and also the relocation of intangible assets.

FDI is different from other types of investments as it involves a direct and tangible presence of a foreign company in another country through subsidiary operations. Unlike portfolio investments, which are passive in nature, FDI requires active participation in directing and managing the acquired business. FDI investors are actively involved in the management of the business, contributing their expertise and resources to its operations. In contrast, portfolio

[1] Here, we follow the World Bank definition of low-middle income countries.

investors are passive investors who earn returns without participating in the management of the business. Additionally, portfolio investors have the flexibility to transfer their investments between portfolios, while FDI investors face greater challenges in withdrawing their investments from host countries. The unique characteristics of FDI highlight its long-term commitment and the active role it plays in the host economy, making it a distinct form of investment with implications for both the investing and host countries.

There are two main types of FDI: greenfield investment and brownfield investment. Greenfield investment involves the construction of new facilities by the foreign firm in the host country, while brownfield investment occurs when a foreign investor purchases or leases an existing facility to initiate new production. The effects of FDI can vary depending on the type of inflows. Greenfield investments contribute to capital growth and higher productivity through the establishment of new facilities. On the other hand, brownfield investments, including mergers and acquisitions (M&As), may not increase capital but can positively impact economic growth by introducing new knowledge and technology to the host country (Bayar, 2017)

The majority of transactions of FDI in brownfield investments occur from rich developed countries to developing countries, which sheds light on the concerning issue of poor human rights standards, particularly in factories located in developing nations. In contrast, FDI transactions in greenfield investments predominantly occur between developed countries (OECD, 2002). FDI directed towards developed countries by developed countries differs from that directed towards developing countries. This observation helps provide an explanation for the different FDI-human rights findings, as the impact on human rights can vary depending on the nature and context of the investment.

Another fundamental concept of FDI which economists call “FDI activities” are two well accepted terms: vertical and horizontal FDI. Horizontal FDI occurs when a foreign firm from one country invests in or establishes business operations in host country that is engaged in a similar line of business. In other words, it involves expanding or replicating the same business activities that the investing company is already engaged in within its home country, but in a foreign market (Caves, 1971; Cheng, 2006). Horizontal FDI establishes its business in other developed countries mainly due to location advantage or such as a reduction in transportation cost. These types of FDI are often referred to as market-seeking (see FDI types) where the investors are drawn towards larger economies with significant market potential. In contrast, vertical FDI involves the geographical fragmentation of production processes and is often driven by comparative advantage in factor costs. Research indicates that multinational enterprises (MNEs) based in skill-intensive industries often invest in manufacturing stages of production of goods in regions where labour is relatively inexpensive, subsequently re-importing a significant portion of the products back to their home country or exporting them to other nations. Whether following a vertical or horizontal model, FDI activities can have several positive effects on host economies. Primarily, FDI activities generate and sustain employment, offering job opportunities to local residents. These jobs are perceived as consistent and stable, even in times of economic downturn.

The importance of FDI arises from the positive externalities created by multinational companies, which include providing financial resources, generating employment opportunities, transferring technological know-how, managerial and organisational skills, and enhancing competitiveness (Adams, 2009).

### 2.1.2 Theories and Motivations of Foreign Direct Investment

To understand the impact of FDI on the host country it is important to know the basic motivations that cause a foreign entity to invest abroad. We will briefly explain a few popular theories which state the determination of FDI. The main theories of FDI were developed by John Harry Dunning, Stephen Hymer and Raymond Vernon (Denisia, 2010).

#### *2.1.2.1 Product Life Cycle Theory*

Product life cycle theory, initially proposed by Vernon in 1966, outlines four stages in the life cycle of a product: innovation, growth, maturity, and decline. According to this theory, as products progress through these stages, firms transition from being domestic exporters to engaging in FDI. Vernon argued that firms expand their FDI activities in foreign markets that share similar characteristics with their home markets, before venturing into markets that differ significantly from their home markets. This strategic approach allows firms to leverage their existing knowledge, resources, and market understanding in similar markets before pursuing opportunities in more diverse and unfamiliar markets. The product life cycle theory provides insights into how firms strategically adapt their international operations as products evolve and markets change (Faeth, 2009).

The theory suggests that technological innovation will initiate the development of new products which will be sold in the internal market at the initial stage of development.

As the product matures, the firm begins exporting to developed countries, enjoying the profits from the sales of the newly invented product. However, as competition increases and rivals start entering the market, the growth to maturity stage is reached. At this stage, competitors may copy the successful product and penetrate the market. To meet the growing demand and cope with increased competition, the original inventor of the product is compelled to establish production facilities in foreign countries, seeking locations with lower input costs (Vernon, 1966). Vernon's work was primarily based on the dynamic relationship between US trade and the direct investment activities of major US industrial firms. The theory provides insights into how firms strategically respond to market changes and competitive pressures throughout the different stages of the product life cycle.

*2.1.2.2 Hymer's Ownership Advantage*

Hymer's (1976) market imperfections theory proposes that firms actively seek market opportunities and make decisions to invest abroad based on their ability to utilise unique firm characteristics that are not possessed by their competitors in foreign countries. In this theory, Hymer identified two major factors that drive foreign direct investment. The first determinant is the removal of competition, while the second is the comparative advantages that certain firms possess in specific activities. Hymer (1976) particularly emphasised on the concept of "monopolistic advantage" to explain why firms enter foreign markets. He argued that firms engage in overseas investment due to ownership advantages, such as product differentiation, managerial expertise, new technology, intangible assets, economies of scale, and low transaction costs. These advantages can help eliminate competition and provide firms with a unique position in foreign markets. The market imperfections theory highlights the importance of firm-specific advantages in driving FDI and understanding the motivations behind firms' international expansion. He mentioned that FDI will only take place if the firm specific advantages mentioned above compensate the relative disadvantages of investing in a foreign country (Hymer, 1960).

Market imperfections in both products and factors of production create opportunities for firms with high capabilities, such as patented technology, advanced market entry strategies, and managerial skills, to gain a competitive advantage over other firms. These imperfections may arise from barriers to entry, information asymmetry, or transaction costs, among other factors. Firms that can navigate and exploit these market imperfections effectively are able to establish a stronger position in the market and outperform their competitors.

By leveraging their unique capabilities, these firms can differentiate their products, access key resources at a lower cost, and effectively enter new markets. The recognition and utilisation of market imperfections play a significant role in shaping the strategies and success of firms in the competitive business environment (Kindleberger, 1969). Firms with these monopolistic advantages are able to compete effectively with domestic firms in host countries (Soci, 2002).

Dunning (1988) developed a more comprehensive framework regarding the 'advantage' concept within the Eclectic or OLI paradigm. These advantages of multinational corporations can give them a monopoly power, which could be further strengthened by the other two advantages of MNEs, the market internalisation advantage and the location-specific advantage.

#### *2.1.2.3 Eclectic Paradigm*

Dunning (1973, 1974, 1981, and 1988) introduced the "eclectic paradigm" as an approach to explain the motivations behind foreign firms' engagement in production activities in foreign countries. Dunning (1981) identified three important conditions that need to be met for foreign investment to take place. First, the firms engaging in FDI must possess net ownership advantages that give them a competitive advantage over rival firms in the host country. Second, it is typically more advantageous for firms to internalise their ownership advantages by engaging in direct investment rather than licensing them to external markets. This internalisation allows the firms to retain greater control and maximise the benefits of their advantages. Third, in addition to ownership and internalisation advantages, the host country where the FDI activities take place must possess some special locational advantages. These locational advantages complement the ownership and internalisation advantages and contribute to the overall attractiveness of the investment. According to the theory, a firm must fulfil all three conditions in order to make FDI investments. However, in the absence of significant locational advantages, firms may choose exporting as an alternative strategy to exploit their ownership advantages.

Firstly, Ownership advantages "O" refers to all income-generating assets possessed by a firm that enable competitive advantages over other firms. Ownership advantages are a firm's unique characteristics which cannot be imitated by other firms. For instance, specialised knowledge, expertise, and capabilities possessed by the firm's workforce, which enables them to perform tasks more efficiently and effectively. These advantages come from highly competent managers of firms who are able to utilise the assets and resources to the maximum point which best reflects the long-term objectives of the firm. The firm should have ownership advantages in the form of both tangible and intangible assets such as skills, trademarks, and technology, economies of scale, which will reduce production costs help the firm to compete with local firms in the foreign country. Therefore, a company will only invest in FDI if it has certain monopolistic advantages.

Location advantages are the advantages of the host countries that make it attractive to the investors, to invest in that country rather than the home country. These advantages include all superior indigenous factors, specific to a particular economy that are not easily transferable. These advantages are derived from the unique characteristics and resources of the host country, which provide benefits to firms operating in that location. Location advantages can be economic, political or social. Economic advantages can be favourable tax treatments, lower production and transportation costs, whereas political advantages can be similar government policies and social advantages can be distance from home country, cultural diversity and attitudes etc. Firms are often attracted to countries with favourable investment environment, which includes, supportive production and licensing policies, a patent system which protects the company, favourable tax and exchange rate policies and other incentives for multinationals which they can either avoid or exploit (Dunning, 2000). Within the OLI framework, the location advantages complement the ownership advantage and the internalisation advantages which helps firms to evaluate how these factors interact and shape their investment decisions. If these advantages exist, then there will be incentives for foreign firms to invest in these countries. Brownfield investment, is one such entry mode, where a foreign company acquires an existing business in a host country to have access to the locational advantages it offers (Dunning, 1981)

Internalisation advantage, which is the final component of Dunning's OLI theory, explains why firms engage in FDI instead of undertaking other methods of international expansions, such as exporting or licensing. The theory focuses on a firm's external environments (market conditions) and the channels through which internal knowledge flows within the firm (Rugman and Verbeke, 2003, 2008). It analyses where there are other beneficial factors outside the country including the ones discussed above. If there are advantages of lower transactions costs, maintaining firms' reputation, and if the company will be able to exploit its powers in other countries, then there will be incentives for the company to invest outside the country. Another motive for internalisation is efficiency seeking, to invest in countries so that they can improve the overall cost efficiency of the MNEs. The higher the foreign ownership of the company the more the company is willing to exploit them outside the home country (Dunning, 1979). The OLI theory shows that the motivations for FDI will be different for different companies depending on the political and economic context of the host country (Denisia, 2010).

Another observation about internalisation theory, it is often seen as more applicable to FDI in high-tech sectors where firms possess specific assets and competences that are difficult to transfer or replicate. It has been argued that this theory may not fully explain FDI in emerging market MNEs that lack significant firm-specific advantages (FSAs) in their foreign expansion efforts. Ramamurti (2009) highlights this observation, suggesting that internalisation theory may overlook the unique characteristics and motivations of emerging market MNEs. Overall, internalisation theory reflects an organisation's internal mechanism and FDI.

On location factors, Dunning (1981, 1998) highlighted four types of FDI motivations in either the host or home countries. Building on Behrman's (1972) works, Dunning (1993) examined four primary motivations driving a firm's international expansion. These motives reflect the core objectives that a company seeks when venturing into foreign markets. These motivations are crucial for understanding the factors that drive FDI and cannot be ignored when analysing the determinants of FDI. The motivations of FDI can be classified as follows: The four important motivations of FDI are resource seeking, market seeking, efficiency seeking, and strategic asset seeking.

Resource seeking FDI refers to the type of FDI where foreign firms seek to exploit and utilise natural resources in the host countries which are not available in their home countries. However, Dunning also highlighted that the natural resource alone as well is not sufficient to attract FDI. Resource seeking depends on other locational advantages. Dunning (1993) also stressed that in resource dominated countries, there must be infrastructural facilities and technical know-how to extract these resources, in order for investment to take place. Countries rich in natural resource endowments such as oil and natural gas, have naturally attracted FDI in the resource or extractive sector (Dunning and Lundan, 2008).

Market-seeking FDI is driven by the objective of providing goods or services to regional, or domestic markets (Dunning & Lundan, 2008). This type of FDI aims to target new markets, through acquisition of domestic assets or establishing new operations into the host economy (greenfield investments), which allows firm to be more competitive in specific markets. This type is also known as horizontal FDI because it involves replicating production facilities in the host country. Companies engaging in market seeking FDI are attracted to the market size and regional market growth and want to minimise costs of transportation and production through export markets (Dunning & Lundan, 2008). Engaging in this type of investment and investing in a country's production facilities and distribution channels the foreign firm can gain competitive advantages and enhance their position in the market. The strategic approach helps them to penetrate the host market and serve directly to the target market avoiding any trade barriers and reducing transportation costs. Market-seeking FDI can be particularly beneficial because by establishing a local presence, firms understand the preferences and needs of the local customers and adapt to local regulations and cultural norms, and build strong relationships with local suppliers, customers, and distribution partners. Moreover, due to the large market size in the domestic economy there are increased opportunities for foreign firms to utilise economies of scale and resources (UNCTAD, 1998a).

Dunning and Lundan (2008) discussed four main reasons why firms engage in market-seeking FDI activities. First, firms may follow their suppliers or customers, who have already established production facilities in foreign countries. By setting up operations abroad, these firms can maintain their business relationships and ensure a continued presence in the market. Second market-seeking FDI is driven by the need to align goods and services to local resources, cultural norms, and local tastes. By establishing a local presence, companies can customise their offerings to better cater to the preferences of the target market, increasing their competitiveness and enhancing customer satisfaction. Third, transaction costs and production costs can be significantly reduced by serving a local market from local facilities. This is often more cost-effective than supplying goods from abroad, this is because it reduces transportation costs, trade barriers, and other logistical challenges. Forth, and the most important reason for market-seeking FDI is the necessity for large multinational enterprises to establish a physical presence in leading markets in order to effectively compete with their rivals. By enabling operations in key markets, MNEs can gain proximity to customers, better understand patterns of local market, and respond swiftly to changing market conditions.

Thirdly, "efficiency-seeking investments", perhaps the most important FDI motivations for our study, refer to the aim to seek countries with abundant and cheap labour to minimise production costs; labour cost. According to Braunstein (2006), these investors are oriented towards manufacturing and services sectors where there is a small market and few natural resources and where the comparative advantages are low labour costs and relaxed working conditions. Efficiency-seeking FDI can be of two types, the first one is labour-seeking FDI, where MNEs move unsophisticated tasks with high manual work to developing countries due to lower costs of labour in the host countries compared to the home countries. Efficiency-seeking activities are undertaken by companies from high-cost regions into low-cost regions to cut costs. Vertical FDI is traditionally related to efficiency seeking, since these types of FDI are typically interested to carry out unskilled-labour-intensive production activities in locations that are relatively abundant with unskilled labour to exploit cheaper labour costs (Braconier, et al., 2005). In imperfect market conditions, factor endowments attract efficiency seeking FDI. Less developed countries often have a comparative advantage in producing homogenous labour intensive goods. To optimise their profits, MNCs establish themselves in capital-abundant countries and specialise themselves in the production of other capital-intensive goods and subsequently export these capital-intensive intermediate products to labour-intensive countries with comparative advantage of producing homogenous goods. This international trade of intermediate goods facilitates the growth of vertical FDI.

Efficiency seeking FDI, in the form of MNCs, can bring in a number of ownership advantages including technical expertise, knowledge transfer and best practices. These advantages can create positive spillover effect in the local economy. Local firms operating in close proximity to the MNCs, often learn from the advanced technologies and management skills through imitation and adaptation (Kokko & Blomstrom, 1996; Javorcik, 2004). By observing and interacting with foreign firms, local firms can adopt new and better production methods and innovative approaches to business operations. This process is also known as learning and emulation effect which help local firms to gain the best practices and technical know-how from the foreign firms. As a result, there is a diffusion of technology and knowledge throughout the local economy, stimulating competitiveness and further development within the host economy. The spillover effects from efficiency-seeking FDI can occur through supplier linkages, which expose local firms to more advanced inputs and production techniques, enabling them to upgrade their own production processes.

Although there are a number of benefits from efficiency seeking FDI, it is also important to note that the benefits vary according to the host country's capacity to absorb the benefits. Along with this, the impacts of FDI also depend on the level of connectivity between foreign and domestic sectors, and the overall business environment (Markusen, 2002). Governments in host countries play an important role in enhancing the benefits of efficiency-seeking FDI through supportive policies and investments in education and infrastructure (Barrios et al., 2005).

Finally, strategic-asset-seeking FDI occurs when a firm is in its advanced stage and wants to invest in countries with R&D capabilities. Whereas some developing countries with skilled human resources and favourable infrastructure also receive this type of FDI. For example, Singapore's skilled labour force and advanced telecommunication infrastructure have attracted MNEs to establish their research and development (R&D) activities and headquarters' services in the country. (UNCTAD, 1999). Furthermore, strategic-asset-seeking FDI in the context of developing countries often involves the export-oriented provision of high-skilled labour services. This means that multinational enterprises may establish operations in developing countries to tap into their pool of skilled labour and export the services provided by these skilled workers. Strategic asset seeking FDI typically occurs in the form of mergers and acquisitions.

## 2.2 Impact of FDI, on Employment and Wages

The main objective of this section is to provide a summary of studies on the impact of FDI on employment and wages. While the primary focus of our research revolves around female employment, it is essential to discuss the broader effects of FDI on employment overall. This is particularly important due to the extensive body of research and literature suggesting notably positive influences of FDI on employment dynamics in the host countries (Javorcik, 2004; Waldkirch et al. 2009; Dinga & Münich, 2010; Bandick & Karpaty, 2011). Thus, in order to contextualise the common association between FDI and employment generation, we discuss how FDI can influence employment dynamics within host nations. In this section we review the literature on FDI with a specific focus on the impact of FDI on both direct and indirect job creation and the upgrading of human capital. In this analysis the concept of employment is used broadly to include the generation of income through the labour force participation in the host countries. Finally, a descriptive analysis is provided on the impacts of FDI on wages, and how FDI impacts skilled and unskilled labour differently. This background will help us understand how FDI can affect females through employment and wages and promote more gender-equal norms within the workplace and society, which will be covered in the next section.

### 2.2.1 FDI and Employment Creation

In terms of the direct effects of FDI there is an ample amount of literature suggesting positive effects on employment. One of the basic assumptions supporting the notion of FDI's favourable impact on employment aligns with a theory of Keynes (2018). Keynes, in his work originally published in 1936, stated that employment levels are primarily influenced by investment decisions. An increase in investment, especially in the context of FDI, results in an expansion of capital inputs, which will create an increased demand for labour. The relationship between investment, capital accumulation, and employment is a driving force behind numerous studies that have empirically validated the positive effects of FDI on employment (Hakima, et al., 2023).

FDI influences various stakeholders in the host economy, including MNCs, suppliers, and competitors, through different channels. FDI impacts host country directly through job creation by MNCs. MNCs establish their presence in a foreign country to produce goods and services. The income within the recipient country is redistributed by driving up labour demand. FDI also increases the supply of productive capital. As a result, the foreign firms create additional labour demand by hiring more and more workers locally. Additionally, FDI brings in new technologies, advanced management practices, improved financial resources, and expanded market access, all contributing to the expansion of production and distribution of goods and services, leading to further increase in labour demand and employment (Liu et al., 2001; Kurtishi-Kastrati, 2013).

A review of empirical studies conducted by Javorcik (2015) highlights that FDI inflows create quality employment opportunities with higher wages at the firm level compared to domestic firms in the host countries. A study by Kharel (2020) using data from Nepal and multiple regression analysis, found that FDI has a significant positive impact on employment trends. He mentioned that FDI plays a crucial role as a source of capital inflows, fostering economic growth and the creation of job opportunities within developing nations. When MNCs settle in the host economy, due to activities of FDI, they often have distinguishing features compared to their domestic counterparts. MNCs are larger, more skill intensive, provide higher wages to the workers and possess higher factor production (Hanson, 2001). Dunning’s OLI theory also mentions the size and skill intensity of MNCs, which can be seen as one of their ownership advantages. Trade theory on comparative advantage also highlighted MNCs’ ability to provide higher production and wage levels which is due to their ability to allocate resources more efficiently than domestic firms.

Employment is also created indirectly through FDI. This can be seen as macro-economic, vertical and horizontal spillover effects (Javorcik, 2004). Horizontal spillovers occur when domestic firms experience advantages or benefits because of the presence of foreign firms operating within the same industry. Here the employment is created inside the local competitors of the MNC's enterprise. Vertical spillovers occur through backward linkages between foreign firms and the local suppliers (Javorcik, 2004). These spillovers can be through direct technology transfers and higher requirements of maintaining quality which will create incentives for domestic suppliers to upgrade their technology and management practices (Aitken, 1999).

Kokko & Blomstrom (1996) mentioned in their study that the main transmission channels for horizontal spillovers are: competition channels, workers changing jobs trained by foreign firms and technology imitation (the demonstration effect). The increased competition due to the presence of foreign firms can force domestic firms to use their resources more efficiently (Blomstrom and Kokko, 1999). When there is a rise in competition due to foreign firms entering the market, the local firms are forced to utilise the existing technologies more efficiently or adopt new technologies and organisational practices, which will improve the overall efficiency of the host country (Merlevede & Schoors, 2001). This process will help them develop more and will generate employment demand. Mobility of workers is generally believed to cause horizontal spillovers through labour turnover across the firms who have been exposed to the technology. The diffusion of new technologies and know-how may occur through former employees of MNC's setting up new domestic firm or joining existing domestic firms and spreading the knowledge and skills that they have acquired previously from the foreign firms. (Glass and Saggi, 1998; Fosfuri, 2001). This process may potentially create new employment opportunities (Mahmood and Chaudhary, 2012).

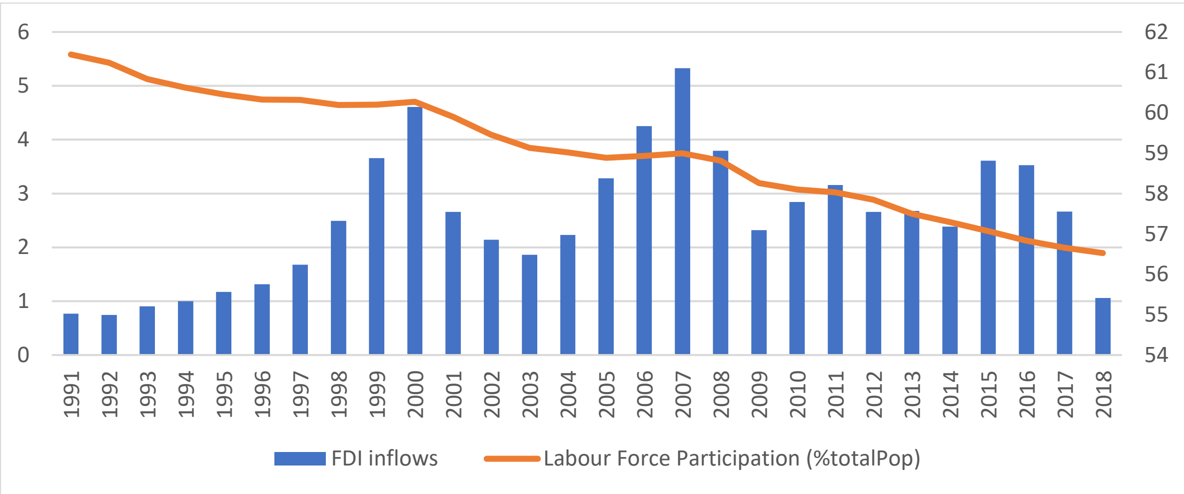
The presence of a MNC in a host country can bring transfers of technology to domestic firms (Aitken, 1999). As mentioned in Vernon's theory above, when foreign firms bring in new technologies or processes in the host country, domestic affiliates may benefit from the diffusion of new technology. Superior and advanced production equipment's can be transferred from the foreign firm to the domestic partners.

The foreign firms also bring in an inflow of non-tangible assets such as technological knowhow and management skills which are often exposed to the domestic affiliates (Vahter, 2004). In Dunning's OLI theory it has been also mentioned that foreign firms bring in certain ownership advantages into the host country. The ownership advantages possessed by MNCs include expertise in technology, marketing skills, and managerial expertise, which drive FDI to take place in the host countries. This inflow of technology can lead to increased productivity and efficiency, ultimately contributing to the growth of the MNC's business. Thus, FDI can stimulate the demand for labour in various sectors related to the MNC's operations. Through the demonstration channel a local firm improves its productivity by imitating the technology of the foreign firms or by observing the foreign firms. However, the foreign firms may prevent or at least reduce the technology leakage if the domestic firm is a competitor. They can create legal protection such as intellectual property rights or pay higher wages to prevent labour turnover or may even locate in countries where domestic firms have limited ability to imitate. At the same time foreign firms might want to transfer knowledge to its local suppliers as it may benefit from the improved performance of the inputs provided by the suppliers.

Vertical spillovers occur when domestic firms engage with foreign ones and there is a benefit for both, backward and forward linkages and production chain. In the backward linkage the spillover effect benefits the domestic suppliers and in the forward linkages domestic customers benefit. Employment can be created among subcontractors of the foreign firms. These linkages might create employment opportunities and provide higher wages than the domestic firms. Higher wages could mean higher spending and consumption which in turn might lead to further increase in labour demand and employment (Rivero, 2007). The main channels through which vertical spillovers occur are direct transfer from foreign affiliates to local suppliers, demanding higher product quality and technology management. The direct knowledge transfer from MNCs to local suppliers operating in complementary sectors promotes a more skilled and capable local workforce (Wang & Zhao, 2008). This knowledge inflow can increase expanded employment opportunities and enhanced wages as local workers become more proficient. Moreover, the demand for higher quality product and technology imposed by FDI bring about investments in employee training and technological upgrades among local suppliers. This investment in human capital and technology yields enhanced productivity, potentially justifying higher wages for skilled labour. Additionally, as local suppliers improve their competitiveness, they may secure more contracts, leading to heightened employment levels.

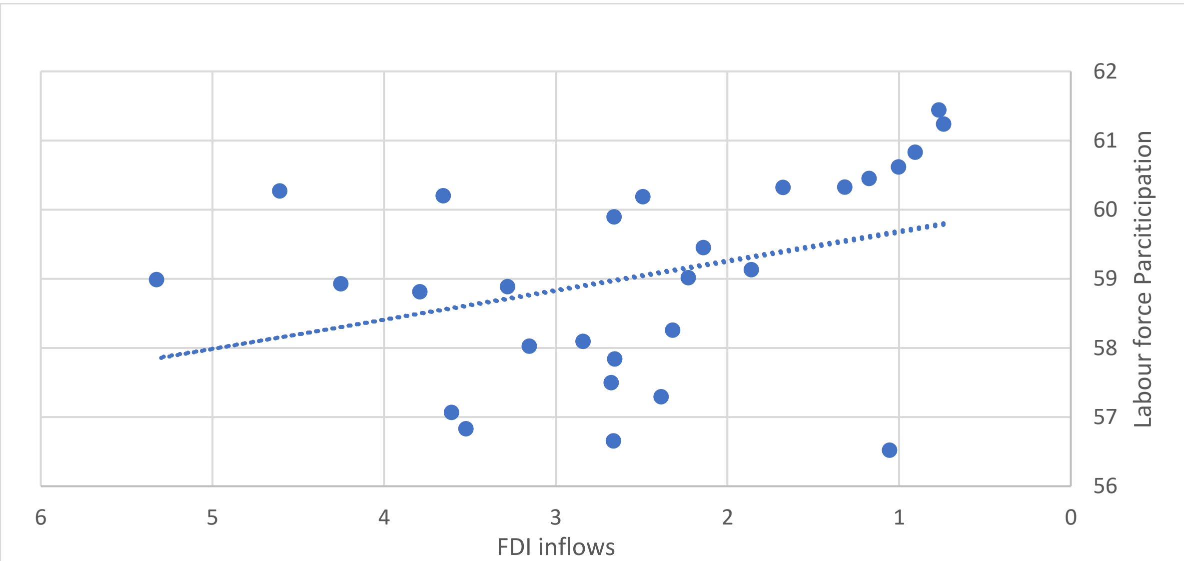
Figure 2-3 below illustrates a linear relationship of FDI inflows (% of GDP) and labour force participation percentage of the total population worldwide from 1991 to 2018. It demonstrates a modest positive trend, suggesting that when viewed from a trend perspective, there is a tendency for employment levels to move in the same direction as FDI flows. Additionally, a scatter plot was generated to examine the correlation between these variables, revealing a modest positive relationship between them. As a result of this trend, many countries perceive FDI as having the potential to have both direct and indirect effects on employment. However, the real effect of FDI on employment can be complex and subject of controversies.

Figure 2-3: Global Trend in FDI inflows and Labour Force Participation Rate from 1991-2018




Data Source: Data Collected from World Bank

Figure 2-4 FDI Inflows and Labour Force Participation




Data Source: Data Collected from World Bank

### 2.2.2 Impact of FDI on Wages and Wage Inequality

A substantial body of empirical research exists concerning multinational wage premiums. Until recently, a consensus prevailed that foreign companies typically offered higher compensation to employees compared to domestic firms, particularly in developing nations.

Firstly, MNCs may significantly pay higher wages compared to domestic firms (Chen et al., 2017). This is due to the need of a stable workforce to operate efficiently. As a result of higher wages, workers may want to transfer from low paid jobs in local firms to higher paying jobs in foreign firms. This can cause wage spillover effects through competition, driving up the wage levels of local firms. In an early study in Mexico, Aitken et al. (1996) conducted a comparison of average wages between domestic and foreign-owned firms. Their findings revealed that on average, wages in foreign-owned firms are usually 30% higher than those of domestic firms. Lipsey and Sjöholm (2004) examined a plant-level dataset for Indonesia with workers in-depth educational details. They found that, wages in foreign-owned plants were 12% higher for production workers and 20% higher for non-production workers. These results might suggest that foreign-owned firms offer more competitive wage packages than their local counterparts. In addition to that, due to the higher competition labour demand may increase, thus local firms will be forced to increase the wage level if they want to attract a qualified workforce (Ge, 2006).

Foreign firms also engage in training for the workers to improve their skills and knowledge. They can also inspire their domestic affiliates like local suppliers, rival firms and industry associates to provide training to the local workers to meet their quality standards (Golejewska, 2002). As discussed above the technology transfer can also cause a positive effect on the wage level since the workers who previously worked for MNCs may switch jobs and thus transfer valuable information and technological skills to the local firms. These technological developments may improve the productivity of domestic firms and thus improve the wages that local firms pay.

In contrast FDI can increase the wage inequality between foreign firms and domestic firms. As foreign firms have higher technological and managerial skills, they would pay higher wages to retain their skilled workforce. The wage increase caused by FDI can cause wage inequality between local firms and foreign firms.

The impact of FDI also depends on whether the technology transfer effect is skill oriented or labour oriented, skill-oriented will increase the rise in wage level of the trained workers driving up the wage gap between the skilled and unskilled workers, while labour oriented effect will decrease the wage gap (Wu, 2001). Therefore, the direction of the effect of FDI on host countries wages is uncertain (Lipsey & Sjöholm, 2004).

There is a lot of empirical evidence supporting this point. Some analysis indicates that the impact of FDI on the wage gap depends on the type of technology employed. FDI with labour-oriented technology tends to decrease the wage gap, while FDI with skill-oriented technology can increase the profit margin of exports and consequently widen the wage gap in the host country. As demonstrated by Das (2002), there are short-term effects when FDI enters sectors that rely on labour-intensive productions. In response to the wage gap between foreign and domestic firms, domestic firms are incentivised to increase their demand for skilled workers, thereby raising the relative wages of domestic firms. However, in the long run, increased FDI activity can lead to a surplus of skilled labour supply, ultimately reducing relative wages. This will be discussed in the next sub section.

### 2.2.3 Skilled and Unskilled Labour

Another branch of the literature focuses primarily on examining the impact of FDI inflows on employment and wage among both low-skilled and high-skilled workers, in the host economies.

Efficiency seeking FDI that involves labour-intensive operations is known to create job opportunities for unskilled workers. One of the motives behind efficiency seeking FDI is the search for low production costs. This motive has resulted in a capital flow from high-wage developed countries to lower-wage developing countries. Technological advancements have played a significant role in enabling MNCs to segment the value-added chain and distribute different production components across various countries (vertical FDI). As a consequence, MNCs increasingly relocated labour-intensive manufacturing processes from high-wage countries to low-wage countries (Feenstra & Hanson, 1997). This search for cost advantage in host countries lead them to hire unskilled labour with low wages. This causes increase in demand for unskilled labour and a rise in wage levels.

However, FDI can increase wage inequality if it leads to increases in advanced technologies, that will reduce the demand for unskilled labour. This can lead to displacement or a decrease in the employment of unskilled labour in certain industries. McDonald et al. (2002) mentioned that the initial impact of FDI on employment was small and mainly linked to the creation of low-skilled jobs. However, when FDI brings capital-intensive production methods, there may be a preference for skilled workers who can operate and maintain advanced machinery, potentially leaving fewer opportunities for unskilled workers. For instance, Berman et al. (1998) propose that the increasing demand for high-skilled workers can be attributed to the theory of skill-biased technical change. According to this theory, FDI inflows tend to attract the pool of highly skilled workers due to the transfer of advanced technology. This can be attributed to the capital-intensive production methods employed by foreign-owned firms, which lead to a heightened demand for skilled labour. As a result, relative wages for higher skilled workers tend to rise (Saurav et al., 2020). This theory was supported by Bailey and Driffield (2007) who contended that FDI primarily benefits highly skilled workers. These statements indicate FDI contributes to an increase in wage inequality between high and low skilled workers.

Empirical research on Indonesia, conducted by Hijzen et al. (2013), indicated that foreign firms have increased employment by 25 percent, primarily favouring skilled workers, while simultaneously witnessing a notable decrease in low-skilled employment. In another study utilising worker-level data from Indonesia, Lipsey and Sjohölm (2004). identified a positive association between FDI and average wage levels within domestic firms. This association was particularly prominent for non-production workers, indicating that FDI tends to have a favourable impact on wage levels, especially for this category of employees. Analysing data from the UK electronics industry, Driffield and Girma (2003) discovered that FDI has a strong positive impact on wages within domestic firms. This effect is primarily driven by FDI's impact on labour demand, leading to a significant increase in wages. Notably, the study also found that wage spillovers are more pronounced for skilled workers compared to unskilled workers, possibly due to the relative scarcity of skilled labour.

Furthermore, when there is spillover effect of technology, FDI may lead to diffusion of skill-based technologies, increasing the productivity and demand for skilled labour at the expense of unskilled labour, which will contribute to wage inequality. Due to technological upgrades, there is a reduction of manual labour which are mostly performed by women in the labour-intensive firms. According to Wang & Blomström (1992) workers with more human capital will be able to absorb more of the beneficial effects of FDI than unskilled workers. Acemoglu (1999) also stated that technological change due to FDI might favour skilled workers, changing the job composition and creating higher returns for the scarce skilled labour in the developing countries. In a study conducted by Figini & Gorg (2011), it was found that FDI was associated with skill upgrading and increased wage inequality in Irish manufacturing.

These negative impacts of FDI on the relative demand for skilled and unskilled labour, can potentially resulting in changes in gender-specific wage differentials (Coniglio & Hoxhaj, 2018). As mentioned by Tejani & Milberg (2016) employers prefer male workers for technologically advanced jobs and this will create a shift in favour of male workers since it is often found that there is higher gender gap between men and women in education and training (WEF, 2017).

In terms of women and unskilled labour, it is known that there is this educational inequality between men and women especially in the developing countries where women tend to be less educated and skilled than men (WEF, 2017). This gives a rise in women's significant participation in low skill intensive manufacturing jobs. As technologies upgrade in these export-oriented manufacturing jobs, low skilled jobs are replaced by higher skilled jobs. If women's ability to learn new skills is constrained, they will be replaced by skilled labour force which tends to be men. This can increase the gender wage gap (Coniglio & Hoxhaj, 2018) .

## 2.3 Women's Rights: History and Global Commitments

The main objective of this section is to understand the concept of women's rights and the different aspects of women's rights. As we discuss the concept of women's rights, our upcoming chapters will explore the impact of FDI on women's rights. Examining the historical development and various aspects of rights will facilitate our understanding of how FDI can impact women's rights.

We start by discussing the history of women's rights and how it gained importance. Then we discuss the three types of women's rights analysed in this research. Finally, we discuss how women's rights are strongly impacted by formal and informal institutions.

### 2.3.1 Women's Rights as Human Rights

In history, human rights did not take into account women's rights and the fact that women face oppression, violence and discrimination in every sphere of life. Subsequently women's rights and experiences were not adequately addressed until recently, in the international human rights framework. Human rights are rights given to an individual because they are biological human beings, these rights are universal and equal.

Until recently, women's rights have been a major focus in discussions of the international conferences which have committed to provide women's human rights and gender equality (Dawar, 2021).

The United Nations has always prioritised men and women's equality and focused on the importance of ensuring fundamental human rights. The charter of the United Nations formed one of its goals in 1945 "*to reaffirm faith in fundamental human rights in the dignity and worth of the human person and in the equal rights of men and women"*. One of the main objectives of UN is to protect and promote human rights and freedoms without any discrimination against sex, race language or religion, as laid down in the

These rights and principles were enshrined in the 1948 Universal Declaration of Human Rights (UDHR) and the two 1976 International Covenants on Civil and Political rights (ICCPR) and Economic, Social and Cultural rights (ICESCR). The 1948 UDHR also declared that all citizens should receive equal treatment of rights regardless of their gender, race or religion.

The first covenant ICCPR, consists of a range of rights aimed at safeguarding individual freedoms and promoting access to justice and political participation. Its focus is on protecting civil and political liberties. The International Covenant on Civil and Political Rights covers a range of rights that are fundamental to the protect an individual's freedoms and human dignity. The rights include, *right to life and security*(Article 6), *freedom from slavery* (Article 8)*the right to liberty* (Article 9), *right to criminal and legal proceedings* (Articles 14-20*), rights before the law a*nd access to justice (article 26), *freedom of movement* (Article 12), *freedom of thought* (Article 18)*Freedom of association including forming trade unions or political parties* (Article 22), *rights to citizenship and political participation* (Article 25), *the rights to form family and choose religion and culture* (United Nations, 1966).

In contrast, the second covenant ICESCR centres around the rights associated with the welfare state and social welfare of individuals. It focuses on the rights sanctioned by state intervention to create a more unbiassed and fair society. It ensures the protection of various rights that are essential for the well-being and dignity of individuals (Morsink, 1991). These rights pertain to economic, social, and cultural aspects The covenant covers *rights to work* (Article 6), *right to form trade unions* (Article 8), *right to an adequate standard of living* (Article 11) *the right to health and education* (Article 12 and 13), *rights relating to culture and science* (Article 15) (United Nations, 1966) (Trindade, 1998; Smelsar & Baltes, 2015).

Both the covenants are formed to reflect the comprehensive nature of human rights, addressing both individual freedoms and societal well-being. Both Covenants stated that gender-based discrimination should be prevented and there should be assurance of equal rights of men and women to the enjoyment of all rights (see Article 3 of the Covenant). The conventions not only cover discriminatory regulations and laws of states, as well as discriminative customs and practices which takes place in the public spheres of life.

The 1993 Vienna Conference on Human Rights reviewed the status of women's rights at that time. Women's rights activists critically emphasised that women's human rights should be fully included on the agenda of the international community and demanded "*Women's Rights are Human Rights.*" The Vienna conference gained extraordinary successes and the women activists were able to achieve the incorporation of women's rights in the international agenda. They were able to push the conference to meet the challenge of defining a forward-looking agenda on women's human rights, in the next twenty-five years. This conference advocated for the protection of women against all forms of violence and traditional practices marked by intolerance and prejudice. These issues were previously unaddressed as they were considered as part of private matters of women's lives and accepted as an inevitable part of women's lives. Additionally, matters like religious extremism were highlighted for their influence on women's rights and freedoms.

The resolution invited states to approve the *Convention on the Elimination of All forms of Discrimination Against Women* and aligned the rights of women with the principles stated in the International Bill of Human rights, also emphasising on the regional commitment to the universality of human rights. The conference successfully adopted *the Vienna Declaration and Programme of Action* which declared that *"the human rights of women and of the girl-child are an in alienable, integral and indivisible part of universal human rights"*. It also focused particularly "*on eliminating all forms of gender-based discrimination which are the causes of traditional or customary practices, cultural norms and religious extremism"*.

During the 1975-1995 there were a number of other prominent conferences which emphasised on women's rights and global agreements on women's rights, these were: UN World Conference in Mexico City 1980, Nairobi in 1990 and Beijing 1995. Each of these conferences created a sense of urgency to call for action by the governments and policymakers to include gender in policies and international laws.

### 2.3.2 UN goals and Women's Rights

Women empowerment is a concept that includes variety of issues related to gender equality, women's rights, and social justice. It is the process of providing women with the necessary resources and opportunities to enjoy their rights to the fullest, participate in decision-making and have full control over their lives. Women empowerment has become an important topic of discussion globally, with many organisations and governments acknowledging the importance of gender equality in sustainable development. The empowerment of women refers to the process of increasing women's economic, social, and political rights (Reshi & Sudha, 2022). The empowerment of women is vital to achieving gender equality and sustainable development. One such goal which incorporated women's empowerment and gender equality is the UN Millennium Development Goals (MDGs).

The MDGs, which was developed in the year 2000 by the international community, included a goal on gender equality and women. With respect to women's rights MDGs goal 3 focuses on the enhancement of gender equality and empowering women. Goal 3 of the MDGs mainly focused on access to girls' education and included indicators of economic and political rights such as proportion of women in paid jobs in the non-agricultural sectors and women in national parliaments. Subjects such as violence against women and discriminatory laws were not included (Esquivel & Sweetman, 2016). The Sustainable Development Goals SDGs replaced the MDGs in 2015 and have more scope for development. The formulation of Agenda 2030, which encompasses the SDGs, including Goal 5: Gender Equality, involved the participation of numerous women's rights activists and advocates.

The UN SDGs not only focuses on Goal 5 but also tries to look at women's and girls' experiences throughout the framework of all 17 goals. UN Women has emphasised the significance of empowering women's collective action and supporting women's movements as crucial factors in advancing gender equality and women's rights. SDG Goal 5 consists of several important targets aimed at advancing gender equality and women's empowerment. One of these targets, 5.1, focuses on the need to take action against all forms of discrimination faced by girls and women. Another target, 5.5, emphasises on ensuring that women have full and equal opportunities for leadership in political, economic, and public spheres. Additionally, target 5.A highlights the importance of reforms that grant women equal rights to economic resources, land and property ownership, and access to financial services.

These targets aligned with the indicators we use in our chapters as proxies for analysing women's rights. By examining the impact of FDI on these indicators, we make substantial contributions to the achievement of the United Nations SDGs. Our research will shed light on how FDI can either support or hinder progress toward these goals. The results from our analysis is helpful for modelling future policy agendas and actions aimed at promoting gender equality and women's rights on a global scale.

### 2.3.3 Different Aspects of Women's Rights and the Indivisibility of Rights

The concept of women empowerment and achieving women's rights has a long history and date back to the early19th century. The first wave of feminism focused on women's political and civil rights, such as the right to vote, freedom of discussion, freedom of movement, women's civil society participation. The second wave of feminism in the 1960s and 1970s focused on women's social and economic rights, such as equal pay for equal work, health care and access to education. The third wave of feminism in the 1990s focused on the diversity of women's experiences and the intersectionality of gender, race, and class (Reshi & Sudha, 2022).

*Economic Rights*

One important aspect of women's empowerment is through achieving women's economic rights. Women's participation in the labour force is widely recognised as a key factor in promoting economic growth and reducing poverty. According to a study by Kabeer and Mahmud (2004), women's economic empowerment through achieving economic rights, can lead to increased income, improved nutrition and health, and greater decision-making power within the household. In addition, women's economic empowerment can also have a positive impact on the broader community, by promoting gender equality and reducing gender-based discrimination.

The *Committee on Economic, Social and Cultural Rights* also mentioned about the equal right of men and women to be able "*to enjoy all economic, social and cultural rights and guaranteeing non-discrimination and equal enjoyment by men and women of civil and political, as well as economic, social and cultural rights"*. Similarly, the ICESCR recognises the equal right of men and women to enjoy all economic, social, and cultural rights. The covenant states recognise the importance of non-discrimination and equal enjoyment of rights by men and women, both in civil and political rights and economic, social, and cultural rights domains.

The Committee on Economic, Social and Cultural Rights has provided valuable insights on the duties of parties to the covenant to eliminate discrimination and ensure gender equality. In its general comment No. 16 (2005), the Committee highlighted states' obligations to address both direct and indirect forms of discrimination (United Nations, 2005). This includes refraining from engaging in discriminatory practices themselves, preventing discriminations from third parties and taking affirmative actions to promote gender equality. The main aim of the committee is to ensure that women are not denied equal access to and enjoyment of these rights due to discrimination. Additionally, the Committee's general comment No. 20 (2009) emphasises on the importance of addressing discriminative laws, policies, and practices, particularly affecting women who may face multiple forms of discrimination based on factors such as gender, race, ethnicity, disability, or age (United Nations, 2009).

According to the International Labour Organisation (ILO) women experience barriers on every aspect of work, from when they start work, to the nature of work they do: formal/informal, or are excluded from certain types of work, the wage gap between men and women, barriers to succeed at work due to lack of support for child care, unfavourable working conditions, the absences of other benefits that they are entitled to, access to economic resources or lack of information need to enforce the economic rights. Women have other responsibilities as mothers and carers which creates further barriers to accessing decent work. The right to work is set out in the ICESCR (Article 6).

The Covenant does not distinguish between economic, social and cultural rights however it is easy to separate economic rights from the other two rights discussed in the covenant. This is because economic rights are rights related to the workplace and access to economic resources. While social and cultural rights are not related to the workplace and revolves around the broader society. We also use several academic papers as reference, which clearly define economic rights (Richards & Gelleny, 2007; Cho, 2011; Neumayer & Soysa, 2011; Potrafke

& Ursprung, 2012). The covenant further recognises everyone's right to enjoy safe working conditions and equal remuneration. The Committee also highlights the need for "*a comprehensive system of protection to combat gender discrimination and to ensure equal opportunities and treatment between men and women in relation to their right to work by ensuring equal pay for work of equal value."* In the general comment No. 16 (2005) on "The Equal Right of Men and Women to the Enjoyment of All Economic, Social and Cultural Rights", the Committee emphasised that "*the right to compulsory retirement age for both men and women"* should be equalised, making sure that women are treated equally in terms of equal pension schemes, and maternity leave for women (UN Economic, Social and Cultural Rights, 2005).

*Women's Political Rights*

The women's movements advocating for political participation also date back to the nineteenth century. During the first World War, only a few parliamentary democracies recognised women's right to vote. Even after the formation of the United Nations in 1945, more than 51 nations still either denied women the right to vote or granted them only restricted voting rights (Dawar, 2021). Article 7 of *The Convention on the Elimination of All Forms of Discrimination* guarantees women's access to decision-making in political and public life. Although women's rights to vote have been recognised in almost all countries, there are still some barriers which make it very difficult for women to vote such as the violations of freedom of expression, rights to free and fair elections, or lack of security. Other obstacles to women's active participation in public and political life are gender stereotyping and traditional perceptions.

*The Beijing Declaration and Platform for Action* adopted during the *Fourth World Conference on Women in 1995*, addresses the issue of women's empowerment and their participation in power structures and decision-making. *The Declaration and Platform for Action* highlight the importance of promoting gender equality in political, economic, and social spheres. In this regard, the *Beijing Declaration and Platform for Action* guides states to take specific actions to guarantee women's equal access and full engagement in decision-making processes. It focuses on the need to increase women's representation in leadership roles and decision-making bodies at all levels of society, including in politics, public administration, and corporate sectors. The document provides detailed recommendations on various aspects related to women's empowerment and participation including, measures to eliminate barriers and discriminatory practices, promote gender-sensitive policies and legislation, enhance women's leadership skills and capacity-building (United Nation, 1995). Women's right to political participation also includes "*participating in civil society organisation, trade unions, professional or industry associations, women's organisations, community-based organizations and any other organizations related to public and political life"* (United Nations, 2014).

*Social vs Civil Rights*

Social rights are defined as the rights of citizenship, and includes rights to social security, right to have a family, right to have shelter and food, healthcare and education (Moghadam, 2007). These rights are listed in the ICESCR, outlined the commitments of the state to protect them.

Civil rights include a range of fundamental rights that pertain to the life, freedom, security, mobility, justice, dignity, privacy, family protection, as well as the absence of forced labour, torture, cruel treatment, and discrimination. These rights are defined and outlined in the ICCPR (United Nations, 1966). The Covenant provides explicit definitions for these rights, and its framework allows for the differentiation between civil rights, which focus on the overall well-being and safety of individuals  (United Nations, 1966).Both the covenants ICESCR and ICCPR do not differentiate between social and civil rights.

One of the widely used dataset for women's rights is  Cingranelli and Richard's CIRI Project which defines social rights as a number of internationally recognised rights such as, the right to travel outside a country; the right to obtain a passport, the right to own, acquire, manage, and hold property; the right to participate in social, cultural, and community activities; the right to an education; the freedom to choose a residence. The dataset on social rights includes few of the indicators of civil rights discussed in the covenant. This is important to mention because most of the empirical literature we review on civil rights use the CIRI dataset on social rights. Therefore, CIRI data set contains a number of indicators of civil rights. In recent academic papers it is often found that these two rights are overlapping and not very clearly defined in the current literature (Cingranelli & Chang-yen Tsai, 2003; Cingranelli & Richards, 2010). There is no clear distinction between civil and social rights and some authors use these terms interchangeably without distinguishing between them (Richards & Gelleny, 2007). For our understanding we define both the rights (civil and social rights) and look at the similarities and differences between them.

In our study we focus, particularly, on Civil rights and Liberties defined by the V-Dem dataset- Civil Liberties Index which includes four specific civil rights: women’s *freedom of domestic movement, freedom from forced labour, property rights, access to justice.* Few of the V-Dem’s civil rights indicators overlap with concept of CIRI’s social rights index such as property rights, and right to free movement. Therefore, we can say important aspects of women's social rights do fit into V-Dem’s civil liberties framework.

*Civil Rights*

In this study, we primarily examine different types of civil rights that affect to women. These rights are not granted by the government but are rather influenced by cultural norms and societal beliefs (discussed in the next section). They often originate from the most intimate aspects of women's lives. The ICCPR on civil rights includes women’s free movement, property rights, access to justice and freedom from forced labour which are all included in the V-Dem’s Civil Liberties Index which we use in our analysis in chapter 5. We discuss each of these rights below.

One of the very important indicators of civil rights mentioned in the Convention of Political and Civil Rights, is the *right to own property*. Women’s rights to own property, land or housing is essential for their wellbeing, economic security and living conditions. Women often lack the security of these rights despite their importance mainly because property is registered in a man’s name; the father, husband or brother. Women’s rights of land and property are essential for women’s control over other resources and autonomy (Braunstein, 2002). In cases of separation, divorce, or widowhood, it is common for men or their families to retain property rights, which frequently results in women being left without a home and exposed to heightened vulnerability, including the risk of violence.

Discriminatory legislation on property ownership also exists in some rural areas where women are excluded from important decision-making processes which are generally led by men who are property owners. Discriminatory cultural norms and religious practices, as well as customary practices, have detrimental effects on women’s ownership of land and property. These practices often exist in parallel with institutional laws. There may be discriminatory practices which are not codified in statutory laws but which still prevent women from enjoying full rights on property ownership. This happens mainly in rural areas, where customs and practices are so strong that they still impact the decisions of family and determine the status of women.

There can be legal as well as social restrictions that restricts women’s *freedom of movement*. In Article 12 of ICCPR, it is stated that everyone has the right and liberty of movement within a state, has the right to choose his/her residence, and has the right to freely move outside a country on his/her own. It also emphasised that any restrictions that hinder these freedoms should be eliminated. The UDHR, Article 13 recognises the right of freedom of movement, which is a fundamental human right, important for individuals to fully participate in society. Restrictions on women's freedom of movement, whether imposed by legal laws or social norms and practices, can impact women’s economic empowerment significantly. Restrictions on these rights limit women’s employment opportunities, and their ability to participate in the workforce, pursue education, start businesses, and contribute to economic development. By promoting and protecting women's freedom of movement, societies can unlock the full potential of women's economic participation, promote gender equality, and contribute to sustainable development.

Legal restrictions are when women are not allowed to leave the marital home, travel abroad alone, apply for passports, or any other permits to movement. Some countries have laws that do not allow women to go out in public without a male family member. These legal restrictions on movement also affect women’s economic rights to choose paid work or to go to work on their own. While government laws may grant women the freedom to move, there can be social or cultural restrictions that continue to limit their mobility. These restrictions can be particularly problematic for married women, as they may face additional challenges to take permission from their spouses or male relatives before taking any decisions (United Nations Women, 2013). These are mainly cultural norms which translates to repressive behaviours and dominance over female members of the family (detailed discussion in section 2.3.5).

Another important indicator of civil rights is *Access to Justice*. In Article 26 of the ICCPR, it is clearly stated that there should be equality by the law (access to justice, regardless of the sex, race and religion). There should be legal protections of these rights of women equally compared to men so that there are competent national tribunals and other public institutions who will sanction effective protection of women against any violence, discrimination or injustices. It is very important to have a legal and constitutional framework which guarantees women’s access to justice, however discriminatory laws still exist in several countries which hinders progression of women. In addition, women who are exposed to domestic violence or who engage in informal work are often not protected by the law. Also, both social and institutional factors can create barriers to women's access to justice. Social barriers include illiteracy, lack of knowledge and information, dependence on male family members in addition to those traditional laws (United Nations, 2014).

### 2.3.4 The Indivisibility of rights

During the 1970s and 1980s, a distinction was made between the two covenants, with civil and political rights being referred to "first generation rights" and economic and social rights being labelled as "second generation rights". This categorisation implied a hierarchical approach to the development of human rights within the United Nations system. However, the inclusion of economic and social rights in core human rights treaties indicated a shift towards recognising the equal importance of both sets of rights. The principle of the indivisibility of human rights, emphasising the interdependence and equal treatment of all human rights, was introduced at the UN conference on human rights in Vienna in 1993 (Steiner & Alston, 1996).

In the following decades, the United Nations General Assembly consistently reaffirmed and emphasised the concept of the interdependence of human rights, recognising that all human rights are universal, interrelated, and interdependent. The international community was urged to address human rights globally in a fair and equitable manner, with equal emphasis on all rights. The Vienna Declaration, adopted at the UN conference on human rights in 1993, further reinforced and broadened the principle of indivisibility of rights by highlighting the interconnectedness between human rights, democracy, and development.

According to Minkler & Sweeney (2011) the violation of one right, be it civil and political or economic, social, and cultural, undermines the realisation of other rights. They argue that human rights are inter dependent on each other and cannot be fully enjoyed in isolation. Progress in civil and political rights can facilitate the exercise of economic, social, and cultural rights, while the violation of economic, social, and cultural rights can have adverse effects on various other rights. This understanding of the indivisibility of rights highlights the need for a comprehensive approach to human rights, acknowledging their interdependence and indivisibility. Some authors also argue that achieving civil and political rights are absolutely necessary for women to fully enjoy economic, social, and cultural rights. Political and civil rights are indeed of strategic importance, as they serve as foundational elements for the enjoyment of other rights.

While some authors may highlight the significance of social rights such as healthcare and shelter, it is crucial to recognise that political and civil rights are essential prerequisites for individuals to fully exercise and benefit from a comprehensive range of rights. Women in many parts of the world who do not enjoy civil and political rights are often neglected from other types of right (Howard-Hassmann, 2011). Research has shown that when women are given political power, they emphasise more on policies that will improve women's status, such as healthcare and education (Reshi & Sudha, 2022). Women in leadership roles also tend to bring a more diverse and inclusive approach to decision-making. Women's economic rights also has positive effects on their families and communities, which improves social rights including improved health and education outcomes. Furthermore, research has shown that access to women's civil rights such as freedom of movement and decision, can lead to greater control over their lives and are more likely to make better decisions that benefit themselves and their families (UNDP, 2020).

### 2.3.5 Women's Rights and Informal Institutions

Institutions play a crucial role in determining development outcomes, as they influence human behaviour and shape social interactions (North, 1990). Women's rights and institutions are interconnected in the pursuit of gender equality. Institutions play an important role in shaping the legal and social frameworks that either upholds or hinders women's rights. Institutions can either facilitate or impede progress towards gender equality (Sen, 1990).

According to Helmke and Levitsky (2004) institutions can be defined as "rules and procedure" (both formal and informal) that structure social interactions by restricting or enabling individuals' behaviour. In this context institutions serve as the framework that shapes individuals' and groups' choices, decisions and how they interact with each other within a society.

Formal institutions can be defined as the legal and regulatory practices sanctioned by the government to provide a framework for social interactions and governance within a society (North, 1990). These include laws, regulations, and formal rules and written sanctions established by the government or other authoritative bodies (North, 1990).

Informal institutions can be defined as cultural restrictions that are not explicitly codified but are deeply rooted within shared norms and practices, cultural and religious values, and beliefs of a society (North, 1990). These are informal rules shared socially, typically unwritten, that are established, communicated, and enforced outside of formally sanctioned laws and regulations. Despite lacking formal codification, these factors significantly influence and impose restrictions on the behaviour of individuals and groups in a society (Steer & Sen, 2010) Informal institutions are enforced in the form of social mechanisms such as shunning, social banishment, and even violence, rather than legal recognition or state power, as seen in formal institutions (Grzymala-Busse, 2010).

Azari & Smith (2012) suggest that due to the unwritten nature of informal institutions, it is crucial to assess their content, scope, and the dynamics of deviance and their rewards or punishments. However, researching informal institutions can be challenging, as they are more vague than formal institutions. There is a growing recognition that not only the formal institutions such as the explicit "rules of the game" and their administration, but also the informal institutions, including social norms, cultures, and practices are important in shaping behaviours of a society (Waylen, 2014).

According to North (1990) and Helmke and Levitsky (2004), the norms, values, and beliefs of a society's informal institutions can have two distinct relationships with formal institutions. They can be either "complementary" or “substitutive”. When informal institutions are complimentary, they align and work in harmony with formal institutions supporting and enhancing effectiveness of formal institutions. In contrast, when informal institutions are substitutive, they prescribe rules and behaviours that are incompatible with the formal institutions leading to conflicts, challenges, or even undermining the effectiveness of the functioning of formal institutions. Understanding the interplay between these complementary and substitutive dynamics is vital in comprehending the intricate relationship between formal and informal institutions within a society.

Moreover, Neo institutionalist theory also recognises the significance of both formal rules and informal norms, as well as their enforcement characteristics, in shaping human activity (North, 2005). Despite their different enforcement mechanisms, both formal and informal institutions have an obligatory nature, where actors expected to follow regardless of personal choices and preferences (Streeck & Thelen, 2005). If informal institutions are substitutive and there is a gap between a society’s formal and informal institutions, there is institutional incongruence.

Individuals act outside the boundaries of formal laws and regulations due to their discontent with formal institutions, lack of trust in government, or a perceived increase in corruption (Webb, et al., 2013; Lata, et al., 2018). This can lead individuals believing that their informal actions are validated and justified (Webb et al., 2013). Consequently, formal institutions may become ineffective as a result of this perception and behaviour.

Feminist and non-feminist scholars have discussed how gender is deeply implicated in institutions, which has a significant impact on women, influencing various aspects of their lives and shaping their opportunities, roles, and experiences within society (Cagatay & Erturk, 2004). The norms, values, and beliefs embedded in informal institutions can either reinforce or challenge gender inequalities and women's rights. Informal norms and traditional practices, often restrict women’s opportunities and perpetuate inequalities (Kabeer, 1999).

Traditional gender norms and discriminatory practices can also restrict women's access to education, economic opportunities, decision-making processes, and leadership positions. Cultural institutions can also determine women's access to resources, such as land, property, and credit, through customary practices and social norms (Agarwal, 1994). Harmful practices, such as domestic violence, early marriage, and female genital mutilation, which severely affect women's well-being and rights can also be perpetuated by informal norms and culture (Dobash & Dobash, 1979). Whereas informal institutions such as kinship networks and community organisations, can provide social support and opportunities for women's empowerment through collective action and mutual assistance (Baltiwala, 1994).

In this regard, the formal institutions and the informal institutions can affect the gender effects of FDI significantly. Informal institutions, such as cultural norms, values, and social practices, can shape the ways in which FDI affects gender dynamics in the host countries.

Modernisation theory suggest that when there is greater contact between high-income and low-income countries there is a spillover of modern cultures from rich to poor countries leading to the abandonment of traditional values and practices that discriminate between men and women such as patriarchy and gender stereotypes, leading to greater freedom of women (Lerner, 1958; Inglehart, 1988). However, since cultural values may act as a barrier to freedom of women and female education, some societies are stuck in a vicious cycle of poverty, which in turn hinders the spread of modern values through globalisation of these countries (Harrison & Huntington, 2001). Thus, certain cultural value and norms may limit the spread of modernisation, hindering particularly the rise of women's empowerment (Donno & Russett, 2004).

If informal institutions reinforce patriarchal norms and discriminatory practices, women may face barriers in pursuing paid employment, training, and promotion opportunities in foreign-owned firms or industries (Agarwal, 2000). Informal institutions can contribute to occupational segregation, whereby women are concentrated in certain sectors or low-skilled positions within industries influenced by FDI. This can be influenced by cultural beliefs about gender roles and expectations, which can limit women's access to higher-paying and higher-status job opportunities (Gottfried, 2012).When several discriminative power relations and male domination exist in many institutions including jurisdictional and political systems, even if formal measures such as quotas and equalities are sanctioned by the government, the positive effects of FDI will be weakened. Therefore, a number of factors such as political social and cultural, play a major role in shaping how informal institutions interact with FDI and influence gender dynamics.

If formal institutions are aligned with informal institutions to prioritise gender equality, they create an empowering environment for women to exercise their rights and participate fully in society (World Bank, 2012). In contrast, weak or discriminatory institutions can give rise to gender-based discrimination and hinder the advancement of women's rights (Kabeer, 2005). Even if a new gender equal policy is sanctioned by the government, as long as there is an institutional incongruence in the form of gender stereotypes and gender-based discrimination, the policies will be less effective in improving women's status in a society. By strengthening institutions and fostering gender-responsive governance, societies can move closer to achieving substantive gender equality and empowering women. Further research and analysis are needed to better understand these dynamics and their implications.

## 2.4 Theoretical Framework: FDI and Women Rights

In this section, we discuss theories on how FDI spillovers can affect women's rights. This chapter is important because in order to understand the empirical studies and the effects of FDI on women's rights we need to discuss what traditional theories and literature have stated on the effects of FDI spillover on women. This is a pre discussion of theories before we move on to the empirical findings from previous literature in section 2.5.

### 2.4.1 Theories on FDI and Women's Employment and Wages

FDI and the activities of MNCs are widely recognised as significant driving forces behind economic globalisation. (Pekarskiene & Susniene, 2015). Based on that, any changes in FDI flows will also influence economic globalisation and vice versa. Most studies agree that the rise in economic globalisation is predominantly one of the important factors behind the sharp increase in women's employment in developing countries over the last few decades, (see Fontana, et al., 1998).

According to the traditional *Heckscher-Ohlin trade theory*, trade is expected to have a positive impact on female labour force participation in developing countries. This theory suggests that countries will specialise in producing and exporting goods that utilise their abundant factors of production. In developing countries, female labour is often considered relatively abundant compared to other factors of production. The concept of comparative advantage suggests that in developing countries with relatively high low-skilled labours, trade can increase female labour participation. This is due to the fact that female workers are often concentrated in low value added, low wage and labour-intensive export-oriented jobs such as the apparel industry. These sectors align with the comparative advantage of developing countries in this context (Rocha & Winkler, 2019).

Foreign firms will increase their production of goods in countries which have an abundance of factors of production. In developing countries women represent the bulk of unskilled labourers, due to prior discrimination in education and partly due to social and cultural norms which acts as a hindrance to women's employment. Traditional Hecksher-Ohlin trade theory also predicts that developing countries will engage more in producing goods and services which require less skills so that they can use their abundant unskilled labour. This would increase their demand for unskilled labour force. If the host country has a comparative advantage in the production of goods using their low skilled labour, then export oriented countries will see a rise in the demand for low skilled female labour due to the lower wages of these workers. This will drive up the average female wages, due to the increase in the demand for low skilled female labour (Standing, 1999). Due to the large influx of FDI the female workers who are skilled may also get the opportunity to work in the multinational companies which generally pay higher wage than domestic firms, as we have discussed previously. Furthermore, massive flow of FDI can increase the competition between foreign-owned firms and domestic firms and may pressure the domestic firms to hire more qualified (skilled or unskilled) workers in the labour market (Adler, et al., 1996). This may result in the rise of female labour demand and a decrease in gender disparities in terms of income and employment (Standing, 1999).

According to *Becker's (1971) neoclassical theory*, increased competition which results from globalisation leads to increase in the cost of labour market discrimination and will reduce discrimination against women and minority groups in the long run. Supporters of this theory argue that firms who have a "taste for discrimination" against women will tend to hire more men with higher wages even if they have to forgo profit. On the other hand non discriminating firms will drive these discriminating firms out of business since discriminating firms sacrifice profit to indulge their taste of discrimination. Therefore, a rise in globalisation will increase the labour market competition, where the gender wage gap in terms of equal skills will reduce or may even disappear as discriminating firms are either forced out of the market or pressured by the market to change their discriminating behaviour (Black & Brainerd, 2002). In addition, global economy creates new opportunities for women in paid employment increasing female labour force participation, reducing gender wage gap and empowering women both at work and in societies (Joekes & Weston, 1994). However, due to increased job opportunities provided by FDI, a large number of women may switch to paid jobs from unpaid household work. This will result in an excess supply of female workers and reduction in female wages (Seguino & Grown, 2006).

The technology spillover from FDI can also be beneficial to female workers and can make female employment more feasible. FDI may also reduce the occupational gender segregation in developing countries. FDI may enable the influx of female workers in some manufacturing industries which were traditionally dominated by male workers. Female employees have a natural advantage in the communication and psychological cognition sectors, and when these advanced technology or skills spillover from to local firms there will be a rise in demand for female labour who are assumed to perform better within these sector (Braunstein & Brenner, 2007). It is also believed that women and men have different skill sets and that women have lower physical skills than men. This limits the number of opportunities available for women, which require higher levels of physical skills. Technology spillover to the host countries can reduce the amount of physical tasks and skills required in certain jobs and provide more opportunities for women in these sectors (Juhn et al., 2012).

*Traditional Stolper-Samuelson theory* also predicts that women's wages tend to increase in developing countries for similar reasons. This is mainly because a rise in manufacturing production requiring unskilled labour, will increase the demand for the unskilled labour driving up the remuneration of unskilled labour. Since women in developing countries often face discrimination in education and lack skills compared to men which draws them to take low skilled jobs. However, if technology upgrades in the host countries due to FDI, require highly skilled worker, there will be an increase in demand for skilled workers. This may lead to an increase in wage gap between the skilled and unskilled workers. If average skills of women are generally lower than of men, this will create wage inequality between men and women (Zhu, Liu, & Li, 2012).

The *Climb to the Top (CTT)* theory states that FDI serves as a catalyst for economic prosperity and has the potential to promote greater respect for human rights in the host country. According to this theory, MNCs operate under significant regulatory frameworks and have business responsibilities that necessitate the enhancement of resources and labour practices to uphold higher human rights standards. This viewpoint is supported by research from (Vogel, 1995; Moran, 2005; Kerr, 2019). Host countries will be forced to follow laws and regulations in the business environment to align with standards of foreign investor firms and countries.

This theory predicts that FDI will positively affect workers' rights since foreign investors follow strict rules on labour standards and to attract more investment the host countries will increase labour rights. MNCs often tend to advocate for socioeconomically favourable regulations and an enhancement in the protection of the social structure within the host country. This is because MNCs recognise that such regulations can contribute to a conducive business environment and promote stability. In response, host countries, in order to maintain market share and access to investment, are motivated to comply with the rules and laws set forth by

MNCs. Recipient countries try to attract foreign firms by ensuring that they are in line with investor nations' regulations, in an attempt to climb to the top (Vogel, 1995).

*The Race to the Bottom (RTB)* theory states that there is a shift of labour-intensive jobs from developed countries to developing countries where the foreign firms often look for locations where labour costs are cheaper, these are efficiency seeking FDI discussed in section 2.1.2.3. This may widen the gender wage gap where there is a large influx of unskilled female labour who are often stuck in lower paying jobs relative to their male counterparts (Seguino, 1997; Berik et al., 2004). There is an unbalanced supply of unskilled female labour in the export-oriented manufacturing and agricultural sectors. To attract more and more FDI there is an increased pressure to lower the wages with longer working hours and little job security, which has been expressed as the race to the bottom syndrome (Pyle, 1990). Since there is an increase in female labour force participation in these export sectors labour exploitation is heightened disproportionately towards women and there is a further increase in the gender wage gap (Shu, et al., 2007). Some authors also argue that women's increased participation and higher overall wages does not always empower women specially when these benefits are followed by exploitation and abuse (Standing, 1999; Fontana & Wood, 2000; Cagatay & Erturk, 2004).

Some authors also argued that a rise in women's employment and wages in some countries can be a cause of a reduction in female employment in other countries (see Kucera & Milberg, 2000). When women's employment and wages increase in one country, it can lead to higher production costs for goods and services that rely on female labour. This can make products produced in that country less competitive in the global market compared to products from countries where female labour is cheaper. As a result, companies might decide to outsource part of their production to countries where labour costs are lower (engage in vertical FDI), which could potentially lead to a reduction in female employment in the higher-cost country.

This argument reflects on the dynamics of global supply chains and the search for cost efficiency which can create varying effects on employment patterns in different countries. While one country may experience improvements in gender equality and women's labour participation, another country might see a decline due to the outsourcing of jobs to places with cheaper labour. The authors also suggest that certain economic sectors in high-income countries may experience a decline in production, which can have a disproportionate impact on women's employment due to their higher representation in those sectors. This concentration of women in affected sectors makes them more vulnerable to job losses.

Simultaneously, the increase in female employment in developing countries resulting from higher export-oriented production may have led to female job losses in certain developed countries.

In developing countries which are mainly dominated by the agricultural production, has experienced a shift towards cash crop production for exports which adversely affected women who are chiefly hired in small non-export-oriented farms (Çağatay and Ertürk, 2004). Çağatay and Ertürk (2004) also suggest that an expansion of female employment in certain context maybe attributed to women's willingness to accept low paid, insecure, casual jobs under poor working conditions (Standing, 1999; Çağatay and Ertürk, 2004). Thus, a rise in the share of women in the labour force in absolute term, does not necessarily indicate an improvement in women's overall status or welfare. Therefore, it is important to look at other measures of women's rights and gender equality other than FLFP to analyse the impacts of FDI on women.

### 2.4.2 Theories on the Spillover Effects of FDI on Women's Rights

Women's rights have been identified as a crucial driving force for economic development, contributing to prosperity and stability within countries. (Lemmon, 2011; Wong, 2012). Studying women's economic political and civil rights in the context of FDI is important since foreign firms may unethically exploit gender inequality in their pursuit of maximising profits. These investors may seek to utilise low-skilled female labour, potentially engaging in practices that undermine gender equality and exploit vulnerable female workers. Understanding and addressing these dynamics is important to ensure that FDI contributes to sustainable and equitable development, rather than perpetuating gender-based inequalities.

It is imperative that we include the FDI effects on female employment at any discussions of gender equality, as this is one of the most important factors in the labour market which can directly or indirectly affect gender inequality. The availability of employment for women allows them to earn an income and economic freedom which certainly increases gender equality, through improved women's access to resources. Economists have also shown that well-paying employment opportunities for women, improves women's bargaining power and a greater access to resources, including health and education. Thus, whether they are employed or not the job opportunities for women can help all women in a community and encourage greater gender equality in the private sphere of life (Ouedraogo & Marlet, 2018).

Supporting the statement above, the benefits of FDI extend beyond wages and female employment. FDI is also assumed to disseminate certain norms and practices about gender equality. MNEs create new job opportunities, pay higher wages and better working conditions for women (Gray et al., 2006; Braunstein, 2006). Additionally, MNEs can infuse certain norms and values about social and workplace gender equality from developed countries to developing countries (Potrafke & Ursprung, 2012). Most of the home countries have greater equality compared to the countries in which they invest. Their MNEs bring in these traits and values to their overseas recipient countries where they invest. These norms and values can act as a model for local firms to acknowledge the non-discriminative and positive practices; this is termed as diffusion theory (Freedman et al., 2017). FDI promotes gender equality through improving women’s opportunities to challenge stereotypical ways, partially due to advancement of modernisation (Neumayer & Soysa, 2011).

From a theoretical perspective this can be linked to spatial dependence: this happens when policies, standards or similar choices of one unit of analysis depend on the choices of other units of analysis. These units of analysis, call them agents, are forced to change their behaviour because others pressurise them to find a competitive advantage (Levi-Faur, 2005). Spatial dependence can be caused through coercion competition, externalities learning and emulation which spread norms and values that will change certain types of behaviour (Simmons & Elkins, 2004).This can be due to various reasons; the agents might learn that the strategies followed by others are more successful, or they just want to imitate the behaviours of others (Weyland, 2005; Mooney, 2005).

For the case of spatial dependence in improving women’s economic and civil rights through FDI links, it is more likely that positive effects can be achieved through persuasion and pressure. Global summits and agendas focused on women's empowerment and gender equality play a crucial role in bringing together diverse groups from various countries, enabling them to learn from one another and exchange strengths. This collective effort allows for the monitoring of gender equality and the status of women globally, while exerting pressure for improvements. Since MNCs tend to prioritise the preservation of their brand reputation more than local enterprises, they are often inclined to undertake actions that support these improvements in order to maintain their positive image. (Fung et al., 2001).

Further to that, multinational enterprises are generally pressured by the Corporate Social Responsibility (CSR) codes to maintain certain values and norms which promote the best interests for the consumers. The companies from the investing country, where women's rights are protected, like to employ and push similar rights in the countries in which they invest. Hence the countries receiving FDI are forced to improve their domestic standards (Neumayer & Soysa, 2011).

In addition to persuasion and pressure, competition and externalities can also affect women's status. The FDI recipient countries might find it difficult to engage in gender discrimination as this creates negative impressions on the foreign customers and investors who react adversely to such behaviours (Htun & Weldon, 2010).

Finally, the impacts of emulation and learning effects are believed to transfer best practices of women's rights from high standard countries (which are more modern and liberal) to low standard countries (Held & McGrew, 2007). There may also be transfer of public policies in favour of women from developed countries, where women have better rights, to developing countries (Simmons & Elkins, 2004). However, these effects will not automatically diffuse from foreign investors but will require the host country's desire to accept change and implement the necessary actions in order to make the changes.

*Women's Civil Rights and Neoliberalism*

Neoliberalism is a policy model which encourages free trade, reductions in trade barriers, rise of globalisation, and reductions in government spending. Free trade and free flow of capital especially FDI across countries, are the two most important milestones established by the International Monetary fund, World Trade Organisation (WTO) and World Bank. From the neoliberal perspective this indicates a progress towards the freedom for MNCs and financial companies to invest anywhere in any sector in the world. Neoliberal scholars state that FDI and openness in trade generate favourable employment conditions for women, as such certain sectors in business (for example textiles) are more attracted to women workers because of their lower wages compared to men workers. In addition, some empirical research show that trade and FDI have a positive impact on emerging economies who are highly export- oriented (Pyle, 1990; Ghosh, 2002).

Neoliberal scholars claim that FDI enhanced women’s social status by increasing female job opportunities. They argue that economic globalisation can push governments to reform policy incentives and redistribute social resources (Garrett, 1998), which gives better access to women’s education and employment which are parts of social rights. Bhagwati (2007) mentioned that MNCs improve women’s lives by increasing their public spending through creation of paid employment. Furthermore, when women work in formal employment they gain experience in communications and learn how to advocate their civil rights such as freedom of movement, participating actively in labour unions or raise their voices to any injustices (Moghadam, 1999). Moghadam (2010) discussed about how the expansion of neoliberalism benefitted the Maghreb countries. In countries like Algeria, Morocco, and Tunisia, female activists were able to push for family law reform, which liberated women from male dominance in the family. (Deere & León, 2001).

One relevant example demonstrating the positive impact of neoliberal policies on women's civil rights can be observed in the Latin American agrarian reform during the 1980s and 1990s. Through the implementation of a neoliberal approach, governments in Latin America aimed to enhance women's property rights by introducing measures such as joint ownership for married couples and facilitating single women in securing their property and households. This policy initiative led to notable improvements in women's civil rights within the region (Deere & León, 2001). As trade openness and FDI can affect women’s economic conditions directly through creation of jobs and access to resources, they increase the governments tendency to create policies that will protect women’s social and civil rights (Yoo, 2011). Therefore, trade liberalisation and FDI can enhance governments’ practices relating to women’s civil rights.

Agarwal (1994) discusses the significance of women's property rights in improving their civil rights and increasing their bargaining power within the community. He argues that when women have secure and equal access to property and land ownership, it improves their social and civil rights. This argument suggest that policy reforms aligned with neoliberal principles, which emphasise on property rights, could have a positive impact on women's overall rights.

Some scholars present an alternative perspective, suggesting that trade and FDI could potentially have a negative influence on women's civil rights. They argue that these economic processes might diminish women's prospects for equal employment and fair wages (Acker, 2004). Scholars have mentioned how women’s proletarianisation-the process of individuals, especially women, becoming part of the industrial working class, can adversely affect women, especially in developing countries (Moghadam, 1999). When foreign firms invest in local economies with better technologies and expertise, they can draw local companies out of business. As a result, there is an intensification of the proletarianisation, where the female workforce is incorporated into the ranks of working class, involving a higher number of women being directed towards positions characterised by low-wage, insecure, and precarious jobs. This shift can potentially result in adverse consequences for both the rights and well-being of women (Acker, 2004).

The 1997 Asian financial crisis showed that financial liberalisation adversely affects women. Song (2006) also found that homeless women were regarded as undeserving welfare citizens and they were denied social welfare programs which caused negligence of their civil rights in South Korea. In summary, we can conclude that there are some economic constraints brought by trade and FDI which lead governments to reduce their welfare programs, adversely affecting women’s social and civil rights. A number of literatures on welfare-states supported this view that governments reduce welfare spending when economic globalisation increases national economies (Huber & Stephens, 2001; Schulze & Ursprung, 2002).

## 2.5 Empirical Literature: FDI and Women

The impact of FDI on women's rights can be analysed in two main ways. The first approach focuses on measuring the effect of FDI on women's employment (often expressed as Female Labour Force Participation; FLFP) and the gender wage gap within countries. This is a common approach taken by many studies in the field. The second approach considers the impact of FDI on different aspects of women's rights and gender equality in both the private and public spheres of life. While some existing studies touch upon these aspects, they are often limited in scope. In this section, we will discuss both approaches and explore the implications they have for interpreting our findings of the quantitative analysis.

### 2.5.1 Empirical Studies on FDI and Women’s Employment and Wages

A significant number of studies on FDI and gender focused on FLFP and have often found positive results. This is in line with Becker’s neoclassical theory discussed above (see 2.4.1). The impact of FDI on women’s employment may depend on global and local conditions such as resource allocations, government institutions and labour market institutions. If there is an increase in FDI in sectors which are highly concentrated with female workers, women’ employment increases (Aguayo-Tellez, 2012). According to Braunstein (2006), FDI in labour-intensive, export-oriented firms and manufacturing sector has a positive effect on female labour force participation. Higher investment in these sectors raise labour demand, which further leads to a rise in female employment (UNCTC/ILO, 1985; Joekes & Weston, 1994).

*Country level Studies*

There are several country specific studies on FLFP and gender wage gap. These studies mentioned that trade liberalisation and FDI have reduced gender wage disparity, especially in the manufacturing industries, which are exposed to increased competition as a result of globalisation (Dammert et al., 2013). Jaffri et al. (2015) investigated the impact of FDI and trade on gender-based labour force participation rate difference and wage ratio in Pakistan and found that FDI positively affects labour force participation and wage ratio, while trade openness negatively affects labour force participation. Using data from Cameroon's National Institute of Statistics Belmondo (2016) analysed the effects of trade openness on women's employment and gender wage gap. The results show that, trade openness did not help expand exports in sectors where concentration of women is more; however, openness narrowed the gender wage gap.

Hazarika and Otero (2002) studied the Maquiladora sectors in Mexico which are specific type of manufacturing operation, often in the form of factories or assembly plants, mainly located near the country's border with the United States. Maquiladoras sectors have production processes that involve importing raw materials and components into the country for assembly, processing, or manufacturing, and then exporting the finished products back to the originating country. Braunstein and Brenner (2007) also found a positive association between FDI and both female and male wages in China. Menon & Rodgers (2009) assessed the effects of trade liberalisation on the relative wages and employment of women in India. Using Ordinary Least Squares (OLS) and fixed effects methods, the research analysed data over the time period spanning from 1983 to 2004 at the industry level. The findings from this study indicate a positive relationship between trade openness and larger wage gaps. Korinek (2005) found a positive relation between the export industries in host counties and demand for women workforce. Fosfuri et al. (2001) also argued in favour of FDI spillovers and explained that foreign firms are willing to offer better wages to skilled workers using innovative production technologies.

Seigmann (2007) investigated the impact of FDI on gendered labour market in rural Indonesia. The author found that the impact of FDI depends on the specific sectors into which FDI flows, for example he found that higher female employment is associated with higher foreign share in plantation. Whereas higher share of foreign ownership in the hotel sector is associated with lower female employment. In the mining sector, foreign firms focus more on working conditions compared to plants of their domestic competitors. For hotels sector, quality of employment depends on establishment size. Regarding equity effects of FDI, the author found that FDI impacts female as well as male wages positively across sectors. Seigmann (2007) discussed two underlying mechanisms which is causing sectorally different results. The cost-effect places greater importance on cost related factors for MNCs, prompting them to strategically recruit female workers, who are lower paid on average. This preferential recruitment is seen as a rational choice for these enterprises, whereas the technology effect emphasises on the advanced technological features of foreign firms in comparison to local businesses, which require a workforce that is well-educated and possesses technical skills.

From this viewpoint, disparities between genders in education, which are notably pronounced in rural parts of Indonesia, coupled with female workers' comparatively lesser labour market engagement in terms of working hours and duration of employment, disadvantage female workers in MNCs. This may explain the positive relationship between foreign ownership and employment among field workers in plantation in comparison to the negative results in hotel establishments, where they require higher skills. These contrasting effect supports our earlier discussion: the increase in FLFP does not always mean an improvement in women’s status, especially when women workers are hired due to their cheap labour advantages.

*Cross Country Studies*

There are very few studies, which used cross country data to analyse the effects of FDI on gender equality and the results are often mixed. Amongst them Oostendorp (2009) is one of the studies which used more than 80 countries to find the impact of globalisation on the gender wage gap. He found that gender wage gap decreases with trade and FDI in richer countries and he was unable to find a clear effect for poorer countries. Based on a study of 94 developing countries, Ouedraogo & Marlet (2018) found that FDI inflows increase women’s welfare and decrease gender inequality through increased labour demand, technological spillover and through corporate responsibilities. A cross country study of 8 ASEAN countries was conducted, to examine the effect of macroeconomic determinants on the Gender Equality

Index, which includes indicators on women's reproductive health and women's participation in the labour market. Sangaji et al. (2018) found that gross domestic product per capita, trade, and FDI all contributed to a decrease in the Gender Inequality Index in these countries. The authors suggested that continuous improvement in these macroeconomic determinants will improve gender equality (Sangaji et al., 2018). Braunstein (2002) studied the impact of FDI on female labour supply in East and Southeast Asia and concluded that FDI and trade both increase women's labour force participation and decrease gender wage gap.

Rivero (2007) analysed 17 Latin American countries and found a positive impact of FDI on employment, both on the full sample as well as separately for men and women, with a stronger impact on women. The author also mentioned that the positive impact on employment is notably important for less developed countries, during low levels of inflation and for countries with high levels of activities in the informal sectors. The positive effect could stem from the increased levels of foreign investment prompting businesses operating in the informal sector to expand and transition into formalised operations. The favourable effects on employment rates in underdeveloped nations and during periods of low inflation align with the anticipation that the potential benefits of FDI can be optimised in stable investment environments and countries where there are substantial under-utilised resources. The last statement can be connected to our previous discussion about the positive impact of FDI on FLFP in low-income countries where there is an abundance of underutilised low skilled labourers.

While some studies found that there is a positive relationship between female employment and FDI in emerging countries, there is also empirical evidence that FDI can increase occupational segregation, where women are concentrated in low-skilled and low-paying jobs, while men dominate higher-skilled positions (Oostendorp, 2009). This can limit opportunities for women to access higher-paying roles. Semi-industrialised countries that prioritise export-oriented manufacturing have observed an increase in the proportion of female workers within their labour force, particularly during the initial stages of industrialisation. However, women have largely been concentrated in labour-intensive export manufacturing sectors, encountering various explicit and implicit barriers that limit their access to higher-skilled positions in non-tradeable industries (Standing, 1999).

The female workers are more attractive to these firms due to their cost advantage, especially when the firms are facing intense cost competition from other export-oriented economies. Furthermore, the attractiveness of female workers can also be linked to the ease with which these workers can be easily replaced. This ease of replacement is influenced in part by societal gender norms that tend to prioritise women's reproductive roles over their paid employment (Seguino & Grown, 2006).

Moreover, there is growing evidence that while there are short term benefits of creating more female employment the long-term consequences of improved wages are less promising. This is because while industries upgrade women are pushed down to low-skilled jobs such as subcontracting, and this possibly means that FDI is less likely to close the gender wage gap (Braunstein, 2006). Rasekhi & Hosseinmardi (2012) studied 21 developing countries and found that gender wage gap is reduced due to FDI. This is in line with Heckscher-Ohlin-Samuelson model, which states that countries with abundant unskilled labour tend to specialise low skilled, labour-intensive exports which drive up the demand for lower-skilled labours. This will cause an increase in the wages of unskilled labour relative to skilled labour. This effect also indicates a reduction in the gender wage gap in developing countries that engage in trade, as women frequently work in lower-paying, less-skilled positions compared to men.

However, the authors also mentioned in their study that gender wage gap might increase as well, since foreign firms are attracted to locations where labour cost is cheaper. As noted by the authors, FDI inflows typically rise while simultaneously reducing production costs. This can have adverse impact on low skilled workers since the expansion of FDI makes discrimination less costly. This contrasts with Becker's theory of discrimination which states that higher competition due to FDI can increase cost of discrimination.

Black & Brainerd (2002) conducted research to assess the influence of globalisation on gender discrimination within manufacturing industries. The study involved a comparison of the change in the gender wage gap between 1976 and 1993.They also found that foreign trade, as a component of globalisation, leads to an increase in wage inequality. These firms seem to benefit from female workers' lower wages and weaker bargaining power, and this can lead to an increase in wage gap. Vijaya and Kaltani (2007) using a panel analysis of 19 countries also found that FDI inflows and FDI stocks in manufacturing sectors affect negatively on female workers' wages. They concluded that FDI contributes to a rise in inequality as it diminishes the female employees' wage bargaining process, while men are better off due to productivity improvements from FDI. They explained that FDI has the potential to influence the process of determining wages in the manufacturing sector.

The adverse impact of FDI on wages can be understood when viewing wage determination as a bargaining process. Since FDI is a highly mobile capital, it diminishes the bargaining power of workers employed by foreign firms. Furthermore, foreign firms may use the prospect of knowledge transfers as a means to offer lower wages to their employees. This shift in employee bargaining power can also extend to the wage determination process within local firms. These domestic firms face increasing pressure to reduce costs and remain competitive with foreign firms. According to Vijaya and Kaltani (2007) their findings on the negative impact of FDI inflows on wages suggest that such a spill-over effect has indeed taken place.

They finally concluded that although FDI causes an overall decline in bargaining position of labour, groups of elite employees can benefit from the contact with the foreign capital. Considering the historical gender dynamics within the labour market, these elite groups are more likely to comprise male workers. Therefore, in their study the negative effects of FDI inflows are only seen in female workers' wages but they did not find statistically significant impact on male wages.

These findings can be supported by earlier studies by Crotty et al. (1998) who also explained the enormous rise in the bargaining power of multinational corporations due to global competition for FDI. This might lead to relaxed regulations, declined environmental protections, lower wages and poor working conditions in order to attract more foreign capital. If this is the case FDI inflows will be doing more harm than good. Although Stolper-Samuelson-type trade theory predicts that when female labour demand increases this will lead to an increase in the overall wages of female workers and improve women's working conditions, however empirical evidence rarely supports this theoretical prediction as long as there is an abundance of low skilled female workers looking for jobs. Thus, whether when FDI improves women' economic rights is an open-end question, requiring further empirical investigation.

*Firm Level and MNC Specific Studies*

While there are a number of aggregate level studies, there are many firm level studies which focused on MNCs and their impact on women. There are certain motivating factors that can influence FDI's effect on women's economic rights through corporate behaviour in multinational corporations. It is expected that foreign firms entering the host country improve gender conditions. Firms will try to achieve a unique market identity in a competitive market, thus they will be driven towards improving gender right to maintain corporate commitments to social responsibilities (Car, 2016).

According to diffusion theory, labour standards of a country can be influenced by foreign countries through FDI links. A range of studies has shown a positive diffusion effect of FDI on women's status. Value diffusion from MNCs has helped women change their views who used to face a glass ceiling at the workplace (Bhagwati 2004). A study by Fontana and Wood (Fontana & Wood, 2000)also shows that there was a slight rise in women's wages in Bangladesh due to rise in FDI. They also mentioned that global companies respect women's rights and FDI has a positive correlation with women's equality (Fontana & Wood, 2000).

Many large multinationals want to align their goals with the SDG goals and have established strategies to recruit, and promote women as directors, and senior executives. Some companies have targets to increase the number of women in their value chains. Many leading companies take initiatives to improve women's access to education, training and skills development and programs that create social awareness for women's health and wellbeing. Large companies can also engage in corporate led research to raise awareness and advocacy. Some companies have initiated research for women's and girls' rights and economic empowerment; to set some examples, Nike Foundation, Unilever, and Chevron. A growing number of MNCs are jointly working with other stakeholders and engaging in public policies and innovative government projects to promote women's rights and opportunities such as UN Women, the World Economic Forum, CARE, and Catalyst, (Nelson et al., 2015).

Multinational firms are also pressured by International Organisations such as ILO and UN, on maintaining Corporate Social Responsibility (CSR) codes to protect women's right and develop gender equal norms. For example, MNCs often tend to sign contracts or agreements related to ILO conventions and human rights standards voluntarily. These standards clearly support job security, vocational training and working conditions, including decent wage and the prohibition of child labour, and forced labour. Moreover, multinational corporations, due to their extensive global reach, often tend to be highly responsive towards CSR issues. They view CSR as a strategic tool to enhance their standing in the eyes of the public, improve their brand image, and build a favourable reputation. MNCs aim to gain societal acceptance by increasing the transparency of their CSR initiatives (Kolk & Lenfant, 2013). In addition, to prevent reputation damage, some firms create a CSR initiative to implement proper human rights and labour standards (Bettwy, 2012). Those initiatives have improved women's economic rights through better working conditions, equal pay, health and safety in the workplace (OECD, 2001).

Car (2016) also mentioned that foreign firms engage in providing training and skill development to workers so that they can achieve competitive advantage in local labour utilisation. This represents fixed costs for the firms, creating cost-motives to retain skilled workforce. As discussed in the theoretical section MNCs bring in advanced technology to receiving country and in order to reap the benefits MNCs often involve in training and skills development. Once the workers are trained, they might leave their jobs from a non-discriminative foreign firm and join a local firm where their transfer training skills and technology know how (Fosfuri et al., 2001).

Another study was conducted by Kodama et al. (2016) to analyse the impact of foreign ownership on gender-related employment and work practices in Japan. Using three types of databases they conclude that number of females in managerial positions is higher and gender wage gap is lower in foreign affiliate compared to local firms. They also found those foreign owned firms have a tendency to offer flexible hours, and childcare subsidies. Considering historical context of Japanese culture, where leadership positions were predominantly held by male workers, it could be argued that the rise of women in higher positions within MNCs may not be as significant as it seems. This is because the expectations for MNCs to outperform Japanese firms may not be exceptionally high, given the longstanding traditional acceptance of men as the primary candidates for such roles. Finally, they concluded that this impact is larger in older affiliates and are stronger in affiliates where there are larger foreign ownership shares.

Yukiko et al. (2016) and Carr (2016) examined the effect of foreign firms on gender-related employment in Japan. They found that most of the foreign owned firms are more likely to have a higher share of female employees at top management positions and a low gender wage gap. Villarreal & Yu (2007) conducted a study using data from Mexico’s nationally representative surveys of manufacturing firms between 1992 and 2001, to investigate the impact of FDI on gender equality in Mexico, and found that export oriented firms are more likely to hire women at every professional level compared to domestic firms. But they were unable to explain the greater employment of female in these firms. They also conducted a survey of managers’ responses regarding gender preferences while hiring and found that foreign owned firms prefer hiring female employees, the preferences could not be determined by firm level factors; They also analysed the firms' pay roll information and found that gender wage discrimination in foreign owned firms is less compared to local firms.

In addition, investors from foreign countries which maintain higher women's rights are likely to promote gender equal norms in countries where they invest (Neumayer & Soysa, 2011). As a result, it might put an upward pressure to have more gender equal norms and culture in the workplace leading to better domestic labour standards. Moreover, spillover of best practices of women's rights will be transferred from private actors of high standard countries to private actors in low standard countries (Held & McGrew, 2007).

### 2.5.2 Empirical Studies on FDI Spillovers, Informal Institutions and Women's Rights

*FDI Spillovers and Informal Institutions*

The FLFP rate is one of the commonly used indicators due to availability of data, but focusing only on this indicator neglects the fact that an increase in women's participation in the labour force does not necessarily lead to an improvement of women's rights and status in an economy. This is because higher FLFP can be followed by low paying jobs and poor working conditions, especially for women in developing countries as discussed in the previous section (Seguino 1997; Çağatay and Ertürk 2004). Therefore, in this section we review the empirical studies which looked at how FDI impacts other indicators of women's rights.

The required role of men and women is often different in many societies, and this influences how women and men respond to economic events (Çağatay, 2001). Traditionally women are associated with childcare and performing domestic work. Whilst unpaid work such as childbirth and domestic work are in general not considered as an economic activity, this is also one of the main reasons for keeping women out of labour force participation. This does not help to improve women's status (Çağatay, 2001). The different gender roles are also reflected in terms of enjoyment of rights, education, responsibilities and decision-making.

Gender equality issue within households can be created by differences in labour market decisions between women and men. Most studies do not account for factors such as nonmarket work including childcare, child support responsibilities, bargaining and inequality in the household. Women can be forbidden to enter in the labour market by their husbands who fear wives' financial independence (Braunstein & Folbre, 2001).

Employment created by FDI helps women to find a chance of earning an income of their own and becoming more independent. Although the employment conditions and remuneration might not be ideal, it is better than sitting at home or working as unpaid family workers in agriculture (Bhagwati, 2005). Paid income improves women's bargaining power in their households and improves their position in society (Jönsson, 2015). Financial independence allows them to have a say in economic decisions and are better positioned to negotiate matters such as family finances, expenditures, and investments. However, it is important to note that the impact of financial independence through FDI on gender inequality can vary depending on cultural norms and conditions within a country.

Regarding FDI and its impact on gender development and inequality, some studies have suggested that the relationship is not always straightforward and can be influenced by cultural factors. For example, Kwok and Tadesse (2006) conducted research that indicated FDI might not necessarily have a positive impact on gender development and equality in situations where national cultural norms are not supportive of female development. Additionally, Carr (2016) conducted a study, using a dataset of 91 countries and found that FDI has no statistically significant impact on gender wage gaps. She concluded that although there has been an increase in firm-level initiatives on gender equality, FDI overall fails to overcome domestic cultural barriers to improve gender equality, this can be due to the institutional incongruence discussed in section 2.3.4.

These findings suggest that while financial independence is an important factor in empowering women within their households, the relationship between FDI and gender development is complex and context dependent. Cultural norms and societal attitudes toward gender roles and equality can significantly influence the effectiveness of policies and initiatives aimed at improving women's status and reducing gender disparities. The impact of firm level initiatives from foreign investments has potential to influence broader societal cultural norms by facilitating gender equality spillovers into the larger economy. But ultimately the effects of FDI on gender norms and culture depends on how successfully FDI's influence can impact domestic institutions (Kwok & Tadesse, 2006). In countries which have strong cultural norms and weak institutions, the spillover effect of the foreign firm will be weak on influencing gender equality.

*FDI Spillovers and Women's Rights*

FDI has potential to influence women's civil and economic rights in a number of ways. According to Held & McGrew (2002), there are learning effects of globalisation that can transfer best practices in women's civil rights and economic rights, from high standard countries to low- standard countries. FDI can create links between and spread values of a more modern and liberal economy of a high standard country to a low-standard country.

Women's civil and social rights are a prerequisite of economic rights since women's access to equal social rights like education and health and women's access to civil rights like freedom of movement, determine a women's access to paid jobs, where she wants to work or what type of jobs she wants to take. Women's civil rights will allow them to make their own decisions about which profession to choose how much wage she deserves (Neumayer & Soysa, 2011). Thus, women's rights can only be achieved if both economic and civil rights are fulfilled.

According to Cho (2011) economic globalisation factors such as FDI and trade openness do not always lead to greater social rights as long as female labour is perceived as a source for cheaper labour cost. Whereas social globalisation can influence women's status, by facilitating the exchange and flow of ideas, norms, knowledge and images across countries and people living in different countries (Dreher 2006). Cho (2011) in her study found that social globalisation as measured by flow of information, personal contact and cultural proximity positively affect women's rights.

Neumayer and Soysa (2011) studying a sample of 152 countries analysed women's social and economic rights found out that countries with greater FDI inflows in general have better women's social rights, although the results are statistically insignificant for the developing countries. They used the CIRI index of social rights which also includes few indicators of civil rights such as (ownership of properties and freedom of movement). Due to this reason and due to no single studies related to civil rights and FDI, we discuss empirical studies which used the CIRI social rights index.

As mentioned earlier the CIRI index includes few of the civil rights indicators in their social rights index. Neyumer and Soysa (2011) also concluded that there is no consistent evidence for higher women's social rights abroad spreading through FDI links, in the developing countries. They mentioned in their study that the reason behind this inconsistency might be because developing countries are less affected by spillover effects in women's social rights than developed countries. This might be because they are more culturally drawn and less likely to be affected to changes from developed countries. A study by Potrafke and Ursprung (2010) found empirical evidence on 100 countries, that social and economic globalisation both, affect women's institutional rights positively. They used OECD Social Institutions and Gender Index (SIGI) to measure the impact of three different measures of globalisation on the Index. Richards and Gelleny (2007), in their study of 130 countries, investigated the impact of economic globalisation. They found that only trade openness has a positive impact on women's status, whereas FDI was found to have no reliable impact of women's social, economic and political rights.

Based on our extensive literature review, it is evident that there is a limited number of studies that specifically examine the relationship between FDI and women's rights. Furthermore, the existing studies that do focus on women's rights and FDI yield mixed results. Thus, there is a necessity to dig deeper into this topic and find out how FDI affects women's rights in a wider society. In addition to that, women's economic and social rights are better estimates of female empowerment than simple measures of the wage-gap and employment ratios (Carr, 2016).

Therefore, within the upcoming three empirical chapters, we will be investigating empirically, how FDI inflows affect women's rights. We separate our empirical analysis into three chapters to focus on three aspects of women's rights namely: economic, political and civil. We try to find out how and to what extent does FDI impact these three types of rights of women. Focusing on the rights give us more reliable findings since FDI can have varying impacts on these rights.

# 3 The Impact of FDI on Women's Economic Rights

## 3.1 Introduction

The main aim of this chapter is to investigate how FDI contributes to the improvement of women's economic rights. In this chapter we utilise four indicators of economic rights to find out how FDI affects each of these indicators.

Women's economic rights is a crucial part of achieving women's overall empowerment and gender equality (UN Women, 2022). Women's economic rights can include equal participation of women in the labour markets, equal access to control over their economic resources, authority over their own income, and ability to make meaningful decisions on their economic participation at all levels (UN Secretary General, 2016). In fact, women's economic empowerment and closing gender gaps are key goals of the 2030 Agenda for Sustainable Development, particularly Goal 5, to achieve gender equality. Beyond being a global agenda, gender equality brings prosperity to an economy by boosting economic growth.

A large strand of literature has identified several dimensions of women's rights and gender equality where gender equality has influenced macroeconomic developments (Elborgh-Woytek et al. 2013). Enhanced women's economic rights boosts productivity and increases income equality broadening the scope for economic development (International Monetary Fund , 2018). Investing in women's economic rights and empowerment can improve gender equality, reduction of poverty and inclusive economic growth (UN Women, 2022).

A recent study by the IMF found that closing the gender gap can increase GDP growth in Canada by 4%, Japan by 4%, Pakistan by 30% and Nigeria by 32% (International Monetary Fund , 2018). Evidence for Europe suggests that when women are appointed in senior positions, there is an increase firm's productivity. IMF research has also found that addition of one extra woman to the senior management, while keeping the structure of the senior teams unchanged, will increase return on assets by 8–13 basis points (Christiansen et al., 2016).

The link between different aspects of women's economic rights and FDI has become the centre of discussion in the literature and many empirical studies (Busse & Nunnenkamp, 2009; Neumayer & Soysa, 2011; Brzozowski, 2013; Blanton & Blanton, 2015).

When it comes to closing gender gaps and economic empowerment of women, most studies focus on FLFP and gender wage gap as the only measures of gender equality. However, there remains a lack of consensus regarding the influence of FDI on women's economic rights. Furthermore, assessing various dimensions of women's economic rights was challenging due to the lack of data beyond the scope of female labour force participation. Now that we have a growing number of new datasets, with particular focus on women, we are able to probe more into the untapped areas of FDI and gender studies.

Learning about how FDI impacts women’s economic rights is important because the gains from FDI are not gender neutral. Foreign firms may exploit gender inequality in the host countries in order to maximise profit by hiring low-skilled female labour. Additionally, this might create a gender wage gap. This might lead to a race to the bottom, as discussed in the literature review (see Section 2.4.1). In these circumstances the country may be favourably competitive in the international market but can be left with higher gender discrimination and an increase in gender inequality in terms of income (Seguino, 2010). There is a limited number of studies that focused on the spillover effects of FDI and women’s fundamental rights. Also, these studies often provide weak or contradictory evidence of the effects of FDI. This weakness is maybe due to data limitations that has led previous studies focusing only on FLFP or gender wage gap analysis. Moreover, most studies that used FLFP were either single country analyses or cross-country analyses focusing only on specific regions (Kodama et al., 2016; Cetin, 2019; Sharma, 2020; Nica et al., 2023).

The single country analyses were based on a specific country, and we cannot rely on the stylised facts of most of the studies, because based on a single country it is difficult to come to conclusion in reference to all countries. The cross-country studies suffered previously from bias since they either used very few countries or only a region like Latin America or Sub-Saharan Africa (Jönsson, 2015). Based on these results, we cannot assume that FDI will affect other regions/countries similarly.

Using a large number of countries and a longer time period, we will contribute to the previous studies by producing more robust results, which reflect the impact of FDI on a larger country group. It is also worth emphasising that joining the labour force might not always improve women’s lives at the individual level. A woman’s access to paid work might not lift her out of poverty or radically eliminate gender-based discrimination and abusive conditions within households.

Therefore, using FLFP as the only measure of economic rights does not give a rounded picture of the ways in which FDI might be able to reduce gender inequality and improve women's fundamental rights. In addition to that the short time periods of the analysis have imposed certain restrictions on the effective analysis of FDI and FLFP. Based on the importance of the above statements it is important to study the impact of FDI on other dimensions of women's economic rights.

This chapter intends to fill the gaps in the literature in several ways. Our main contribution of this chapter is to include broader measures of women's economic rights in our analysis in addition to FLFP. We, therefore, use the V-Dem Dataset, which is a new comprehensive dataset of 150 countries over the period 1970-2018. A longer time period helps us to deal with potential problems by providing robust results and improve on previous results obtained in the literature. We investigate how FDI affects women's economic rights in four different areas. As we know that economic rights is a broad term, we use four proxies of economic rights, some of which have never been used before (Female Labour Force Participation, Access to State Jobs, Access to State Businesses, Women, Business and the Law index. Their relevance to the study and the definitions of each variable are explained in the data section. Our study also differs from prior research, as we separate FLFP across different age groups, and analyse how FDI may impact different age groups of FLFP. This approach is employed to capture varying impacts of FDI on different age groups of the female labour force. This differentiation is significant as highlighted in a previous study by Cooray et al. (2012), which revealed a negative impact of FDI on FLFP, with a particularly pronounced impact on younger age cohorts. This remains an under-researched aspect of the literature, however.

To the best of our knowledge, this is the first study to employ a newly developed index, the Women, Business and the Law Index, which particularly focuses on indicators of economic rights. This index offers important contributions to policy research on women's rights and freedom which drives women's economic empowerment (World Bank, 2022).The indicators included in the index examine the critical association between legal gender equality and women's employment and entrepreneurship.[2] The indicator identifies women's economic decisions during their working lives as well as key elements which improve gender equality.

[2] Discussion of each indicator is presented in section 3.4.1.

We also disaggregate the countries into two income groups to control for any economic or structural differences.[3] The majority of previous cross-country analyses used pooled cross-country OLS regressions. By using two-way fixed effects estimations, we aim to reduce potential parameter biases caused by unobserved cross-country heterogeneity which is not accounted for in simple OLS models.[4] A few studies have acknowledged the importance of other measures of women's economic rights (Neumayer and Soysa, (2007), Richards and Gelleny (2007) and Cho (2011); however, they use data from the CIRI database. In contrast, we are the first to use the V-Dem data set, which is a new index, and contribute to this line of limited literature. Compared to CIRI index measuring women's rights, the V-Dem index allows more precise measurement and is superior in temporal scope and coverage of countries. Furthermore, we use indicators of women's rights which go beyond their studies. Additionally, we use a longer time period with the most recent years. Finally, we use a large set of countries and estimate our results using different income groups to observe any structural, economic or cultural differences.

Our main results corroborate the hypotheses that FDI has a positive impact on FLFP in the full sample. We also find that the effect of FDI on FLFP varies by income groups. FDI has a negative effect on FLFP in low-middle income countries while FDI has a positive effect on FLFP in high-income countries. We also found difference in results for different age groups of FLFP, where FDI has negative and significant impact on FLFP amongst the 15-24 age group, while FDI has a positive and significant impact on FLFP for age group 25+.

We also find some evidence for similar effects via FDI on women's access to state jobs and businesses, but only for high income countries. In the majority of instances, FDI is associated with improved women's access to state jobs and businesses, but the results were only confirmed for the full sample and for high income countries. Finally, no significant results for the impact of FDI on Women Business and the Law Index were found.

This chapter is structured into four primary sections. Section 3.2 provides an overview of the existing literature, while Section 3.3 outlines the hypotheses. Section 3.4 offers an explanation of the data used in this study, and Section 3.5 delves into a comprehensive discussion of the employed estimation techniques. Section 3.6 conducts an in-depth analysis of the results, drawing conclusions based on the four hypotheses presented in this chapter. Finally, Section 3.7 presents a detailed conclusion.

[3] The relevance for this is discussed in section 3.6.1.
[4] Details of the countries are discussed in the contribution section.

## 3.2 Summary of Literature

Women’s rights are considered one of the driving forces of economic development (Wong, 2012). Therefore, improving the rights of vulnerable groups, in particular women’s rights, can help improve the stability and prosperity of a country (Lemmon, 2011). Women are empowered when they are given access to equal rights compared to men. If women can enjoy equal rights and freely utilise their full potential, productivity and talent, they are often considered as more productive and responsible than men in several countries (Sen, 2001; UNIFEM , 2006).

The impact of FDI on women's economic rights can be measured in two ways. It can be assessed by examining the general or aggregate FLFP and the gender wage gap within a country, as conducted by the majority of studies. Alternatively, it can be measured by considering other forms of women’s economic freedom that provide women with enhanced prospects for workforce inclusion.

A number of studies have investigated whether economic globalisation and FDI improve women’s economic rights through wages and employment (Özler, 2000; Timmermans, 2014; Kodama et al., 2016; Cetin, 2019). Empirical contributions[5] show evidence of a mostly positive relationship between FDI and women’s employment. Some of them conclude that FDI may improve gender equality and positively affect women’s status, by providing employment opportunities to women. It may increase female labour demand compared to male labour, which is considered cheaper. FDI often brings investment in sectors that traditionally employ more women, such as export-oriented manufacturing sectors. This can increase the demand for female labour, as it may be perceived as more cost-effective compared to male labour in some countries. This leads to a rise in female employment. Other scholars argue that women continue to face discrimination in many areas (Çağatay and Ertürk, 2004). These strands of literature argue that FDI may benefit male workers more than female workers, especially in developing countries since men are more educated on average (Oostendorp, 2009; Cooray et al. 2012). Research by scholars like Oostendorp (2009) and Cooray et al. (2012) highlights the role of education in shaping the impact of FDI on gender employment disparities. In many cases, men may have higher educational attainment compared to women in certain regions, which can influence their ability to access higher-paying and more skilled jobs that may be associated

[5] As reviewed in section 2.5.2.

with FDI inflows. As a result, FDI might not automatically prove to be advantageous for women.

Advocates of globalisation argue that trade and FDI create positive employment opportunities for women in developing countries. Export oriented countries, which have a comparative advantage in labour intensive goods, may demand cheap female labour. This could generally increase women's employment. Indeed, a number of empirical studies have found that export-oriented firms make use of a higher share of female paid workers (Seguino, 1997; Fontana & Wood, 2000; Chow, 2003).[6]

Despite some studies finding that there is a positive effect of FDI on women's employment, there is also empirical evidence which shows that due to higher competition, domestic firms are forced to lower costs/wages. As a result, women might lose their jobs to more qualified men if lower costs are achieved by technology upgrade. Due to globalisation, there is a large influx of female labour in the export-oriented industries, which makes the local labour demand more elastic. This can affect wages adversely, as men and women compete to meet the demand for cheap labour holding down each other's wages (Seguino & Grown, 2006). Moreover, there is growing evidence that while there are short-term benefits of creating more female employment, the long-term consequences of improved wages are less promising. This is because while industries upgrade women are pushed down to low skilled jobs such as subcontracting, and this possibly means that FDI is less likely to close the gender wage gap (Braunstein, 2006). Globally, the concentration of women is highest in low to medium skilled job environments (WTO, 2020).

Some papers show evidence of defeminisation of the labour force due to technological progress. When better technology replaces manual labour, employers favour male workers, who are less constrained with care work. This makes women less desirable and are unfairly displaced by labour-saving technology. If there is an adequate supply of skilled male workers, technology upgrade due to globalisation can facilitate gender-based employment discrimination. This is due to an increase in demand for skilled workers who are able to operate the new technologies brought by globalisation. This causes a rise in demand for male workers who are generally more skilled compared to their female counterparts (Madeira, 2022).

[6] From this discussion our first Hypothesis H1 is that on average, FDI affects FLFP positively.

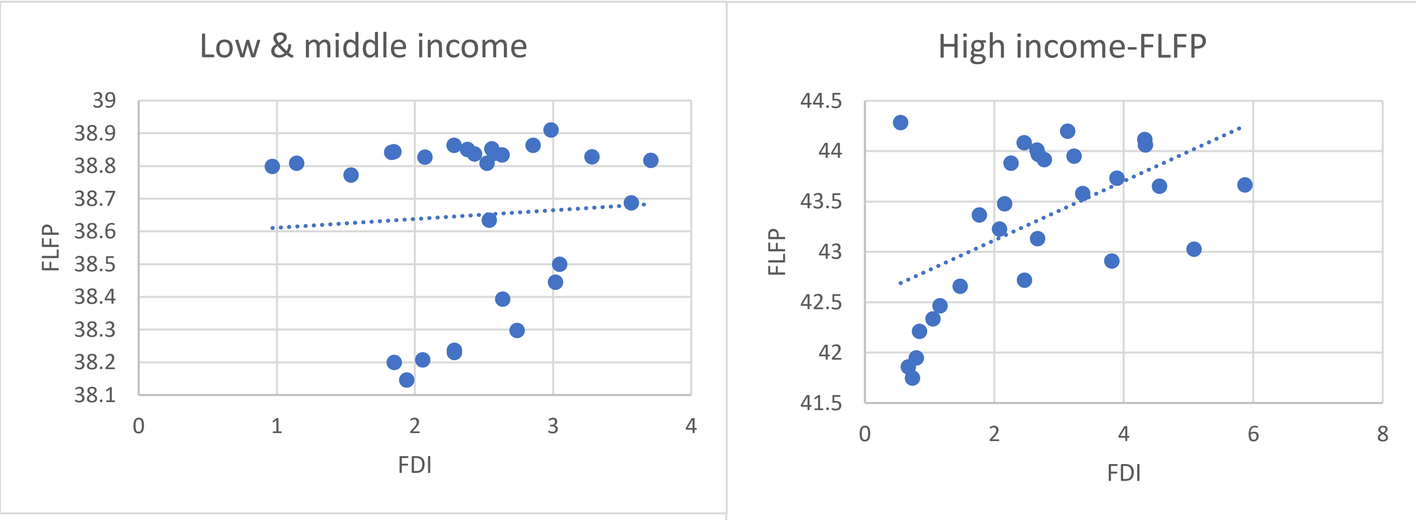
Pradhan (2006) also found that the rise in technology and capital-intensive production led to a decrease in the number of female and unskilled workers. In the case of Korea, although there was an initial increase in female workforce participation in the manufacturing sector during the early 1980s, there was a subsequent decline in the 1989–1993 period. This phenomenon was caused by the increased demand for skills necessary to perform the job (Mehra & Gammage, 1999). Therefore, the current literature and findings on the relation between globalisation and the FLFP does not present a straightforward conclusion.

Furthermore, the impact of FDI on FLFP appears to vary across countries and a country's level of development. Similar statements were made by the World Bank in their 2012 report, indicating that countries' social norms and regulations directly influence FLFP. Numerous scholars have discussed the famous U-curve of the FLFP (Goldin, 1995; Mammen & Paxson, 2000) which suggests that FLFP decreases at the initial stages of economic growth and then gradually increases with a country's development. Researchers have also found that during the early stages of a country's development, there is often a decline in FLFP, especially in low-income countries that heavily rely on agricultural production, as they transition to industrial activities. Gradually FLFP begins to increase with the rise in educational levels and fall in fertility rate, as the economies continue to develop away from labour intensive industrial sectors toward "brains"-based service sectors (Madeira, 2022).

In low-middle income countries, high rates of FLFP may reflect the fact that women engage in employment out of necessity due to the absence of adequate social protection programmes. When economies grow and household income and social protection increase, women can choose not to join the labour force voluntarily and take care of household work and family. In developed countries, FLFP increases as a result of better education, lower fertility rates, and access to labour-saving domestic technology (Duflo, 2005; World Bank, 2012). From this discussion it is evident that a country's economic and institutional development has differing impacts on FLFP.

Figure 3-1, presented below depict the trend in FDI and FLFP from 1991 to 2018, demonstrating the relationship between these two variables across different income groups of countries. Notably, the trend line varies for high-income countries compared to low-income countries. In high-income countries, there is a visible positive trend line, indicating a strong positive correlation between FDI and female labour force participation. This suggests that as FDI inflows increase, there is a corresponding increase in the participation of women in the labour force. The trend is still positive in low-middle income countries, but the correlation between FDI and FLFP is weak.

**Figure 3-1 FDI- FLFP Trends in Low-Middle and High Income Countries**




Data Source: Data collected from World Bank

The contrasting trends observed across different income groups suggest that the impact of FDI on FLFP is influenced by various factors, such as economic conditions, income level, social norms, and institutional frameworks, which may differ between high-income and low-middle income countries.

Another strand of literature acknowledged the importance of using other measures of economic rights. Neumayer & Soysa (2007) analyse the effects of globalisation, measured by trade openness and FDI inflows on women's economic and social rights over the period 1981 to 2007 and found that trade openness is positively associated with women's economic rights. The results were similar for FDI, but only for economic rights and only in middle-income countries. In the same line of literature, Richards and Gelleny (2007) investigated the impact of economic globalisation on women's economic rights and found that the impact of economic globalisation on women's economic rights varies by type and era and in most cases, economic globalisation was associated with improved women's status.

Cho (2011) used a panel data of 150 countries for the time period 1981-2008, there results show that social globalisation positively affects women's economic rights whereas there was no impact of economic globalisation on women's economic rights. Additionally, the study was conducted only for the full sample of countries, not capturing variations in women's economic rights across different income groups. In all three studies they used the same set of data for economic rights, drawn from the CIRI dataset. To summarise the literature on women's economic rights is scarce and often posit mixed results.

FLFP is a key element of women's broader economic rights and empowerment, and it can benefit women in many ways, although it is worth emphasising that joining the paid labour force may not necessarily improve women's lives at the individual level. Note that, a woman's access to paid labour might not help her transform her condition at all or radically reduce gender based bias and abusive conditions within the household. However, women's earnings provide them financial independence and help them engage in decision making processes within households. Women's financial independence is crucial for their bargaining power and autonomy within household (Braunstein, 2002).

Moreover, women's participation in the labour force may help them to become more independent. When more women join the labour force, workplaces will be less gender biased and more female friendly. When more women work, they can create pressure on employers and the government that demands for gender-based wage equality, sanctions against job discrimination and safe work environment that are more women friendly (Barrientos, 2013). Female workers may also be able to create pressure to increase social services and state welfare programs that will support women's well-being (Peng, 2011). One of the most persistent forms of gender discrimination is the legal norms and laws that disproportionately favours men. For example, many countries have laws that do not allow women to work and participate in certain professions ( Hyland et al., 2020). While there are some examples of gendered laws, examples of significant legal gender discrimination still exist around the world.

FDI might also affect female entrepreneurship via several channels, which is one of the indicators of the Women Business and Law Index that we use in this study. FDI can transfer social norms and culture from the home countries to host countries. According to the knowledge spillover theory of entrepreneurship, new business ideas can be generated from the spillover effects of FDI. Knowledge spillover from FDI can happen in both across and within industries, which will spur new ideas brought by FDI firms (Acs et al., 2013). However, FDI can also create crowding out effects on female entrepreneurship if women lack experience and access to key resources to compete with firms operating within FDI-intensive industries. Thus, it is an important area of research to investigate how FDI affects women's equal pay at work, gender equal workplace and female entrepreneurship.[7] Improved economic rights can also aid better political rights (Iversen & Rosenbluth, 2008).

FDI has facilitated the transfer of cultural norms and practices from countries with higher women rights to host countries where such rights are often violated. Tang & Yifan Zhang (2017) examined the impact of multinational companies on female labour in the manufacturing sector in China. They used the UNDP's Gender Inequality Index (GII) and found that foreign firms with better cultural norms and values, tend to hire more women and women managers without engaging in gender stereotypes. As a result, firms operating locally in cities that have a higher concentration of foreign affiliates from countries with higher gender equal laws, will start adopting their culture and tend to hire more women. This suggests cultural spillovers across firms.

FDI is also an important tool for improving women's financial inclusion. When women have access to more jobs, mainly in the formal sector, women's participation in the paid workforce increases, which is an important factor of women's empowerment (Fingar, 2021). Foreign investors often tend to finance large shares of investment in the local economy and they may depend on local financial markets (Harrison et al., 2004). The costs of external finance for firms is reduced when the financial markets in the host economies are well-functioning. The positive access to external finance not only helps the foreign firms, but also create an environment for entry of new businesses and an expansion of existing local firms (Desbordes & Shang-JinWeic, 2017). These developments can give access to more financial resources and create local employment. [8]

[7] From this discussion our second Hypothesis H2 arises: FDI positively affects gendered laws in economic freedom.
[8] From this discussion our third and final Hypothesis H3 is that FDI positively affects women's state access to jobs and businesses.

## 3.3 Research Question and Hypotheses

***What are the impacts of FDI on women's economic rights?***

Under this broader research question, we have developed 3 hypotheses. The first hypothesis (H1) arises from the above discussion: *on average, FDI will positively affect FLFP*. We will seek to confirm this effect in aggregate. The overall discussion also stresses heterogeneity between countries, with high and low levels of development. Our second hypothesis (H2) arises: *FDI will positively impact gendered laws in economic freedom*. Our third hypothesis (H3) states that: FDI will provide improved access to financial resources and formal jobs in the local market. This is tested using one specific hypothesis (H3) *FDI will positively affect women's access to state jobs and businesses*. We test these hypotheses on the full sample and the subsamples of countries which yield some striking differences between low-middle income and high income countries.

## 3.4 Data

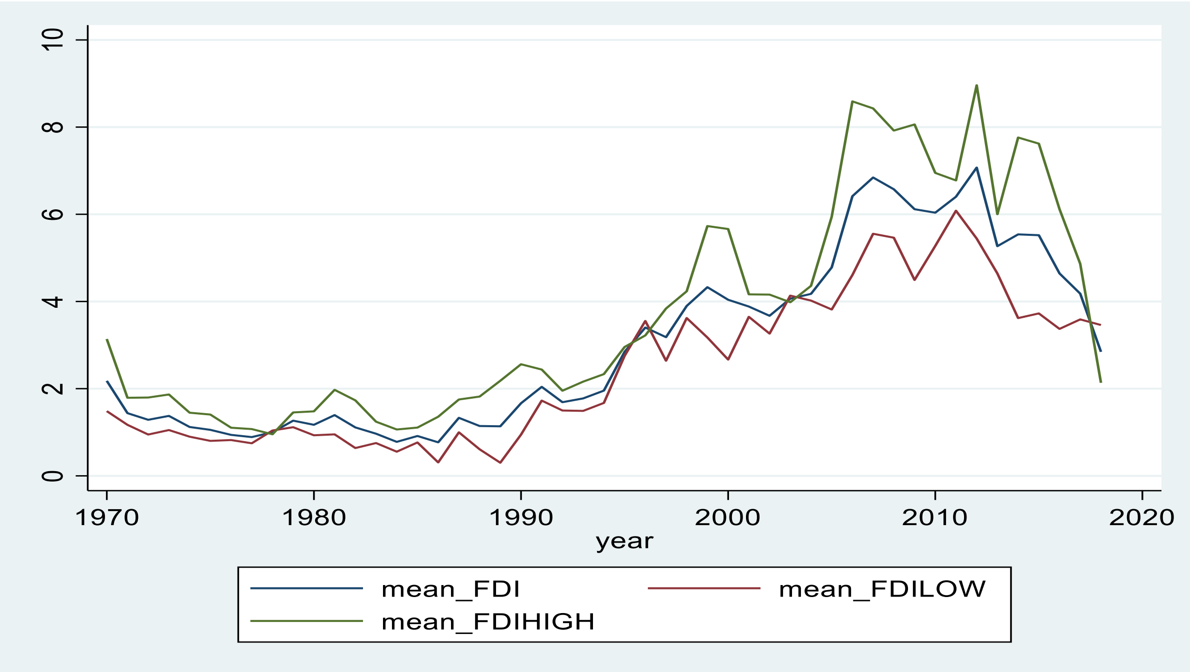
### 3.4.1 Description of Data

In this research we will be using different proxies for women's economic rights in order to see how FDI affects these indicators. Our key objective is to estimate the effect of FDI inflows on several dimensions of women's economic rights. Therefore, in this chapter we use 4 gender related dependant variables that are proxies of women's economic rights.

We use panel data for 150 countries, over the period 1970-2018. One of the reasons we have selected this period was that there was a continuous increase in FDI inflows increased continuously during the 1980s and 1990s with a very sharp growth during the late 90s (Akinmulegun, 2012). Therefore, while estimating the results, we can report any variations prior to 1980s or post 1990s. Moreover, data on FDI are not available before 1970s.

Figure 3-3 presents an average FDI%ofGDP trend from the 1970s to 2018, for our data sample. The graph represents mean FDI%of GDP for the full sample, as well as for the high income countries (mean FDIHIGH) and low-middle income (mean_FDILOW) countries. The trends for all three samples are similar and we see a sharp rise in the average FDI inflows from the 1980s which shows the significance of FDI inflows as a source of external finance. However, we can see a sharp decline in the average FDI inflows for the full sample and the high income countries, during the period 2016 to 2018.

**Figure 3-2 Average FDI Trend During the Period 1970-2018**




Data Source: Data collected from the World Bank Data

Our data is unbalanced panel with some missing values over the years and across countries. Panel data allows us to control for unobservable or non-measurable variables like cultural factors or difference in business practices across companies.

For dependent variables we use sources including World Bank and V-Dem dataset. For this chapter and the next two empirical chapters, we use the women's rights indexes which are collected from the V-Dem dataset.

The V-Dem project stands as the largest dataset on democracy and related topics, encompassing information from 230 countries worldwide. Spanning from 1900 to 2021, it collects data on more than 400 indicators. What sets the V-Dem project apart is its comprehensive approach, gathering information not only from existing sources but also through expert ratings for nuanced evaluations. Unlike other datasets that rely on a limited number of experts to rate all countries, the V-Dem project utilises a diverse panel of over 2,500 local and cross-national experts. This extensive network ensures a broader range of perspectives and expertise in evaluating various aspects of democracy across different countries (Sundström & Paxton, 2015).

To ensure accuracy and comparability, the V-Dem project employs a Bayesian item response theory model to aggregate the ratings provided by experts. This model takes into account the potential for human error and variations in rating scales among researchers. By accounting for these factors, the model generates country-level scores that are standardised across countries, enabling meaningful comparisons over time and across different nations.

The standardised estimates provided by the V-Dem dataset facilitate meaningful cross-country comparisons and contribute to a more comprehensive understanding of gender related indicators and its various dimensions. By utilising a sophisticated modelling approach and incorporating multiple expert perspectives, the V-Dem project enhances the quality and utility of its dataset for researchers and practitioners in the field of democracy studies.

*Other Prior Indexes and their Issues*

The most common indexes that were used traditionally were the Gender-Related Development Index (GDI) and Gender Empowerment Measure (GEM). The GEM indexes, developed by the UNDP in 1995, were created as a complement to the Human Development Indicator (HDI). These indexes assess gender inequality across three dimensions: economic participation and decision-making, political participation and decision-making, and control over economic resources (UNDP, 2004). Although, these two measurements have been quite influential, yet they were abandoned in 2010 by the UN (Klasen, 2014).

The GDI and GEM were widely used indexes that were traditionally employed to assess gender inequality and women's empowerment. Developed by the UNDP in 1995 as an extension of the HDI, these indexes aimed to provide a comprehensive understanding of gender disparities. The GEM focuses on evaluating gender inequality in three critical domains: economic participation and decision-making, political participation and decision-making, and control over economic resources. It sought to capture the extent of gender disparities and the level of women's empowerment within these domains. This shift likely occurred as part of a broader effort to refine and enhance measurement frameworks for gender equality and women's empowerment, in order to address their limitations and encompass a broader range of dimensions.

Since then, new indexes and measurement tools have emerged to better capture the complexity of gender equality, such as the Gender Inequality Index (GII) and the Inequality-adjusted Human Development Index (IHDI) (UNDP, 2015). The GII is a comprehensive measurement tool that assesses gender-based disadvantages across three main dimensions: reproductive health, empowerment, and the labour market. The GII was available in 2014 across 149 countries (UNDP, 2015). However, while trying to use GII there were a lot of missing data, especially for the developing countries and the data only covered a small number of time periods.

Several alternative measures to the traditional indexes have been proposed by scholars. One such alternative is the Cingranelli and Richards (CIRI) project on human rights, which assesses the extent to which countries uphold specific rights in both law and practice. The CIRI project utilises expert-based surveys to gather data on various human rights dimensions.

In the context of gender equality, the CIRI project includes indicators for Women's Economic Rights and Women's Social Rights (Cingranelli & Richards, 2010). These indicators provide insights into the level of protection and fulfilment of women's rights in these specific domains. Unlike some other indexes, the CIRI indicators provide data for approximately 200 countries. However, it is important to note that the temporal coverage for some countries is limited, spanning from 1981 to the present.

In 2009, the OECD introduced the Social Institutions and Gender Index (SIGI) as a measure of gender inequality in institutions, rather than focusing solely on outcomes. The index combines twelve indicators that assess various aspects of gender inequality and groups them into five sub-indexes: Family Code, Physical Integrity, Son Preference, Civil Liberties, and Ownership Rights. The SIGI provides insights into the societal norms, practices, and legal frameworks that contribute to gender inequality. By examining the institutions that shape gender relations, the index highlights the underlying structures that perpetuate discrimination and unequal power dynamics. However, the SIGI data is available for a limited time period. The index covers three cross-sections of data, specifically for the years 2009, 2012, and 2014. While it provides valuable information for understanding gender inequality across 108 countries during these specific years, it may not capture recent developments or changes in gender-related dynamics. (Branisa et al., 2009).

Acknowledging the limitations of measures that focus on a limited time period or have biased coverage towards economically developed countries, it is essential to adopt more comprehensive approaches to assessing women's empowerment. Cueva Beteta (2006) highlights the issue of missing data in estimating the Gender Empowerment Measure (GEM) for a significant percentage of medium and low-income countries, which can lead to a skewed representation of women's empowerment globally. This emphasises the need for more inclusive and representative data collection efforts to ensure a comprehensive understanding of women's empowerment across different contexts. In response to these concerns, the UNDP has developed the GDI. The GDI measures the ratio between the HDI of women and men and ranks countries based on their progress towards gender equality. By considering the relative achievements of women and men in terms of human development, the GDI provides a broader perspective on gender equality and highlights the gaps that exist between different countries (Klasen 2014).

The UNDP has emphasised that the data presented in their Human Development Report, including the HDI cannot be compared to its earlier editions due to ongoing improvements in data collection by national and international agencies (UNDP, 2014). Consequently, the previous indexes such as the GEM and GDI have been dismantled, and the new Gender Inequality Index (GII) has been introduced. However, these indexes are not suitable for making comparisons over time. The lack of comparable and available indicators across time poses a challenge for policymakers and scholars seeking to track women's empowerment in low-income countries. Moreover, previous measures like the GEM have been criticised for their elite bias, as they have not adequately captured gender inequality among the less economically advantaged population (Cueva Beteta, 2006). To truly assess women's empowerment, a measure should encompass the experiences of all women, both elite and non-elite.

The GDI has also faced criticism for its reliance on GDP as a factor in its measurement, which limits the ability to test hypotheses about the relationship between GDP and women's empowerment (Dijkstra & Hanmer, 2000). Therefore, a comprehensive measure of women's empowerment should consider a broader range of factors and avoid excessive reliance on GDP as a sole determinant.

As highlighted earlier, previous measures of gender related indicators have faced limitations in terms of coverage, especially in low-income countries and over time. While the CIRI data provides relatively better coverage compared to other measures, the V-Dem index used in this research offers even broader coverage. For instance, although the CIRI indicator on Women's Political Rights includes a large number of country-years, the V-Dem index surpasses it in scope. Specifically, the V-Dem indicator on civil liberties covers almost four times as many data points across countries and years, making it more comprehensive. While the availability of the political participation dimension in the V-Dem index may be relatively more limited compared to the other two dimensions (reproductive health and empowerment), it still surpasses the coverage of existing measures discussed earlier. In terms of spatial and temporal coverage, the V-Dem indexes have a far more extensive reach. Therefore, the V-Dem index stands out as a comprehensive measure of women's empowerment, providing broader coverage both geographically and over time, surpassing the limitations of previous measures. Its inclusion of various dimensions and extensive dataset make it a valuable tool for analysing and understanding women's empowerment worldwide.

### 3.4.2 Dependent Variables

Our four dependent variables are, Female Labour Force Participation, Women, Business and the Law index, Women's Access to State Jobs, Women's Access to State Businesses.

Data are compiled from several sources.

***Female Labour Force Participation*** which is the first dependent variable, extracted from ILO Stats. FLFP measures "*the proportion of the population who is economically active*". The FLFP is defined *as "the number of economically active women divided by the total female population of the relevant age group"* (World Bank, 2023). The ILO definition of economically active means "*all people who supply labour for the production of goods and services during a specified period"*. The ILO estimates contain for 191 countries, which includes both industrialised and developing countries. In our study we also use two age cohorts, 15-24 and 25+ for FLFP. We use these cohorts, firstly because we expect to see a difference in labour force participation amongst younger women aged 15 to 24 as they may choose to attain education rather than joining the workforce (Cooray et al., 2012). On the other hand, women aged 25+ may have already completed their education and are more keen on joining the labour force. Secondly due to lack of disaggregated data by age we have used only two age cohorts.

The rest of the women's economic rights measures come from the V-Dem dataset. This is constructed to ensure measures are comparable across countries and over time, and this is highly valid and reliable. The data-generating process and aggregation schemes for the different indicators and indexes are fully transparent (Coppedge et al., 2020)

***Women Business and the Law Index:*** This is the second dependent variable which is an aggregate index and covers some essential indicators of women's economic rights. "*Women, Business and the Law 2022 measures global progress toward gender equality in 190 economies by identifying the laws and regulations that restrict and incentivise women's economic participation"-V-Dem DATASET*. The World Bank has created a Women Business and the Law. The country list and years were compiled in V-Dem database which we use in this study. This index is relevant to our study because the data set focuses on gendered laws that may restrict a women's access to employment and entrepreneurial activity. This index captures unequal gendered laws throughout the length of a women's working life from the time she starts work and enters the labour force through the time she retires. All the indicators under this index reflect different aspects of women's economic empowerment (Roy, 2019). We believe that this is a very good index to capture economic rights and empowerment of women in our study. Moreover, this is a very unique index which will add up to the previous literature which mainly focus on one or two dimensions of economic rights. This index is new and reliable and can bring up new evidence of women's economic rights.

The index has a total of 35 individual legislative issues which have been aggregated into 8 indicators, as following:

The *Mobility* indicator measures any restriction on women's free movement outside her country, obtain a passport etc.

The *Workplace* indicator examines laws which affect women's decision to work. This indicator looks at any limitations by the law to join a workforce, any laws whether there are laws against discrimination in employment, also laws on sexual harassment in workplace.

The *Pay* indicator measures laws and regulations on equal remuneration for work of equal value.

The *Marriage* indicator measures whether women are expected to obey their husband, the right to become the legal head of her household as well as laws against domestic violence, freedom to divorce and the right to marry again.

The *Parenthood* indicator assesses issues such as paid maternity leave, laws on paternity and paternal leave and the treatment of pregnant workers.

The *Entrepreneurship* indicator examines restrictions on women's entrepreneurship, laws that mandate equal access to financial resources, any legislations that states women's rights to sign a contract or register for a bank account.

These data are collected from local legal experts and calculated by taking the unweighted average of the four or five binary questions within the indicator and scaling the results to 100. The overall index scores range from 0 to 100, where high score means less inequalities between men and women in the areas covered by the index.

***Women's Access to State Job:*** This is the third dependent variable collected from the V-Dem dataset. This indicator measures whether state jobs are equally accessible to qualified individuals without any gender discrimination. The scores range from 0-4, the higher the value the better the access to state jobs for women[9]. This allowed us to use parametric statistical tests for our data which we otherwise would have not done so if the data were ordinal. So, we use fixed effects estimation for our analysis.

***Women's Access to State Business*****:** This indicator measures whether women can have access to state businesses equally as men. State business means any type of public procurement contract to collaborate with the government in public-private partnerships, etc. The responses were scaled between 0-4, 4 being the most equal access to state jobs for women. These responses were then converted from ordinal data to interval data. This allowed us to use parametric statistical tests for our data which we otherwise would have not done so if the data were ordinal. So, we use fixed effects estimation for our analysis. The responses collected are given below.

[9] The ratings provided by the V-Dem are originally in an ordinal scale, but the V-Dem experts convert the survey results into an interval scale. Therefore, while the original ratings themselves are discrete, the underlying scores can take any numerical value, typically falling within a range of -4 to 4.

Table 3-1 Dependent Variables

| Dependent Variables | Short Forms | Definition |
|---|---|---|
| Female Labour Force Participation | FLFP | FLFP measures the proportion of economically active women in terms of the total female population |
| Female Labour Force Participation age 15-24 | FLFP15-24 | FLFP measures the proportion of economically active women in terms of the total female population between 15-24 years of age |
| Female Labour Force Participation age 25 and above | FLFP25+ | FLFP measures the proportion of economically active women in terms of the total female population aged 25 years and above |
| Women's Access to State Jobs | STATEJOBACCESS | This indicator captures equal access to state jobs open to qualified individuals regardless of gender. The range can fall between-4 to 4, 4 being the most equal access to state jobs for women. |
| Women's Access to State Businesses | STATEBUSACCESS | This indicator captures whether state businesses are equally available to qualified individuals or firms regardless of gender. The range can fall between-4 to 4, 4 being the most equal access to state jobs for women. |
| Women Business and the Law Index | WBL | The database measures equality of economic opportunity under the law between men and women in more than 190 countries for 50 years, from 1970 until today. It focuses on legislation that may impact women's access to employment and entrepreneurial activity. The indicators are women's freedom of movement, equal pay, property ownership rights, inheritance rights, paid maternity leave, equal treatment of retirement age |

Our initial sample contained data on 150 countries, however due to unavailable observations for some variables and countries, the final sample is reduced to 126 countries over the period 1970-2018. The country list in the final sample, as well as the high-income and low-middle income subsamples are presented in Appendix A.

### 3.4.3 Independent Variable

Foreign direct investment as a percentage of GDP, is the main independent variable, which is taken from the World Bank. We are interested in the impact of FDI on the dependent variables we discussed above.

Our control variables include GDP growth, female secondary education, and demographic factors such as urban population. We also consider other factors in our robustness checks such as female fertility rate, government expenditure, polity 2 and political corruption index. The latter two variables capture the quality of institutions. All the variables and their relevance to women's rights are explained below. We estimate the impact of FDI inflows on Women's rights using the full sample also on two subsamples, high-income countries (developed) and low-middle income countries (which includes low, lower- and upper middle income countries) as we expect the effect of some factors, particularly the economic activity measures, may depend on income and development level. The high-income subsample includes 41 countries, mainly developed countries, whilst the other subsample includes 85 countries, all other developing countries.

### 3.4.4 Control Variables

*GDP growth Rate:* GDP growth is the annual percentage of sum of all goods and services gross produced locally. Gender inequality is mainly caused due to lack of economic resources such as food, healthcare, education which affects women disproportionately. Economic growth can reduce these shortages of resources in a society, lifting women out of poverty and making helping the society to be more gender equal (Duflo, 2005). GDP growth rate is one of the first control variables which is expected to have a positive impact on gender equality (Ouedraogo & Marlet, 2018). Timmerman (2014), in his analysis, also used GDP growth as a control variable, to take into account the effect of it on FLFP and gender equality in employment participation. This supports Jönsson’s (2015) findings as well, where she finds that GDP growth increases FLFP.

*Female School Enrolment:* A variable for education is also included, which is expected to have a positive impact on female employment due to reduction of the gender gap in education (Jönsson, 2015). Education is measured as female secondary school enrolment. (UNESCO, 2011). We expect this variable to affect the dependent variable positively since education plays an important role in achieving equal outcomes between men and women in the labour market (Timmermans, 2014). Foreign firms with higher technological advancements are more likely to hire skilled and qualified workers especially in the non-agricultural sectors. This can be, disadvantageous for women if they have a lower access to education (Missios, 2017). Arbache, et al. (2010) found that a higher level of education reduces the gender wage inequality in the labour market in the African region. While efficiency-seeking FDI typically prioritises cost advantages and may not necessarily place a strong emphasis on education when it comes to hiring workers. Therefore, it depends on the type of FDI the economy is attracting. In this study we will use female secondary education since it needs to be higher than primary education to make an impact on the FLFP and finally gender equality (Verick, 2012).

*Urban Population:* We include Urban Population as a control variable, which refers to the percentage of urban population in terms of the total population of a country. An increase in the urban population is expected to have a positive effect on FLFP as women in urban areas have more access to job opportunities and education (Aboohamidi & Chidmi, 2013). Other findings show an ambiguous impact of urban population as it can increase FLFP due to better job opportunities in urban areas, but at the same time rural women might struggle to find work when they migrate to cities due to lack of education. Jönsson (2015), in her study used urban population as a control variable for FLFP.

*Female Fertility Rate:* the fertility rate is assumed to have a negative impact on FLFP, and this could mean extra work at home and taking care of children. This is considered as an unpaid domestic work which does not help women to get an exposure of the outer world, therefore not increasing women's status in the society (Cagatay, 2001). Here, fertility rate is a control variable which measures the number of children a woman gives birth to.

*General Government Expenditure* is measured by total expenditures as a percentage of GDP which includes public spending on infrastructures or social programs. Government spending can promote gender equality in areas such as health, education, and labour participation. This approach is supported by (Ouedraogo & Marlet, 2018) and Anyanwu (2016) who have used these as independent variables.

*Polity 2 from the Polity IV data series:* This control variable is used as a measure of democracy which is taken from Marshall & Gurr (2013). The democracy variable is measured using the Polity IV dataset (Marshall, Gurr & Jaggers, 2013). We use the Polity2 variable which ranges from zero (0) for least democratic to ten (10) for most democratic. This indicates electoral rules and various measures of openness in political institutions. As mentioned by Neumayer & Soysa (2011), more democratic countries with strong political institutions can improve women's empowerment through protecting women's social and economic rights. In their study using a global sample of countries, they have used Polity as a control variable and found a positive relationship with women's economic and social rights and democracy. In another study by Muller and Seligson (1994), it was found that stronger democracy increases levels of societal cultures, attitudes and norms which may decrease violence against women by their partners/spouse (Kaya & Cook, 2010).

*Political Corruption Index:* We also include *corruption index* as a control variable. The index measures how unpreventable political corruption is. The sub-components of the index capture several distinguished types of corruption; both 'petty' and 'grand'; both bribery and theft, both corruption which influences law making and corruption which affects implementation. It also includes public sector, executive, legislative and judicial corruption (Olin, 2017) The index has a value between 0-1. The directionality of the V-Dem corruption index runs from less corrupt to more corrupt. Evidence suggests that women are more vulnerable corruption severely affect due to the distribution of unequal power between men and women. Corruption limits women's access to public resources, information and decision-making, thus giving rise to social, cultural, and political discrimination (SIDA, 2015).

Table 3-2 Independent Variables

| **Independent Variables** | **Short Forms** | **Definition** | **Source** |
|---|---|---|---|
| FDI % of GDP | FDI%ofGDP | FDI inflows is net inflows of equity capital, reinvestment of earnings, other long-term capital, and short-term capital divided by GDP. | World Bank |
| **Control Variables** | | | |
| GDP growth Rate: | GDPGROWTH | GDP growth is the annual percentage growth rate of GDP at market prices based on constant local currency. | World bank |
| Female School Enrolment | EDUSEC | This is a measure of female gross enrolment ratio in secondary education divided by male secondary gross enrolment ratio. | World bank |
| Female Fertility rate: | FEMFERT | Total fertility rate represents the average number of children that a women can give birth over their lifetime. | World bank |
| General government expenditure | GOVTEXP | t is the total public expenditures which can include healthcare, infrastructure, education etc, in percentage of GDP. | World bank |
| Urban Population | URBANPOP | It measures the fraction of the population which lives in urban areas | World bank |
| Polity2 | Polity2 | The democracy variable is measured using the Polity IV dataset (Marshall, Gurr & Jaggers, 2013). We use the Polity2 variable which ranges from -10 to 10), zero for least democratic to 10 (10) for most democratic | Polity IV |
| Political Corruption Index | POLITICORR | The index measures how unpreventable political corruption is. The sub-components of the index capture several types of corruption; public sector, executive, legislative and judicial corruption (Olin, 2017) The index has a value between 0-1. The higher the value the more corrupt. | V-Dem |

### 3.4.5 Descriptive Statistics

Table 3-3 Descriptive Statistics

| Variables | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **Dependent Variables:** | | | | | |
| FLFP | 5089 | 40.352 | 9.754 | 7.678 | 56.031 |
| FLFP15-24 | 5070 | 39.936 | 16.943 | 4.7 | 84.5 |
| FLFP25+ | 5070 | 54.477 | 17.578 | 6.7 | 94.5 |
| Women Business and the Law Index | 8450 | 58.877 | 18.502 | 17.5 | 100 |
| Access to State Jobs | 8053 | .827 | 1.23 | -2.919 | 3.42 |
| Access to State Businesses | 8047 | .354 | 1.279 | -2.721 | 3.083 |
| **Independent Variable:** | | | | | |
| FDI%ofGDP | 7897 | 3.374 | 8.822 | -57.532 | 280.132 |
| **Control Variables:** | | | | | |
| GDPGROWTH | 8298 | 3.636 | 6.207 | -64.047 | 149.973 |
| EDUSEC | 6388 | 65.461 | 34.5 | 0 | 166.136 |
| GOVEXP | 7023 | 16.545 | 8.324 | 0 | 147.719 |
| FEMFERT | 8650 | 3.806 | 1.982 | .95 | 8.86 |
| URBUNPOP | 8522 | 50.634 | 23.942 | 2.845 | 100 |
| polity2 | 6513 | 1.939 | 7.194 | -10 | 10 |
| POLITICORR | 8127 | .507 | .297 | .005 | .974 |

Table 3-3 presents summary statistics of all the variables used in this chapter. It shows the maximum and minimum values of all the variables from 1970 to 2018. It also presents the means and standard deviations of the variables. By looking at the observations we can see that our data set is unbalanced and almost all variables have missing data. The standard deviation tells us the amount of variation or dispersion in a set of data. The number of observations change in each model due to missing data for both dependent and independent variables. We can see the two highest standard deviations are for urban population and female school enrolment. We can also see the mean values of each of the variables, which is the average of all the data in each variable.

In this chapter we have *4 equation models* with 4 dependent variables as proxies of women's economic rights. FLFP is the dependent variable used in *equation 3.1* and it is measured in percentage. We use FLFP disaggregating the data between two age cohorts FLFP between 15 to 24 year of age FLFP15-24 and FLFP 25+ years of age, which are also in percentage and presented in table 3-3. We have collected these data from ILOSTAT. Our second dependent variable which is used *equation 3.2* is Women's Business and the Law Index which is an aggregate index, and the values are in percentage (details of the index is explained in section 3.4.1). It has an average value of 58.877 with a standard deviation of 18.502. We use Women's Access to State Jobs as the third dependent variable in *equation 3.3* and it is a continuous variable which ranges between -2.919 and 3.42. For Access to State Jobs the mean value is 0.827 and a standard deviation of 1.23. Our fourth dependent variable is Access to State Businesses, and it is used in *equation 3.4* and ranges between -2.721-3.083.

Next, we have the main independent variable, FDI as a percentage of GDP. We also observe a lot of missing observations in FLFP and education variable from the overall data. For GDP growth we have a minimum value of minus -64.047 and a maximum value of 149.973, with the medium standard deviation of 6.207. For government expenditure the minimum value is zero and the maximum values 147.719 with a medium standard deviation of 8.324. Urban population variable has a mean of 50.634 with a very high standard deviation of 23.942. For the political corruption variable, the minimum value is 0.005 and the maximum value is 0. 974 with a standard deviation of zero point 0.297. From the above statistics we can see that education and urban population have a very high standard deviation, this could be expected because a country's education can vary according to its development while population can vary due to several factors.

We begin with the pairwise correlation matrix and then the results for FLFP and then we look at the results for different income groups and age cohorts.

### 3.4.6 Pairwise Correlation

In this section, first we check for correlation between the variables in our model. We can see that fertility rate and school enrolment are highly correlated in table 3-4. We test for multi-collinearity among the independent variables which is our first econometric concern. As a rule, if the variance inflation factors (VIFs) of variables is higher than 10, there is existence of severe multi-collinearity (Vittinghoff et al., 2012). VIF of the explanatory variables are reported below and are lower than the threshold level and thus it is less likely to have severe multicollinearity in our estimation. This means that the multicollinearity in our model is not high enough to create issues in the model. Therefore, we include both the variables in the same model. Moreover, to avoid any misleading results, we looked at the results without the education variable, but did not find any significant inconsistencies. The scatter plots representing the correlation and trends in FDI and the dependent variables are presented in Appendix B.

Table 3-4:Matrix of Correlations

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| (1) FLFP | 1.000 | | | | | | | | |
| (2) FDIperGDP | 0.069 | 1.000 | | | | | | | |
| (3) GDPGROWTH | -0.096 | 0.012 | 1.000 | | | | | | |
| (4) EDUSEC | 0.072 | 0.110 | -0.174 | 1.000 | | | | | |
| (5) GOVEXP | 0.140 | 0.045 | -0.235 | 0.342 | 1.000 | | | | |
| (6) FEMFERT | -0.019 | -0.104 | 0.118 | -0.847 | -0.195 | 1.000 | | | |
| (7) URBUNPOP | -0.112 | 0.089 | -0.154 | 0.778 | 0.265 | -0.659 | 1.000 | | |
| (8) polity2 | 0.309 | 0.091 | -0.109 | 0.454 | 0.087 | -0.485 | 0.332 | 1.000 | |
| (9) POLITICORR | -0.176 | -0.113 | 0.122 | -0.655 | -0.480 | 0.530 | -0.558 | -0.514 | 1.000 |

## 3.5 Estimation Techniques

We use a cross-country dataset of 150 countries for the years 1970–2018. The number of countries in each analysis might be smaller than the original set of countries due to missing data for countries.

This study uses a quantitative methodology to explain the relationship between FDI and women's economic rights by estimating a multiple regression model with indicators of women economic rights as the dependent variable and FDI as explanatory variable. We use four different models for the four different indicators of women's economic rights, and we use the same independent variables in each of the models with different dependent variable in each model. In our first model we use the FLFP rate as an indicator of women's economic rights, while economic globalisation has been represented by foreign direct investment. We then re estimate this model using 3 sub samples of income groups.

Existing empirical studies do not take into account economic factors such as a country's income or they have used limited number of countries or shorter time coverage. Some studies simply used basic pooled OLS data which does not take into account a number of cross country and time variations. To address these issues, we take advantage of nearly sixty years of FLFP data covering 150 high, low-middle income countries and estimate our model using more advanced techniques. We use the World Bank's definition of high income countries and anything that is not defined as high income countries we include them in the low-middle income category in a particular year (Madeira, 2022).

We also divide FLFP into two different age groups for reasons explained in the introduction section. As we have discussed already in literature review section, due to low educational skills women are often stuck in low paying jobs. Cooray et al. (2012), in his study found different results for different age cohorts. For example, he found that globalisation has a negative effect on female labour force participation, the impact is stronger amongst younger age groups. Due to a rise in skills premium via FDI, younger women might not be willing to join work voluntarily and invest in education. To capture this, we use different age groups of FLFP and try to find out whether FDI has different effect on different age groups of FLFP. However, his study is different to ours as he only used a small group of countries, and only focused on FLFP, whereas we focused on FLFP with the most recent years as well as a number of other aspects of women's economic rights.

### 3.5.1 Equation Models

We estimate the models with four proxies of women's economic rights as the dependent variables. The four equation models to test our hypotheses are specified as follows:

Equations

$$FLFP_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 Control_{it} + \lambda_t + \theta_i + \mu_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.1)$$

$$WomenBusinesslawIndex_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 Control_{it} + \lambda_t + \theta_i + \mu_{it} \ldots\ldots\ldots (3.2)$$

$$AccesstoStateJobs_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 Control_{it} + \lambda_t + \theta_i + \mu_{it} \ldots\ldots\ldots\ldots\ldots\ldots (3.3)$$

$$AccesstoStateBusiness_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 Control_{it} + \lambda_t + \theta_i + \mu_{it} \ldots\ldots\ldots\ldots (3.4)$$

Where FDI is FDI inflows, i and t represents country i and year t. Control is a set of control variables including GDP growth, Government Expenditure, female Fertility Rate, Female Secondary School Enrolment, Polity2, Political Corruption Index all per country i and year t. $\lambda$ represents year fixed effects. $\theta_i$ represents country Fixed Effects. $\mu_{it}$ is the Error Term

### 3.5.2 Fixed Effects Estimation

We have used Ordinary Least Squares (OLS) regression as baseline estimations to examine the relationship between FDI and women's economic rights. This is a useful starting point yet can be biased by time invariant differences between countries. Therefore, we used fixed effects regression, corrected for within-cluster correlation, and included time dummy variables.

Fixed effects estimation takes into account unobserved time invariant heterogeneity between countries which can be correlated with both FDI and Women's Economic rights (Wooldridge, 2002). We also include country fixed effects to capture factors that do not vary with time such as country size and location. A number of other factors such as cultural or political can hinder women's ability to secure a paid job. We can avoid this omitted variable bias by modelling unobserved heterogeneity through country-fixed effects. We used the Wald test which indicated that both country- and time-fixed effects are appropriate, so we include them in all models.

We estimate each model for each dependent variable separately with the same independent and control variables. For robustness check and to correct for heteroscedasticity and autocorrelation we use Driscoll-Kraay standard errors that are robust to general forms of cross-sectional and temporal dependence. Driscoll and Kraay (1998) allow to address the violation of the classical assumptions on the error term. The standard errors in Driscoll-Kraay are heteroskedastic and autocorrelated up to some lag and possibly correlated between the countries (Donno & Russett, 2004).

## 3.6 Results and Discussion

### 3.6.1 The Effect of FDI on Female Labour Force Participation

This section represents the regression results on the impact of FDI on FLFP. This is our first **H1:** *on average, FDI will positively affect FLFP*, and we do this using equation (*3.5)* discussed in section 3.5.1.

First, we look at the results using all the countries irrespective of their income group. Table 3-5 represents the regression results from the impact of FDI inflows on FLFP. Column 1 represents the results of FDI % of GDP and FLFP using pooled OLS estimation. For ease of understanding, we only report the effects of the main explanatory variables; each column represents separate regression estimating equation. In column 2 we use fixed effects estimation without any control variables. Since fixed Effects is our main estimation technique, we do not add the control variables at first, to see the individual effect of FDI without controlling for any other factors. In column 3 we use FDI and 6 control variables excluding education. We wanted to see how education and female fertility rate affect our dependent variable separately. In column 4 we used both, school enrolment and female fertility rate and a total of 7 control variables.

In columns 2, 3 and 4 we used fixed effects estimation and cluster robust standard errors. Any evidence of autocorrelation and heteroscedasticity in this research is addressed with the use of cluster robust standard errors in STATA software. We also controlled for time fixed effects and country fixed effects. The discussion will be based on the results of Column 4 since it is the full model and consists of all the variables.

If we look at Table 3-5, we can clearly see that the impact of FDI on FLFP is generally positive in all the columns independent of the control variables. We also look at female secondary enrolment and female fertility rate together and separately as they are highly correlated (see the correlation table). However, the VIF for these variables were less than 10 which allows us to use both the variables in one model. This is explained in the ‘Post Estimation tests section in Appendix B**.**

As we can see, the estimation results from OLS (Column 1) are more significant for most variables, this can be due to the fact that OLS do not take into account a number of cross country and time variations, which can result in biased estimates. Therefore, for future discussion we only discuss the results from the fixed effects estimations.

In column 2, the results from the fixed effects estimation shows that the coefficient of FDI is positive and significant at the 5% level. In column 3, we use fixed effects estimation with all the control variables except for education. This is because female fertility rate and education have high multicollinearity, therefore we looked at the effects of these two variables separately. When we add the education variable to our regression in column 4, the sample size gets smaller due to missing data for education and we are left with 126 countries in total, however this is an important determinant of FLFP and must be included to avoid omitted variable bias. Also, if we look at column 4 where education variable is included the significance level for FDI increases to the 1% significance level, compared to column 3. This indicates that it is crucial to include both the variables as long as the VIFs are within the acceptable range. We have done Hausman test and found that fixed effects estimates are suitable for this model.

Table 3-5: FDI's Impact on FLFP using OLS and Fixed Effects Estimation on Full Sample

| FLFP | (1) Pooled OLS | (2) Fixed Effects | (3) Fixed Effects | (4) Fixed Effects |
|---|---|---|---|---|
| FDI%ofGDP | 0.035* | 0.011** | 0.009** | 0.010*** |
| | (0.021) | (0.005) | (0.004) | (0.004) |
| EDUSEC | 0.088** | | | 0.001 |
| | (0.035) | | | (0.011) |
| GDPGROWTH | -0.126** | | -0.022*** | -0.040*** |
| | (0.061) | | (0.007) | (0.012) |
| GOVEXP | 0.150 | | 0.015 | 0.025 |
| | (0.093) | | (0.022) | (0.025) |
| FEMFERT | 1.208* | | -0.060 | 0.005 |
| | (0.709) | | (0.295) | (0.316) |
| URBUNPOP | -0.168*** | | -0.015 | -0.003 |
| | (0.051) | | (0.047) | (0.054) |
| polity2 | 0.515*** | | -0.054* | -0.073** |
| | (0.177) | | (0.028) | (0.034) |
| POLITICORR | -1.918 | | -0.775 | -1.008 |
| | (2.807) | | (1.425) | (1.515) |
| _cons | 36.671*** | 38.555*** | 40.001*** | 39.477*** |
| | (6.596) | (0.225) | (3.002) | (3.518) |
| *N* | 2446 | 4255 | 3347 | 2446 |
| *Country* | 126 | 150 | 131 | 126 |
| *Year Fixed Effects* | *No* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *No* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.219 | 0.263 | 0.328 | 0.335 |

Robust standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Although there are some differences in the significance level, our overall result remains rather consistent. The results for FDI are positive and do not vary much across the columns. We shall focus on column 4 for further discussion where we include all the control variables. After including all the control variables our number of observations are 2446 with 126 countries over the period 1970-2018.

Focusing on our main research sub question and hypothesis **H1**, we find that as FDI increases by 1%, FLFP increases by 0.010 percentage point. While the magnitude of the coefficient is small, this is statistically significant at the 1% significance level. This suggests that an increase in FDI will increase the overall FLFP. Our results are consistent with the theoretical framework based on Becker's theory and Modernist theory discussed in the section 2.4.1. An expansion of FDI suggests creation of jobs in the host countries, which also increases women's participation in the labour force. These results are also consistent with recent empirical studies. Kodama (2016) investigated the impact of FDI in Japan and found that foreign-owned firms have a tendency to hire more women and they generally have female employees in higher management positions such as managers and directors. Hossain (2022) using a panel dataset of 99 countries for the period 2001 to 2018, found that FDI increases FLFP to some extent. Cetin (2019) using a set of emerging economies during 2001-2016 showed that when FDI increases, FLFP increases as well in emerging markets.

With regards to the estimates of the control variables, the result for GDP growth rate is negative and significant at 1% significance level. As GDP growth increases by 1%, FLFP decreases by 0.04 percentage points. This is consistent with recent literature. According to the 'feminisation U' hypothesis, changes in women's economic activities are highly susceptible over the course of economic development. According to Boserup (1970) FLFP first decreases in early stages of development, and then start to increase when the economy is at higher stages of development. That explains the convex U curve of FLFP and economic growth. Modernisation theorist Aykuz's (2015) advised that when GDP growth increases, female work force participation decreases, because of the dominance of agricultural sector, as the main source of income for less-developed countries (Obodoechine, 2019). The discussion on the convex relationship of growth and female labour force participation can be explained in three stages. At stage one, when countries are at their initial stage of development with very low income, they mainly depend on subsistence farming, where there is a higher concentration of women. These women maybe be involved in paid agricultural activities or work as unpaid labourers as a contributing family member. As these low-income countries start to develop, industrial and services sectors start to expand and more and more employment is created in these sectors compared to the agricultural sector, as a result, men join jobs in the manufacturing and service sectors, and FLFP initially decreases as they stay home to take care of the family. At the second stage, the rise in new technologies due to industrialisation increases demand for high-skilled workers with technical knowledge, in order to efficiently operate new machinery or computers. Due to women's unequal access to education and lack of skills compared to men, men find it easier to adapt to new production technologies. Goldin (1994) complements Boserup's Feminisation U arguments by mentioning that women's employment decreases while the percentage of male workers in white collar jobs increases, which indicates a negative income effect on women's labour market participation. Finally, at the third stage, with further development female participation in the labour force increases. Although this theory has been supported by many empirical studies, there is new evidence that does not support this theory. We will discuss this in the next section.

The most striking fact was the results for polity2, which highlights a country's democracy which is negatively related to FLFP and is significant across all models. Our results are consistent in all models. The results are not as expected. This means the higher the democracy the lower the female participation rate. Our results for polity2 are interesting and provide some important economic implications. Our results suggest that democracy is negatively related to FLFP. As polity2 increases by 1 unit, FLFP decreases by 0.073 percentage point. To the best of our knowledge these results are relatively new and oppose previous views of how democracy impacts on FLFP. One explanation to support our result is that, in autocratic countries where dictators want to forcefully modernise a country or achieve higher economic growth, they might put pressure on women to join the labour force, without their willingness and beyond what traditional norms prefer (an effect similar to that seen in the Communist countries of Europe and the Caucasus before 1989).

In contrast, in democratic countries female participation mainly depends on the women's willingness to work or join the labour force voluntarily, so if women choose not to work then a rise in democratic reform would cause a reduction in FLFP. Bayanpourtehrani & Sylwester (2013) used panel data from (1980–2005) and found that democracies decrease FLFP, however in their results they explained that the magnitude of the decrease in FLFP is very close to the decrease in male labour force participation. One possible explanation they provided was those autocratic countries and dictatorship "*direct more labour from both genders into the formal workforce than what households would optimally allocate*". Our results can be further investigated and shed more light as to why some democracies could lower economic growth since the supply of labour can be low due to individual choices.

Table 3-6 presents results for subsamples of low-middle income countries and high income countries separately. According to trade theory the rise in FLFP in developing countries via trade and FDI, might have been caused by the loss of female employment in the developed countries. Bussmann, (2009) in her study used panel data between 1970 and 2000 for 134 developed and developing countries. She used trade openness as a measure of economic globalisation and found different results for developed and developing countries. She argued that trade openness had caused a rise in female employment in developing countries, while trade openness has decreased the share of women workers in developed countries. Neumayer & Soysa (2011) also found different results for different income groups. They found positive spillovers via trade links on women's economic rights, for middle-income countries, but no significant results were found for low-income countries. Therefore, we can expect to detect very different results across regions, income groups and economic development of countries.

We therefore divide our data into 2 income groups to observe the different effects of FDI on these income groups, which may be caused due to economic, structural and cultural differences. The above heterogeneity of samples, a long time period obstructs obtaining an inclusive standpoint on the role of the FDI on women's rights. In this paper, we offer such a perspective by focusing on different income groups to capture different economic conditions. Therefore, we try to find out whether there are any differences in the impact of FDI on different income groups due to economic and structural differences.

We follow the World Bank's definition of high-income countries and categorise all other countries as low-middle income countries. We have 41 high income countries and 85 low-middle income countries (details of the countries are included in Appendix A). The World Bank categories countries into four sub-income groups based on income levels: low-income, lower-middle income, upper-middle income, and high-income countries. However, for empirical analysis a sufficient number of observations is required to estimate the fixed effects method successfully, therefore we re-categorised countries into two income subgroups: (a) high-income (b) low-middle income (where we included low-income, lower-middle-income, and upper-middle-income countries). In both the columns we use *equation 3.1.* All estimates are fixed effect estimators with cluster robust standard errors. The dependent variable in all regressions is FLFP. All explanatory variables are included.

Table 3-6 FDI Effects on FLFP on Different Income Groups

| Female Labour Force Participation | (1) Low-Middle Income | (2) High Income |
|---|---|---|
| FDI%ofGDP | -0.041** | 0.011*** |
| | (0.020) | (0.003) |
| EDUSEC | 0.016 | -0.003 |
| | (0.018) | (0.008) |
| GDPGROWTH | -0.002 | -0.079*** |
| | (0.010) | (0.028) |
| GOVEXP | 0.025 | 0.022 |
| | (0.025) | (0.065) |
| FEMFERT | -1.047*** | -0.056 |
| | (0.363) | (0.498) |
| URBUNPOP | 0.049 | 0.021 |
| | (0.062) | (0.080) |
| polity2 | -0.037 | -0.127 |
| | (0.033) | (0.130) |
| POLITICORR | -0.760 | 0.117 |
| | (1.262) | (4.608) |
| _cons | 41.176*** | 38.710*** |
| | (3.517) | (5.420) |
| *N* | 1498 | 948 |
| *Country* | 85 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* |
| $R^2$ | 0.238 | 0.608 |

Robust Standard Errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

In Table 3-6, we look at the effect of FDI on FLFP for different income groups, in column 1 we look at low-middle income countries, in column 2 we look at high income groups. Note that the hypothesised difference between high- and low-middle income countries are demonstrated not only in the directionality of effects but also in their significance and magnitude.

In Table 3-6 column 1, the coefficient on FDI is negative and significant at the 5% significance level, in low-middle income countries. This indicates that 1% increase in FDI inflow will decrease the FLFP by 0.041 percentage points on average, in low-middle income countries. Whereas, FDI has a positive effect on FLFP in high-income group and the result is significant at the 1% significance level. As FDI increases by 1% FLFP increases by 0.011 percentage points in high income countries. These opposite directions of the effects in two sub samples indicate that it is necessary to look into these results separately for different income groups. Although a number of studies discussed the positive impact of FDI on creation of job opportunities for females and reduction in gender based inequalities, there might be heterogeneous effects across regions and income groups, as we found in this study (Hossain et al., 2022), therefore we cannot just draw conclusions based on aggregate country data. Previous studies have generally found a strong positive relationship between FDI and gender, whereas in this study our results are different which can bring new evidence to the existing research.

In the full sample our results were in light of previous studies that found positive relationship between FDI and FLFP. However, there is also a growing strand of literature that criticised the extensively debated "feminisation" of the manufacturing labour force in developing countries due to the rise in export-oriented growth during 1970s and 1980s. This growing evidence suggest that their effect started to reverse when manufacturing firms started to shift their production to be more capital intensive, in low-middle income countries (Madeira, 2022). Our study adds to this evidence.

Our study uses the most recent time period compared to the older studies that focused on the 1970s–1980s, when export oriented low-income countries were mainly labour-intensive that brought many low skilled female workers into formal labour force initially. Recently, many of those countries upgraded their industrial technologies to improve their efficiency and increase their average manufacturing productivity (Madeira, 2022). When low-income labour-intensive countries begin to upgrade by switching to advanced technologies which require higher skilled activities, FDI is less likely to create opportunities for women specially when women are only seen as unskilled cheap labour. Several countries have significantly upgraded their manufacturing firms for example countries such as Malaysia, Thailand, Indonesia. Therefore, these countries who previously hired female labour as means of cheap low skilled workers, would shift their demand to more skilled workers who would actually be able to operate the industrial machinery.

In fact, there are more recent evidence of defeminisation of the labour force in Southeast Asia due to an upgradation of the manufacturing industry, to more labour-saving technologies (Tejani & Milberg, 2016). One example of such lower middle-income country is Bangladesh, many of textile industries have upgraded their technology since 2010, and the percentage of female workers has decreased mostly in the manufacturing sectors which were upgraded (Matsuura, 2020) . When women are less educated and have other care giving responsibilities, they have fewer opportunities to upgrade their skills, and if industrialising countries begin to upgrade their technologies which require skilled labour, women will suffer the highest job losses. If multinationals increasingly adopt capital intensive technologies, that reduces the need of manual workers, firms will hire fewer workers and they will lead an overall negative effect on female labour force participation, particularly in developing countries where there is a large number of low skilled female workers (Madeira, 2022). For these reasons FDI is negatively associated with FLFP in low-income and developing economies.

Coefficients for GDP growth is negative and significant at the 1% significance level but only in high-income countries. This indicates GDP growth has a negative relationship with female labour force participation only in high income countries, as GDP grows FLFP decreases in high income countries. This supports our previous explanation on the results from Table 3-6, where we have used the full sample. Therefore, the theory of "Feminisation U", U shaped function of the FLFP with respect to GDP growth, discussed by Goldin (1994) and Boserup (1970) is only true for high-income countries but not low-middle income countries. The results obtained are similar to studies by Lechman and Kaur (2015) and Tsani et al. (2013). Lechman & Kaur (2015), concluded that the U shaped hypothesis of FLFP and growth is supported for countries with high income levels, while it is not supported for low-middle income countries. Therefore, our study does not yield precise results to confirm the 'feminisation U' hypothesis for the full sample, but only for the high-income sample.

Coefficients of female fertility rate are negative and highly significant only for low-middle income countries but not for high income countries. This means the female fertility rate affects FLFP significantly only in the low-middle income countries. The magnitude of the effect of fertility rate is high as well for low-middle income countries. An increase in female fertility rate by 1% will decrease FLFP by 1.047 percentage points on average. There has been a lot of disagreement on the relationship between fertility and female labour force participation across regions and a country's development level and the results vary across countries. There was no clear trend between female labour force participation and fertility rates in Asia-Pacific countries; while in some regions like Middle East and North African (MENA), FLFP decreased with lower fertility rate (Lima 2002). In regions like Sub-Saharan Africa, it has been found that higher fertility rate negatively impacts female labour force participation (World Bank 2015). These findings are similar to Klasen's (2019) who found a negative association between fertility and FLFP, while she found education to be positively related to FLFP in developing countries. Our results give similar evidence. We can only show that female fertility rate is negatively related to FLFP in low-middle income countries.

*Robustness Check using Driscoll Kraay Standard Errors*

In Table 3-7 we have used Driscoll Kraay standard errors for full sample and two sub samples. Results in Table 3-7 are similar to those in the previous estimates. Most indicators produce effects robust to the classification of countries. Some of the control variables become significant as well. However, the signs for our main independent variable, which is FDI, do not change but the coefficients for FDI for low-middle income countries have a higher significance level at 1%.

Coefficients for government expenditure is positive and only significant at the 10% significance level for low-middle income countries, this means that government expenditure plays an important role in improving women's participation in the labour force in low-middle income countries. There is a substantial literature demonstrating the positive relationship between FLFP and government expenditure. FLFP increases as government spending on social services increases (Connelly et al., 2018; Detraz & Peksen, 2018; Avlijaš, 2020).There is a large body of literature indicating that structural-adjustment programs of the International Monetary Fund have adverse effects on women, both directly or indirectly as the policies cause a reduction in public healthcare spending which affects women disproportionately given their care giving status. As public health care spending is cut women tend to stay out of work to look after their sick family members at home (Pandolfelli & Tyagi, 2014).

We can also see that the coefficient for urban population is positive and significant at the 10% significance level only for the low-middle income countries which means as urban population increases FLFP also increases only in low-middle income countries. Finally, we can note that coefficient for political corruption is insignificant for all three income groups.

Table 3-7 The Impact of FDI on FLFP using Driscoll Kraay Standard Errors

| FLFP | (1)<br>Full Sample | (2)<br>Low-Middle Income | (3)<br>High Income |
|---|---|---|---|
| FDIperGDP | 0.010*** | -0.041*** | 0.011*** |
| | (0.003) | (0.013) | (0.003) |
| GDPGROWTH | -0.040*** | -0.002 | -0.079*** |
| | (0.009) | (0.005) | (0.020) |
| GOVEXP | 0.025* | 0.025* | 0.022 |
| | (0.012) | (0.013) | (0.036) |
| EDUSEC | 0.001 | 0.016 | -0.003 |
| | (0.004) | (0.010) | (0.007) |
| FEMFERT | 0.005 | -1.047*** | -0.056 |
| | (0.067) | (0.288) | (0.298) |
| URBUNPOP | -0.003 | 0.049* | 0.021 |
| | (0.010) | (0.025) | (0.033) |
| polity2 | -0.073** | -0.037 | -0.127 |
| | (0.031) | (0.025) | (0.080) |
| POLITICORR | -1.008 | -0.760 | 0.117 |
| | (0.886) | (0.579) | (1.937) |
| _cons | 0.000 | 0.000 | 0.000 |
| | (0.000) | (0.000) | (0.000) |
| *N* | 2446 | 1498 | 948 |
| *Country* | 126 | 85 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.334 | 0.334 | 0.608 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*FDI's Impact on Different Age Groups of FLFP*

In this section we have used age cohorts and divided the FLFP in two different age groups, to look at how FDI affects different age groups of females in labour force. We use the same equation from equation 3.1 but with different age groups of FLFP. All estimates are fixed effect estimators. All regressions have been controlled for year fixed effects. Dependent variable in column 1 and 3 is FLFP between 15-24 age group. Dependent variables for column 2 and 4 is FLFP for 25+ age group. Control variables include GDP growth, female secondary education, urban population, government expenditure, democracy and political corruption index. The data has been collected from ILOSTAT. The data is available for two age groups: age 15-24 and 25+. The total sample in this section changes as we have used two different dependent variables with missing data. Here we wanted to assess the negative relationship of FDI in our previous section. The number of countries is 84 and 41 in low-middle income and high income countries respectively, within a time period of 1970-2018.

Table 3-8 FDI's Effect on FLFP for Different Age Groups

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| | Low-Middle Income Countries | | High Income Countries | |
| | FLFP15-24 | FLFP25+ | FLFP15-24 | FLFP25+ |
| FDI%ofGDP | -0.120* | -0.035 | -0.005 | 0.030*** |
| | (0.061) | (0.040) | (0.005) | (0.007) |
| EDUSEC | -0.075 | 0.031 | -0.077** | -0.015 |
| | (0.052) | (0.034) | (0.032) | (0.023) |
| GDPGROWTH | 0.032 | -0.013 | -0.188* | -0.122 |
| | (0.030) | (0.023) | (0.097) | (0.098) |
| FEMFERT | -1.343 | -0.614 | -0.319 | -1.823* |
| | (1.298) | (0.711) | (0.810) | (1.070) |
| GOVEXP | 0.122 | 0.103 | -0.023 | 0.022 |
| | (0.081) | (0.079) | (0.152) | (0.163) |
| URBUNPOP | -0.142 | 0.150 | 0.192 | 0.201 |
| | (0.189) | (0.122) | (0.248) | (0.162) |
| polity2 | -0.040 | -0.021 | -0.612* | -0.517 |
| | (0.129) | (0.095) | (0.357) | (0.424) |
| POLITICORR | -7.735* | -2.601 | 7.397 | 8.410 |
| | (4.080) | (3.005) | (7.425) | (9.954) |
| _cons | 63.052*** | 49.685*** | 44.329** | 37.221*** |
| | (12.187) | (7.610) | (17.836) | (11.197) |
| *N* | 1471 | 1471 | 950 | 950 |
| *Country* | 84 | 84 | 41 | 41 |
| *Year Fixed effects* | *Yes* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.381 | 0.124 | 0.294 | 0.551 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

In Table 3-8, we use FDI % of GDP and see how it affects different age groups of females participating in the labour force. We can clearly see the difference in results. This gives us interesting facts and evidence that can be useful for further research. In Column 1 of Table 3-8 we have FLFP amongst age group 15-24, and in column 2 we have 25+ age group for low-middle income countries. In Column 3 and 4 we have results for high income countries.

FDI is negatively related to FLFP for age group 15-24 low-middle income countries. A parameter of 0.120 would imply that 1% increase in FDI would result in 0.120 percentage points decrease in the FLFP for age group 15-24. From the results above it can be depicted that the impact of FDI is different for younger age groups. This resembles to the rationale, a potential increase in wages due to a FDI/globalisation might have increased household income through father's or spouse's wages which creates stronger incentives for younger women to not join the paid labour force and invest more in education where they can develop their skills necessary to improve their quality of life over a longer lifetime (Cooray et al., 2012).

Young girls are often employed in vulnerable and informal sectors, and it has been found that FDI inflows negatively impact female informal employment as it creates opportunities in the formal sectors of work (Ouedraogo & Marlet, 2018). As multinationals and foreign owned firms are known to invest in firms in host countries, there are new employment opportunities with higher wages in the formal sectors (Kucera, 2001; Olcott and Oliver, 2014; and Abe, Javorcik, and Kodama, 2016), therefore women start switching jobs to the formal sector.

In contrast, our results in Table 3-8 show that FDI is positively related to FLFP for older age group FLFP25+ but only in high income countries. We did not find significant results for low-middle income countries. A parameter of 0.030 would imply that 1% increase in FDI would result in 0.030 percentage points increase in the FLFP for age group 25+ in high income countries. These opposite results have important implications and are connected to one another. FDI inflows increase FLFP rate amongst older women, which increases the incomes of older women, this could possibly mean that households receive more income which they are able to reinvest on their younger daughters' education or medication, and help them stay out of low paid jobs to support their family (Ouedraogo & Marlet, 2018).

We also need to focus on the education variable which is highly significant for younger age group. For age group 15-24 education negatively affects FLFP, which means as female secondary school enrolment increases FLFP decreases for age group 15-24. These results support Cooray (2012)'s evidence that the negative impact of FDI is stronger for younger women. This is in line with the study we previously mentioned which is conducted by Cooray, et al. (2012) and Ouedraogo & Marlet (2018). The skills premium rise due to FDI encourages younger women to invest more in education and not participate in the labour force at a young age.

### 3.6.2 The Effect of FDI on Women Business and the Law Index

The summary statistics has been discussed in the data section. Here we use **Error! Reference source not found.** to see the effect of FDI on Women Business and the Law Index. Table 3-9 presents results for the full sample, also for subsamples of low-middle income countries and high-income countries separately. All estimates are fixed effect estimators with cluster robust standard errors to account for heteroscedasticity and autocorrelation. All explanatory variables are the same as the previous section's variables. We attempt to test our second hypothesis, **H2**:

*FDI will positively affect gendered laws in economic freedom. We use* ***Error! Reference source not found.****.*

We will follow Hyland et al.'s (2020) study and use the same control variables that we have used in our study. We used year fixed effects and clustered countries for robust standard errors. In this section we focus mainly on correlation between FDI and the Women Business and the Law Index, we do not attempt to establish a causation. Although it will be interesting to find empirical evidence on causation we opt out from this as it needs a lot of work with endogeneity problems which can be better established in case study analysis. Our main goal is the more modest one of establishing whether FDI is related to legal gender equality.

*Regression Results and Discussion*

In Table 3-9 below, we look at how FDI affects Women's Business and the Law Index using fixed effects estimation. In column 1 we looked at the full sample of countries in our data set, in column 2 and 3 we disaggregated the data and looked at how FDI affects the index on different income groups.

We do not detect any significant results for FDI coefficients in any column. From these results we can conclude that FDI inflows do not affect gendered laws in economic freedom.

Education has a positive effect on Women Business and the Law Index, which means as education increases the overall gendered laws in economic freedom increase as well. An increase in female school enrolment by 1% will increase the gendered laws in economic freedom by 0.076 points. Education expands women's economic opportunities and also improve women's abilities to resolve issues. Women's education helps them develop their skills and knowledge necessary to become independent. It not only affects women's economic activities but also helps them get access to better healthcare, more secure lifestyle in a community (Talluri, 2015).

Government expenditure is significant, which is positively related to the index but only in the full sample and high income countries. This means that government spending increases gendered laws. When government spending increases by 1% gendered laws increase by 0.538 points. Public spending is a crucial factor contributing to women's empowerment. Public spending on policies to adopt equal gendered laws are significant in improving women's empowerment Previous research has showed that physical infrastructure expenditures significantly impact women's unpaid care burden (Agenor et al., 2010). Investing in women can help them get out of unpaid labour burden and engage in remunerative labour activities, which is a very crucial stimulus for gender equality and household bargaining power (Chiappori & Meghir, 2014; Johnston et al., 2015). Government spending on water and sanitation can also reduce the rate of illness and diseases, which is a major cause of women's unpaid work in a number of developing countries (UN Women 2014). It has been also proven that in all economies, public spending on transportation can reduce the time spent in marketing goods and in preparing for households facilitate women to access join labour markets. Further, evidence suggest that as women join paid workforce, they allocate their income more on children's healthcare and education, (Doss, 2013). This is due to women's tendency to spend a larger share of their income than men do on children. This evidence show that government spending is a crucial factor in improving women's livelihoods through reduction in women's unpaid care and improvements in healthcare and women's productivity at work.

Finally, the coefficient of urban population is negative and significant for full sample and for high income countries. This indicates that as urban population increases gendered laws in economic freedom decreases. This can be the case in many countries. Increase in urban population have positive as well as negative impact on women. The positive impact of urbanisation can be access to better education, increased self-dependency, increased liberty, more opportunity for public employment. However urban women face significant discrimination, a high number of women living in cities lack access to security and proper housing. Unequal access to effective urban services, such as education, water, sanitation, contributes to higher vulnerability and a greater gender inequality for urban women and girls.

Interestingly, the coefficients of political corruption are negatively related to Women Business and the Law Index only in the full sample. Evidence shows that women are affected by corruption to a greater extent compared to men as power is distributed unequally between men and women. Corruption intensifies these power relations, making women more vulnerable and restricting their access to public resources, Corruption can create barriers to women's decision-making limiting their access to public and political spheres of lives. Impact of corruption on female mortality rates has also been well documented. Transparency International (2014) revealed that women's death rates increase exponentially during childbirth in countries where with a higher incidence of bribery. In addition, due to high corruption women's civil rights are not secured and they are exposed to discriminative laws. Evidence suggests that in countries where the legal institutions are corrupt, women and girls face higher discrimination and neglect in dealing with issues such as marriage and divorce, rights, domestic abuse and rape, access to economic resources, and financial and economic independence (Téllez, 2022).

Our Women Business and the Law Index contains almost all of these indicators, which suggests that corruption plays an important role in weakening equal gender laws. Despite significant research and evidence on the association between corruption and women's disempowerment most policies do not address the linkage. Our results can give light to further research on this topic.

Table 3-9:Impact of FDI on Women's Business and the Law Index

| Dependent Variable: Women Business and the Law Index | (1) Full Sample | (2) Low-Middle Income | (3) High Income |
|---|---|---|---|
| FDIperGDP | 0.007 | 0.138 | -0.015 |
| | (0.014) | (0.095) | (0.009) |
| EDUSEC | 0.098*** | 0.085 | 0.089* |
| | (0.036) | (0.057) | (0.048) |
| GDPGROWTH | 0.011 | 0.040 | 0.018 |
| | (0.032) | (0.034) | (0.045) |
| GOVEXP | 0.158* | 0.123 | 0.538** |
| | (0.084) | (0.091) | (0.205) |
| FEMFERT | 1.802** | 0.583 | 0.917 |
| | (0.725) | (0.935) | (0.829) |
| URBUNPOP | -0.176 | 0.028 | -0.381*** |
| | (0.107) | (0.135) | (0.128) |
| polity2 | 0.196* | 0.215* | 0.102 |
| | (0.105) | (0.116) | (0.326) |
| POLITICORR | -6.679 | -1.622 | -23.955 |
| | (4.419) | (3.791) | (14.228) |
| _cons | 42.958*** | 36.693*** | 65.242*** |
| | (7.706) | (9.115) | (14.747) |
| *N* | 3694 | 2361 | 1333 |
| *Country* | 127 | 86 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.738 | 0.685 | 0.852 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

### 3.6.3 The Effect of FDI on Women's Access to State Jobs

In this sub section we use two other proxies for women's economic rights, women's access to state jobs and access to state business. Data has been collected from V-Dem and covers the year from 1970-2018. Here, we will look at how FDI affects access to state jobs and access to businesses for women, which are proxies for economic rights.

The summary statistics has been discussed in the data section. Here we use equation $AccesstoStateJobs_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 Control_{it} + \lambda_t + \theta_i + \mu_{it}$ *………………(3.3* to see the effect of FDI on Women's Access to State Jobs. Table 3-10 presents results for the full sample, as also for subsamples of low-middle income countries and high income countries separately. All estimates are fixed effect estimators with cluster robust standard errors. All explanatory variables are same as previous sections variables.

*Regression Results*

In Table 3-10, we look at how FDI affects Access to State Jobs for women. In column 1 we used a total of 127 countries to analyse the effect of FDI on aggregate data. In column 2 and 3 we disaggregate the data by income groups. Here, we attempt to test the hypothesis **H3:** *FDI will positively affect women's access to state jobs and business.*

In table 3-10, column 1, the results show that FDI impacts women's access to state jobs positively. The results are significant at the 5% significance level. When we look at low-middle income countries, we cannot detect any significant results. However, in Column 3, for high income countries FDI affects women's access to state jobs for women positively and the results are significant at the 5% level. An increase in FDI by 1% on average will increase access to state jobs by 0.002 points. This means FDI only positively affects access to state jobs for women in high income countries but not in low-middle income countries. These findings are very new and no other studies have focused on FDI's impact on access to state jobs. However, these results can have economic implications since FDI has a spillover effect on host economies.

According to Tang & Zhang (2017) foreign firms operating in host countries transfer better cultural norms and values, and do not engage in gender stereotypes and hire more women. As a result, firms operating locally in cities (including state jobs) that have a higher concentration of foreign affiliates from countries with higher equal gender laws, will start adopting their culture and tend to hire more females. Therefore, the cultural norms may also transfer to public sector jobs where discriminating against women can become costly. GDP growth is positively related to women's access to state job in low-middle income countries. This could simply mean that GDP growth increases state jobs, as a result women get more opportunities in the formal sectors of work as opposed to the low paid, informal sector jobs.

Table 3-10 FDI's Effect on Women's Access to State Jobs

| Women's Access to State Job | 1<br>Full Sample | 2<br>Low-Middle Income | 3<br>High Income |
|---|---|---|---|
| FDI%ofGDP | 0.003** | 0.003 | 0.002** |
| | (0.001) | (0.005) | (0.001) |
| EDUSEC | 0.001 | -0.001 | -0.000 |
| | (0.002) | (0.003) | (0.003) |
| GDPGROWTH | 0.003* | 0.003** | 0.002 |
| | (0.001) | (0.001) | (0.003) |
| GOVEXP | 0.007 | 0.011* | -0.003 |
| | (0.005) | (0.005) | (0.010) |
| FEMFERT | -0.021 | -0.079 | -0.040 |
| | (0.048) | (0.059) | (0.064) |
| URBUNPOP | -0.005 | -0.001 | -0.002 |
| | (0.006) | (0.007) | (0.014) |
| polity2 | 0.025*** | 0.023*** | 0.042** |
| | (0.007) | (0.007) | (0.018) |
| POLITICORR | -0.837*** | -0.656** | -0.367 |
| | (0.243) | (0.252) | (0.544) |
| _cons | 0.818* | 0.835 | 0.518 |
| | (0.478) | (0.520) | (1.120) |
| *N* | 3694 | 2361 | 1333 |
| *Country* | 127 | 86 | 41 |
| *Year fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.625 | 0.580 | 0.760 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

### 3.6.4 The Effect of FDI on Women's Access to State Businesses

A summary of the descriptive statistics of all the variables used in this section of this study is given in the data section. Here we use **Error! Reference source not found.** to see the effect of FDI on women's access to state businesses. Table 3-11 presents results for the full sample, also for subsamples of low-middle income countries and high income countries separately. All estimates are fixed effect estimators with cluster robust standard errors. All explanatory variables are same as previous sections variables. The total number of observations for this regression model is 3669. When we divide them into sub samples, the number of observations for low-middle income countries is 2349 and for high-income countries is 1320. The number of observations is different from the previous section because we have used a different equation model with different dependent variables. Here, we attempt to test the hypothesis **H3:** *FDI will positively affect women's access to state jobs and businesses.* We use ***Error! Reference source not found.***.

*Regression Results and Discussion*

In Table 3-11, we look at how FDI affects access to state business for women. In column 1 we used all 127 countries to analyse the effect of FDI on aggregate data. In column 2 and 3 we disaggregate the data by income groups. If we look at column 1 we can see that FDI positively affects state business access overall. If we look at column 2 we cannot detect any significant results for low-middle income countries. In column 3, we see that FDI affects access to state businesses for women positively only in high income countries. An increase in FDI by 1 % will increase access to state businesses by 0.005 points.

To the best of our knowledge, we are the first to investigate the impact of FDI on women's access to state business. Also, similar literature which assess the effect of FDI on entrepreneurship is scarce and focuses on developed countries only. Moreover, little is known about the determinants of female entrepreneurship or female led firms. Klapper & Parker (2011) offered suggestive evidence of the importance of access to finance that limits female entrepreneurship. Our study adds new insights to the very thin literature on female entrepreneurship by investigating how FDI impacts women's access to state businesses around the world. A specific type of spillover effects of FDI that might affect women's access to state businesses, is the diffusion of social norms discussed in the literature section. Besides economic effects, FDI give rise to changing social norms that emphasise gender equality, which can provide new opportunities for women to start and succeed in businesses. Therefore, theory suggests a generally a positive effect of FDI on women's access to businesses (Fang, 2019).

Finally, coefficients of political corruption variable are negative and significant in all three samples we can state that political corruption affects access to state business for women negatively, this proves that political corruption adversely affects women's economic rights.

Findings clearly show power is disproportionately distributed between men and women, which makes women suffer to a great extent than men. Corruption is likely to worsen unequal power dynamics that limits women's access to resources and information to start their businesses (Transparency International, 2014). Women's access to credit and other economic resources are restricted due to corruption (Ellis et al., 2006). While men may solve the problem of cumbersome regulations and complex legal requirements by learning to bribe, women often have less information, courage to engage with corrupt networks (Transparency International, 2014) .

Table 3-11 The effect of FDI on Women's Access to State Business

| Women's Access to State Businesses | (1) | (2) | (3) |
|---|---|---|---|
| | Full Sample | Low-Middle Income | High Income |
| FDIperGDP | 0.004*** | -0.000 | 0.005*** |
| | (0.001) | (0.004) | (0.001) |
| EDUSEC | 0.000 | -0.002 | 0.002 |
| | (0.002) | (0.003) | (0.002) |
| GDPGROWTH | 0.001 | 0.002 | -0.005* |
| | (0.002) | (0.002) | (0.003) |
| GOVEXP | 0.012** | 0.018*** | -0.008 |
| | (0.006) | (0.007) | (0.011) |
| FEMFERT | -0.048 | -0.082 | -0.003 |
| | (0.052) | (0.071) | (0.076) |
| URBUNPOP | 0.005 | 0.011 | -0.003 |
| | (0.005) | (0.007) | (0.014) |
| polity2 | 0.021*** | 0.014*** | 0.041** |
| | (0.006) | (0.005) | (0.016) |
| POLITICORR | -0.790*** | -0.596** | -1.296** |
| | (0.273) | (0.240) | (0.557) |
| _cons | 0.125 | -0.121 | 0.583 |
| | (0.447) | (0.537) | (1.061) |
| *N* | 3669 | 2349 | 1320 |
| *Countries* | 127 | 86 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.568 | 0.564 | 0.677 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

## 3.7 Conclusions

We have investigated the influence of FDI on the women's economic rights with a panel dataset of 150 countries over the period 1970-2018. We have used four different models and 4 different dependent variables as proxies of women's economic rights.

We found that generally, FDI has a positive relationship with FLFP, but if we look at the results disaggregated by income groups there is a clear difference. Previous research has mostly focused on a single country or OECD/high income countries, while in this study, we use a large number of countries and different income groups. Our results contrast with older studies which mostly found a positive relationship between FDI and FLFP. With regards to income groups, our results suggest that FDI has a clear negative impact on FLFP in low-middle income countries and a positive impact on high income groups. One explanation for the negative effect of FDI on FLFP might follow Özler (2000) who noted that in establishments where women are often employed in low-skilled and low-paid jobs, the FLFP rates start to decline when there is an investment in machinery and equipment. This results in long-run effects of defeminisation of the workforce (Seguino, 2000). This suggests, that when more and more investment creates technological progress due to FDI there is a decline in demand for low skilled workers, particularly women, this may lead to a decrease in FLFP in the institutions where women are often stuck in low skilled jobs. This can be one of the reasons why FDI has negative impact on FLFP in low-middle income countries.

We have also found that the impact of secondary education is negative on FLFP aged 15-24 in low-middle income countries. This is in line with the study conducted by Cooray et al. (2012). An explanation for this might be because more women choose to pursue education and opt to delay their entry into the labour force, preferring to invest more time in their education before starting their careers. According to Europa (2023) 1.4 billion people work in low skilled and vulnerable employment with poor working conditions, at low productivity rates, in developing countries. Informal jobs appear to be the prevailing practice in the majority of these developing countries, with women and children being the most vulnerable to such circumstances. The ILO (2014) found that on average, young women are more likely to be either unemployed or employed in low paid insecure jobs, characterised by low productivity and reduced labour protection. In many developing countries a nonlinear (u shaped) relationship exists between education and women's participation in the labour force. Less educated women are likely to engage in subsistence activities and informal employment, while women who are in education stay out of the labour force. Once these women have achieved a secondary education, increased wages encourage them to join the workforce.

These findings can also be linked to potential benefits from FDI, it can be assumed that due to an increase in the skills premium via FDI, younger women prefer to invest more in education, so that the returns are realised over a longer period. To probe more into this topic, we have looked at how FDI affects different age groups of females in the labour force. We have found that the impact of FDI is different for younger cohorts. FDI affects FLFP for age group 15-24 negatively. This corresponds to the rationale that a potential rise in wages due to FDI might have increased household income through the father's or spouse's wages which creates stronger incentives for younger women to stay out of labour force and invest more in education where the premium pays off over a longer lifetime (Cooray et al., 2012). Finally, FDI has no influence on other measures of women's economic rights such as Women, Business and the Law Index.

Due to a number of limitations in our research design, our results should be interpreted cautiously, since we have only used specific indicators of economic rights. While we have encountered insignificant results for certain variables, it is worth noting that we have observed positive impacts of FDI for specific variables and sub-samples. We have used this new dataset as this is the most comprehensive data which is easily available. Also, few of the variables we use have never been used before to assess the relationship between FDI and women's economic rights, therefore our results are relatively new and, in some cases, we couldn't justify our results using previous literature.

From the above discussion a main takeaway from our results is that it is important to be more cautious when looking at the results from country level studies or region-based studies, and not rely on the stylised fact that FDI always affects FLFP positively. Similarly, our results of FDI affecting FLFP negatively in low-middle income countries, do not necessarily mean FDI is having adverse effect on female well-being or empowerment. A negative effect of FDI on FLFP can simply mean that due to a potential rise in skill premium or an increase in household income, younger women prefer to study and not take up low paid or informal jobs out of necessity (Cooray et al., 2012).

Based on our overall findings, it can be concluded that FDI has a negative influence on female labour force participation in low-middle income countries, for reasons explained earlier. In contrast, FDI exhibits a positive impact on FLFP in high income countries. However, when alternative measures of economic rights, such as the Women, Business and the Law Index were employed, no significant impact of FDI on the index was observed.

Furthermore, our results indicate that FDI contributes positively to women's access to state jobs and businesses, but this effect is primarily observed in high-income countries. The specific reasons for these varying impacts may be further explored within the context of different income levels and economic environments.

# 4 The Impact of FDI on Women's Political Rights

## 4.1 Introduction

Women's empowerment incorporates various aspects of female status, including economic, educational, governance, health, and media-related rights and perceptions (Chung et al., 2013). Given the broad nature of this concept, this chapter focuses specifically on the political dimensions, as it is understood that globalisation strongly affects power distribution (Alves & Steiner, 2017). In this chapter our focus is on women's political empowerment, and we investigate how FDI impacts women's political rights.

According to Sundstrom et al. (2017) women's political empowerment is defined as a progressive process that enhances women's capacity, enabling them to have greater choices, agency, and participation in public decision-making. While we acknowledge that political empowerment is a multifaceted and intricate concept, we specifically focus on political rights, as we discussed in chapter 3 that women's empowerment can be analysed as rights related to several aspects of female status. Therefore, we can say that achieving political rights in different aspects of women's life is key to achieving women's political empowerment. In this study, we will use these two terms, women's political rights and women's political empowerment, interchangeably, recognising their interconnectedness and mutual significance.

There is no standard definition of political rights, and different authors define it differently, but the original meaning remains the same. According to CSCE (2016), political rights refer to an individual's capacity to engage in the civil and political aspects of society without facing discrimination or repression. These rights encompass not only the right to vote in elections but also the rights to join political parties, run for office, and freely participate in political rallies, events, or protests. They grant citizens the power to participate in the governance and administration of their country directly or indirectly. Political rights also entail political participation, which can take various forms, with the most notable being the right to vote. Additionally, political rights include the right to join a political party, the right to be a candidate in elections, the right to engage in demonstrations, and the freedom of association.

The importance of women's political rights is widely acknowledged in modern societies. Firstly, women's empowerment is considered a fundamental objective, and secondly, it can lead to positive transformations in the economy (Malhotra et al., 2002). Numerous studies have identified a connection between women's political empowerment and positive outcomes for children, women and the overall society (Sen, 1997; Chattopadhyay & Duflo, 2004; Beaman et al., 2012).

In addition, women's political representation has been recognised as an important indicator of Goal 5: Gender Equality in the SDGs. As a result, there has been a heightened focus on women's political rights in international development cooperation. (Mosedale, 2014). Those who possess formal positions in government play a crucial role in allocating limited resources, such as tax revenues and government spending on public services (Franceschet & Piscopo, 2014). Political decisions made by politicians have a significant impact on people's individual choices, as they can shape societal norms and behaviours by endorsing certain actions and discouraging others. Holding a political position signifies authority and influence over decision-making processes (Franceschet & Piscopo, 2014).

It is important to note that decision-making power is not limited to elite circles within society. Individuals who possess informal political power also have the ability to exert influence and bring about changes in various social institutions, including family and education (Martin, 2004). They can play a role in codifying specific practices into laws and regulations, thereby shaping the broader social landscape. The benefits of having women in formal political authority can represent better society by enacting legislation that would spill over to a greater economic activity (Bolzendahl & Brooks, 2007). Although there have been some improvements in political rights in the past decades there are many countries that are yet not providing complete political equality for women, even amongst well-established democracies.

Studying the effects of economic globalisation on women's political empowerment is an area of interest, as politics plays a significant role in women’s empowerment. The presence of women in government institutions and decision-making bodies is essential for fostering women's empowerment. Consequently, the exploration of politics and women's rights in politics is inherently connected to gender equality and women empowerment. Existing literature proposes various mechanisms through which economic globalisation can impact women's political participation.

Economic globalisation in the form of FDI can have direct or indirect effects on women’s political empowerment. FDI can increase women’s share of the labour force in non-agricultural sectors and create formal jobs in manufacturing industries and export-oriented businesses (Alves & Steiner, 2017). These are considered as more formal employment and pay higher wages than agricultural work. The underlying assumption is that trade and investment foster economic growth, leading to the creation of new opportunities such as improved education, increased employment, higher income, and enhanced societal participation for women. It is widely acknowledged that formal employment, often facilitated by MNCs, provides various social protections such as minimum wages, maternity leave, and occupational health and safety measures. These provisions contribute to women's empowerment and overall well-being. (Fontana et al., 1998). In this line of reasoning, it is plausible that active participation in formal labour can enhance skills that are crucial for political engagement (Alves & Steiner, 2017). Ross (2008) found that women's involvement in the workforce facilitates conversations that generate interest in politics, encourages informal networks that enable collective action, and helps develop civic skills. Moreover, women entering the workforce have the opportunity to join organizational networks like trade unions or business groups, exposing them to political discussions and activities (Stockemer & Byrne, 2012).

The relationship between FDI and gender has been the subject of considerable academic research. However, there is still uncertainty regarding the specific dynamics of this relationship and the potential impact of FDI on women's political rights (Richards & Gelleny, 2007; Blanton & Blanton, 2015; Bui et al., 2018) ( See next subsection for more details). Existing studies have typically analysed the effect of FDI on women’s empowerment as a whole. For example, (Ouedraogo & Marlet, 2018)used the aggregate index of Gender Inequality, which does not distinguish though between different types of women’s rights. Whereas there is a limited number of empirical studies that have effectively covered women’s rights yet have only emphasised social and economic rights (Neumayer & Soysa, 2011; Cho, 2013; Shuaibi, 2021) and completely disregarded women’s political rights. To the best of our knowledge there is only one study, conducted by Richards and Gelleny (2007), that investigated the effect of FDI on women’s political rights. The various analyses conducted fail to address the larger question of whether FDI can indeed influence women's political participation and subsequently impact their political rights and empowerment.

Also, there is another strand of literature where the authors mainly investigated the reverse connection between FDI and political rights (Brzozowski, 2013; Blanton & Blanton, 2015). They try to find out the impact of women's political rights on FDI. Despite several attempts to measure and track women's political empowerment, reliable measures to test such important theories are lacking. The most common indicators used for women's political rights were number of seats in parliament, which only covers one indicator of women's political rights.

This chapter aims to fill this gap in the literature and seeks to make the following contributions by conceptualising and testing the effect of FDI on women's political rights. The main objective is to answer the research sub question: How does FDI affect women's political rights? We follow Sundström & Paxton's (2015) definition and classification of Women's Political Empowerment and use two aggregate indexes as proxies of women's political rights, that allow for a more comprehensive analysis of women's political rights, and which allows comparisons of women's political rights for all countries in the world. This makes it one of the most comprehensive measures of women's political empowerment available.

For this purpose, we use V-Dem's Political Participation Index and Women's Civil Society Participation Index. Since we understand that political empowerment characterises a more holistic and complex phenomenon, we have chosen these two indexes as they are classified as proxies for political empowerment in the theoretical literature (Sundström & Paxton, 2015). The indexes also cover certain indicators of SDG goal 5: Gender Equality (proportion of women in national parliaments in both chambers (lower house and upper house). Our study is also different to Richard and Gelleny's (2007) work discussed above, since we are using a new dataset for women's political rights instead of using the same CIRI dataset which has been widely used by other related and non-related studies. We also use more recent years compared to Richard and Gelleny's (2007) study, which used data for the period 1982 to 2003. In addition, our dataset is more comprehensive, which helps us compare between different income groups.

We use a large dataset of 122 countries from the 1970s to 2018 and estimate results for different income groups, low-middle-income countries and high-income countries. The reasons for dividing the sample into subsamples have been discussed in Chapter 3. Further to that we followed Richard and Gelleny's study by looking at whether the impact of FDI is different pre and post globalisation era. We also control for reverse causality and endogeneity problems in our analysis for the reasons discussed in the Literature and Methods section.

Based on our findings, it can be concluded that FDI does not demonstrate a consistent and reliable impact on women's political rights. Our analysis indicates that FDI does not significantly influence Women's Political Participation Index or the Women's Civil Society Participation Index. However, we observe a positive and statistically significant effect of FDI on women's freedom of discussion, one subcomponent of the Women's Civil Society Participation Index. These results remained consistent across various estimation techniques and robustness checks, providing further support for the findings.

Section 4.2 presents an overview of important scholarly literature that contributes to the ongoing debate on the relationship between FDI and women's political rights. In Section 4.3, the theoretical definition of women's political empowerment is introduced, highlighting its significance and relevance to the data utilised in the chapter. Section 4.4 provides a detailed description of the data used in the chapter. In Section 4.5, the empirical techniques employed to analyse the data and test the research hypotheses are explained. Section 4.6 presents the results of the empirical analysis. Section 4.7 discusses the findings of the study Section 4.8 provides a conclusion and a summary of this chapter.

## 4.2 Summary of Literature

### 4.2.1 The Impact of FDI on Women's Political Rights

Much of the literature on the positive impacts of economic globalisation on human rights is ingrained in a liberal perspective that emphasises how trade openness and FDI facilitates economic development, which in turn improves social conditions. By promoting economic growth, FDI reduces income inequality, creates an emergence of an economic middle class, which pushes for further demand for improved political and civil rights, and the recognition of these rights can bring in personal integrity rights (Cingranelli & Richards, 1999; Apodaca, 2002). Supporters of the liberal economic perspective contend that foreign investors, besides contributing to economic growth, can influence governments to create conditions favourable for attracting FDI. This influence can result in policy changes aimed at enhancing investments in social services and infrastructure, which in turn may lead to improvements in human rights conditions (Chhibber, 1997). Spar (1998) supports this viewpoint and highlights that MNCs as the main drivers of FDI, can transfer a culture of better human rights practices. They recognise that the development of the rule of law, particularly in developing countries, serves their economic interests.

Harrelson-Stephens & Callaway (2003) stated that the economic interdependence resulting from free trade can lead to the spread of norms, including those that promote and support human rights. Trade and foreign investment can create opportunities, as corporations tend to hire the most qualified workers without favouring traditional discriminatory norms that privilege men. Furthermore, there is a possibility that higher standards and improved rights could extend to countries with weaker records, due to increased employment opportunities (Bhagwati, 2005). Trade and FDI also empowers women through production practices and gender-sensitive policies. Multinational companies are likely to have more women in decision making positions (Tang & Zhang, 2017) and have better practices to involve employees in decision making processes. Engaging in the workplace can cultivate civic skills through tasks that involve communication, collaboration, and leadership, while also fostering social networks that encourage political engagement. This workplace experience provides individuals with the necessary skills and connections to participate actively in civic and political activities. (Verba et al., 1995). Multinational companies are also more women friendly, which includes childcare and flexible working hours, that help retain women in the labour force (Kodama et al., 2018). Multinational companies also face pressure from home country shareholders to implement these home country practices and require their local suppliers to adopt similar policies.

In other words, the presence of FDI can accelerate the spread of positive human rights effects, particularly in workers' rights, from the home country to the host country. Multinational companies play a role in facilitating this diffusion by transferring improved labour rights practices. This diffusion of norms contributes to the strengthening of calls for increased political and civic participation, as discussed earlier, ultimately influencing other dimensions of human rights as well (Kim & Trumbore, 2010).

Empirical research conducted by Cingranelli and Richards (1999) supports the notion that higher levels of FDI are linked to a reduction in political imprisonment. These findings align with the earlier argument that improved economic development, driven by FDI, can generate demands for enhanced political and civic participation, consequently leading to improvements in physical integrity rights. The study's findings provide empirical evidence for the positive relationship between FDI and the protection of human rights in the context of political imprisonment.

Akhter (2005) conducted a study that revealed a positive correlation between the size of the export economy and women's empowerment, as measured by a United Nations index that encompasses political engagement and public decision-making. Similarly, studies have indicated a positive association between FDI and women's political rights, as demonstrated by the UN's gender empowerment measure, which includes indicators such as the representation of women in parliament and the presence of female legislators and senior officials (Richards & Gelleny, 2007). Additionally, Rai (2013) argues that globalisation has fostered a remarkable level of collaboration among women's civil society groups in addressing societal inequalities. These findings collectively highlight the potential influence of economic globalisation on enhancing women's political empowerment and fostering collaboration among women's organisations.

A counter argument holds that when host country governments strive to create favourable conditions for foreign investment, they may have incentives to suppress labour rights and repress political opposition. (Apodaca, 2001). An increasing number of scholars have put forth seemingly contradictory findings regarding the nature and outcomes of global market integration. While some argue that trade and investment can empower leaders to exploit vulnerable individuals, leading to government repression, exploitation, and violence (Nader, 1998).

The view argues that MNC's activity contributes to human rights abuses, especially in developing countries. The process of economic globalisation, driven by profit maximising MNCs, is often criticised for exploiting the developing world through practices such as cheap labour, limited knowledge transfer, and a lack of long-term commitment to stay or invest. Critics argue that foreign capital supports and reinforces repression in developing countries. Therefore, the view is that economic globalisation, as facilitated by MNCs, does not contribute to the promotion of human rights as their primary focus is on maximising profits rather than working for the benefit of the citizens (Hafner-Burton, 2005). The negative perspective on globalisation highlights the unequal distribution of wealth it generates, benefiting some while impoverishing others. Critics further argue that government policies are often designed to prioritise the economic interests of multinational corporations and domestic elites, often at the expense of ordinary citizens. (Cingranelli & Richards, 1999).

However, empirical studies have not found any evidence on the idea that FDI is attracted to host countries where human rights are violated or actively suppressed (Kim & Trumbore, 2010). For example, Kim & Trumbore (2010) conducted a study examining the correlation between FDI and human rights performance. They specifically focused on the influence of cross-border mergers and acquisitions (M&As), which have gained significant prominence as a form of FDI in recent decades. The results of the analysis showed that FDI has a positive impact on human rights. They have also found positive impact to be particularly pronounced in developing countries. Hafner-Burton (2005a) finds insignificant results between levels of FDI and the extent of government repression. Using a panel dataset of 177 states they found that FDI positively affects human rights, although they mentioned that their results were not robust. They highlighted the importance of exploring this more as the literature on human rights and MNCs, acknowledges that FDI can be seen both as potential violators of human rights and as catalysts for improvements in human rights performance. The authors highlight that various studies on the impact of "transnational corporate penetration" on human rights offer diverse and contradictory conclusions. Despite examining the same overall concept, each study employs different indicators to measure their specific understanding of rights. As a result, the significant findings regarding the social implications of economic globalisation remain obscured due to inconsistencies in empirical evidence. This situation presents conflicting messages regarding which aspects of the global economy are likely to affect human rights behaviour.

Apodaca (2001) and Richards et al. (2001) conducted separate studies examining the impact of FDI on personal integrity rights. Apodaca utilised data from the IMF, while Richards, Gelleny & Sacko relied on data from the World Bank. Despite having nearly identical models, their findings differed. Apodaca's study indicated a positive relationship between FDI and lower occurrences of personal integrity abuses, while the other study found no reliable relationship between FDI and the same dependent variable. The authors did not specify which specific measure of FDI they employed. It is worth noting that there is no single or universally accepted measure of rights. Moreover, the World Bank provides multiple measures of FDI, which can sometimes yield contradictory evidence and suggest the involvement of different theoretical mechanisms.

### 4.2.2 The Impact of Women's Political Rights on FDI

Another stream of literature emphasises, on the reverse relationship between FDI and women's political rights. Traditional arguments regarding the relationship between socio-political factors and FDI, especially in developing countries, suggest an inverse link between women's rights and foreign investment. The rationale behind this is that the competition for foreign capital creates an incentive structure known as a "race to the bottom" (discussed in Literature section 2.4.1) where states may prioritise creating a favourable business environment and a compliant labour force over protecting various regulations, economic rights, and civil rights. (Van Beers, 2000). According to scholars critical of globalisation, one way in which a state may enhance its competitiveness is by exploiting women's unequal status in a society, leading to the availability of cheap female labour. These scholars argue that the utilisation of cheap female labour reduces production costs for export-oriented goods, thereby enhancing the competitiveness of those goods in the global market. As a result, states can generate foreign exchange through exports, which can then be used to import intermediate goods. This exchange contributes to increased productivity, economic growth, and investment. This hypothesis has found support in the context of semi-industrialised countries that have focused on female-dominated manufacturing industries with an export-oriented approach. (Seguino, 2000). This could mean that countries with an export-orientation might not be willing to adopt a policy that invests in the human capital of women since the economy is interested in them for cheap workers.

Given their secondary status as unskilled workers in the labour market, firms may take advantage and may pay women lower wages than their male counterparts for comparable work (Braunstein, 2006). Busse & Spielmann (2003), in their study discussed about unskilled labour which is a comparative advantage for some countries which attract foreign investors, and implied that industrialised countries do not have a problem with gender discrimination in developing countries. The foreign firms may even profit from its occurrence due to the possibly lower prices for unskilled labour in the host countries, which act as a cost advantage.

Brzozowski (2013), using 11 Central European economies for the period 2004-2009, analysed the effect of gender equality on bilateral FDI inflows, he found that the level of women's political representation in parliaments can influence the decisions of foreign investors. If foreign investment is primarily driven by efficiency seeking motives, investors may benefit from gender inequality in terms of health and access to education. This inequality creates a pool of low-wage workers that can be exploited for profit, as long as gender disparities do not significantly hinder productivity. Brzozowski's hypotheses were tested using a standard gravity model and the System Generalized Method of Moments technique (GMM). Additionally, he found that higher female political representation in the host country's parliament leads to a reduction in the wage gap between genders, limiting the availability of cheap female labour and potentially diminishing the country's competitiveness in terms of low-cost labour.

Bui et al. (2018) support the notion that women's political activism in host countries can enhance women's bargaining power and exert upward pressure on female labour compensation. This, in turn, may weaken the inflow of FDI. Similarly, Bui et al. (2018) conducted a study on gender inequality in developing Asia-Pacific countries. Their findings suggest that FDI displays a particular behaviour driven by efficiency-seeking motives. FDI is attracted to host countries where the gap in health outcomes between men and women is narrower. However, it also takes advantage of significant disparity in economic and political rights between genders, perceiving it as a means to increase their efficiency.

Contrary to the criticism, several studies have demonstrated that women's empowerment can contribute to creating a more favourable investment environment for a country or region. These studies have found that improvements in women's social and political rights are associated with increased legal protections, transparency, and social welfare. For instance, Harms & Ursprung (2002) have shown that countries with stronger political participation, civil liberties, and labour organisation tend to attract more foreign investment. Blanton & Blanton (2015) have found that foreign investors are more inclined to invest in countries where women have high political power. Additionally, Hudson et al. (2014) have reported similar findings, highlighting the positive impact of women's participation in political parties on investment attraction. These studies suggest that promoting women's political rights and guaranteeing their equal involvement in political and social spheres can contribute to creating a encouraging investment environment and enhancing economic development.

Collectively, these arguments indicate a complex and multifaceted relationship between women's rights and FDI wherein various aspects of gender equality, such as health, political empowerment, and economic equality, may have contrasting impacts on the attractiveness of a country for foreign capital.

Most papers which looked at FDI's impact on political rights, create contradictory results given that the literature on FDI and political rights is already very scant. These measures have the potential to offer conflicting evidence and often indicate the involvement of different theoretical mechanisms. In addition to that there are evidence from empirical literature that there can be causal relationship between FDI and women's political rights, where political rights may also affect FDI. Some papers did not take into account the reverse causality which can lead to biased results.

In summary, the relationship between women's political rights and FDI is complex and varies across different country contexts. While it is often expected that political rights related to women's participation may have a negative impact on FDI in developing countries, the relationship may be positive in high-income developed countries. This chapter addresses the issue of inequality in various aspects and provides a deeper understanding of the nuanced relationship between women's political rights and FDI inflows in both developed and developing countries. Furthermore, this chapter aims to bridge the gap in the literature by exploring the impact of women's political rights on FDI, an area that has received limited attention thus far.

### 4.2.3 Theoretical Definitions of Women's Political Empowerment

Women's political empowerment, defined by Sundström & Paxton (2015) ,is three dimensional, capturing the three most prominent strands of empowerment: that of choice, that of agency, and that of participation, which is discussed in the next section. Based on this discussion we classify our dependent variables.

- Freedom of Participation

Women as political candidates and holders of electoral seats are central features of political empowerment of women. Feminist theorists argue that women, as a result of their distinct socialisation and life experiences, bring a unique perspective to politics. These theorists highlight that women's diverse backgrounds contribute to a different set of values, experiences, and expertise that can enrich political discourse and decision-making processes. By including women's voices and perspectives in politics, a more comprehensive and inclusive approach can be achieved, addressing the diverse needs and concerns of society as a whole. (Phillips, 1998). Arguments also suggest that formal political equality, including rights to vote, is not enough.

According to Young (1997), women must also have significant numerical representation. Young argues that mere token representation of women is insufficient for achieving meaningful change. Instead, women need to be present in sufficient numbers to actively participate in conflicts and exert influence during the decision-making process. This perspective emphasises the importance of achieving a critical mass of women in political positions to ensure their voices are heard and their perspectives are taken into account (Young, 1997). An increasing share of women in legislatures is also one of the three indicators for the goal of *"promoting gender equality and to empower women"* in the Millennium Development Goals (United Nations 2015). It is also an important indicator of the latest SDG Goal 5: Gender Equality, Target 5.5 *Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.* In summary, political participation necessitates the active involvement of individuals in formal political positions, and it is essential for women to have equal representation and access to positions of power. The indicators that we are going to measure are divided into these three aspects of political empowerment. First, we use two aggregate indexes to see how FDI affects these indexes and then we look at their sub-components. Our first dependent variable is Women Political Participation Index, which is based on the "participation" aspect of political empowerment.

- Freedom of Voice

Sundstrom et al. (2017) argue that for women to be politically empowered, it is crucial for them to have the opportunity to freely express their political views and engage in political discussions. This can take place both in the private sphere and through various organisations. Additionally, the authors highlight the importance of women being represented in the ranks of journalists, as media play a significant role in shaping public discourse and influencing policy decisions.

By restricting the ability of women and other key population groups, to express their views and participate in discussions, there is a risk of limiting relevant feedback to government officials who are responsible for formulating policies. In order to ensure a more inclusive and representative decision-making process, it is essential to create an environment that enables women to voice their preferences, engage in civic participation, and contribute to political discussions (Birnir & Waguespack, 2011). Further, to those diverse interests of gender-inclusive organisations and societies may also help the minority groups to speak out, helping policy makers in selecting appropriate and inclusive policies.

- Freedom of Agency

According to Malhotra et al. (2002), women's political empowerment involves their significant involvement in the process of change. It emphasises the concept of agency, which refers to the ability to actively participate as agents of change (Kabeer, 1999, p. 438). For women to be politically empowered, they need the freedom to express their political opinions through any media and the freedom to form or participate in any political group, as highlighted by Bollen (1986).

Hashemi and Schuler (1993) add that women's empowerment includes their ability to effectively engage with the public, access media platforms, and ensure that their issues are addressed in the media agenda. Given that news production is often influenced by male perspectives, the presence of biased views and thoughts that primarily reflect the interests of men can limit women's ability to voice their concerns (Van Zoonen, 1998). Therefore, the representation of women in journalism becomes crucial in enabling women to advocate for their issues and have their voices heard.

To summarise, in order for women to exercise agency and define their goals, it is essential that they have the freedom to engage in discussions, participate in civil society organisations (CSOs), and be represented as female journalists. These elements contribute to the overall political empowerment of women, and they are reflected in the Women’s Civil Society Participation Index, which measures the aspects of "voice" and "agency" in women's political empowerment.

Table 4-1 Women’s Political Rights Indexes and their Subcomponents

| **Aspects of Political rights** | **Aggregate Index** | **Indicators** |
|---|---|---|
| Participation | Women Political Participation Index | Power Distributed by Gender |
| | | Lower Chamber Female Legislators |
| Voice | Women Civil Society Participation Index | Freedom of Discussion |
| Agency | | Female Journalists |
| | | CSO Women’s Participation |

## 4.3 Research Question and Hypotheses

From the above theoretical definitions of women's political empowerment, we utilise two indexes from the V-Dem dataset which represents the three aspects of women's rights discussed in the previous section. Our model tests the effect of FDI on Women's Participation Index and Women's Civil Society Participation Index. Also, V-Dem's data set is reliable to use and has a very large coverage.

The hypotheses tested in this chapter arise from the above literature that foreign investments create conditions for women to develop civic skills and engage in political discussions. Based on the literature and the theoretical definition of political empowerment we seek to answer the following research sub question.

**Research Sub Question:** What are the impacts of FDI on women's political rights?

From the above discussion of FDI and political rights we develop our hypotheses to test whether FDI affects any of these indexes of political empowerment. We have set the following hypotheses. For reasons discussed in the previous chapter we also test whether the impact of FDI on these indicators vary across income groups of countries. Therefore, we build two hypotheses to answer our research question.

**Hypothesis 1 (H1):** *FDI inflows positively affect women's political participation*

**Hypothesis 2 (H2):** *FDI inflows positively affect women's civil society participation*

## 4.4 Data

In this section we describe the data used in this chapter. We use two dependent variables-Women's Political Participation Index and Women's Civil Society Participation Index, which are collected from the V-Dem dataset. The detailed discussion of the data source is presented in Chapter 3 (See section 3.4.1).

### 4.4.1 Dependent Variable

In recent times, the availability of suitable data has been lacking which limits the systematic testing of the hypothesis mentioned earlier. However, the recently developed V-Dem dataset addresses this issue by providing measures that are highly suitable for this purpose. The dataset offers extensive coverage and aligns with the theoretical concepts related to gender-specific aspects of political representation and civil society participation. This dataset enables a more thorough examination of the hypothesis and provides valuable insights into the gender-specific dynamics within these domains.

By utilising the V-Dem dataset, we are able to capture the multifaceted dimensions of female political empowerment and conduct rigorous tests that involve long time series. This allows us to incorporate important statistical techniques such as country- and year-fixed effects in our models, enabling a more robust analysis. For detailed information regarding the construction, methodology, and contents of the V-Dem dataset, we refer to the work of Coppedge et al. (2020). In summary, the dataset has been carefully designed to ensure that the measures are comparable across countries and over time, while maintaining a high degree of reliability and validity. This ensures that the data we employ in our research is of high quality and provides a solid foundation for our analysis.

***Women's Political Participation Index***

The Women Political Participation Index within the V-Dem dataset encompasses the measurement of women's involvement in political decision-making processes. In order to gauge the level of descriptive representation of women in formal political positions, this index takes into account two key factors: the presence of women in legislative bodies and the distribution of political power based on gender.

By considering both the numerical representation of women in political institutions and the extent of gender-based power distribution, the Women Political Participation Index offers a comprehensive assessment of women's involvement and influence in formal political spheres. This index provides valuable insights into the degree of women's descriptive representation and their potential impact on political decision-making processes ( Dahlum et al., 2020). We use the aggregate index as the dependent variable, also we use the subcomponents of the index to see how FDI will affect these indicators individually. The index reflects some of the indicators for SDG goal 5 Gender Equality. For example, Target 5.5 "*Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life"*.

The Women Political Participation index within the V-Dem dataset comprises two indicators that contribute to the overall measurement.

The first indicator, *"lower chamber female legislators,"* quantifies the percentage of female members in the lower chamber of the legislature. This information is compiled by V-Dem from existing data sources, which provide data on the gender composition of legislative bodies.

The second indicator, *"Power distributed by gender,"* is an expert-coded assessment of the extent to which political power is distributed based on gender. This indicator is rated on a scale ranging from zero to four, where zero indicates a near-monopoly of political power by men and four indicates a relatively equal distribution of political power between men and women.[10]V-Dem experts contribute their evaluations to determine the level of gender-based power distribution.

***Women and Civil Society Participation Index***

The concept of agency in women's political empowerment is closely intertwined with their ability to voice their opinions and participate in public discussions. When there is an imbalance of power between genders, it can significantly hinder women's freedom to express themselves and engage in political discourse (Charmes & Wieringa, 2003). Therefore, for agency and voice elements of women's political empowerment, we use the V-Dem ***Women's Civil Society Participation Index*** to measure women's involvement in civil society organisations and their ability to participate in public debates. It captures the extent to which women are able to freely express their opinions, organise collectively, and actively engage in shaping public discourse.

By the name of the index, it might be often confused with women's civil rights but when we look at the subcomponents of the index we can clearly relate it to the three aspects of political rights discussed in 4.2state that these indicators are exclusive to women's civil rights.

This index is derived from factor scores that combine all three indicators*: "women's freedom of discussion, participation in civil society organizations (CSO), and representation in the ranks of journalists"*.

[10] The ratings provided by the V-Dem are originally in an ordinal scale, but the V-Dem experts convert the survey results into an interval scale. Therefore, while the original ratings themselves are discrete, the underlying scores can take any numerical value, typically falling within a range of -4 to 4.

Figure 4-1 Women's Civil Society Participation Index


"*Freedom of Discussion for Women*" examines the extent to which women can openly engage in discussions about politics without fear of harassment or restrictions imposed by the polity or public authorities. The indicator is coded on a scale ranging from zero to four, representing varying degrees of freedom of expression for women. A score of zero indicates that little or no freedom of expression for women, while a score of four indicates that freedom of speech by women in their private life and public spaces is fully respected and not restricted. (Sundström & Paxton, 2015).[11]

"*Women's Participation in Civil Society Organisations (CSO)*" assesses the extent to which women are allowed to participate in CSOs and whether these organisations advocating for women's interests face restrictions in their involvement in associational life. The indicator is coded on a scale from zero to four, representing different levels of restrictions on women's participation. A score of zero indicates that women are most of the time prohibited from participating in CSOs, while a score of four suggests that such restrictions are almost never imposed.

The next indicator is *"Female Journalists"* which measures the percentage of women among journalists working in the print and broadcast media. It provides insight into the level of gender representation within the media industry. It is coded on an interval scale, allowing for precise quantification and comparison across different countries and time periods. A higher percentage indicates greater representation and opportunities for women in the media industry, while a

[11] The ratings provided by the V-Dem are originally in an ordinal scale, but the V-Dem experts convert the survey results into an interval scale. Therefore, while the original ratings themselves are discrete, the underlying scores can take any numerical value, typically falling within a range of -4 to 4.

lower percentage suggests a gender imbalance and potential barriers to women's participation and advancement.

### 4.4.2 Independent Variables

The FDI measure used in this study is the net inflow of FDI as a percentage of the GDP. It represents the amount of investment made by foreign entities in a country's economy, taking into account both equity capital and reinvested earnings. (Asiedu, 2002; Alderson, 2004; Richards & Gelleny, 2007).

### 4.4.3 Control Variables

Following previous research practices, we incorporate various control variables into our analyses. One such control variable is GDP per capita, which serves as a measure of a country's economic performance and level of development. By including this control variable, we can better isolate the specific effects of FDI inflows on the outcomes of interest, while holding the level of economic development constant. In essence, the inclusion of GDP per capita as a control variable helps us to control for the economic context and better understand the independent contributions of FDI inflows and women's human rights to our analyses.

*Trade openness* is believed to impact economic and social conditions, which can in turn affect the status of women's rights. To account for this, we include a trade variable that measures the level of trade openness. Specifically, we use the sum of exports and imports of goods and services as a percentage of GDP as an indicator of trade openness. This variable reflects the extent to which a country engages in international trade and reduces trade barriers. The data for trade and GDP per capita are obtained from reputable sources such as the World Bank and the OECD (Shuaibi, 2021). We expect these two variables to be positively related to women's political rights. Additionally, we incorporate government expenditure as a proxy for government preferences in regulating multinational companies. By including government expenditure, we can capture the influence of government preferences on regulating the activities of multinational companies and their potential impact on women's rights (Shuaibi, 2021; Kim & Trumbore, 2010).

We also include the *population* variable in our analysis, collected from World Bank to account for the size of a country's population. It is hypothesised that as the population of a country increases, there may be challenges in adequately addressing human rights issues, including women's human rights. This is primarily attributed to the increased costs associated with providing social services and meeting the demands of a larger population. By including the population variable as a control, we aim to capture the potential effect of population size on women's political rights. (Shuaibi, 2021). The population variable is log-transformed to correct for skewness, GDP per capita and population measures are logged (Kim & Trumbore, 2010).

We include *polity2* variable from Polity IV series to account for democracy. Details of this control variable is included in Chapter 3.

We also include *corruption index* as a control variable. The index measures how unpreventable political corruption is. The sub-components of the index captures several distinguished types of corruption; both ‘petty’ and ‘grand’; both bribery and theft, both corruption which influences law making and corruption which affects implementation. It also includes public sector, executive, legislative and judicial corruption (Olin, 2017) The index has a value between 0-1. The V-Dem corruption index is designed to measure the level of corruption within a country, running from less corrupt to more corrupt. Research and evidence indicate that women are disproportionately affected by corruption due to existing power imbalances between men and women (SIDA, 2015). Corruption within law enforcement institutions presents substantial barriers to safeguarding and promoting women's rights within the legal framework. In corrupt systems, laws related to women's rights may be disregarded or selectively enforced, leading to discriminatory practices and the denial of justice for women and girls. Corrupt governments and officials may prioritise their own interests or cater to influential individuals or groups, neglecting the broader human rights of women. ( Téllez, 2022).

### 4.4.4 Descriptive Statistics

Below is a summary of the descriptive statistics for the variables employed in this chapter

Table 4-2: Descriptive Statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **Dependent Variables:** | | | | | |
| Women Political Participation Index | 8083 | 66.458 | 27.021 | 5.4 | 100 |
| *Lower chamber female Legislators** | 7305 | 13.074 | 10.897 | 0 | 63.75 |
| *Power Distributed by Gender** | 8083 | .526 | 1.187 | -2.678 | 3.72 |
| Women's Civil Society Participation Index | 8083 | 60.231 | 24.532 | .9 | 96.2 |
| *Female Journalists** | 8080 | 30.387 | 13.468 | .5 | 77.5 |
| *Freedom of Discussion** | 8083 | .456 | 1.528 | -3.586 | 3.322 |
| *Civil Society Participation** | 8083 | .818 | 1.063 | -3.628 | 2.519 |
| **Independent Variable:** | | | | | |
| FDI%ofGDP | 6289 | 3.261 | 9.395 | -57.532 | 280.132 |
| **Control Variables:** | | | | | |
| lnGDPPC | 7354 | 8.714 | 1.184 | 5.934 | 11.96 |
| lnPOPUL | 8083 | 8.928 | 1.712 | 4.062 | 14.176 |
| TRADEOPEN | 5902 | 75.797 | 48.348 | .021 | 437.327 |
| GOVEXP | 5773 | 16.181 | 7.597 | 0 | 136.35 |
| polity2 | 6186 | 1.944 | 7.129 | -10 | 10 |
| POLITICORR | 8018 | .508 | .299 | .005 | .974 |

* These indicators are subcomponents of the two indexes

Table 4-2 shows a summary of the data collected for 150 countries over 60 years on 8 variables. The two main dependent variables are Women's Participation Index and Women's Civil Society Participation Index, both of these had values ranging from 0-1 however for ease of comparison we multiplied the indexes with 100. We can see that the WPP index has 8083 observations with a mean of 66.458 and a standard deviation of 27.021. The average of FDI is 3.261 and standard deviation is 9.395. If we look at the min and max value of FDI we can say that there is considerable disparity in FDI among the countries of the world. This table also shows the log of GDP per capita with 7354 observations and the standard deviation is 8.714. The values of Political Corruption (POLITICORR) range between 0.005-0.974 with 8018 observations and a mean value of 0.508. While Government expenditure and trade openness are both in percentage form. GOVEXP has an average value of 16.181 and a low standard deviation of 7.597. The mean trade openness (TRADEOPEN) is 75.797 and a high standard deviation of 48.348. Since data for Population was in absolute numbers, we have scaled it down by using log of population. We have also included the summary statistics of the subcomponents of the two aggregate indexes as we use them as dependent variables in our analysis. A thorough investigation of the disparity among these countries is undoubtedly necessary. The current study attempted to do so within the limits of the scope. The number of observations in each regression may vary due to limited availability of data.

### 4.4.5 Pairwise Correlations

Below is a combined correlation matrix showing the correlations among the variables used to analyse the impact of FDI on the Women's Participation index.

Table 4-3: Matrix of Correlations

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|
| (1) Women's Political Participation Index | 1.000 | | | | | | | |
| (2) FDI%ofGDP | 0.128 | 1.000 | | | | | | |
| (3) lnGDPPC | 0.358 | 0.148 | 1.000 | | | | | |
| (4) lnPOPUL | 0.191 | -0.113 | -0.010 | 1.000 | | | | |
| (5) TRADEOPEN | 0.118 | 0.282 | 0.350 | -0.400 | 1.000 | | | |
| (6) GOVEXP | 0.162 | 0.027 | 0.354 | -0.192 | 0.167 | 1.000 | | |
| (7) polity2 | 0.614 | 0.099 | 0.450 | 0.086 | 0.059 | 0.162 | 1.000 | |
| (8) POLITICORR | -0.389 | -0.093 | -0.652 | 0.067 | -0.222 | -0.453 | -0.517 | 1.000 |

Table 4-3 shows little association among the variables indicating a very low chance of multicollinearity. The highest correlation is between POLITICORR and GDPPC, with a value of -0.652. The second highest correlation is between political corruption and democracy with a value of -0.517. However, the results meet the requirements of the correlation coefficient test as none of the variables show association over 0.90. We also conduct a multicollinearity test to check whether we can use these variables in the same model. The collinearity analysis was conducted to assess the presence of multicollinearity issues among the variables. The results, as shown in Table 4-4, indicate that none of the Variance Inflation Factors (VIFs) exceed 5. This suggests that there are no significant problems with multicollinearity among the variables included in the analysis. The VIF values below the threshold indicate that the variables are not highly correlated with each other, reducing concerns of multicollinearity that could affect the reliability of the regression results.

Table 4-4 Variance Inflation Factor

| | VIF | 1/VIF |
|---|---|---|
| POLITICORR | 2.2 | .455 |
| lnGDPPC | 2.042 | .49 |
| TRADEOPEN | 1.476 | .678 |
| polity2 | 1.46 | .685 |
| GOVEXP | 1.327 | .753 |
| lnPOPUL | 1.278 | .782 |
| FDI%ofGDP | 1.097 | .911 |
| Mean VIF | 1.554 | . |

We start with standard panel model with the dependent variable (Women's Political Participation Index) and independent variables (FDI, GDP per capita, Population, Trade openness, government expenditure, democracy and Political corruption). In the following section, the results of those models are presented and interpreted below. Pre and post estimation tests for autocorrelation, heteroscedasticity are available in Appendix C.

## 4.5 Estimation Technique

### 4.5.1 Equation Models

We use two equations including our dependent variables and control variables discussed in the previous section. We also run regressions using the sub-components of the two indexes, as the dependent variables. We have a list of the variables described in section 4.4.5. Details of the methods used are explained below.

$$Women\ Political\ Paticipation_{it} = \alpha_0 + \alpha_1\, FDI_{it} + \alpha_2\, Control_{it} + \lambda_i + \theta_t + \mu_{it} \quad \text{....(4.1)}$$

$$Women\ Civil\ Society\ Paticipation_{it} = \alpha_0 + \alpha_1\, FDI_{it} + \alpha_2\, Control_{it} + \lambda_i + \theta_t + \mu_{it} \quad \text{...(4.2)}$$

Where *FDI* is Foreign Direct Investment Inflows in country i at year t. *Control* is a set of control variables including, GDP per capita, population, trade openness and government expenditure. Polity, Political Corruption Index all per country i and year t. $\lambda_I$ represents country fixed effects, $\theta_t$ represents time fixed Effects and $\mu_{it}$ is the error term.

### 4.5.2 Fixed Effects Estimation

The technique we employ is a panel-data analysis using country and year fixed effects. Panel data refers to a type of dataset that combines cross-sectional data and time series data, capturing measurements of the same unit or entity at different points in time. By utilising panel data, researchers are able to account for unobserved or unmeasured variables, such as cultural factors or variations in business practices among different entities. Additionally, panel data allows for the inclusion of time-varying variables that affect entities uniformly over time, such as national policies, federal regulations, or international agreements. In essence, panel data analysis takes into consideration individual heterogeneity and enables the control of various factors that may influence the observed outcomes (Wooldridge, 2002).

For analysing panel data we will need to go through a step by step iterative process. We will start with explaining simple regression analysis with the OLS method. This is the most widely used method of obtaining these estimates. It has become so standard that its estimates are presented as a point of reference even when estimating with other estimation techniques.

Panel data analysis is widely popular due to its ease of use and the fact that, under certain assumptions, it can be considered the most optimal estimator. However, when some of these assumptions are violated, alternative estimation techniques may outperform OLS regressions. In such cases, researchers may opt for other methods that better accommodate the specific characteristics of the data and the potential limitations of the model. The choice of estimation technique depends on the nature of the data and the research objectives. Indeed, it is crucial to ensure that the classical assumptions of the chosen estimation technique hold for a specific equation. If one or more of these assumptions are violated, researchers must carefully consider the advantages and disadvantages of alternative estimation techniques. These alternative methods often involve modifications or adjustments to the OLS approach, specifically tailored to address the particular violation of assumptions in question. By selecting an appropriate alternative estimation technique, researchers can better account for the specific characteristics of their data and mitigate any potential biases or limitations arising from violated assumptions.

In the panel data analysis we use cross sectional observations over time. So, if we use a simple form of OLS it is most likely that the error terms will be correlated since the data for the explanatory variable will be correlated over time. This will cause correlation with the error terms as well. Therefore, this will violate classical assumption III where it states that all explanatory variables are uncorrelated with the error term.

Therefore, we use a more advanced technique which will account for the issues we discussed above. In panel data analysis, it is important to consider the presence of unobserved variables that can potentially affect the outcomes being studied. Factors such as cultural influences, historical context, and institutional characteristics can have varying impacts on the variables of interest. These unobserved variables are known as omitted variables, and their inclusion in the analysis is crucial to avoid biased estimates. However, it is often challenging, if not impossible, to identify and measure all the omitted variables accurately.

The fixed effects method involves a set of dummy variables to account for variations in the intercept across different cross-sectional entities (e.g., states or countries) and time periods. By allowing for entity and time-specific intercepts, the fixed effects model addresses the potential risks associated with under-specified models when using OLS estimation on panel data. One advantage of the fixed effects model is its ability to mitigate inference problems arising from serially correlated errors and heteroscedasticity, which can be inherent in OLS estimation on panel data. By capturing individual-specific or time-specific effects through the inclusion of dummy variables, the fixed effects model better accounts for the unique characteristics and variations within the panel data, leading to more robust and reliable estimates (Baltagi, 2021).

Therefore, fixed effects models are preferred for our data because they offer a more reliable estimation method by reducing the potential sources of bias compared to classical OLS models. By accounting for entity-specific and time-specific effects, these models provide a more robust framework for analysing panel data.

For the fixed effects method, each regression will be run with the same independent and control variables but a different dependent variable measure. In the first estimation, the dependent variable is Women’s Political Participation Index and the main independent variable FDI inflows percentage of GDP, also a list of control variables. The second estimation includes Women’s Civil Society Participation Index and the same list of independent variables.

Where *FDI* is Foreign Direct Investment Inflows in country i at year t. *Control* is a set of control variables including, GDP per capita, population, trade openness and government expenditure. Polity, Political Corruption Index all per country i and year t. $\lambda_i$ represents country fixed effects, $\theta_t$ represents time fixed Effects and $\mu_{it}$ is the error term

A comprehensive study was carried out using a step-by-step model-based approach. Initially, OLS regression models were employed to estimate the relationship between foreign direct investment and women's political rights, serving as a baseline. These models accounted for within-cluster correlation and incorporated time dummy variables. While this is a common starting point for estimation, it may suffer from bias due to time-invariant differences between countries and endogeneity. As a secondary benchmark, fixed effects regression was utilised to address the presence of unobserved time-invariant heterogeneity among countries. This adjustment accounted for potential correlations between FDI and women's political rights that could arise from these unobserved factors.

## 4.6 Findings

### 4.6.1 The Effect of FDI on Women's Political Participation Index

In this section we attempt to test the hypothesis H1: FDI inflows positively affect women's political participation using equation 4.1. Table 4-5 presents the findings from OLS and fixed effects. Column (1) shows the estimates from OLS regression for comparison. Our results from column (1) show no significant results for the main independent variable, FDI%of GDP. lnGDPPC is positive and significant, this means as GDP per capita increases by 1% women's political participation increases by 0.0731units. The coefficient of lnPOPUL is also positive and significant at the 1% significance level. This indicates that an increase in population by 1% will increase women's political participation by 0.354 units. The coefficients of polity2 and POLITICORR are both significant at the 1% significance level. While democracy has a positive impact on women's political participation, political corruption seems to have a negative impact on women's political participation. The directions of the signs from OLS estimation are as expected however due to potential bias in the OLS estimation discussed in the "estimation techniques" section, we will move to a more reliable estimation (Fixed Effects estimation) before discussing the results further.

Table 4-5, Columns (2) – (4) display estimates from fixed-effect regressions. The fixed effects allow for control of omitted variables that would potentially threaten the results of the model. The fixed effects generate binary variables that distinguish between all combinations of countries and years. Country fixed effects control for time-constant omitted variables that vary across countries. We also include year-fixed effects to control for country constant, but time-varying effects such as country trends and global economic conditions that could affect FDI flows and Women's Political Participation Index. First, we used the Wald test to compare between Pooled OLS and fixed effects, and the results were significant meaning fixed effects is preferred compared to simple OLS. We have also done the Hausman test to check whether fixed effects or Random effects are suitable. Our results were significant, meaning fixed effects estimation is suitable for our study.

Column 2 presents the results from fixed effects estimation independent of the control variables, while Column 3 illustrates the impact of FDI on Women's Political Participation Index, including all our control variables, GDP per capita, population, trade openness and government expenditure, using fixed effects estimation. We consider also other factors in our robustness checks such as democracy and political corruption index. In column 4 we run the FE regression with additional controls: political corruption index, and democracy, on top of our benchmark control variables. In doing so, we follow the literature suggesting that controlling for the quality of institutions may control for time-varying factors that might capture additional effects of political interventions on women's rights (Neumayer & Soysa, 2011).

Our initial sample contained data on 150 countries, however the final sample is reduced to 122 countries over the period 1970-2018 due to unavailability of some variables for some countries and subperiods, particularly on trade openness and government expenditure. [12]

If we compare OLS estimates with fixed-effects estimates, we can see that the results from column (1) are more significant than in column 4. This is because OLS estimation does not provide us with reliable results due to biasedness discussed in the methodology section. Since the Wald test showed that fixed effects estimation is more suitable compared to simple OLS we will only focus on fixed effects for the discussion of the results.

In all three columns the coefficients of FDI yield insignificant results, consistent with previous literature (Richards & Gelleny, 2007), where they found FDI to be not having a significant effect on political rights. GDP per capita is also insignificant. The coefficients of population

[12] The country list in the final sample, as well as the high-income and low-middle income subsamples are in Appendix A of Chapter 3.

are positive and significant. This means as population increases by 1% Women's Political Participation Index will increase by 0.1642 units. This is expected, since an increase in population will lead to an increase in number of women participating in political matters.

In Table 4-5, column 4 where all the controls are included, coefficients of democracy seems to have a positive impact on Women's Political Participation Index and is also significant at 1% significance level. This means one point increase in the polity2 score which represents democracy of a country, will increase Women's Political Participation Index by 0.656 units. This is what we expect from previous literature (Neumayer & Soysa, 2011; Cho, 2013; Ouedraogo & Marlet, 2018). Ouedraogo & Marlet, (2018), assessed the effects of FDI on women's political representation in parliament seats, using panel dataset of 94 developing countries from 1990 to 2015, They found that democracy has a highly significant positive impact of women's political representation in parliament in their whole sample. They used the same indicator for democracy as we do and the magnitude of the coefficient of democracy was 0.417, 0.239 (0.656-0.417) lower than the results from this study. However, they do not separate the countries into different income groups, and they use only one aspect of women's political rights (female parliamentary seats), whereas we use an index including different aspects of political rights. Therefore, exactly comparing these results may not be suitable but from the findings we can say that the results for democracy are as expected from previous empirical evidence. Democracies are likely to maintain higher levels of women's human rights than non-democracies (Shuaibi, 2021). Richards & Gelleny, (2007) also showed that democracy positively affects women's rights by implementing and enforcing laws which can promote women's rights.

The coefficients of POLITICORR demonstrate a negative and significant impact on Women's Political Participation Index in all columns. An increase in corruption by 1 unit will decrease women's political participation by 0.252 units. The magnitude of the coefficient is moderately high which suggests the significant role that corruption plays in shaping women's political rights. The importance of political corruption in influencing women's rights has been reflected in previous theories which provides a rationale for our decision to include this variable in our model (SIDA, 2015). The limited empirical evidence on the relationship between political corruption and women's political rights necessitates our reliance on theoretical discussions only. On a positive note, the statistical significance of the political corruption coefficients across all columns introduces an original and noteworthy contribution, enhancing the empirical value of existing theories.

Table 4-5: The Impact of FDI on Women's Political Participation

| Dependent Variable: Women's Political Participation | (1) Simple OLS | (2) Fixed Effects | (3) Fixed Effects | (4) Fixed Effects |
|---|---|---|---|---|
| FDI%ofGDP | 0.023 | -0.021 | -0.015 | -0.010 |
| | (0.027) | (0.018) | (0.019) | (0.018) |
| lnGDPPC | 7.311*** | | -0.512 | -0.492 |
| | (2.127) | | (2.668) | (2.623) |
| lnPOPUL | 35.488*** | | 18.667*** | 16.422*** |
| | (4.003) | | (4.646) | (5.220) |
| TRADEOPEN | 0.050* | | 0.008 | -0.007 |
| | (0.027) | | (0.027) | (0.026) |
| GOVEXP | 0.273** | | 0.297** | 0.128 |
| | (0.130) | | (0.127) | (0.120) |
| polity2 | 0.895*** | | | 0.656*** |
| | (0.199) | | | (0.184) |
| POLITICORR | -0.226** | | | -0.252*** |
| | (8.663) | | | (8.370) |
| _cons | 0.000 | 41.273*** | -118.330** | -84.991 |
| | (0.000) | (1.582) | (49.010) | (54.473) |
| *N* | 4715 | 6289 | 5130 | 4715 |
| *Countries* | 121 | 151 | 133 | 122 |
| *Year Fixed Effects* | *No* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *No* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.655 | 0.604 | 0.627 | 0.674 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Results from disaggregating income group*

Next, we look at how FDI impacts Women's Political Participation Index amongst different income groups, we divide our data into two income groups; low-middle income and high income groups.

Table 4-6 presents results for subsamples of low-middle income countries and high-income countries separately. All estimates are fixed effect estimators with the cluster robust standard errors. Dependent variable in all regressions is Women's Political Participation index. Control variables include GDP per capita, population, trade openness and government expenditure, democracy and political corruption index.

From the results below we can clearly see that none of the coefficients detect any significant results for FDI. Democracy variable is only positive for high income groups and the results are significant at the 1% significance level. This indicates that 1 point increase in the polity2 score increases the Women's Political Participation Index by 1.503 units, but only in high income countries. Coefficients of democracy is insignificant for low-middle income countries. This finding is similar to the previous literature by Detra & Peksen (2016) who used a sample size of 119 low-and middle-income countries from 1981 to 2004 to assess the relationship between women's political rights and democracy. They found no significant results for democracy for low-middle income countries. We cannot compare our result for high income countries to other studies because they either focused on the overall sample or low-middle income countries. The research conducted by Paxton et al. (2010) provides supporting evidence for these findings. Their study revealed that while democracy does not have an immediate impact on the level of women's political representation in the early stages of democracy, it does play a significant role in fostering the growth of women's political representation over time. This implies that countries with high levels of democracy from the outset create an environment in which women are empowered to strive for increased representation gradually over time. This is potentially one of the reasons why democracy affects women's political rights in high income countries only in this study, since these countries have already acquired strong democratic regimes which aid women's political representation.

The coefficient on POLITICORR is negative and significant for both the low-middle and high income groups. As corruption increases by 1 unit Women's Political Participation Index will decrease by 0.20837 units in low-middle income countries and by 0.39121 units in high income countries. These findings are new, and we have no empirical evidence to compare the results with. However, the results are according to what we expected, *a priori*. Women's perceptions and experiences of corruption may differ from those of men, with women often facing a greater impact of corruption due to existing power imbalances between genders. Corruption exacerbates these unequal power dynamics, resulting in restricted access for women to public resources and information. This, in turn, reinforces social, cultural, and political discrimination against women. (Swamy et al., 1999).

Table 4-6: Impact of FDI on Women's Political Participation in Different Income Groups

| Dependent Variable: Women's Political Participation Index | (1) Low-Middle Income | (2) High Income |
|---|---|---|
| FDI%ofGDP | -0.091 | 0.013 |
| | (0.087) | (0.020) |
| lnGDPPC | -2.392 | 3.807 |
| | (2.878) | (4.908) |
| lnPOPUL | 12.057 | 11.008 |
| | (7.460) | (10.036) |
| TRADEOPEN | -0.017 | 0.047 |
| | (0.029) | (0.044) |
| GOVEXP | 0.197 | 0.208 |
| | (0.120) | (0.313) |
| polity2 | 0.272 | 1.503*** |
| | (0.195) | (0.403) |
| POLITICORR | -0.20837** | -0.39121** |
| | (8.135) | (14.549) |
| _cons | -38.278 | -80.176 |
| | (72.999) | (108.968) |
| *N* | 3127 | 1588 |
| *Countries* | 81 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* |
| $R^2$ | 0.683 | 0.727 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Pre- and Post-Globalisation*

To account for the significant rise in economic globalisation activities starting from the early 1990s compared to the previous decade, our analysis in Table 4-7 is divided into two distinct eras: a pre-globalisation era and a post-globalisation era. It is worth noting that different scholars may have varying preferences for defining globalised periods, which could range from centuries to decades. Additionally, some researchers may consider an era as commencing in a specific year, as suggested by Richards and Gelleny (2007).

The beginning of the globalisation era is a subject of debate, with different approaches having their own merits depending on the specific focus of the study. In this particular research, we have selected the year 1990 as the starting point for the globalisation era, based on three key reasons.

Firstly, 1990 falls within a recognised timeframe during which significant advancements were observed in terms of countries' exposure to the global economy (World Bank, 1999; Northrup, 2005). A considerable number of scholars studying economic globalisation classify it as a relatively recent phenomenon. They associate its emergence with the end of the Cold War, the fall of the Berlin Wall in 1989, and the breakup of the Soviet Union in 1991. This viewpoint suggests that the post-1990 period marks a significant shift in global economic dynamics and serves as a meaningful starting point for analysing the effects of globalisation (Northrup 2005).

Secondly, the 1990s were marked by significant events and transformations that shaped the global scenery. These include the fall of communism in Eastern Europe, the opening up of China via market-oriented reforms, and the adoption of economic and structural changes by many emerging market countries (EMCs). These reforms involved the removal of trade barriers and the relaxation of restrictions on international capital flows. The combination of these reforms, along with notable improvements in transportation and communication technologies, created favourable conditions for EMCs to attract investment. Consequently, there was a substantial surge in trade and financial flows, particularly FDI towards EMCs during the 1990s. These developments, highlights the significance of this period in terms of increased globalisation and economic integration (CMCG, 2003). The effects of global trade and investment were conditional upon the collapse of communist governments and their replacement by regimes willing to demolish policies that hindered the free flow of goods and investment. Thus, by early 1990s, many parts of the world had transitioned away from prolonged periods of communism, creating an environment favourable to free market trade and investment. This shift paved the way for increased participation in global trade and facilitated the inflow of investments into previously closed economies. (Richards & Gelleny, 2007).

In Table 4-7 we use fixed effects estimations to see the impact of FDI in pre globalisation era, which is before 1990s (1970-1990) and post globalisation era which is after 1990s (1991-2018). The result for our main variable is similar to the previous results of Richards and Gelleny (2007) with no significant coefficients. Richards and Gelleny (2007) using the CIRI dataset on political rights found no significant results for FDI. Coefficients of population is only significant in post globalisation era while coefficients of political corruption is only significant in pre globalisation era. Coefficients of democracy is highly significant in both the eras. This indicates that 1 point increase in the polity2 score will increase Women's Political Participation Index by 1 unit in pre globalisation era and 0.643 unit in post globalisation era. Richards and Gelleny (2007) used 130 countries for the year 2008 till 2013, using the same polity2 variable as a proxy of regime type, they showed that democracy positively affects women's political rights. However, the magnitude of the coefficients of democracy is much lower than that of our study. They showed that when democracy increases by a score of 1, women's political rights measured by CIRI dataset increases by 0.042 in the pre globalisation era and by 0.060 in the post globalisation era. The difference between the results can be due to different time periods used in our study, also we use different indicators of political rights. Richards and Gelleny (2007) used the CIRI dataset for political rights index, and we use the V-Dem dataset which can be one of the causes of the difference in magnitude. However, the results yield similar findings which can be helpful for further research.

Table 4-7 Impact of FDI on Women's Political Participation in Pre and Post Globalisation Era

| Women's Political Participation | (1)<br>Pre Globalisation Era | (2)<br>Post Globalisation Era |
|---|---|---|
| FDI%ofGDP | -0.122 | -0.017 |
| | (0.157) | (0.013) |
| lnGDPPC | -2.170 | 4.671* |
| | (3.341) | (2.503) |
| lnPOPUL | 1.652 | 18.106*** |
| | (7.594) | (4.394) |
| TRADEOPEN | -0.043 | -0.039 |
| | (0.034) | (0.027) |
| GOVEXP | 0.194 | 0.181 |
| | (0.147) | (0.125) |
| polity2 | 1.000*** | 0.643*** |
| | (0.169) | (0.210) |
| POLITICORR | -20.643** | -5.083 |
| | (8.876) | (6.520) |
| _cons | 58.628 | -140.156*** |
| | (71.238) | (46.632) |
| *N* | 1604 | 3198 |
| *Countries* | 92 | 122 |
| *Year Fixed Effects* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* |
| $R^2$ | 0.541 | 0.488 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Subcomponents of Women's Political Participation Index*

In Table 4-8 we present the results using the subcomponents of the Women's Political Participation Index. All models replicate regression equation 4.1, except that now we use each subcomponent as the dependent variable instead of the index itself. We report the results only for the full sample as the results from the subsamples were very similar. Specifications remain the same. We report only the regression results for fixed effects estimation with cluster robust SEs. In column 1, we estimate how FDI impacts lower chamber female legislators. In column 2 the results for power distributed by gender are presented. From the results below we can confirm that FDI has no significant impact on Lower Chamber Female Legislators or Power Distributed by Gender. As in Table 4-8 democracy coefficient is positive and strongly significant in both columns indicating that democracy has a genuine impact on power distributed by gender. This suggests that the more democratic a country is the more power is distributed equally between male and females.

Table 4-8: Impact of FDI on Subcomponents of Women's Political Participation Index

| Dependent Variables: | (1)<br>Low-Chamber Female Legislators | (2)<br>Power distributed by gender |
|---|---|---|
| FDI%ofGDP | -0.013 | -0.000 |
| | (0.017) | (0.001) |
| lnGDPPC | -2.887 | -0.075 |
| | (1.235) | (0.103) |
| lnPOPUL | -0.811 | 0.155 |
| | (2.473) | (0.188) |
| TRADEOPEN | -0.005 | 0.000 |
| | (0.013) | (0.001) |
| GOVEXP | 0.132** | 0.003 |
| | (0.061) | (0.005) |
| polity2 | 0.377** | 0.025*** |
| | (0.093) | (0.007) |
| POLITICORR | -0.157*** | -0.012*** |
| | (4.606) | (0.324) |
| _cons | 40.062* | -0.317 |
| | (23.620) | (1.904) |
| *N* | 4319 | 4715 |
| *Country* | 122 | 122 |
| *Year Fixed Effects* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* |
| $R^2$ | 0.625 | 0.604 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

We have also investigated how FDI will affect the subcomponents differently in low-middle income and high-income countries. Below is a summary of the results, where the control variables are excluded[13].We did not find any significant results for both the income groups, across all variables.

[13] The full table is presented in Appendix C.

Table 4-9 The Impact of FDI on Subcomponents, by Income Group

| Impact of FDI on : | Coefficients of FDI | |
|---|---|---|
| | Low -Middle Income | High Income |
| Power Distributed by Gender | -0.003<br>(0.003) | -0.000<br>(0.001) |
| Low-chamber female legislators | -0.042<br>(0.042) | -0.010<br>(0.015) |

### 4.6.2 Impact of FDI on Women's Civil Society Participation Index

In this section we use Women's Civil Society Participation Index as a dependent variable and use all the independent variables from the previous section. World Bank (2000b) defines Civil Society Organisations (CSOs) as "not-for-profit organisations and special interest groups, either formal or informal, working to improve the lives of their constituents."

The World Bank acknowledges that CSO often maintain direct connections with impoverished and marginalised communities, making them valuable sources for valuable insights and perspectives. As a result, the World Bank has established a partnership with civil society, stressing the importance of their involvement.

CSO possess an advantage over government and other social actors when it comes to assisting underprivileged and vulnerable groups, including women, by working closely with them. Robust CSOs have the potential to enhance the political empowerment of impoverished individuals, exerting pressure on the government to better address their needs and improving the efficacy of poverty-alleviation initiatives. The United Nations University Institute of Advanced Studies, in its Sustainable Development Governance program, has emphasised the significance of civil society by issuing "An Agenda for Research," highlighting its prominent role (Willmore, 2005). Therefore, for agency and voice elements of women's political empowerment discussed before (see section 4.2.3), we use the Women's Civil Society Participation Index from V-Dem to measure women's ability to engage in public debate freely. This index should not be confused with women's civil rights. The subcomponents used in this index reveal a clear connection to the three aspects of political rights mentioned earlier, indicating that these indicators are different to women's civil rights. The index includes various aspects of women's involvement in political discourse, such as their capacity to engage in open discussions on political matters, their participation in CSO, and the representation of female journalists as a percentage. We test the hypotheses (H2): *FDI inflows positively affect Women's Civil Society Participation* and hypotheses using Equation 4.2.

In Table 4-10, the results for the impact of FDI on Women's Civil Society Participation Index on the full sample and the two sub samples are presented. We have used fixed effects estimations with cluster robust SE and year fixed effects in all columns.[14] Our dependent variable is Women's Civil Society Participation Index and control variables remain the same.

From the results we can see that FDI has no significant impact on the Women's Civil Society Participation Index in the main sample and for low-middle income group. It is only for the high income group that FDI is significant. This indicates that a 1% increase in FDI will increase the Women's Civil Society Participation by 0.037 units in high income countries. This is an important finding and consistent with Gray et al. (2006), who used female representatives in parliament as a measure of women's political rights. They found positive and significant result of FDI but only in countries with higher levels of development. Since they have used only one indicator of political rights and also a different measure of FDI (FDI percentage of GFCF), we do not compare the magnitudes of the results. However these previous findings support our results that high income countries may have already created a condition for better women's rights through greater acceptance of gender equality norms which helps improve FDI's impact on women's rights (Gray et al., 2006).

We find consistent results for democracy and political corruption. Democracy is positively related to women's civil society participation and significant in all three models at the 1% significance level. Political corruption is negatively related to Women's Civil Society Participation Index and significant in all three columns. Government expenditure is highly significant and positively related to Women's Civil Society Participation Index in column 1 and 2 only. As government expenditure increases by 1% Women's Civil Society Participation Index will increase by 0.281 units in low-middle income countries. Government expenditure plays an important role on improving women's participation in low-middle income countries.

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[14] Pre Diagnostic tests are available on request. We always cluster errors by country and year to account for panel-level heteroscedasticity and autocorrelation.

These CSOs rely on diverse sources of funding, including central government ministries, budget allocations, and support from local and regional government levels ( EUFRA, 2017). Therefore, more public spending will increase the participation of women in CSOs.

Table 4-10 FDI's Impact On Women's Civil Society Participation Index

| Dependent Variable: Women's Civil Society Participation Index | (1) Full Sample | (2) Low-Middle Income | (3) High Income |
|---|---|---|---|
| FDI%ofGDP | 0.007 | -0.057 | 0.037*** |
| | (0.015) | (0.080) | (0.008) |
| lnGDPPC | -2.229 | -2.667 | -1.148 |
| | (1.841) | (2.473) | (2.505) |
| lnPOPUL | 9.570*** | 7.055 | 0.244 |
| | (3.435) | (4.880) | (3.169) |
| TRADEOPEN | 0.004 | 0.007 | 0.001 |
| | (0.017) | (0.026) | (0.020) |
| GOVEXP | 0.187** | 0.281*** | 0.049 |
| | (0.087) | (0.082) | (0.152) |
| polity2 | 1.317*** | 0.911*** | 2.054*** |
| | (0.158) | (0.157) | (0.304) |
| POLITICORR | -0.186*** | -0.159*** | -0.340** |
| | (5.552) | (5.682) | (14.028) |
| _cons | -15.000 | 3.772 | 62.635* |
| | (34.734) | (51.219) | (32.088) |
| *N* | 4715 | 3127 | 1588 |
| *Countries* | 122 | 81 | 41 |
| *Year Fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.729 | 0.743 | 0.804 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

### *Subcomponents of Women's Civil Society Participation*

In this section we use the subcomponents of the Women's Civil Society Participation Index to evaluate how FDI affects these subcomponents. We replicate the equation from equation 4.2, and change the dependent variable to the subcomponents of the index instead of the index itself. We reported the results only for fixed effects estimation because we get similar results when using other estimations. From the results in Table 4-11 we can conclude that FDI does have significant impact on one of the subcomponents of the index. The coefficient of FDI is positive and significant at the 1% significance level in column 1. This indicates that as FDI increases by 1% women's freedom of discussion increases by 0.003 units. Although this finding is very new, to the best of my knowledge, we can only refer to similar previous literature where it was found that FDI can increase women's bargaining power through employment creation, individual income leading to independence and greater strength in decision making (Lundberg et al., 2008).

Our results contribute to this literature by providing empirical evidence that FDI has a positive impact on women's freedom of discussion. Trade openness has a positive and significant impact on female journalists only. As trade increases by 1% female journalists increase by 0.019 percentage points. Although the impact of trade is very modest, it still has economic implications. The process of trade liberalisation is associated with several positive outcomes, including the increased accumulation of education and skills, also known as human capital, as well as greater gender equality (Schultz, 2005). Trade can also serve as an incentive for countries to enhance women's legal rights and facilitate their access to essential resources like education and technology.

Consequently, the improvement of women's rights has an overall positive impact on their decision-making abilities and access to employment opportunities across various sectors.

Table 4-11 FDI's Impact of FDI on the Subcomponents of Women's Civil Society Participation Index

| | (1) | (2) | (3) |
|---|---|---|---|
| Dependent variables: | Freedom of Discussion | Female Journalist | CSO Participation |
| FDI%ofGDP | 0.003*** | 0.014 | -0.000 |
| | (0.001) | (0.012) | (0.001) |
| lnGDPPC | -0.062 | -0.862 | -0.092 |
| | (0.121) | (1.006) | (0.109) |
| lnPOPUL | 0.070 | -4.256 | 0.441** |
| | (0.238) | (1.916) | (0.184) |
| TRADEOPEN | -0.001 | 0.019* | -0.000 |
| | (0.001) | (0.011) | (0.001) |
| GOVEXP | -0.004 | 0.125** | 0.011** |
| | (0.008) | (0.048) | (0.005) |
| polity2 | 0.125*** | 0.314*** | 0.038*** |
| | (0.013) | (0.068) | (0.008) |
| POLITICORR | -1.513** | 0.156 | -0.821*** |
| | (0.582) | (2.915) | (0.279) |
| _cons | 0.730 | 61.693*** | -2.638 |
| | (2.228) | (20.763) | (1.955) |
| *N* | 4715 | 4712 | 4715 |
| *Country* | 122 | 122 | 122 |
| *Year fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.638 | 0.735 | 0.577 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

The coefficients of population are positive and significant at 1% significance level indicating that as population increases, women's participation in civil society increases.

The coefficient on government expenditure has a positive and a significant impact on female journalists and women's civil society participation. When government expenditure increase by 1% female journalists increases by 0.125 percentage points, and Women's CSO participation increases by 0.011 units. This is likely because as government spending increases, there might be an increase in the budget to spend on empowering women through a number of programmes that will help women join in civil groups more and engage in public spheres (UNIFEM , 2006). Democracy is also positively related to all three indicators and the coefficients are significant at the 1% significance level. The economic meaning for these findings has been discussed in the previous section. A more democratic country will be more open about promoting women's political rights through women's CSO participation, letting them join as female journalists and also give them the opportunity to discuss any matter freely in public. The political corruption variable is negatively and significantly related to women's CSO participation in Column 1 and 3. This is expected, since a more corrupt political system acts as a hindrance to women's freedom of participation in political associations.

Table 4-12 illustrates the impact of FDI on the subcomponents of Women's Civil Society Participation Index, disaggregated by income groups. The full table with the control variables are presented in Appendix C. From the results below we can confirm that FDI has a positive impact on freedom of discussions both on low-middle income countries and high income countries, although the level of significant varies. We have also found varying impacts of FDI on female journalists: negative impact on low-middle income countries, positive impact on high income countries. These results are very new and, in some instances, an economic justification for these findings cannot be established.

Table 4-12 The Impact of FDI on the Subcomponents, by Income Group

| Impact of FDI on: | Coefficients of FDI | |
|---|---|---|
| | Low-Middle Income | High Income |
| Freedom of Discussion | 0.010** | 0.002*** |
| | (0.005) | (0.001) |
| Female Journalist | -0.072** | 0.017** |
| | (0.035) | (0.008) |
| CSO Participation | -0.006 | -0.006 |
| | (0.004) | (0.004) |

### 4.6.3 Robustness Checks using Two Stage Least Squares Estimation

#### *4.6.3.1 Endogeneity Concerns*

To ensure the reliability of our key findings, we utilise an additional estimation method that takes into account any potential endogeneity in our analysis. In the existing body of literature exploring the correlation between FDI and gender equality or women's rights, many studies employ an instrumental variable approach. This method helps address concerns related to reverse causality, endogeneity, and other biases that may exist between the dependent and independent variables, thereby enhancing the robustness of the result (Bui et al., 2018). We try to investigate whether our main model– equation 4.1 is subject to reverse causality effects, i.e. improvements in women's political rights are causes of increases in inward FDI. Empirical literature and theories have discussed the determinants of FDI, of which gender equality and women's rights were often included.

According to theory, gender inequality can potentially attract FDI through various channels. One such mechanism is gender wage gap, which could make countries more competitive in the global market. However, this can also result in a wider gender wage gap, indicating the persistence of unequal pay between men and women. (Seguino, 2000, 2010).

In their study, Bui et al. (2018) discovered that FDI inflows demonstrate an efficiency-seeking tendency in relation to gender inequality. The researchers highlighted that, foreign investors are drawn to countries with lower levels of women's economic and political rights. This is because a significant disparity in economic and political rights between genders serves as a means to enhance their operational efficiency.

According to Brzozowski (2013), gender inequality in education and health can indeed attract higher levels of FDI as it proves to be more profitable for foreign investors. The argument put forth by Brzozowski (2013) suggests that increased women's participation in parliament may actually decrease the flow of FDI inflows. This is because, with greater rights and equality, the country may become less competitive in terms of providing a cheap female labour force. Importantly, the empirical findings of Brzozowski (2013) support this hypothesis.

Contrary to the aforementioned studies, other research has indicated that enhancing women's empowerment in high-skilled labour can attract a greater number of foreign investors. (Busse & Peter, 2009). Studies consistently demonstrate that women's empowerment plays a crucial role in creating a favourable investment environment for a country, which is important for attracting FDI. Blanton and Blanton (2015) conducted a study that revealed foreign investors were attracted to countries where women held significant political power.

Although empirical findings regarding women's social and political rights as determinants of FDI are varied, it is important to consider the possibility that higher women's political rights could indeed lead to an increase in inward FDI. While further research is needed to explore and better understand this relationship, it highlights the potential significance of women's rights in attracting foreign investment.

#### *4.6.3.2 Instrumental Strategy*

For robustness check we use instrumental variable approach to compare our results with Fixed Effects OLS estimations.

Fixed effects OLS estimation does not adequately address the issue of endogeneity that arises due to the bidirectional relationship between FDI and women's political rights, as noted by Wooldridge (2002). Several prior studies have examined the impact of women's rights on FDI, recognising that the human rights conditions of women in a recipient country can influence the inflow of FDI (Harms & Ursprung, 2002; Blanton & Blanton, 2007; Busse & Peter, 2009). This two-way association highlights the potential for endogeneity bias to affect traditional OLS or fixed effects regression analysis. To address this concern and account for reverse causality, we employ instrumental variable fixed effects estimation using the two-stage least squares (2SLS) regression as a robustness check.

Fixed effects OLS estimation does not take into account the endogeneity which can cause a bi-directional association between FDI and Women's Political rights The presence of a two-way association between the variables suggests the potential for endogeneity bias in traditional OLS or fixed effects regression analysis. For this purpose and accounting for reverse causality we use an Instrumental variable fixed effects estimation with the two-stage least-squares (2SLS) regression for robustness checks. In the 2SLS estimation, the first stage involves running a fixed-effects regression using ordinary least squares (OLS), where the dependent variable is FDI and the independent variables consist of a set of "excluded" instruments (representing exogenous influences on FDI in Equation 1), in addition to a set of "included" instruments (denoted as X), and country-level fixed effects (denoted as λi).

In the second stage of the analysis, another OLS fixed-effects regression is conducted, focusing on Women's Political rights as the dependent variable. This variable is then explained by the fitted values of FDI obtained from the first stage. The excluded instruments (Z) are not included in the second stage regression because they serve as instruments in the first stage. The robustness of the results to endogeneity is ensured if the excluded instruments (Z) can effectively account for variations in FDI while not independently explaining any variations in women's political rights. This approach helps address the endogeneity concern and enhances the reliability of the findings.

First Stage Regression Equation 1:

$$FDI_{it} = \alpha_0 Z_{it} + \alpha_1 X_{it} + \lambda_t + \theta_i + \mu_{it}$$

Second Stage Regression Equation 2:

$$Women's\ Political\ Rights\ it = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 X_{it} + \lambda_t + \theta_i + \mu_{it}$$

where FDI is FDI as a percentage of GDP and X is the set of control variables used in this Chapter.

Z= Excluded instruments (Gross Fixed Capital formation, Lagged FDI, log of Land area)

Solving the endogeneity problem through instrumental variable techniques can be challenging in practice. The main difficulty lies in finding suitable instruments that satisfy two crucial criteria. Firstly, the instruments should be strongly correlated with the variable of interest (FDI) to ensure their relevance and effectiveness in addressing endogeneity. Secondly, these instruments should not be determinants of the dependent variable (Women's Political rights) to avoid introducing bias in the estimates. A "good" instrument is one that exhibits a high correlation with FDI while having minimal or no correlation with the error term in the regression models ( Borensztein et al., 1998). Identifying appropriate instruments that satisfy these criteria can be a challenging task, and it often requires careful consideration of the specific context and available data.

To address the endogeneity issue, we will rely on the instruments suggested by previous studies and assess their validity and strength, we combine the two common variables which seem to be most relevant as the instruments of FDI. Among the few consistently significant determinants of FDI, at the macro level, the literature has used are lagged FDI, gross capital formation and real exchange rate (Alfaro, 2003; Busse & Peter, 2009). We use gross capital formation as the first instrument of FDI, that capture the degree of infrastructural development in host country. We have chosen this over real exchange rates as the data is easily available. The use of gross fixed capital formation as an instrument is based on the understanding that it reflects the level of infrastructure development in the host country, which can influence the inflow of foreign capital (Singhania & Saini, 2021).

The second instrument we use is the lagged value of FDI. According to Busse and Peter (2009), the existing literature provides robust evidence supporting the idea that past FDI flows significantly influence present and future investment decisions made by MNCs. This means that MNCs tend to invest in countries that have already experienced substantial FDI inflows. This pattern suggests that the presence of established FDI flows acts as a catalyst for attracting additional foreign investment to a particular country. In studies such as Alfaro (2003), Alfaro (2004), Borensztein et al. (1998), of resource and non-resource FDI have been utilised as instrumental variables, assuming that these lagged values are exogenous. By using lagged values as instruments, we aim to address potential endogeneity concerns and improve the identification of the causal relationship between FDI and Women's political rights.

By including these instruments in our analysis, we aim to account for the impact of infrastructure development on FDI inflows and address potential endogeneity concerns, enhancing the robustness of our results. (Singhania & Saini , 2021). This satisfies the assumption of IV estimation, that the instruments should be directly affect the endogenous variable. In our main model, FDI will serve as the main independent variable, while women's political rights will be the dependent variable (Liang et al., 2021).

The results of this instrumental variable estimation are reported in Table 4-13. We use the same equation from regression equation 4.1 and look at how FDI will affect Women's Participation Index. The results of the first stage of our 2SLS estimation can be found in Appendix B. In the first stage, we estimate the coefficients of $FDI_{it}$ (FDI as the dependent variable) on the instruments that we have employed. Following the standard practice in the IV-2SLS approach, we include the control variables that will also be used in the second stage of the regression. It is important to note that this specification is not intended to provide a comprehensive model of FDI in the transition context. Instead, its purpose is to demonstrate the conditional correlation between the predicted excluded instruments and the percentage of GDP represented by FDI. By using these instruments, we aim to address the endogeneity issue and establish a more reliable estimate of the causal relationship between FDI and women's political rights.

Table 4-13 displays the results from OLS fixed effects estimation as well as the second stage 2SLS estimation for comparison. Results from column 2 show that the instrumental variable estimation yields qualitatively similar results to those obtained by OLS Fixed effects estimation (column 1). The estimated coefficients on FDI are still insignificant. Polity2 variable which presents democracy is still highly significant in both the estimations with slightly lower coefficients for 2SLS.

Table 4-13: Comparison between OLS and Second Stage 2SLS regression

| Dependent Variable: Women's Political Participation Index | (1) OLS FE | (2) Second Stage 2SLS |
|---|---|---|
| FDI%ofGDP | -0.010 | -0.031 |
| | (0.018) | (0.031) |
| lnGDPPC | -0.492 | -0.660 |
| | (2.623) | (2.597) |
| lnPOPUL | 16.422*** | 17.034*** |
| | (5.220) | (5.201) |
| TRADEOPEN | -0.007 | -0.005 |
| | (0.026) | (0.026) |
| GOVEXP | 0.128 | 0.131 |
| | (0.120) | (0.119) |
| polity2 | 0.656*** | 0.646*** |
| | (0.184) | (0.178) |
| POLITICORR | -0.252*** | -0.251*** |
| | (8.370) | (8.206) |
| _cons | 0.000*** | |
| | (0.000) | |
| *N* | 4715 | 4599 |
| *Country* | 122 | 122 |
| *Year fixed effects* | *No* | *Yes* |
| *Country Fixed effects* | *No* | *Yes* |
| $R^2$ | 0.674 | 0.671 |
| *Diagnostic Tests* | | |
| Cragg Donald F-test | | 76.002 |
| Hansen-Sargan J statistic (Overidentification test) | | 0.003 |
| Prob > P | | 0.9535 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$
Note: two-stage least squares (2SLS) estimation was done on 122 countries for periods 1970–2018, using as instruments: the lagged value of FDI, log of GFCF. Various tests to check the reliability of the instruments are provided in the table.

#### *4.6.3.3 Diagnostic tests for 2SLS*

For the instrumental variable (IV) estimation, statistical tests indicate that the instruments were effective in explaining variations in FDI while not directly explaining variations in Women's Political Participation, establishing their relevance and validity.

For an estimation to be identified, it is essential that the instruments used affect the dependent variables solely through the endogenous variables and not through any other variable, whether included or omitted from the estimation. In our analysis, we have made efforts to include all relevant variables that theory suggests should be included and that are correlated with the instruments. Regarding the former concern, we argue that there is no reason to believe that our instrument, GFCP has a direct effect on women's political rights. We have selected this instrument based on its relevance to the context and its potential for explaining variations in the endogenous variable of interest.

Ideally, it would be preferable to have instruments that satisfy all the assumptions and provide confirmation for both conventions. However, in our case, we were unable to find a single instrument that unequivocally satisfies all the assumptions. Despite this limitation, we believe that the assumption of exogeneity holds for our instruments, and we see no compelling reasons to suggest otherwise.

Table 4-13 provides an assessment of the instruments used in terms of their relevance and exclusion criteria. The relevance of an instrument is determined by its ability to explain the variation in the endogenous explanatory variable of interest. To test for relevance, the Cragg-Donald's first-stage F-test, based on the work of Cragg and Donald (1993) and Stock, Wright, and Yogo (2002), is employed. The critical values for the Cragg-Donald F statistic are derived from Stock and Yogo (2001). According to Stock (2001), a general guideline is that an instrument is considered weak if the first-stage F-statistic is less than 10 (Stock & Yogo, 2002).

In our analysis, the instruments demonstrate high relevance as indicated by the first-stage F statistic of 76, which exceeds the 10-point rule of thumb. Moreover, the F statistic surpasses the critical values for a 5% Wald Test, as reported in Stock and Yogo (2004), further confirming the strength of the instruments (Stock & Yogo, 2002).

To examine the exclusion restrictions of the instruments, we use the Sargan-Hansen overidentification test. This test assesses whether the instruments used have independent effects on the dependent variable or if their effects are solely mediated through their relationship with the endogenous independent variable. In our analysis, we use the overidentification test to investigate the presence of a direct relationship between FDI and the instrument "Gross Fixed Capital Formation," and to validate our approach. When we have one instrumental variable for an endogenous variable, the model is considered exactly identified. In such cases, the assumption that the instrument is uncorrelated with the error term cannot be directly tested. However, when the number of instruments exceeds the number of endogenous variables, the model is referred to as overidentified.

For overidentified models, the Sargan-Hansen J test statistic is employed to assess the validity of the instruments (Greene, 2008). To conduct this test, the number of instruments needs to exceed the number of exogenous variables. Therefore, we introduce the lag of FDI as a second instrument to meet this requirement and carry out the Sargan-Hansen test.

The joint null hypothesis of the Sargan-Hansen J test is that the instruments are valid instruments. The results for the p-value of the J-test are reported in Table 4.9 (P>0.9533). We cannot reject the null hypothesis that the instruments are uncorrelated with the error term. We confirm that the instruments are valid instruments.

## 4.7 Discussion

The findings from the analysis of both indexes and their subcomponents do not provide a clear narrative regarding the relationship between FDI and women's political rights. In the context of the research question and the hypotheses, we do not find strong evidence indicating any significant impact of FDI on women's political participation. The effect of FDI on women's political rights is only modest and not significant for all the variables used in this chapter.

The findings of our study align with previous research conducted by Richards and Gelleny (2002) on regional physical integrity rights, where they concluded that FDI was not consistently associated with these rights in most cases. Although their study focused on different measures of political rights and older time periods, our results lead to similar conclusions that FDI does not have a reliable impact on Women's Political Rights.

Richard and Gelleny (2007), highlighted that a significant share of foreign investment is often subcontracted to other entities, which in turn employ women who work from their homes. This work arrangement may further restrict women from accessing improved working conditions, benefits, and opportunities for skill development and career advancement (Richards & Gelleny, 2007). Women who engage in remote or home-based work often face disadvantages that prevent them from fully accessing the benefits associated with formal employment. This includes limited access to workplace benefits, social security, and other forms of support. Moreover, the isolation that comes with working from home can pose challenges for women in terms of organising themselves into groups to advocate for social and political changes. The lack of regular interaction with colleagues and limited opportunities for collective action may impede their ability to mobilise effectively and address issues related to gender inequality and women's rights.

Our findings are also consistent with the research conducted by Cho (2013) , who investigated the effects of economic or social globalisation on women's political rights. Using the CIRI dataset, similar to Richards and Gelleny (2007), Cho found no significant impact of FDI on women's political rights across a sample of 146 countries. The main component of the CIRI women's political rights indicator in both studies was women's voting rights.

Although the majority of the findings, including our own, found FDI to not effect women's political rights, FDI can still be a determinant to a certain type of women's political representation in certain regions or countries, as Gray et al. (2006) found with female participation in the parliament to be positively affected by FDI in countries with higher GNI per capita. This supports our findings from the second index we used, where we found FDI to be positively related to Women's Civil Society Participation Index but only in high income countries. Moreover, we also found positive impacts of FDI on one of the subcomponents of the index, Freedom of Discussion, both in low-middle income and high income countries.

Our analysis has yielded three key findings. Firstly, we have established a consistent association between women's political rights and the level of democracy in a country. This suggests that countries with higher levels of democracy tend to exhibit greater respect for women's political rights.

Secondly, the relationship between FDI and women's political rights varies depending on the type of FDI data and methodological approaches employed, as well as potentially the type of FDI itself. This highlights the importance of considering different data sources and analysis techniques when examining the relationship between FDI and women's political rights.

Thirdly, our findings do not provide strong support for the notion that FDI inflows have a significant impact on upgrading or degrading women's political status. We did not find substantial evidence to support the claim that FDI inflows lead to improvements in women's political rights, nor did we find evidence to suggest a decline in women's status due to FDI inflows. However, we did observe a modest positive association between FDI and the Women's Civil Society Participation Index for High-income countries, indicating some degree of alignment between FDI and women's political rights in such contexts.

Our results which show a positive impact of FDI on one of the political rights variables in high income countries, imply that the impact of FDI may depend on the type and nature of FDI. Efficiency seeking FDI which generally flows to low-middle income countries, might not improve women's political rights at all (Cho, 2013), as they are not interested in improving women's rights in the host country. As mentioned earlier, efficiency seeking foreign investors are attracted to the semi-industrialised countries for cheaper labour (Sen 2001). This illustrates an efficiency-seeking behaviour which may not necessarily lead to the enhancement of women's fundamental rights. In such cases, if women are primarily perceived as sources of cheap labour within these low-income countries, their societal status may be set as an inferior position compared to men. Consequently, this type of efficiency-seeking FDI in these low income countries could hinder the overall improvement of women's rights beyond the scope of employment.

On the other hand, FDI flowing to high income countries may not be efficiency seeking and can help improve women's rights in those countries through providing better opportunities in multinational companies. Chopra (2019) noted that the impact of FDI on women empowerment is more pronounced in high-income countries compared to low-income and middle-income countries. Chopra (2019) also reflected that the reason for this varying impact of FDI can be due to the fact that high-income countries attract larger FDI inflows, indicating a potentially greater absolute impact on women's well-being. This also suggests that there is a great absorptive capacity in high income countries as compared to low-middle income countries. This explains the reason behind our findings of a positive impact of FDI only in high income countries. Therefore, the impact may depend on the type of FDI and income level of countries. Due to lack of disaggregated data for FDI, to the best of our knowledge there are no studies that explicitly looked at the impact of different types of FDI on women's rights.

Despite trade liberalisation being considered a fundamental aspect of economic globalisation, our study did not find consistent evidence to suggest that trade openness has a generally positive impact on women's political rights.

There is existing evidence in the literature indicating that political corruption can hinder women's access to politics, both in parliamentary positions and senior public administration, acting as a barrier to their participation. The under-representation of women in politics is not necessarily due to their lack of willingness to engage in politics, but rather their limited access to influential networks that often involve corruption (UNIFEM, 2010). This includes factors such as gender stereotypes that associate leadership and decision-making roles with men rather than women. Women who attempt to enter politics may also face instances of sexualised corruption or extortion, where male party members may demand sexual favours in exchange for supporting their candidacy. These challenges are more likely to be encountered by women compared to men in political spheres.

These findings contribute to our understanding of the complex relationship between FDI and women's political rights, highlighting the role of democracy and corruption, the importance of considering different methodological approaches, and the nature of the relationship across different income groups. These findings suggest that other factors or mechanisms might play a more substantial role in influencing women's political participation, overshadowing the impact of FDI. These findings are noteworthy considering that FDI is commonly regarded as a prominent indicator of globalisation. This highlights the complexity of the relationship between economic globalisation and gender equality in political empowerment. It is worth noting that these findings do not imply a complete absence of any connection between FDI and women's political rights.

This can be left for further research with broader scope of research. Indeed, political rights play a crucial role in advancing other forms of rights, as they empower women to advocate for their economic and social rights, as highlighted by Apodaca (2001) and Richards, Gelleny, and Sacko (2001). Therefore, conducting an analysis on the specific effects of different types of FDI on women's political rights would be a valuable avenue for future research. Such a study could provide further insights into the relationship between FDI and women's empowerment in different contexts.

## 4.8 Conclusion

This chapter focuses on women's political rights and investigates how FDI impacts women's political rights. We have used two dependent variables from the V-Dem Dataset (Women's Political Participation Index and Women's Civil Society Association Index to measure women's political rights for 150 countries for the period 1970-2018. Our main dependent variable is FDI percentage of GDP. We have also used disaggregated data for low-middle income and high-income countries, to capture the different effects of FDI on different income groups.

To summarise, our analysis indicates that FDI does not have a consistent and significant impact on women's political rights. The only modest positive association is observed in high-income countries. There are several possible explanations for these findings. Firstly, while FDI does create employment opportunities for women, foreign firms often show reluctance to invest further in infrastructure development or skill enhancement, particularly in low middle-income countries. For instance, the textile industry in Bangladesh has witnessed significant growth in manufacturing facilities, but companies have not reinvested their profits to improve the skills of the workforce (Kamal 2004).

As a result, the lack of investment in infrastructure and workforce development within FDI projects leads to limited productivity gains and growth opportunities for women in these economic sectors. Furthermore, a significant portion of FDI is often subcontracted to other entities, which in turn employ women who work from their homes. This arrangement may further restrict women's access to improved working conditions, benefits, and opportunities for skill development and career advancement. (Richards & Gelleny, 2007).

Based on these findings, it can be inferred that FDI alone does not serve as a catalyst for enhancing women's political rights. The primary objective of global firms is not necessarily to empower women, but rather to utilise their labour force to maximise profitability and competitiveness. This aligns with the perspectives presented by scholars such as Çağatay and Ertürk (2004) and Sen (2001), who argue that the interests of global corporations may not inherently prioritise women's empowerment. Therefore, the pursuit of women's political rights requires a broader framework and concerted efforts beyond the scope of economic globalization. (Sen, 2001; Çağatay and Ertürk, 2004).

Cho (2013) argues that economic globalisation, including FDI, is unlikely to result in the improvement of women's social and political rights or achieve gender equality in both private and public spheres. This is because the potential increase in female participation in economic activities driven by foreign investors is often based on the demand for cheaper labour (Sen, 2001), which may not lead to an enhancement of women's fundamental rights. In this context, when women's role is perceived solely as providers of cheap labour, the overall societal perception of women's status may be inferior to that of men. Consequently, women's rights beyond the realm of employment are unlikely to see improvements through FDI (Cho, 2013).

Further to that we have also accounted for reverse causality as there were previous literature who investigated the reverse effect of FDI and women's political rights. We can say confidently that our results do not suffer from endogeneity and produce reliable results. With this argument, we conclude that although we have found some evidence of FDI impacting women's rights positively, the overall result was weak, implying that no strong evidence was found to validate FDI's impact on women's political rights.

In the next chapter we will investigate how FDI affect another aspect of women's rights which is women's civil rights. We will use the same sample of data and utilise a panel data analysis to find out empirically, how FDI will impact women's civil rights. We also disaggregate the countries into high and low-middle income countries to see any variation of the impact amongst the country groups.

# 5 The Impact of FDI on Women's Civil rights

## 5.1 Introduction

In Chapter 3, we observed both positive and negative impacts of FDI on women's economic rights, while Chapter 4 yielded limited evidence of FDI, significantly affecting women's political rights. Notably, across both chapters and all variables, we found strong positive impacts of democracy on women's rights. Consequently, our prior investigations have demonstrated that the effects of FDI can differ when considering different aspects of women's rights. Thus, in this chapter, our focus is to analyse the relationship between FDI and women's civil rights. Furthermore, given the robust influence of democracy on rights, this chapter also aims to explore whether the impact of FDI may differ in the presence of stronger democracies.

The main purpose of this chapter is to investigate the extent to which FDI contributes to the improvement of women's civil rights and liberties in an economy. Exploring this area is of particular interest due to the dual role attributed to MNCs – they are regarded as potential violators of human rights as well as catalysts for the enhancement of human rights (Hafner-Burton, 2005a).

Civil liberties refer to the fundamental rights of individuals within the private sphere, including their homes, places of worship, workplaces, markets, and other realms of civil society. These liberties entail the rights to freely express oneself and move without restrictions, possess and dispose of property, engage in the labour market voluntarily, and seek legal help for violations upon their rights. It is important to recognise that civil liberties can be violated by both private actors and government-imposed restrictions.

We follow the International Covenant on Civil and Political Rights (ICCPR) for civil rights (United Nations, 1966a, Part III, Articles 6-27). Civil rights are defined as rights to life, liberty, security, free movement, access to justice, dignity, privacy, protection of family, as well as freedom from forced labour, torture, cruel treatment and discrimination (see Articles 6-17, 23-24, and 26-27 of the Covenant). Although the definitions of these rights are explicit its structure helps distinguish the two rights and can identify civil rights as those referring to the general life and safety of a human-being. Examining women's civil rights, holds particular importance since this focuses on informal laws and patriarchal practices frequently originating from the most private spheres of society, such as within households and families (Alexander and Welzel, 2015). However, much of the existing cross-national research on women's rights primarily focuses on formal legal protections and government practices, thereby justifying a deeper examination of the impact on women's civil liberties (Richards & Gelleny, 2007; Cho, 2013).

In chapter 3 we have shown that FDI has generally a positive impact on women's economic rights, while the magnitude may vary depending on the country groups. Whereas, in Chapter 4 we were unable to find strong evidence that suggests that FDI has a positive impact on women's political rights. Therefore, we can see the impact of FDI can differ across different aspects of rights. To investigate more into this topic, we try to find out how FDI impacts women's civil rights in the host countries.

FDI can impact women's civil rights in several ways. FDI has the potential to contribute to women's economic empowerment by creating job opportunities and generally providing higher wages to women, leading to greater economic autonomy and the ability to exercise their civil rights. Furthermore, FDI can indirectly affect social and cultural norms in the host countries, potentially fostering gender equality. Foreign investors often bring international standards and practices that challenge traditional gender roles and discriminatory practices (UNCTAD, 2018). This can create an environment favourable to women's civil rights by promoting reforms and policies that support gender equality and women's empowerment.

Additionally, the implementation of Corporate Social Responsibility (CSR) initiatives by foreign investors and MNCs operating in the host countries, can have a positive impact on women's civil rights. Many MNCs adopt CSR strategies that aim to promote gender equality and women's empowerment within their operations and supply chains (International Finance Corporation, 2020). Such initiatives can raise awareness, address gender disparities, and advocate for policies that protect and promote women's civil rights. However, it is important to note that challenges and inequalities may persist. Women may face limited access to decision-making positions and unequal pay within foreign-owned enterprises (UNCTAD, 2018). To ensure the positive impact of FDI on women's civil rights, host governments need to implement and enforce gender-responsive policies and regulations that promote equal employment opportunities, address gender-based discrimination, and protect against labour exploitation (United Nations, 2015).

However, the impact of FDI on women’s civil rights can be influenced by informal institutions including social and cultural factors. Patriarchal norms, gender biased attitudes, and societal expectations may limit women's mobility and access to resources, even in the presence of increased economic opportunities resulting from FDI.

Social institutions are a major factor influencing development outcomes (Morrisson & Jütting, 2005; Branisa et al., 2009), they set the parameters of what decisions, choices or behaviours are deemed acceptable or unacceptable in a society and therefore define and influence gender roles and relations. Through their influence on the unequal distribution of power between men and women in the private sphere of the family, in the economic sphere and in public life, discriminatory social institutions constrain the women’s economic opportunities.

It is of great interest to examine the long run effects of FDI on women’s civil rights, especially when achieving these rights can lead to improved gender equality, which is one of the SDGs which targets to improve women’s participation in political, economic and public life. SDG goal 5 has specific indicators which targets to improve women’ civil and social rights, including *“rights to health care and right to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws” (*Target: 5.a.2).

Women’s civil rights, and how they benefit a society, are increasingly discussed on the global policy agenda. A growing strand of empirical studies started to inspect the foundational importance of these rights for achieving a variety of political, civil, social, and economic goals. Indeed, it has been widely accepted that improving the social and civil status of women is one of the most important cause of international development (Isobel, 2010).

Although there are a number of studies analysing FDI’s effect on women’s welfare, including wages, education and health (Oostendorp, 2009; Timmermans, 2014; Cetin, 2019), an equally important but less investigated issue on women’s civil rights has been ignored from the empirical studies. One of the main reasons for this neglect is the unavailability of collected data on women’s civil rights. The second major reason is that the potential effect of FDI on women’s civil rights was quite negligible until the mid-1980s, due to the modest flow of FDI before the 1980s. However, since the mid-1980s, the share of FDI has increased substantially. This highlighted the importance of focusing on FDI and the impacts of it in the host countries.

Furthermore, now we have access to a new dataset on civil rights which gives us scope for exploring other aspects of women's rights.

A limited strand of literature which studies the impact of economic globalisation on women's rights, has mainly focused on social rights such as education, healthcare or used the widely used CIRI women's social rights index. The CIRI Human Rights Data Project (Cingranelli & Richards, 2010; Ouedraogo & Marlet, 2018), which have been analysed in published studies ( Richards and Gelleny, 2007; Neumayer and de Soysa, 2011; Yoo, 2011; Cho, 2013) focus mainly on government laws and rules for women's social rights. These scores measure "the extensiveness of laws pertaining to women's rights" and "government practices towards women or how effectively the government enforces the laws.'' Although it is important to focus on lawful protections and government rules and regulation to maintain human rights treaties, this gives a partial picture of rights conditions overall (Cope et al., 2020). This is because even if a government has sanctioned laws against gender discrimination, social norms and practices may play a significant role to create inequalities in the domestic and private spheres of life, outside the purview of government rules. Therefore, as discussed in Section 2.3.4. this creates and institutional incongruence, where the government sanctioned laws are less/ineffective due to deeply rooted informal institutions such as norms and cultural practices. As Okin (1998) mentioned, even if women's basic social rights are assured by the state, discriminatory norms and practices within households and societies can severely limit women's choices and threaten their wellbeing. Since these rights are part of an individual's private matters, civil rights and freedom are prone to private violations as well as governmental restrictions. The implications of this are especially significant for women's civil rights, as inequality and patriarchal practices tend to prevail in the most private and difficult-to-penetrate spheres of life, such as households and families (Alexander & Welzel, 2015).

As discussed in the previous paragraph, the few studies which have analysed the impact of FDI on women's rights tend to use the CIRI women's social rights dataset, which only focuses on formal institutions which includes legal protections and practices of the government and excludes informal institutions like private or societal norms (Brysk, 2005). As such, existing studies does not take into account the ways private actors restrict women's civil rights.

This study intends to fill this gap by using the V-Dem Civil Liberties Index, which does not solely concentrate on laws imposed by governments to protect or hinder women's rights, but also takes into account violations stemming from private actors, cultural norms, and religious practices. This comprehensive approach allows for a more nuanced understanding of the conditions of women's civil rights in a society and potentially offers greater sensitivity than CIRI's social rights indicators (Wang et al., 2015).

The V-Dem's Civil Liberties Index focuses on four important indicators of civil rights, mentioned in the ICCPR in section 2.3.4. The Civil Liberties Index includes: *Freedom of Movement*, *Freedom from Forced Labour*, *Right to Own Property* and *Access to Justice* (Coppedge et al., 2020). We also analyse the impact of FDI on each of these four indicators of civil rights separately. The V-Dem dataset that we use, improve upon CIRI's women's social rights scores in a number of ways (see 3.4.1).

Regarding our secondary contribution in this chapter, we have not come across any prior studies that have specifically examined the effects of FDI on women's forced and compulsory labour. Neumayer & Soysa (2007) analysed the effects of trade and FDI on forced labour however they were only able to use cross country analysis over a very short period of time, from 1990 to 1994. We use the V-Dem dataset of women's freedom of forced labour to examine how FDI impacts this variable across countries.

In our study, we employ panel data analysis using a dataset of 150 countries over the period from 1970 to 2018. To account for potential variations in the effects of FDI based on income and development of a country, we divide the data into two subsamples: high-income countries (considered developed) and low-middle countries, which include low, lower-middle, and upper-middle-income countries (classified as developing). The categorisation of countries follows the World Bank's definition; therefore, a country is considered low-middle income if it does not meet the World Bank's criteria for high-income classification in a specific year.

By incorporating these new and more extensive measures of women's civil rights, we aim to address the limited existing empirical findings concerning the relationship between FDI and women's civil rights observed in previous literature.

Our empirical findings, based on the analysed sample, indicate that countries more open to FDI tend to exhibit better civil rights for women. We found positive effects of FDI for two of the three indicators. This includes improved access to justice, protection of property rights, and a lower incidence of forced labour. We observe that women's civil rights are generally higher in developed countries compared to developing countries. Additionally, our analysis reveals that democracy plays a crucial role in enhancing women's civil rights through the FDI link in developing countries. This relationship remains robust when excluding developed countries from the sample. However, in contrast to the interaction between FDI and democracy, we find limited evidence suggesting a direct effect of FDI penetration on women's civil rights in low-middle countries, without controlling for the influence of democracy. These findings suggest that institutions, particularly in low-middle income countries, play a significant role in facilitating the impact of FDI on civil rights. Overall, our study highlights the importance of institutional factors and the interaction between FDI, democracy, and women's civil rights, emphasising the need for supportive institutions in low-middle income countries to maximise the positive effects of FDI on civil rights outcomes.

The structure of this chapter is as follows. Section 5.2 provides a general outlook on the literature of FDI and women’s civil rights. Section 5.3 gives the definitions and sources of data used. Section 5.4 explains the estimation techniques used and subsequently provides the descriptive statistics and preliminary tests of the data used. Section 5.5 reports on the empirical findings and interprets the results. Section 5.6 provides a discussion of the results. Finally, section 5.7 provides a general conclusion.

## 5.2 Summary of Literature

### 5.2.1 Women’s Civil rights

The Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948 outlines the fundamental agreement on the human rights of all people which includes social security, freedom of expression, freedom of movement, practice religion, and freedom of voting and freedom from violations to physical integrity (Cingranelli & Richards, 2010). The ICCPR also outlines the fundamental civil rights that all humans deserve without any forms of discrimination based on sex, race and religion. Although the ICCPR, did not specifically mention women, the rights are attributable to women’s rights. The provisions of the ICCPR, among others, provide a framework for protecting and promoting women's civil rights at the international level. State parties to the ICCPR are obligated to respect, protect, and fulfil these rights for all individuals, including women, within their jurisdiction. The ICCPR serves as an important tool for advancing gender equality and combating discrimination against women in various aspects of life. Whereas the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) is an international treaty adopted by the United Nations General Assembly in 1979, which focuses specifically on promoting and protecting women's rights. CEDAW is a comprehensive document that addresses various aspects of women's civil rights. It sets forth a range of obligations for state parties to eliminate discrimination against women and ensure their enjoyment of equal rights. One of the key articles presented in the CEDAW conference is the Gender Stereotypes (Article 5): CEDAW calls for the modification of societal norms and stereotypes that perpetuate discrimination against women, challenging harmful gender roles and expectations. This is important because most rights discussed in different conventions focus on the formal legal frameworks (Landman & Carvalho, 2009).

In the context of women's civil rights, it is important to recognise that routine violations of their rights often occur within their daily lives, predominantly embedded in informal cultural practices rather than formal legal frameworks. These violations are often most prevalent within the domestic or local spheres of women's lives. As Alkire et al. (2013) highlight that household and interfamilial relationships are a significant source of women's disempowerment, which distinguishes their experiences from those of other marginalised groups. Therefore, when defining the dimensions of women's civil rights, it is crucial to consider the needs and interests that arise from the routine practices of everyday life (Kabeer, 1999).

With this perspective we focus on women's civil rights and liberties in this chapter. According to Marshall (1992), basic civil liberties such as freedom of movement, property rights, and access to justice are established before other rights such as political and social rights were found. Marshall himself recognised that "*the story of civil rights in their formative period is one of the gradual addition of new rights to a status that already existed and was held to appertain to all adult members of the community*.''

Women's civil rights refers to  the protection of the individual's physical, spiritual, legal and economic existence (rights to life, physical integrity, religion and opinion; right to nationality and right to own property) through traditional freedom (freedom of movement, prohibition of slavery, freedom of expression) to highly detailed legal protections that include fair trial and the rule of law in general (Symonides, 2000). Therefore, women's civil rights are understood to include freedom of domestic movement, the right to private property, freedom from forced labour and access to justice. In other words, it is the ability of women to make their own decisions in key areas of their lives. These are the rights that not only are sanctioned by the government but also established in the private spheres of women's life.

Freedom of movement is an essential part of women's civil rights. When a women is confined in the domestic sphere, this is a fundamental cause of women's disempowerment (Kishor, 2000). The process of leaving this sphere, such as women's ability to move freely at night, choose their residence, or be free to visit a health centre without getting permission, is one empirical measure of women's empowerment (Malhotra et al., 2002). Physical mobility is of utmost importance for girls and women to access essential services, such as education, healthcare, water, and justice, as well as for the development of social networks. Empirical evidence supports this notion. For instance, in Zambia, women residing within a two-hour distance from healthcare facilities are twice as likely to have better access to health care services compared to those living farther away (Stekelenburg et al., 2004) Similarly, in Pakistan, higher levels of physical mobility are associated with increased utilisation of contraceptives and improved access to healthcare services (Mumtaz, 2005).

The study by Mumtaz (2005) states that women's ability to move freely is critical for their economic empowerment and participation in the labour force. Enhanced physical mobility, which is commonly associated with employment, exposes women to new networks of individuals in their workplace and other settings. Social norms play a defining role in shaping and limiting the opportunities for women to exercise their agency. These norms enforce penalties for those who deviate from them or fail to enforce them. While legal restrictions on women's mobility are relatively uncommon, social norms regarding acceptable behaviour for women, including their role as caregivers, codes of modesty, and notions of honour, strongly influence mobility patterns (Waylen, 2014). Beliefs about women's safety in public spaces also contribute to mobility constraints.

Norms regarding women's physical mobility, which encompass security concerns, can act as constraints on their political participation. Additionally, women may lack information regarding the importance of their vote, their rights, and electoral processes. In such situations, access to information can serve to enhance political engagement. For instance, in Pakistan, the absence of information reinforced existing social norms and further marginalised women from public life. However, targeted campaigns aimed at promoting participation resulted in increased voter turnout by 12 percent and greater independence among women in selecting candidates (World Bank, 2012)

A basic level of control over one’s assets and resources also further empowers women. Control over resources can help women to free themselves from forced labour and engage in paid labour. Engels (2010) stated that when women have less right to male-owned private property, they are more economically reliant on men. According to Chafetz (1990), women’s control over their property is one of the causes of women’s economic empowerment. When women have control of property, land, and inheritance, it increases their economic power and their ability to make their own choices in decision making(Burroway, 2012).

Women’s civil rights and liberties may, in fact, be particularly important because these rights and freedoms encourage women to engage in social and public spheres, engage in politics, be able to raise their voice in public protests and to organise and advocate gender equality (Jaquette, 2001). The ability to obtain civil rights in domestic movement and access to justice freedom is important for women's autonomy and independence. When women have the right to move freely within and outside their homes, it enables them to access education, employment, healthcare, and community resources. This mobility fosters self-reliance and empowers women to make choices about their lives. The ability to exercise these rights not only enhances women's individual agency but also contributes to the development of civic skills. Engaging in public discourse, participating in protests, and organising events are activities that improve women's confidence, leadership abilities, and advocacy skills. These skills are vital for advancing gender equality. Without granting of these rights, a large share of the population would remain uninvolved in public matters and not engage in economic and social activities. Therefore, it is expected that as women's civil liberties improve in a society, there will be increasing pressures for political change in support of women's rights, which will further improve gender equality (Sunstrom et al., 2017).

### 5.2.2 Economic Globalisation, FDI and Civil Rights

Globalisation advocates posit that economic integration will support better human rights by promoting economic development as it facilitates the diffusion of better rights and values. The optimistic view holds that economic integration, including trade and FDI, will empower citizens to challenge the power of states, who are the principal violators of human rights (Rosenau, 2002). The liberal perspective emphasises how trade openness increases economic development, which further improves social conditions. Economic development encourages the rise of an economic middle class, which creates demands for political and civil rights, and in the process of achieving these rights, personal integrity rights are improved as well (Apodaca, 2002). Harrelson-Stephens & Callaway (2003) note that the economic interdependence will lead to a diffusion of norms and best practices, including those that promote human rights. The global integration of a state into the international community should have a positive impact on a government's treatment of its own citizens. Harrelson-Stephens & Callaway (2003) investigates these arguments by examining the impact of trade on human rights in developing countries from 1976 to 1996, they found empirical support for the liberal perspective, that a rise in trade openness will decrease violations in security rights in developing countries. Similarly, Milner (2002) found that increases in trade positively affect both subsistence rights and security rights.

However, critics of economic globalisation argue that trade and FDI threaten to repress human rights conditions through economic exploitation and the repressive actions of governments favouring growth through MNCs. Sceptics argue that FDI and trade instead facilitate and reinforce exploitation by both states and global markets (Brecher & Costello, 1994). Opponents of economic globalisation hold that FDI, and the activities of MNEs, encourages states to restrict political and civil rights in the name of creating an attractive environment for foreign investors. Simultaneously, as power shifts from the state to profit-driven MNCs, the focus on maximising profits becomes dominant, often overshadowing the consideration of improving the needs and rights of the general public (Donnelly, 2007). However statistical studies did not find any evidence that foreign investors are attracted to states in which human rights are actively supressed. For instance, Harms & Ursprung (2002) found that foreign investment flows are drawn towards countries where political rights, civil liberties, and labour organisation are protected. The findings by Harms & Ursprung (2002) contradict with the prevalent belief that foreign investors are drawn towards host countries where the political and civil rights of citizens, are repressed. Likewise, (Blume & Stefan, 2007) show that better human rights lead to greater average FDI inflows.

Busse (2004) highlights that the growing economic influence of multinational corporations does not necessarily result in benefits for the countries in which they operate. In some cases, these corporations may support repressive actions by regimes or neglect fundamental human rights, including political freedom and civil liberties. However, in contrast to these criticisms, Busse (2004) conducted an analysis of multinational corporations' activities during the 1990s, which aligns with earlier findings by Harms and Ursprung (2002). The study suggests that MNCs are more inclined to invest in countries where civil and democratic rights are protected rather than suppressed. Although these above studies did not focus specifically on women it is reasonable to assume that these effects would extend to women's rights as well, whether in a positive or negative manner, which should have impact on women’s rights be it positive or negative.

A different line of literature has taken a gender-sensitive empirical approach to the impact of economic globalisation on women’s rights and liberties. These scholars argue that globalisation empowers women by providing opportunities through trade and investment mainly because profit seeking corporations tend to hire the best workers without discriminating between men and women, which traditional norms and social values used to follow. Some scholars even argue that women are active agents that direct change in social, economic, and political life and to whom globalisation offers new opportunities for challenging existing gender biased laws and injustices (Young, 2002; Davids & Driel, 2007).

Modernisation theorists hold that enhanced integration between backward countries and more modern economies will create diffusion of better norms and culture which will increase women’s social rights in the backward countries, since forces of modernisation threaten patriarchy and gender based stereotypes and discrimination (Donno & Russett, 2004). Trade and FDI creates a connection between high standards countries to low standards countries, which can trigger processes of diffusion from the high standard countries to low standard countries. Neumayer & Soysa (2011) argue that higher standards of better rights will spill over to poorer countries through foreign firms' culture and practices. They also mentioned that the level of globalisation might also cause international pressure for political change which may benefit women's rights. In addition, there will be diffusion of government policies adopted in developed countries, where women's rights are typically higher, to developing countries where women's rights are often neglected (Simmons & Elkins, 2004). Globalisation optimists thus state that trade openness and FDI promote women's rights by increasing the opportunities of women to challenge traditional norms and culture partly because of modernisation.

FDI has been consistently associated with an increase in female labour force participation rates, a trend observed over a significant period of time. This trend suggests that active involvement in the labour market has the potential to enhance the development of essential skills for civil and political empowerment within society. Research conducted in both developed and developing countries has provided evidence supporting the notion that women who are already part of the labour market tend to establish a sense of identity through their work experience, which in turn increases their likelihood of engaging in conventional political activities (Chhibber, 2002). Ross (2008) mentions that women's participation in the labour market has significant benefits for their civic engagement. By being actively involved in the workforce, women have opportunities to engage in conversations, join informal networks, and participate in collective action. These interactions and connections facilitate the development of their civic skills and knowledge. Moreover, women who have established themselves in the labour market are more likely to become part of broader organisational networks such as trade unions, where they can further enhance their civic skills and contribute to collective decision-making processes. (Stockemer & Byrne, 2012).

The active participation of women in the labour market not only contributes to the development of civic skills but also serves as a catalyst for advocating their rights and freedom. As women engage in the labour market, they become more aware of the importance of their freedom, including the freedom to move freely and the need for greater access to justice and empowerment. This heightened awareness often fuels their determination to fight for these rights, as they recognize the significance of having equal opportunities, social justice, and the ability to exercise their agency. Through their experiences in the labour market, women gain the confidence and motivation to challenge barriers and work towards achieving greater rights and freedoms in society. (Wang et al., 2015).

Contrarily radical sceptics of globalisation discuss the masculinity of corporate globalisation that suppress women and their rights and freedom across the world (Ward, 1984; Enloe, 2007). According to this view, trade and FDI exploit the workers' rights, leading to the lowering of standards due to the profit motives of globalised capital through a race to the bottom, resulting in the reluctance of the lower standard countries to raise standards (Mosley & Uno, 2007). They believe that improved women's civil and social rights would create unfavourable conditions for foreign investors, since better rights of women will tend to put pressure and demands for higher wages, which will decrease a country's competitiveness via cheap female labour in globalised markets, provided that an economic incentive for host countries to oppose equal rights (Klein, 2007).

In this line of reasoning, opponents of economic globalisation argue FDI will not improve women's civil rights at all. A potential increase in female labour participation in economic activities is often driven by the demand for cheap labour by corporations. However, it is important to note that this does not automatically translate into an enhancement of women's fundamental rights. In some cases, women may be viewed primarily as a source of cheap labour, which can lead to exploitation and the neglect of their rights (Cho, 2011). Such globalisation can have adverse effects on women's societal role, potentially reinforcing gender inequalities and limiting progress in women's rights beyond mere employment opportunities. Access to education, resources, and social equality may not necessarily improve as a result of globalisation. Critics of globalisation argue that the impact of economic integration can disproportionately harm marginalised groups, including women, and exacerbate poverty and inequality within societies (Moghadam, 2007). For example, in an attempt to increasing competitiveness and more market-oriented reform by the government, would lead to a reduction in social programmes, damaging women's wellbeing who rely on governments support, more than men.

We also address women's incidence of forced or compulsory labour, which is one of the subcomponents of V-Dem's Civil Liberties index. Compulsory or forced labour had been the topic of one of the earliest ILO conventions, namely the Forced Labour Convention (No. 29) from 1930. Its Article 2.1 which defines 'forced or compulsory labour' as '*all work or service, which is exacted from any person under the menace of any penalty and for which the said* *person has not offered himself voluntarily'*. This convention calls for the abolition of forced labour, with few exceptions, such as military service. Feminists and non feminist groups are concerned that global market integration has adverse effects on economically disadvantaged women compared to men in most countries of the world. Similarly, there are concerns raised by advocacy groups focused on issues such as sex slavery and non-governmental organisations working in the field of human rights. These groups highlight that globalisation can create competitive pressures that contribute to an increase in forced or compulsory labour. The expansion of global supply chains and the demand for cheap labour can create vulnerable conditions where individuals, particularly women, are at risk of exploitation and human rights abuses (Bales, 1999; United Nations, 2000). What both groups have in common is the concern of the harmful effects of globalisation on fundamental rights. Others argue that these rights get better with increasing globalisation (Bhagwati, 2005).

Sachs and Warner (1995) argue that globalisation is more than economic integration and that it brings countries together to harmonise institutional and other regulatory policies. Given that developed countries on average have better women's rights and a lower incidence of forced labour, one can predict it is possible that their higher standards stand as an example to lower standard countries. Such policy spillovers through communication, learning and reputation effect are well explained in the literature on the diffusion of economic policies in globalised markets (Simmons & Elkins, 2004). For example, due to reputation effects export oriented countries with production dominated by foreign investors might treat women more equally or avoid forcing people to work for them, as they are constantly under scrutiny by the media, consumers, human rights activists, etc. Moreoever the MNCs in these countries were starting to subscribe to voluntary codes of conduct of good practice with respect to labour standards (Bernstein, 2001).

However, opponents of globalisation argue that the competitive pressure to reduce costs can also contribute to an increase in forced labour. ILO highlights that competitive pressures can negatively affect employment conditions and result in forced labour. Likewise, Bales (1999) contends that MNCs' cost-saving strategies can lead to forced labour. Thus, whether FDI has a positive or negative impact on this aspect of freedom from forced rights remains an empirical question, which is one of the important indicators of women's civil rights.

As the discussion presented above sums up, the existing literature on the relationship between economic globalisation and civil rights is full of contradictory arguments and expectations.

With this we might expect that economic globalisation such as FDI does not increase women's social and civil rights. As these rights are not directly related to the interests or needs of the foreign investors, there will be no improvement of these rights beyond the economic dimension. Also, it is noted that suppressing women's civil rights may lead to lower bargaining power of female employees and thus creating an competitive environment for cheap labour lower, which will make the domestic market more attractive to foreign investors and can increase exports as well. Therefore, with opposing arguments operating at the same time whether better women's civil rights can provide countries with a competitive advantage rather than a disadvantage is fundamental question in empirical literature of human rights and globalisation (Neumayer & Soysa, 2011).

## 5.3 Data

Based on the discussion and theoretical expectation, we use various sources, to evaluate the impact of FDI on women’s civil rights. Our main research question is “What are the impacts of FDI on women’s civil rights?”.

From the above discussion we derive our hypothesis

**H1: FDI will positively affect women’s civil rights**

### 5.3.1 Dependent variable

We use Civil Liberties Index, collected from the V-Dem dataset, as a proxy of women’s civil rights. This index aligns well with our research objectives, which aim to explore the impact of FDI on women’s rights within the most private spheres of their lives. The V-Dem Civil Liberties Index contains for such civil rights which are appropriate for our study.

***Women’s Civil Liberties Index***

This index captures whether women have the ability to make meaningful decisions in key areas of their lives. It consists of four indicators: *Freedom of Domestic Movement, Freedom from Forced Labour, Access to Property Rights, and Access to Justice*.[15] The index ranges from zero

[15] The subcomponents of the index range from -4 to 4. The ratings provided by the V-Dem are originally in an ordinal scale, but the V-Dem experts convert the survey results into an interval scale. Therefore, while the original

to one, where “0” represents a low degree of women’s civil liberties, and “1” represents a high degree. However, we have rescaled the index by multiplying it by one hundred for ease of result interpretation. All the variables are converted from ordinal to interval.

*Freedom of Domestic Movement for Women:* This indicator evaluates the level of freedom for women to move without constraints, both during the day and at night, in public spaces across different regions within a country. It also considers their ability to establish permanent residency wherever they desire. These limitations on movement can be imposed either by the state or through informal societal norms and practices. These restrictions may disproportionately affect rural residents, certain social groups, or individuals expressing dissent. It is important to note that this indicator does not compare the freedom of movement between men and women. It excludes any restrictions caused by criminal activities or civil unrest. Higher values on this indicator indicate greater freedom of movement for women.

*Freedom from Forced Labour for Women:* This indicator assesses the prevalence of involuntary slavery specifically pertaining to women. It refers to situations where a woman is unable to quit her job, not due to economic necessity, but due to pressure exerted by her employer. This includes scenarios such as labour camps where individuals are forcibly held against their will. However, it does not encompass work or service that is part of normal civic obligations, such as conscription or employment in command economies.

*Women’s Property Rights*: The indicator on women's property rights examines the aspects of acquiring, possessing, inheriting, and selling private property. It is important to note that these rights do not automatically ensure actual ownership of the property. Various factors, such as state regulations, customary practices, or religious and social norms, may impose limitations on women's property rights.

*Access to Justice for Women:* This indicator focuses on the degree to which women can safely pursue legal action, ensuring that their personal safety is not jeopardised. It also examines whether trials are conducted fairly, and women have the practical means to seek redress if their rights are violated by public authorities. This includes the rights to legal representation, a proper defence, and the opportunity to appeal decisions.

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ratings themselves are discrete, the underlying scores can take any numerical value, typically falling within a range of -4 to 4.

### 5.3.2 Independent variables

Our measure of FDI is the net inflow of investment, represented as a percentage of GDP. It represents the acquisition of a long-term relationship with a corporation operating in an economy different from that of the investor. The FDI%ofGDP variable is frequently employed, as it is believed to play a crucial role in the development of developing economies, as argued by Richards and Gelleny (2007), Asiedu (2002), and Alderson (2004).

### 5.3.3 Control variables

The number of control variables includes other potential determinants of women's civil rights suggested by the existing literature on this subject. We follow the studies of Neumayer & Soysa (2007) and Oostendorp (2009) and Kucera and Milberg (2000); all these studies focused on of the relationship between women’s rights and FDI. According to these papers we choose our control variables such as *GDP growth* as proxy of economic development, that will affect a countries status of social rights. Economic growth can help citizens to earn more income thereby possibly empower women through improved autonomy and power within their family environment. t*rade openness* is associated with FDI inflows and might contribute to economic and social environments, affecting women's rights standards. Trade openness is the sum of exports and imports of goods and services as a percentage of GDP. Trade and GDP growth data comes from the World Bank. We expect these two variables to be positively related to women’s social rights. We also include *government expenditure* as a proxy for government preferences to regulate MNCs since this is also included in similar studies (Shuaibi, 2021; Kim & Trumbore, 2010).

*Population* data originally comes from the World Bank but it is a included in the V-Dem data set. The population variable is included to see whether the size of the country contributes to better human rights. The population variable is log-transformed to correct for skewness (Kim & Trumbore, 2010). We include *polity2* variable from Polity IV series to account for democracy. ILO statistics have shown that democracy is one of the major causes the improvement of equal treatment of male and female, according to their respective needs, (Shuaibi, 2021). We also include *corruption index* as a control variable. The index measures how unpreventable political corruption. The sub-components of the index captures several different types of corruption; both ‘petty’ and ‘grand’; both bribery and theft, both corruption which influences law making and corruption which affects implementation. It also includes public sector, executive, legislative and judicial corruption (Olin, 2017) The index has a value between 0 and 1. A higher value means greater corruption. Evidence suggests that women suffer corruption to a greater extent due to the distribution of unequal power between men and women.

### 5.3.4 Descriptive Statistics

Below is a descriptive summary of the dependent and independent variables used in the model. The table provides information on the number of observations, mean values, standard deviations, as well as the minimum and maximum scores for each variable.

Table 5-1 shows a summary of the data collected for 129 countries over 60 years. The main dependent variable is Women's Civil Liberties index which has values ranging from 0-1, however for ease of comparison we multiplied the index with 100. We have also included the subcomponents of Women's Civil Liberties Index which will be used as other dependent variables in this chapter. We have only included the summary statistics for the regression sample.

**Table 5-1 Descriptive Statistics**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **Dependent Variable** | | | | | |
| Women's Civil Liberties Index | 8050 | 61.3 | 27.374 | 0 | 98.2 |
| *Freedom of Movement*** | 8050 | .634 | 1.365 | -4.719 | 2.521 |
| *Free from Forced Labour*** | 8050 | .774 | 1.104 | -4.304 | 3.004 |
| *Access to Justice*** | 8050 | .52 | 1.437 | -4.063 | 3.474 |
| *Women's Property Rights*** | 8050 | .787 | 1.321 | -3.82 | 2.858 |
| **Independent Variable** | | | | | |
| FDI % of GDP | 6280 | 3.245 | 9.394 | -57.532 | 280.132 |
| **Control Variables** | | | | | |
| GDPGROWTH | 6265 | 3.793 | 6.498 | -64.047 | 149.973 |
| TRADEOPEN | 5898 | 76.019 | 48.154 | .021 | 437.327 |
| GOVEXP | 5781 | 16.259 | 7.494 | 0 | 147.719 |
| lnPOPUL | 8050 | 8.917 | 1.725 | 3.958 | 14.176 |
| polity2 | 6225 | 1.827 | 7.208 | -10 | 10 |
| POLITICORR | 8015 | .505 | .297 | .005 | .974 |

### 5.3.5 Pairwise Correlation

To identify the impact of FDI on the Women's Civil Liberties Index, first, we analysed the correlations among the variables obtained from the literature. A combined correlation matrix is given below to report the variables.

Table 5-2 shows little association among the variables indicating a very low chance of collinearity within regressors. The highest correlation is between democracy and Women's Civil Liberties Index, with a value of 0.689. The second highest correlation is between political corruption and Women's Civil Liberties index with a value of -0.578. The results meet the requirements of the correlation coefficient test as none of the variables show association over 0.90. We also conduct a multicollinearity test to check whether we can use all of the regressors in the same model.

Table 5-2 Matrix of Correlation

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|
| (1) Women's Civil Liberties | 1.000 | | | | | | | |
| (2) FDI% of GDP | 0.117 | 1.000 | | | | | | |
| (3) GDPGROWTH | -0.073 | 0.039 | 1.000 | | | | | |
| (4) TRADEOPEN | 0.200 | 0.280 | 0.061 | 1.000 | | | | |
| (5) GOVEXP | 0.192 | 0.024 | -0.151 | 0.173 | 1.000 | | | |
| (6) lnPOPUL | -0.031 | -0.109 | 0.033 | -0.419 | -0.217 | 1.000 | | |
| (7) polity2 | 0.689 | 0.102 | -0.100 | 0.058 | 0.105 | 0.092 | 1.000 | |
| (8) POLITICORR | -0.578 | -0.091 | 0.057 | -0.225 | -0.424 | 0.090 | -0.486 | 1.000 |

To verify whether there are multicollinearity problems, this study also analyses the collinearity of variables. The result is shown in Table 5-3, none of the VIFs are above 5, which indicates that there are no multicollinearity problems.

Table 5-3:Variance Inflation Factor

| | VIF | 1/VIF |
|---|---|---|
| POLITICORR | 1.657 | .603 |
| polity2 | 1.38 | .724 |
| TRADEOPEN | 1.362 | .734 |
| GOVEXP | 1.312 | .762 |
| lnPOPUL | 1.276 | .784 |
| FDIperGDP | 1.096 | .913 |
| GDPGROWTH | 1.046 | .956 |
| Mean VIF | 1.304 | . |

## 5.4 Estimation Technique

### 5.4.1 Fixed Effects Estimation

The fixed effects allow to control for omitted variables that would potentially threaten the results of the model. The fixed effects generate binary variables that distinguish between all combinations of countries and years. Country fixed effects control for time-constant omitted variables that vary across countries. To correct for autocorrelation and heteroscedasticity we have used robust standard errors and clustered robust standard errors, in all our regression models. We also include year-fixed effects to control for country constant, but time-varying effects such as country trends and global economic conditions that could affect FDI flows and Women's Civil Society Index.

**Research Question:**
**What are the impacts of FDI on women's civil rights?**

Turning to the estimation with FDI, the model takes the following form:

Equation

$Women's\ Civil\ Liberties\ Index_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 X_{it} + \lambda_t + \theta_i + \mu_{it}$ …..(5.1)

Where FDI is FDI inflows in country i at year t, X is a set of control variables including, GDP growth, population, trade openness and government expenditure, polity2, political corruption Index all per country i and year t, $\lambda_t$ represents year fixed effects and $\theta_I$ represents country fixed effects, $\mu_{it}$ is the Error Term. We also use Driscoll Kraay test to predict the Standard Errors of the variables for robustness check. The estimation method used by Driscoll and Kraay produces standard errors that are robust to various types of spatial and temporal dependence, ensuring their validity in the presence of heteroskedasticity and autocorrelation.

## 5.5 Results

### 5.5.1 Results for FDI's Impact on Women's Civil Liberties

Table 5-4 shows the results for women's civil liberties. We look at how FDI affects Women's Civil Liberties Index using fixed effects estimation with cluster robust standard errors and year fixed effects. We aim to test the hypothesis **H1:** FDI will positively affect women's civil rights using Equation .

We start with fixed-effects regression to adjust for unobserved time invariant heterogeneity between countries potentially correlated with both FDI and women's civil rights. Driscoll Kraay, and 2 stage least squares method are also used in Section 5.5.2 for robustness check and possible endogeneity.

The original dataset had 150 countries; however, the final sample is reduced to 129 countries over the period 1970-2018 due to unavailability of some variables for some countries and subperiods, particularly the trade openness and government expenditure.

The results in column 1 of Table 5-4 illustrate the baseline fixed effects model, excluding all our control variables. In column 2 we include the main independent variable which is FDI percentage of GDP and 4 control variables GDP growth, population, trade openness and government expenditure. We consider also other factors in our robustness checks such as democracy and political corruption index. Therefore, in column 3 we include two additional variables, to control for institutions. For the discussion of the results we will follow column 3 where all the control variables are included.

From the results below it is evident that FDI has a positive impact on women's civil liberties index in both column 2 and column 3 where democracy and political corruption variables are used. As FDI increases by 1% women’s civil liberties increase by 0.465 units. Although the magnitude is low, these results have economic meaning. The results are different from similar studies such as Neumayer & Soysa (2011) & Cho (2011) where they used CIRI data for social rights for the year 1981-2003 and found no significant impact of FDI on women’s social rights. These findings are interesting because both the studies used time periods before 2008 and did not use recent years while we use longer time periods and the most recent years. One explanation for this is there was a sharp rise in FDI inflows from 1990s and a sharp decline during the financial crisis of 2008, after the financial crisis of 2008 FDI started to increase steadily. Therefore, the authors who used time periods up till 2008 did not capture the impact of a rise in FDI after 2008. To probe more into this we divide our data into two sub samples of years.

Table 5-4: The Impact of FDI on Women's Civil Liberties Index from 1970-2018

| Dependent Variable: Women's Civil Liberties | (1) | (2) | (3) |
|---|---|---|---|
| FDI%ofGDP | 0.0304 | 0.0325* | 0.0465** |
| | (0.0198) | (0.0197) | (0.0190) |
| GDPGROWTH | | 0.0852** | 0.0510 |
| | | (0.0368) | (0.0330) |
| TRADEOPEN | | 0.0083 | -0.0083 |
| | | (0.0194) | (0.0172) |
| GOVEXP | | 0.1864* | 0.0565 |
| | | (0.0972) | (0.1016) |
| lnPOPUL | | 1.9214 | -0.9546 |
| | | (2.2276) | (1.7991) |
| polity2 | | | 1.4401*** |
| | | | (0.1960) |
| POLITICORR | | | -10.8792 |
| | | | (7.9769) |
| _cons | 52.1859*** | 32.1536* | 67.4189*** |
| | (2.4424) | (18.8219) | (14.1559) |
| *N* | 6280 | 5382 | 4837 |
| *Country* | 150 | 143 | 129 |
| *Year Fixed Effects* | *Yes* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* | *Yes* |
| $R^2$ | 0.320 | 0.320 | 0.524 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Pre Globalisation and Post Globalisation Era*

We follow Richards & Gelleny's (2007) study and use what they called "temporal sectioning". Due to a noticeable increase in the volume of economic globalisation activity from the early 1990s, as opposed to the previous decade, we divide our analysis in Table 5-5 into two eras, pre-globalisation era which is before 1990s and a post globalisation era 1991-2018 (see Section 4.5.1).

The results from column 2 provides us with new evidence of the impact of FDI on women's rights in a society. FDI does not have any significant impact on women's civil rights in pre-globalisation era. These findings support previous literatures (Neumayer & Soysa, 2011; Cho, 2011) where they failed to find any significant results for FDI, both the studies used a time period from 1980s to 2008. Although Richard and Gelleny used pre and post globalisation eras, results of FDI's impact were insignificant for both the eras, this is because for the post globalisation era they only used time periods up until 2003. Whereas we use the most recent years for post globalisation era which brings us to new findings. In column 2 our findings provide new evidence that FDI has a positive impact on women's civil rights during the post globalisation period during when there was a large influx of FDI. We can therefore say that one percent increase in FDI inflows will increase women's civil liberties by 0.038% points.

**Table 5-5: The Impact of FDI on Women's Civil Liberties Index**

| Dependent Variable: Women's Civil Liberties | (1) Pre Globalisation Era | (2) Post Globalisation Era |
|---|---|---|
| FDI%ofGDP | -0.0028 | 0.0380*** |
| | (0.0656) | (0.0139) |
| GDPGROWTH | -0.0215 | 0.0751** |
| | (0.0257) | (0.0371) |
| TRADEOPEN | 0.0082 | -0.0059 |
| | (0.0157) | (0.0149) |
| GOVEXP | 0.0063 | -0.0307 |
| | (0.0875) | (0.0772) |
| lnPOPUL | -3.0571 | 2.6745 |
| | (4.3298) | (2.7783) |
| polity2 | 1.2328*** | 0.7843*** |
| | (0.1762) | (0.1842) |
| POLITICORR | -29.3186*** | -5.8136 |
| | (8.7560) | (3.6826) |
| _cons | 95.7462** | 43.2450 |
| | (38.9149) | (26.3913) |
| *N* | 1632 | 3205 |
| *Country* | 93 | 129 |
| *Year Fixed Effects* | *Yes* | *Yes* |
| *Country Fixed Effects* | *Yes* | *Yes* |
| $R^2$ | 0.541 | 0.238 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Low-Middle Income and High Income Countries*

Table 5-6 repeat the same set of estimations for a sample of low-middle income and high income countries for the whole time period (1970-2018). We only use fixed effects estimation since in the previous section we confirmed that fixed effects estimation is suitable for our data set.

Column 1 represents low-middle income countries, while column 2 represents high income countries. Both columns use the same regression model with all the control variables. Our results for the main independent variable is interesting. We can see that FDI has no significant results for low-middle countries whereas coefficients of FDI is positively and significantly related to Women's Civil Liberties Index only in high income countries. When FDI increases by 1% Women's Civil Liberties Index increases by 0.0472 units only in high income countries. We did not find any significant impact of FDI in low-middle income countries.

Our findings suggest that FDI has strong positive impact only in high income countries. This is consistent with few previous literatures where authors found similar results, however they used other measures of women’s civil rights (Neumayer & Soysa, 2011). In their research, the authors used the CIRI women's social rights index and concluded that FDI does not have a significant impact on women's social rights in developing nations. This supports our findings, that the spillover effects of FDI are less likely to influence women's civil rights in low-middle income countries compared to high income countries. Neumayer and Soysa (2011) further explained in their study that women's social rights in developing countries may be more deeply entrenched in cultural factors, making them less susceptible to changes influenced by external factors. Women’s social and civil rights include informal social institutional factors including cultural norms and traditional practices and attitude which serve as the underlying causes of gender discrimination (Branisa et al. 2009; Potrafke & Ursprung, 2011). Furthermore, Seguino (2011) assumes that formal political and religious institutions, which shape cultural norms, social rules, and behaviours, play a measurable role in determining the rigidity of gender roles and attitudes.

Higher women's civil rights seem to be associated with lower population but only in the low-middle countries. As population increases by 1%, Women’s Civil Liberties Index decrease by 0.127 units, only in low-middle income countries. This suggests that as the population of a country grows, there is a higher probability of human rights violations, particularly in relation to women's rights. This may be attributed to the adoption of more oppressive policies by governments, as they face greater challenges in providing social provisions to meet the increasing demands caused by population growth (Boland, 1997; Hazem, and Luciani, 2015). Trade openness is insignificant in both columns. This suggest that trade has no significant impact on women’s social or civil rights. In contrast, there is consistent evidence across all model specifications for the positive impact of democracy on women's civil liberties. Democracy is widely considered as a necessary precondition for the successful implementation of women’s fundamental rights.

Table 5-6: The Impact of FDI on Women's Civil Liberties, by Income Group

| Dependent Variable: Women's Civil Liberties | (1) Low-Middle Income | (2) High Income |
|---|---|---|
| FDI%ofGDP | 0.1142 | 0.0472*** |
| | (0.0845) | (0.0150) |
| GDPGROWTH | 0.0298 | 0.0028 |
| | (0.0384) | (0.0454) |
| TRADEOPEN | -0.0139 | -0.0175 |
| | (0.0271) | (0.0135) |
| GOVEXP | 0.0952 | 0.1124 |
| | (0.1137) | (0.1407) |
| lnPOPUL | -12.7554* | 3.8822* |
| | (6.9116) | (2.2846) |
| polity2 | 1.0843*** | 1.9552*** |
| | (0.2061) | (0.3841) |
| POLITICORR | -5.7956 | -34.8168*** |
| | (8.7151) | (11.6778) |
| _cons | 162.9279*** | 36.5047* |
| | (58.1277) | (21.1958) |
| *N* | 3267 | 1570 |
| *Country* | 88 | 41 |
| *Year Fixed Effects* | yes | yes |
| *Country Fixed Effects* | yes | yes |
| $R^2$ | 0.522 | 0.787 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Previous literature has addressed the question on the effect of political institutions like religion and democracy in improving women's rights (Gammoudia & Trojette, 2014). Richards and Gelleny (2007) and Cho (2011) show that democracy has a positive effect on women's social rights, since a democratic country can ease or impose laws which can promote women's rights. Neumayer and de Soysa (2007), also found that, an increase in democracy provides better women's social rights in a country.

The output of the analysis is interesting, and it provided new insights that require further discussion of the impact of FDI on women's civil rights. All these findings on culture and democracy lead us to investigate the interaction terms of FDI, culture, and democracy. The previous literature has analysed the effect of FDI and political institution separately and disregarded the effect of their interaction on women's rights. This paper intends to fill this gap. However, due to lack of data we were unable to control for religious and cultural norms which might give us interesting findings on how FDI impacts women's civil rights when cultural effects are controlled for. Therefore, we seek to analyse empirically the status of women's rights in the low-middle countries taking into account only one institutional factor which is democracy, in the next section. We leave the effect of cultural norms for further research.

*Interaction of FDI and Democracy*

In order to address the effect of FDI on women's civil rights and to see whether it is sensitive to institutional framework in the developing countries, we include the interaction term between FDI and democracy. The interaction term between democracy and FDI is added to the basic model. Therefore, we consider the following specification:

$$Women's\ Civil\ Liberties_{it} = \alpha_0 + \alpha_1 FDI_{it} + \alpha_2 X_{it} + \alpha_3 (FDI * polity2)_{it} + \lambda_t + \theta_i + \mu_{it}$$

Results from table 5-7 indicate that FDI does not appear to have a significant direct effect on women's civil rights in low-middle income countries. We show that the estimated coefficients of interaction term are positive and statistically significant at the 5% significance level, this means FDI's impact varies depending on the countries' regime type (democracy or non-democracy). The positive sign indicates that the impact of FDI (if any) is higher in stronger democracies in the low-middle countries, however we failed to find any significant direct effect of FDI in low-middle countries. These results are similar to Gammoudia & Trojette's (2014) findings, where they used interaction term of democracy and KOF globalisation index (which includes trade, FDI and portfolio investment), to see the effect of the interaction terms on women's social rights in MENA countries. They found that globalisation induced effect on women's social rights are stronger in democratic countries.

Table 5-7: Impact of FDI on Women's Civil Liberties in Low-Middle Income Countries

| Dependent Variable: Women's Civil Liberties | (1)<br>Fixed Effects |
|---|---|
| FDI%ofGDP | 0.0716 |
| | (0.0835) |
| FDI*polity2 | 0.0264** |
| | (0.0108) |
| GDPGROWTH | 0.0310 |
| | (0.0382) |
| TRADEOPEN | -0.0141 |
| | (0.0272) |
| GOVEXP | 0.0926 |
| | (0.1146) |
| lnPOPUL | -12.2327* |
| | (6.7961) |
| polity2 | 1.0451*** |
| | (0.2040) |
| POLITICORR | -5.7230 |
| | (8.6488) |
| _cons | 158.3340*** |
| | (57.1815) |
| *N* | 3267 |
| *Country* | 88 |
| *Year Fixed effects* | Yes |
| *Country Fixed Effects* | Yes |
| $R^2$ | 0.524 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

*Results from Subcomponents of the Women's Civil Liberties Index*

In this section we look at how FDI affects four different subcomponents of the Women's Civil Liberties index. We use fixed effect estimation controlling for year fixed effects and standard errors are adjusted for clustering of observations on countries. The index we use in our study is a composite index and gives us an overall picture of the effects of FDI on the index. It would be interesting to investigate how each of these subcomponents of Women's Civil Liberties Index are the most sensitive to changes in FDI inflows (Ouedraogo & Marlet, 2018).

In Table 5-8 column 1, estimations from the first indicator, *Freedom of Movement*, is shown. Our main variable of interest is FDI and the coefficient of FDI is positive and significant at the 1% significance level. When FDI increases by 1% women's freedom of movement increases by 0.0037 units. This indicates that as FDI of a country increase, freedom of movement for women increases domestically. The coefficient on population is negative and significant at the 5% significance level. As the population of a given country increases in size, it is likely that women's human rights decrease because of the increased cost of social spendings by governments which needs to be made for higher demand (Shuaibi, 2021). The coefficient of political democracy is positive and significant at the 1% significance level which indicates that as a country's democracy increases women's freedom of movement increase as well. As democracy increases by 1 unit women's freedom of movement increases by 0.0693 units. Richards and Gelleny (2007) & Cho (2013) found similar results for democracy in their studies. In both the studies democracy was found to be a significant determinant of women's social rights. We are unable to compare the specific subcomponents as none of the studies analysed the impact of FDI for the subcomponents of social rights index separately. They only use the aggregate index of social rights.

In table 5-8 column 2, results for Freedom from Forced Labour and FDI are shown. FDI has a positive and a significant relation with freedom from forced labour. As FDI increases by 1% , women's freedom from forced labour increases by 0.0015 units. This is consistent with previous theories that countries with production dominated by foreign investors might treat women more equally or avoid forcing people to work for them, as they are under higher inspection by the media, consumers, human rights activist (Simmons & Elkins, 2004).

In table 5-8 column 3 we assessed the impact of FDI on Women's Property Rights and the coefficients of FDI were positive and significant at the 5% significance level. As FDI increases by 1% women's property rights increase by 0.0018 units. Although the magnitude of the effect is low this indicates that FDI has a positive impact on women's property rights. These results are similar to Chopra's (2019) study and have important economic implications. Chopra's research examined the impact of FDI on various indicators of women's empowerment across 163 countries. The study revealed that higher levels of FDI inflows are associated with improved opportunities for women to access institutions, exercise property rights, secure employment, and receive incentives. Chopra further highlighted that FDI can enhance the resources available to governments, as well as to transnational corporations and majority-owned foreign firms in host countries. This, in turn, creates more opportunities for women to engage with institutions, utilise property rights, find employment, access legal remedies, establish credit, and seek protection from violence. Additionally, the polity2 variable demonstrates consistent positive result at the 1% level of statistical significance.

In Column 4, the results illustrate that FDI has no impact on Access to Justice for Women. However, the coefficients of GDP growth and democracy are positive and highly significant. This indicates that a countries economic development through GDP growth provide better access to justice to women. With higher economic development citizens have higher income and can more easily afford to go on court (Deseau et al., 2019). Moreover, economic development decreases poverty which significantly affects access to justice in many ways. Income can be an important factor in people particularly marginalised and indigenous women, being denied equitable access to justice. On the other hand, coefficient of political corruption is negative and significant at the 10% significance level. This supports previous literature that a country's corruption has strong negative impact on women's access to justice by the law. From this table we can conclude that most of the results are as expected, and we can derive consistent results for freedom of movement, freedom from forced labour and women's property rights.

Table 5-8: Impact of FDI on Subcomponents of Women's Civil Liberties Index

| Dependent Variables: | (1) Freedom of Movement | (2) Freedom from Forced Labour | (3) Women's Property Rights | (4) Access to Justice |
|---|---|---|---|---|
| FDI%ofGDP | 0.0037*** | 0.0015** | 0.0018** | 0.0012 |
| | (0.0013) | (0.0007) | (0.0008) | (0.0007) |
| GDPGROWTH | -0.0007 | 0.0020 | 0.0015 | 0.0047** |
| | (0.0018) | (0.0016) | (0.0020) | (0.0019) |
| TRADEOPEN | -0.0003 | -0.0007 | -0.0004 | 0.0003 |
| | (0.0009) | (0.0009) | (0.0008) | (0.0013) |
| GOVEXP | -0.0018 | -0.0018 | 0.0069 | 0.0068 |
| | (0.0062) | (0.0065) | (0.0049) | (0.0046) |
| lnPOPUL | -0.5105** | 0.0722 | 0.0067 | -0.0859 |
| | (0.2320) | (0.1749) | (0.2105) | (0.2135) |
| polity2 | 0.0694*** | 0.0318*** | 0.0396*** | 0.0729*** |
| | (0.0124) | (0.0075) | (0.0104) | (0.0109) |
| POLITICORR | -0.1707 | -0.2032 | -0.0259 | -0.8669* |
| | (0.5733) | (0.3158) | (0.4737) | (0.4733) |
| _cons | 5.0078*** | 0.0813 | 0.4192 | 1.2786 |
| | (1.8904) | (1.4988) | (1.7393) | (1.7975) |
| *N* | 4837 | 4837 | 4837 | 4837 |
| *Country* | 129 | 129 | 129 | 129 |
| *Year Fixed Effects* | yes | yes | yes | yes |
| *Country Fixed Effects* | yes | yes | yes | yes |
| $R^2$ | 0.413 | 0.252 | 0.386 | 0.485 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Table 5-9 represents the results of the impact of FDI on the subcomponents of Women's Civil Liberties Index, disaggregated by income groups. The full table is presented in Appendix D. From the results, we found that FDI has a positive impact on women's freedom of movement and access to justice, only in high income countries. Whereas FDI positively affects freedom from forced labour in both, low-middle and high income countries, although the significance level is stronger for high income countries.

Table 5-9 The Impact of FDI on the Subcomponents, by Income Group

| Impact of FDI on : | Coefficients of FDI | |
|---|---|---|
| | **Low-Middle Income** | **High Income** |
| Freedom of Movement | 0.006 | 0.004*** |
| | (0.005) | (0.001) |
| Freedom from Forced Labour | 0.008** | 0.001*** |
| | (0.004) | (0.000) |
| Property Rights | 0.005 | 0.001 |
| | (0.004) | (0.001) |
| Access to Justice | -0.000 | 0.001*** |
| | (0.004) | (0.000) |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

### 5.5.2 Robustness Check

For robustness checks we use Driscoll Kraay standard errors to account for heteroskedasticity and autocorrelation, (Hoechle, 2007). To address potential endogeneity of the explanatory variables, we complement our analysis by using the 2 Stage Least Squares (2SLS) estimator in order to account for any endogeneity issue and to enable us to control for country-specific fixed effects.

#### *5.5.2.1 Two Stage least Squares Estimation*

We investigate whether our main model is subject to reverse causality, i.e., improvements in women's civil rights are causes of global integration, in this case FDI. Arguably, the advancement of women's civil rights may contribute to increased economic globalisation. For instance, when women actively participate in various aspects of public life, it can lead to greater information sharing and personal interactions across countries. This is facilitated by a larger pool of internet users, travellers, and individuals engaged in international exchanges. It is worth considering reverse causality in this context, as the human rights conditions for women in a host country may potentially attract higher levels of FDI inflows. (Blanton & Blanton, 2007; Busse & Hefeker, 2007; Harms & Ursprung, 2002)[16], In order to address the issue of reverse causality and obtain reliable estimates, we employ instrumental variable method known as two-stage least squares (2SLS) regression discussed in chapter 4. This approach helps mitigate potential biases and inconsistencies in the model.

To instrumentalise for FDI inflows in the host country, we utilise a set of variables including gross fixed capital formation andlagged values of FDI. Gross fixed capital formation serves as a proxy for the level of infrastructure development in the host country, which in turn influences the flow of foreign capital. By incorporating these instrumental variables, we aim to obtain more robust and reliable estimates of the relationship between FDI and the variables of interest. (Singhania & Saini , 2021). In various studies such as Alfaro (2003), Alfaro (2004), Borensztein et al. (1998), lagged values are used for resource and non-resource FDI as instrumental variables Lagged values are considered exogenous and are used to address potential endogeneity issues. By including these instruments, we aim to address potential endogeneity concerns and obtain more reliable estimates of the relationship between FDI and the variables of interest.

[16] Discussion on endogeneity and FDI has been elaborated in Chapter 4: Political rights.

We collected these data from World Bank. To ensure the validity of our instrumental variables, we conduct two diagnostic tests: the Sargan test and the C-D test.

Table 5-10 includes all three estimations for robustness check and comparison. All three estimations provide similar results for coefficients of FDI, with a high significance level in Driscoll Kraay and 2SLS. The results are significant at 5% significance level for fixed effects estimation and 1% significance level for Driscoll Kraay and 2SLS estimation. This confirms that as FDI increases, women's civil liberties increase as well.

The coefficients of GDP growth and government expenditure are only significant in Driscoll Kraay estimation; therefore, we are unable to derive any consistent results for GDP growth and government expenditure. Polity2 which represents democracy is positive and highly significant in all three estimations. This indicates that as democracy in a country increase, women enjoy more civil liberties as a result of being able to make more democratic choices. The magnitude of the coefficients is very close in each estimation. These findings support previous literature (Neumayer & Soysa , 2007; Richards & Gelleny, 2007), who also found democracy to be a significant factor affecting women’s rights.

Table 5-10: The Impact of FDI on Women's Civil Liberties Index from 1970-2018

| Dependent Variable: Women's Civil Liberties | (1) Fixed Effects | (2) Driscoll Kraay SE | (3) 2SLS |
|---|---|---|---|
| FDI%ofGDP | 0.0466** | 0.0466*** | 0.0897*** |
| | (0.0193) | (0.0148) | (0.0285) |
| GDPGROWTH | 0.0517 | 0.0517** | 0.0593 |
| | (0.0336) | (0.0204) | (0.0364) |
| TRADEOPEN | -0.0123 | -0.0123 | -0.0137 |
| | (0.0182) | (0.0085) | (0.0185) |
| GOVEXP | 0.0645 | 0.0645* | 0.0595 |
| | (0.1032) | (0.0377) | (0.1055) |
| lnPOPUL | -1.3281 | -1.3281 | -1.1357 |
| | (3.9137) | (2.3935) | (3.8913) |
| polity2 | 1.4182*** | 1.4182*** | 1.4061*** |
| | (0.2058) | (0.1019) | (0.2044) |
| POLITICORR | -8.3096 | -8.3096 | -8.3326 |
| | (8.8092) | (5.2950) | (8.5641) |
| _cons | 70.5743** | 71.2933*** | |
| | (32.3532) | (19.3714) | |
| *N* | 4837 | 4837 | 4736 |
| *Country* | 129 | 129 | 129 |
| *Year Fixed Effects* | yes | yes | yes |
| *Country Fixed Effects* | yes | yes | yes |
| $R^2$ | 0.524 | 0.524 | 0.516 |
| | *Diagnostic Tests* | | |
| Cragg Donald F-test | | | 46.259 |
| Hansen J statistic (Overidentification test) | | | 0.196 |
| Prob > P | | | (0.9068) |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Note: All IV-2SLS results are OLS models implemented in using the STATA xtivreg2 procedure. The results for first stage regression are reported in Appendix. In 2SLS the predicted endogenous variable is FDIperGDP while the instruments are (lag of FDI, GFCF and log of Land Area). The number of observations in 2SLS is lower than fixed effects model because, STATA 16 dropped the year 2018 due to collinearity when using the command xtivreg2 for 2SLS.

In table 5-10, column 3 we have other post estimation test results for the 2SLS method. Weak identification is when the excluded instruments are correlated with the endogenous regressors but only weekly and this can produce erroneous regressions. In our analysis, we utilise the Cragg-Donald Wald F statistic and the first-stage F-statistics, as proposed by Bound, Stock, and Yogo (2002), to evaluate the strength of our instruments. The null hypothesis for these tests is whether the parameter estimate for the instrument in the first-stage regression is equal to zero. If the Stock and Yogo statistic exceeds the critical value (typically set at a maximal test size of 10%), it suggests that we can reject the null hypothesis of weak instruments.

In our case, we obtained a value of 46.259, which is significantly above the rule of thumb threshold of 10. Based on this result, we can conclude that our estimation is not weakly identified, indicating that our instruments are sufficiently strong to address potential endogeneity concerns.

The validity of the instruments used in the 2SLS estimation relies on two key criteria: relevance and exclusion restriction. It is crucial to ensure that the chosen instrument has a significant explanatory power for the endogenous variable. This implies that the instrument should be strongly correlated with FDI, the endogenous independent variable in this case. Exclusion restriction implies that the instruments should not have direct effects on the dependent variable, Women's Civil Liberties, but should only influence it through their association with the endogenous independent variable (FDI). To test the exclusion restrictions of our instruments, we employ the Sargan-Hansen test. The test examines the joint null hypothesis that the instruments are valid instruments. With a chi-square p-value of 0.9068, we do not reject the null hypothesis. This provides confidence that our instruments are valid and satisfy the exclusion restrictions.

Furthermore, we conducted different estimations to support our main findings, and no significant violations of the Fixed Effects OLS estimators were identified. This further strengthens the robustness of our results and supports the reliability of our findings.

## 5.6 Discussion

In this chapter, we investigate the relationship between FDI and women's civil rights, covering the period from 1970 to 2018 in a sample of 150 countries. Our aim is to contribute to the existing knowledge on the connection between women's rights and economic FDI. While previous literature on women's social rights and FDI has yielded mixed results, our analysis reveals a positive impact of FDI on women's civil rights in aggregate. Through this study, we aim to provide new insights and a deeper understanding of the relationship between FDI and the advancement of women's rights. Our findings present a contrast to the findings of Hafner-Burton ( 2005), who discovered a negative effect of export-led economies on human rights, suggesting that increased trade and FDI can also have a detrimental impact on women's civil rights. In contrast, our study reveals that countries with greater openness to FDI tend to exhibit better civil rights for women. These results hold true across a global sample of 150 countries and in a sub-sample of high income countries.

However, it is important to note that we did not find a significant impact of FDI on women's civil rights in low-middle income countries. This finding aligns with the conclusions of Neumayer and Soysa (2011) to some extent, but also offers a refinement. It suggests that the impact of FDI in low-middle income countries depends on the strength of the social and political institutions within each specific country. Overall, our findings contribute to a better understanding of the relationship between FDI and women's civil rights, highlighting the importance of considering the institutional factors that shape the impact of FDI, especially in developing countries. Specifically, democracy emerges as a critical determinant of women's civil rights, particularly in developing countries. It is essential for countries to reach a certain level of democratic development in order to fully benefit from the positive effects of FDI on women's rights. This can also mean that countries which have stronger democracy, they have already created a favourable environment for women to advocate for and attain better rights. The research by Paxton et al. (2010) supports this notion and underscores the importance of democratic institutions in shaping the trajectory of women's rights in relation to FDI.

When we divide our sample into pre and post-globalisation era we find that FDI has a positive impact only on the post globalisation era (1991-2018). These results contrast with Richards and Gelleny's (2007) findings that, FDI has no significant impact on woman's social rights both in the pre-globalisation and post globalisation era. We argue that FDI has a positive impact on women's civil rights in the post globalisation era. One of the possible reasons of these opposing results is that Richards and Gelleny (2007) used a relatively small number of observations and a shorter time period for post globalisation era (1991-2003). Whereas we use a more balanced data and an appropriate longer time series statistical approach (1991-2018), for the post globalisation era, which provides a more comprehensive explanation of influences on FDI on women's civil rights during the globalisation era.

Upon examining the subcomponents of the Women's Civil Liberties Index, we discovered that there is a positive correlation between an increase in FDI inflows and greater opportunities for women to move freely, exercise property rights, and be free from forced labour. Specifically, with regards to forced labour, it is widely acknowledged that such practices violate human rights, and democracies are generally perceived as being more protective of human rights (Poe, Tate, and Keith, 1999). Consequently, one would anticipate that countries with democratic systems have a lower incidence of forced labour. These findings highlight the potential role of FDI in promoting women's freedom of movement, property rights, and protection against forced labour, while also emphasising the significance of democratic governance in safeguarding human rights.

We have taken measures to address potential reverse causality through instrumental variable regression, and our findings remain consistent and reliable. Tentatively, our results indicate that as countries embrace greater openness to global markets, there is an improvement in fundamental women’s civil rights. However, it is worth noting that a higher level of economic integration with trade, as measured by the sum of exports and imports as a percentage of GDP, does not appear to have any discernible impact. These results suggest that the relationship between trade and labour rights is complex and warrants further investigation.

## 5.7 Conclusions

The existing body of research on women's rights and economic globalisation have only addressed some aspect of women’s rights and have often done so using case study or country specific analysis. Consequently, no comprehensive conclusions regarding the impact of FDI on women's social or civil rights can be definitively drawn from the existing literature. Additionally, we are not aware of any previous study that has systematically investigated the connection between FDI and forced or compulsory labour.

Based on our quantitative analysis of a global sample of 150 countries, our findings suggest a positive association between a country's openness to FDI and women's civil rights. We observe that in countries that are more open to FDI, women tend to have better civil rights, and there is a lower incidence of forced labour. These results provide support for the notion that FDI can contribute to improving women's rights and reducing the prevalence of forced labour. However, it is important to consider the limitations of our study and the potential influence of other factors that may also contribute to these outcomes.

We can also confirm that the effect of FDI on the enjoyment of women’s civil rights is only visible in developed countries. We also found that democracy plays an important role in improving women’s rights via FDI link. This effect is robust towards excluding high countries from the sample and upholds in instrumental variable regression analysis. Contrary to interaction term of FDI and democracy, we find little evidence that the penetration of FDI has a direct effect on civil liberties in low-middle countries without controlling for democracy. There may be several explanations for this. One plausible reason is that institutional factors such as democracy and cultural norms are quite significant in developing countries, that this becomes a precondition of achieving women’s civil rights. Second, there is high inflows of FDI in poor but resource-rich, countries where the governments make little or no investment in the modernisation of the economy which could help adopt better norms and cultures from higher standard countries (Neumayer & Soysa , 2007). In our study, we acknowledge that the nature of FDI may have an impact on our findings. Unfortunately, due to limited availability of comprehensive data on disaggregated types of FDI, we were unable to incorporate this aspect into our analysis. Additionally, it is worth considering the source of FDI, as it might also play a role in influencing women's civil rights.

Future research could explore potential differences between FDI originating from Western democratic countries and FDI from other regions such as South-East Asia. By investigating these distinctions, we may gain further insights into the specific dynamics and effects of different sources of FDI on women's rights. FDI’s impact can also be influenced by cultural norms of the developing countries, which, due to lack of available data, we were unable to include in our analysis. Finally, this study concludes our analysis of the effects of FDI and freedom of forced labour. We find consistent results that FDI has positive impact on women’s freedom of movement, freedom from forced labour, and women’s property rights. Neumayer & Soysa (2005a) showed that countries where there is strong penetration of FDI have a lower incidence of child labour, which could also be true for female labour.

# 6 Discussion, Conclusions and Recommendations

In this final chapter we summarise the main empirical findings of this study, the contributions to knowledge, and the potential limitations and scope for future research. This thesis has attempted to fill significant gaps in the literature around the gender impacts of FDI. It has revisited the impacts on FLFP and wage gaps but, in addition, has investigated the impacts of FDI on other measures of women's rights, divided into economic political and civil rights, using datasets that have become available more recently, in particular, we use the V-Dem dataset. Compared to the more widely used CIRI index measuring women's rights, V-Dem is a more comprehensive dataset of women's rights and offers superior temporal scope and country coverage (Coppedge et al., 2020). We extend the existing literature by dividing our analysis between low-middle income and high income countries. This is important because the impact of FDI can depend on a number of factors, including host country's income level and development stage, the policy environment, and the overall capacity of the host economy to absorb the benefits of FDI (Khordagui & Saleh, 2013).

FDI net inflows are defined as the balance of the value of total direct investments made by foreign investors into a host economy. Generally, FDI tends to have a positive impact on economic development through increasing productivity of local firms, facilitating capital mobility, enabling technology and knowledge spillovers, and increasing employment in the host economy (Javorcik, 2004; Lipsey & Sjöholm, 2004; Kim, 2015). However, FDI can bring several negative impacts on a host economy, despite its potential benefits. Increased competition from MNCs can crowd out domestic companies which may struggle to compete with larger foreign firms. This could lead to job losses and an increase in unemployment. Moreover, it can contribute to wage inequality by increasing the wage gap between skilled and unskilled workers (Seguino & Braunstein, 2019). These effects of FDI, whether positive or negative, can vary depending on factors like the regulatory environment, industry, and specific circumstances.

Research has also shown that FDI can contribute to women's economic empowerment by creating employment opportunities, enhancing access to formal markets, and improving working conditions (Aseidu, 2009). Increased FDI inflows have been associated with higher FLFP and increased wages for women in various industries (Blunch & Verner, 2001).

The connection between women and FDI is increasingly becoming a matter of importance, capturing the attention of policymakers. Extensive evidence supports the notion that improving women's rights acts as a catalyst for economic growth and contributes prosperity (Bui et al., 2018). FDI is also an agent of economic growth which has potentially important implications in fostering positive economic outcomes in the host countries. These views highlight the importance of prioritising gender equality in the context of FDI, as it not only potentially fosters social progress but also improves economic outcomes for the host country.

By recognising and understanding the impacts of FDI on gender, policymakers can effectively shape strategies that promote women's empowerment, thereby reaping the benefits of enhanced economic development and overall societal well-being. With women's rights and their impacts on society being increasingly prominent in global policy discussions (for example in SDG Goal 5), this is an issue that warrants urgent and deep investigation.

## 6.1 Gaps in the Study

There is extensive literature regarding the impact of FDI on labour markets. Despite extensive research on the impacts of FDI on labour markets, including wages and other outcomes, there remains a significant gap in empirical evidence regarding the specific impact of FDI on gender-related outcomes (Helble & Takeda, 2020). For instance, many authors of these literatures argue that foreign owned firms generally pay higher wages compared to local firms and provide improved worker's rights and better working conditions. However, very few studies focus on the impacts of FDI on gender or women's rights.

Promoting gender equality and women's rights is crucial for driving economic growth, advancing social development, and improving business performance (Helble & Takeda, 2020). The studies that focus on FDI and gender mostly use a single gender specific indicator, in particular FLFP or the gender wage gap. The approach focusing on FDI and female employment conditions does have implications for how a country's structural reforms and global integration affect women, but it does not answer important questions beyond employment and wages, notably whether FDI plays any role in improving women's fundamental rights and contribute to women's empowerment. To the best of our knowledge, there are only a few existing studies empirically investigating the impact of trade and FDI on women's fundamental rights – although these have been limited by the availability of data at the time. Among them, Neumayer and Soysa (2007, 2011) and Richards and Gelleny (2007) show that economic globalisation, in terms of FDI and trade, positively affects women's economic and social rights. However, these studies limit their analysis to the CIRI dataset. Although this dataset it widely used, it only focuses on government sanctioned rights given to women, mainly on economic and social rights.

We aim to address these research gaps by exploring the impact of FDI on women's rights in three distinct domains: economic, social, and political using a new dataset: V-Dem dataset. The V-Dem dataset not only includes rights officially sanctioned by governments but also includes rights granted to women within society. A more in-depth exploration of this dataset provides us with insights into how FDI can impact women's rights in the most intimate aspects of their lives. Our approach involves a combination of single variables, such as FLFP, as well as multiple indexes and their subcomponents.

In contrast to other studies that rely on single country or case specific analyses, our research uses data from 150 countries spanning the period from 1970 to 2018. This extensive dataset allows us to categorise countries by income levels, providing valuable insights into how the impact of FDI varies among different income groups.

## 6.2 Summary of the Findings

This research addresses three research sub questions following an overarching research question: Does Foreign Direct Investment affect women's rights? RSQ1 What are the impacts of FDI on women's economic rights? RSQ2 What are the impacts of FDI on women's political rights; RSQ3 What are the impacts of FDI on women's civil rights?

1. In **Chapter 3** we investigated the impact of FDI on women's economic rights with panel dataset of 150 countries over the period 1970-2018. We have used four different models and 4 different dependent variables as proxies of women's economic rights. We sought answers to the research sub question (RSQ 1): "What are the impacts of FDI on women's economic rights". To address this research sub question we have developed 3 hypotheses which are presented in Table 6-1. With regards to the hypotheses in chapter 3, we can confirm that we do not reject **H1**, as we find positive impacts of FDI on FLFP, using the full sample of countries. However, when we separated the countries into two income groups, we found significant differences in the results. The results show that FDI has a negative impact on FLFP in low-middle income countries, while FDI has a positive impact

on FLFP in high income countries. Previous research mostly looked at one single country or OECD/high income countries, which generally yielded a positive effect on FLFP. Our findings therefore add important insights into even the most widely studied variables in the existing literature.

In addition, our study goes beyond previous literature, to show that the effect of FDI can vary by income groups. One explanation of the negative results for low-middle income countries is that, in establishments where women are often employed in low-skilled and low-paid jobs, the FLFP rates start to decline when there is an investment in machinery and equipment. This results in long-run effects of defeminisation of the workforce (Seguino, 2000; Seguino & Braunstein, 2019). This suggests, that when there is a technological upgrade due to FDI, this may lead to a decline in the employment of low skilled workers, particularly women. These findings suggest the nature of FDI and its impact on the female labour force can vary across countries and industries, therefore it is crucial to consider the quality of the jobs created by FDI in terms of wages and working conditions.

We also found that FDI's effect on FLFP is negative for women aged between 15-24 in low-middle income countries and positive for women aged 25+ in high income countries. These findings are similar to Cooray et al. (2012). The rationale for this is that many young women are forced to work in low paid jobs out of necessity, especially in low-middle income countries. When there is a potential rise in household income or father's or spouse's income due to an increase in FDI, younger women can stay out of work and invest in education. In contrast, as Ouedraogo & Marlet (2018) stated, FDI can create better opportunities for middle class mature women in the corporate sector. This can potentially help explain the positive relationship we found between FDI and FLFP aged 25+. With more gender equal practices in hiring and other benefits, MNCs tend to give more opportunities to women and provide better working conditions. Thus, FDI may lead to a rise in FLFP for women aged 25+.

We put our second hypothesis, **H2**, to the test, by investigating the impact of FDI on the Women Business and the Law Index. Our analysis yielded no significant results for the relationship between FDI and this index, both for full sample and the disaggregated sample. As a result, we reject hypothesis **H2**.

Additionally, we investigated how FDI affects women's access to state jobs and access to state businesses. This analysis is tested using last hypothesis for this chapter **H3**. We do not reject **H3**, since we found evidence of positive impacts of FDI on both the indicators (access to state jobs and access to state businesses). Nevertheless, it is worth noting that these positive and statistically significant impacts were observed exclusively in high income countries. We find no evidence of an impact of FDI on access to state jobs and businesses in low-middle income countries.

2. **Chapter 4** focuses on the possible impacts of FDI on women's political rights. The research sub question we are trying to address in this chapter: What are the impacts of FDI on women's political rights? To answer the sub question we developed 2 hypotheses in chapter 4 (see table 6-1). We used two proxies for political rights, Women's Political Participation Index and Women's Civil Society Participation Index. We test the first hypotheses **H1** by analysing the impact of FDI on Women's Political Participation Index, on the full sample and sub samples of countries, respectively. The results suggest that FDI does not have a significant impact on Women's Political Participation Index, both in the full sample and sub samples. This leads us to reject **H1.** However, we found FDI to be positively impacting one of the subcomponents of the Index *(Freedom of Discussion)*, but only in high income countries. One reason could be that FDI, especially efficiency seeking FDI, itself is not a driving force in improving women's political rights, because the main interests of FDI inflows in low-middle income countries is to maximise profits and not necessarily to empower women (Sen, 2001; Cagatay & Erturk, 2004). We also examine the impact of FDI on Women's Civil Society Participation Index for full sample and two subsamples of countries. We test this using hypothesis **H2**. We did not find any significant impact of FDI on Women's Civil Society Participation Index, for the full sample. However, when we disaggregated the data by income groups, the impact varies. The results suggest that FDI has a positive impact of women's civil society participation in high income countries only.

3. C**hapter 5** focuses on the impact of FDI on women's civil rights. We use V-Dem's Women's Civil Liberties Index as a proxy of civil rights. We test this using hypothesis **H1**. We do not reject **H1** as we find evidence that FDI affects Women's Civil Liberties Index positively, in the full sample. The results suggest that women in countries that are more open to FDI have better civil rights and there is less incidence of forced labour. However, the positive effects of FDI on women's civil rights are only significant in high income

countries. We also found that democracy plays an important role in improving women's rights via FDI. This effect is true when excluding high income countries from the sample and upholds in instrumental variable regression analysis. That said, we find little evidence that FDI has a direct effect on civil rights in developing countries without controlling for democracy. This suggests the significant role that institutional factors such as democracy play in developing countries, that this becomes a precondition to achieving women's civil rights. Although, there are high inflows of FDI into poor but resource-rich countries, investment by the governments in the modernisation of the economy which could help spread better women-related norms and cultures from higher standard countries (Neumayer & Soysa , 2007).

Table 0-1 Summary of Results

| Hypotheses | Dependent Variable | Country Sample by Income | | |
|---|---|---|---|---|
| | | All | Low-Middle | High |
| **Chapter 3 Research Question: What are the impacts of FDI on women's economic rights?** | | | | |
| **Hypothesis H1:** On average, FDI will positively affect FLFP | Female Labour Force Participation | **Positive and Significant** | **Negative and Significant** | **Positive and Significant** |
| **Hypothesis H2:** FDI will positively impact gendered laws in economic freedom | Women Business and the Law Index | Positive and Insignificant | Positive and Insignificant | Negative and Insignificant |
| **Hypothesis H3:** FDI will positively affect women's access to state jobs and businesses | Access to State Jobs<br>Access to State Businesses | **Positive and Significant** | Positive and Insignificant | **Positive and Significant** |
| **Chapter 4 Research Question: What are the impacts of FDI on women's political rights?** | | | | |
| **Hypothesis H1:** FDI inflows positively affect women's political participation | Women's Political Participation Index | Negative and Insignificant | Negative and Insignificant | Positive and Insignificant |
| **Subcomponents** | Freedom of Discussion | | | |
| | Low Chamber Female Legislators | Negative and Insignificant | Positive and Insignificant | Positive and Insignificant |
| | Power Distributed By Gender | Negative and Insignificant | Positive and Insignificant | Positive and Insignificant |
| **Hypothesis H2:** FDI inflows positively affect women's civil society participation | Women's Civil Society Association Index | Negative and Insignificant | Negative and Insignificant | **Positive and Significant** |
| **Subcomponents** | Freedom of Discussion | **Positive and Significant** | **Positive and Significant** | **Positive and Significant** |
| | % of Female Journalists | Positive and Insignificant | **Negative and Significant** | **Positive and Significant** |
| | Civil Society Participation | Negative and Insignificant | Negative and Insignificant | Negative and Insignificant |
| **Chapter 5 Research Question: What are the impacts of FDI on women's civil rights?** | | | | |
| **Hypothesis H1:** FDI will positively affect women's civil rights | Women's Civil Liberties Index | **Positive and Significant** | Positive and Insignificant | **Positive and Significant** |
| **Subcomponents** | Freedom of Movement | **Positive and Significant** | Positive and Insignificant | **Positive and Significant** |
| | Freedom of Forced Labour | **Positive and Significant** | **Positive and Significant** | **Positive and Significant** |
| | Access to Justice | Positive and Insignificant | Positive and Insignificant | Positive and Insignificant |
| | Women's Property Rights | **Positive and Significant** | Positive and Insignificant | **Positive and Significant** |

Our **overall analysis** from the three empirical chapters provides answers to our main research question: **Does Foreign Direct Investment affect women's rights?** We have enough evidence of positive spillover effects of FDI on women's rights. We have discovered additional evidence that the positive impacts are more visible in high income countries, when compared to their low-middle income counterparts. This discrepancy can be attributed to the host countries' absorptive capacity. Host countries with well-functioning institutions and sound policies are better positioned to harness the advantageous outcomes stemming from FDI.

We have also found that the effects are strongest and more visible for women’s economic rights, as previously stated FDI has been one of the major factors of creating employment for women. Moreover, there are theoretical evidence that discussed the diffusion and learning effects of FDI from foreign firms to local firms to the overall society. When MNCs as a result of FDI, brings in new jobs and technology transfers to the host countries it also transfers gender equal norms from the host countries to the home countries which further gets transferred to the local firms and the overall society. This spillover effect benefits women.

Our finding of a positive impact of FDI on FLFP, can be explained by Dunning’s OLI framework, focusing on the location advantages. These advantages are in the form of available natural resources, cheaper labour or capital input endowments (Dunning, 1995). Location advantages indicate that the MNCs have a tendency to move all or part of the labour-intensive elements of production abroad to reap the benefits of cheaper production costs. This can attract more FDI into a country and increase the demand for female labour. Efficiency-seeking FDI involves MNCs, seeking cost advantages in foreign markets. If women's labour costs are cheaper than men's, efficiency seeking foreign investors may seek to take advantage of lower labour costs by employing more women in their operations. This could potentially lead to an increase in the FLFP rate, as companies hire more women to benefit from cost advantages.

Elson and Pearson (1981) argue that competitive pressures drive companies to prefer female labour. This is because women's wages tend to be lower than men's, making the employment of female labour more cost-effective, but also employers perceiving women as being more "productive." It is argued that companies regard women as more obedient and less inclined to engage in worker unrest (Lim, 1983; Braunstein, 2006). The combination of cheaper labour and higher productivity that explains the positive effect on FLFP for such employment opportunities. Additionally, if FDI is export-oriented, it is more likely to take advantage of comparative advantages in labour-intensive manufacturing, which more typically employs women (Nowbutsing & Ancharaz, 2011).

However, FDI can impact FLFP negatively as well, as is the case with our results for low-middle income countries. The continuing process of industrial upgrading in developing economies has a defeminisation effect on manufacturing and women's shift to services sectors in developing countries are rare (Bussmann, 2009). This results in, women finding themselves returning to informal sector employment, including roles in agriculture or home-based work for manufacturing firms (Madeira, 2022). This trend has been observed in Southeast Asian countries like Indonesia, Malaysia, and Thailand, which have substantially upgraded their industrial capacities. Despite decades of employment growth for women in labour-intensive manufacturing, these countries have witnessed a decrease in the proportion of women engaged in manufacturing (Tejani and Milberg, 2016). This explains a reversed feminisation trend observed in low-income countries like India, Bangladesh, Malaysia, and the Republic of Korea (Braunstein in 2006).

When we divided our analysis between two age groups of FLFP, we found that the impact of FDI is negative on FLFP for ages 15-24 in low-middle income countries and positive on FLFP for age group 25+ in high income countries. These findings can be supported by Wacker et al. (2017) who also found that FDI and trade have negative impact on FLFP and this impact is strongest for younger women. This is due to the potential rise in household income which provides incentives for young women to stay out of the labour force and invest in their education, which would help them to achieve a higher skill premium because of the globalisation process. They highlighted that a negative impact of FDI on younger groups of FLFP does not necessarily mean an adverse outcome. In many developing countries young women may join the labour force out of necessity, therefore a negative impact of FDI on young FLFP can simply mean that they prefer not to join the workforce, or to join later, due to a rise in income of fathers or spouses due to FDI (Cooray et al., 2012; Wacker et al., 2017).

Although the positive results are weak for political rights and civil rights, these results suggest that FDI does not provide any harmful effects on women's rights, both in low-middle income and high income countries. If anything, however it generally has modest positive impact on women's political and civil rights.

As discussed in Chapter 2, Section 2.3.3, the United Nations declared that all rights are interdependent and indivisible. The Proclamation of Tehran, adopted by the General Assembly on the 20th anniversary of the UDHR in 1968, stated "Since human rights and fundamental freedoms are *indivisible*, the full realisation of civil and political rights without the enjoyment of economic, social and cultural rights is impossible". According to this assembly the economic rights are a necessary condition for the attainment of other rights. Thus, these findings have some important implication for further research and policy discussions. Since we have found strong evidence of positive effects of FDI on women's economic rights, FDI has the potential to improve overall women's rights through economic rights given the indivisibility of rights. If FDI can improve women's economic rights through job creation and higher wage and better gender equal norms, it will have a positive spillover effect on women through women's experience in working in a paid job and gaining, communication skills and greater personal autonomy.

On the other hand Daniel Kaufman who looked at the interdependence of rights between the first generation rights (civil and political) and the second generation rights (economic and social), found that in order to achieve the second generation rights, first generation rights (civil and political) must be met, and that the attainment of political and civil rights causally affects a country's level of respect for the economic and social rights. In this case, we have found in our results for political and civil rights, that democracy plays an important role in affecting political and civil rights. There is empirical evidence from this study and from previous studies that democracy is strongly associated with political rights and civil rights.

Democracy is also strongly associated with the protection of workers' rights, such as collective bargaining and freedom of association (Cingranelli & Chang-yen Tsai, 2003). Sen (1990) argues that in a democratic system, the exercise of fundamental political rights and freedoms, such as freedom of assembly and association, increases the likelihood of a policy response to the basic needs of citizens. From our findings, our argument is that democracy plays an important role in order for FDI to have a significant impact on political and civil rights specially in the low-middle income countries. In some countries, political and social institutions are so deeply rooted that this becomes a precondition of achieving women's political and civil rights. The spillover effects of FDI will be ineffective or weak especially in the low-middle income countries where institutions such as democracy is weak or where the governments make little or no investment in promoting or protecting basic human rights.

Therefore, it is important to recognise that FDI alone does not guarantee the improvement of women's civil and political rights. The extent to which the positive effects of FDI is penetrated into the host country to improve women's civil and political rights, depends on the overall political environment, legal frameworks, gender norms, and societal attitudes towards gender equality. Governments, civil society organisations, and international actors must be proactive in creating environments and policies that support women's political participation and empowerment.

## 6.3 Academic Contributions

By addressing the aforementioned RSQs this thesis, makes the following contribution to the literature on the FDI and women.

The main argument of this thesis is that although previous research has found mixed results on the effect of FDI on women, there are generally positive spillovers via FDI that improve women’s rights.

Most previous studies found positive impact of FDI on FLFP, whereas we found both positive and negative impact of FDI on FLFP. We argue that the impact of FDI varies across different income levels of countries. Studies that yielded positive outcomes either had a narrow focus on particular countries or regions or examined earlier time-periods. In contrast, a large sample of 150 countries, allowed for a much broader investigation of the impacts of FDI on women, being able to differentiate between high and low-middle income countries. In addition to that, our research expands considerably the time period analysed. This has allowed us to identify the reverse U-shaped pattern in FLFP, a phenomenon discussed by recent studies on the defeminisation of FLFP (Greenstein & Anderson, 2017; Madeira, 2022).

To the best of our knowledge, there are very few studies that have investigated the relationship between FDI and FLFP across various age groups. Among them Cooray et al. (2012) and Sangha & Riegler (2020) conducted such research. Therefore, we contribute to the limited strand of literature on FDI and FLFP with different age cohorts.

Furthermore, the limited previous studies that focused on multiple dimensions of women’s rights, analysed the impact of FDI only on economic and social rights using the CIRI indicator, whereas this study shifts attention to women’s civil rights as well as economic and political rights. The CIRI data was limited between 1990 and 2011, which resulted, in limited scope of analysis in terms of years. Additionally, the data for social rights was discontinued in 2007 (Shuaibi, 2021). In contrast we use the V-Dem dataset, which is more comprehensive, covering a time period from 1970- 2018 and divided the large sample of countries into two sub samples. This is important, as it can then capture differences based on a country’s structural, economic or cultural differences. Finally, the larger dataset allows us to estimate our results using more advanced techniques. Using two way (country and year) fixed effects estimation we reduce potential parameter biases caused by unobserved cross-country heterogeneity which is not accounted for in OLS models.

## 6.4 Policy Implications

The study concludes by discussing how the governments and international organisations can incorporate investment policies to promote gender equality, consistent with the sustainable development goal. There is a growing interest of policy makers to focus on the gender effects of FDI on the host countries, because greater understanding of the role of FDI can bring in multiple gains for a country. Our findings can raise awareness of policymakers in host countries to the need to create a supportive environment for FDI that promotes gender equality, including measures to address gender-based discrimination and ensure equal opportunities for women in the labour market (World Bank, 2019).

Through our findings on the impact of FDI on women's rights we argue that FDI and international treaties have the potential to be the important mechanisms for improving women's rights and gender equality in the countries they operate.

### 6.4.1 Aligning International Objectives like SDGs with FDI, Gender Equality and Labour Market

Improving the effect of FDI on gender equality requires alignment between policy goals and measures across several policy sectors, including investment, gender equality, labour markets, entrepreneurship, SMEs, and human resource development. Creating a comprehensive policy framework for promoting investment, firmly connected to the SDG goals, including those related to gender equality, is important to promote awareness about the impact of FDI on sustainable development. It also serves as a catalyst for focused policy initiatives. This would make sure that the flow of FDI in specific sectors or regions does not worsen existing gender disparities, but instead contributes to gender equality objectives (OECD, 2021).

### 6.4.2 Introducing Global Labour Standards

Foreign investment flows are often regulated by International Investment Agreement (IIA) Treaties. These treaties are signed by the host economy government and the home government of the investor. IIAs have the capacity to enforce global labour standards, such as the 1998 ILO Declaration on Fundamental Principles and Rights at Work, which emphasise the respect for various specific rights within the workplace. These rights are directly linked to gender equality at work and include freedom from forced or compulsory labour, equal employment opportunities and pay, the right to engage in collective bargaining, and the elimination of child labour. By implementing these policies, the race to the bottom phenomenon, commonly observed in developing nations seeking to attract FDI, can be mitigated. Such regulations would limit governments' ability to compete for foreign investment by exploiting cheap labour in their countries.

Furthermore, MNCs, as a result of their involvement in FDI, can contribute to gender equality by adhering to international standards on gender equality when operating in host countries. Given that MNCs are an outcome of FDI, their activities in the host economy can facilitate the promotion of gender equality norms. MNCs can align themselves with international guidelines, such as the UN Women's Empowerment Principles (WEPs), which commit them to uphold their responsibilities towards women. The UN WEPs consist of a set of guidelines and principles aimed at promoting gender equality and women's empowerment. The WEP principles provide a framework for businesses and organisations operating within a specific country to advance gender equality in various aspects of their operations and corporate culture. Although the UN WEPs are more commonly associated with MNCs, they can also be applied at the domestic level to foster gender equality within local businesses and industries. When MNCs engage with internal and external stakeholders in the host countries they may promote a gender-sensitive ecosystem of companies that drive the gender equality agenda forward throughout the value chain. MNCs can encourage their local suppliers, business partners and investors to commit to the WEPs too. This will create a spillover effect of the international policies into the domestic markets (UN WOMEN, 2022).

The UN Women's Empowerment Principles (WEPs):

Principle 1: Establish high-level corporate leadership for gender equality

Principle 2: Treat all women and men fairly at work – respect and support human rights and non-discrimination

Principle 3: Ensure the health, safety and well-being of all women and men workers

Principle 4: Promote education, training and professional development for women

Principle 5: Implement enterprise development, supply chain and marketing practices that empower women

Principle 6: Promote equality through community initiatives and advocacy

Principle 7: Measure and publicly report on progress to achieve gender equality

Applying the UN WEP to MNCs and FDI, it is also necessary that the MNCs evaluate a countries gender situation before investing, provide additional training and make measurable targets to reduce gender skills gap, enforce a clear policy of equal treatment in all hiring processes, offer family and childcare benefits to women to reduce the burden of unpaid work for women in the private sphere, and support local women owned business by including them in there supply chain and work with them in capacity building (Dawar, 2021).

Host governments can negotiate IIAs to incorporate ILO fundamental rights and introduce domestic standards in the FDI and investment contracts so that the contracts have clearly defined gender equality targets in the domestic policies. Effective government procedures can easily align the gender equality and social inclusion with the IIAs treaties and reinforce FDI activities towards positive impacts on human rights, health and safety, better working conditions and gender inclusiveness in host countries. FDI can make a significant social, political and environmental impact. From our analysis and previous evidence we already know that FDI can play both a role in the host country, host country government can craft the rules to mitigate the negative consequences for social welfare and sanction policies that will enhance the positive consequences of FDI activities.

### 6.4.3 Fostering Domestic Policies to Promote Gender Equality

As long as the gender inequalities in education and access to basic resources is large in the host countries, benefits from FDI in industries which mainly hire women, will always be constrained and women can even be made worse off (Bui et al., 2018).

From this perspective, providing social welfare support for women's healthcare and education becomes a crucial step in strengthening the connection of FDI in women's industries and promoting gender equality. A well-educated and highly productive female workforce is crucial for enhancing the positive impact of FDI on gender equality. Such a workforce can attract technology-intensive FDI, which, in turn, generates higher-quality employment opportunities for women. In countries with comparative advantage in low skilled, labour-intensive production, it can facilitate women to transfer to alternative or better employment opportunities as technology advances and wages increase (OECD, 2018). In several countries, women are still faced with restricted access to healthcare services due to their economic status and various cultural and social barriers. This can detrimentally affect their health and present additional barriers to their engagement in the labour market (OECD, 2017) A healthcare system that is universally accessible is a crucial requirement for fostering a productive workforce and empowering women to take advantage of the economic opportunities brought about by positive domestic FDI. Policies should focus on reducing the gender gap in education and healthcare in order to enhance the benefits of international investments on gender equality.

### 6.4.4 Integrating Domestic and Investment Policies to Foster Gender Equality

Governments can ensure Gender Equality and Social Inclusion (GESI) into investment decisions through specific initiatives. **Gender specific** policies can be implemented focusing on one group such as women’s health or women’s education. Incorporating **gender sensitivity** by promoting gender norms and awareness of gender bias issues can also promote gender equality. **Gender responsive** programmes can also be introduced where gender roles and inequalities are discussed and actively addressed through action plans, such as women’s business training initiations or investing in women’s education. **Gender-transformative** policy can be introduced to transform gender stereotypes and discrimination, such introduction and enforcement of equal remuneration for work of equal value and providing equal maternity leave and other benefits (Dawar, 2021).

The GESI framework can serve as a performance requirement for FDI. These mandates can be conditions that must be met in order to gain permission to invest in a country or to qualify for certain incentives such as subsidies or tax exemptions provided by the host government.

Performance requirements, specifically those related to fostering gender equality, can be made a condition for market access for an FDI. For example, MNCs could be required to hire a specific number of women for specific durations or to increase female workforce in skill-intensive and non-production roles.

Although trade agreements such as the WTO's agreement on Trade Related Investment Measures (TRIMs), prohibits performance requirements that are considered trade-distorting, they permit performance requirements that are consider nontrade distorting", such as rules related to local hiring practices. Therefore, governments would be permitted to require that FDI promotes workplace gender equality and promote positive discrimination towards women in recruitment practices and promotion, wherever feasible. This approach would also allow for the employment structures and training in a way that fosters gender equality.

### 6.4.5 Capacity Building of Stakeholders

Gender capacity building can strengthen the ability of the policy makers and investors to effectively implement and assess policies, ensuring equitable benefits for both men and women from FDI. One useful capacity building initiative was undertaken by the OECD, Toolkit for Mainstreaming and Implementing Gender Equality (OECD, 2023). The toolkit illustrates broadly how to make public bodies more aware of and responsive towards gender sensitive matters. This tool kit can help policy makers to design the policies keeping gender in mind and enabling women's equal access to public decision making. It can be used by both, the governments and MNEs, as a common framework to systematically reduce gender disparities at workplace and within communities.

The governments of host countries possess the ability to foster enhanced domestic policies by utilising IIAs enabling foreign companies to contribute to the advancement of gender equality within the host nations. Consequently, the potential advantages of FDI for women can be significantly enhanced through the implementation of IIA treaties and domestic investment policies. The aforementioned policy toolkit demonstrates the clear capacity of governments to shape investment policies in a manner that strengthens the benefits of foreign investment, thereby facilitating improved access for women to vital resources such as physical, financial, and human capital. This, in turn, carries profound implications for women’s empowerment.

Women’s skills development and upgrading is essential for improving women’s job opportunities both domestically and in foreign corporations. Especially in developing countries, investing in women's skill development can reduce the risk of women stuck in low-skilled positions or informal employment with low wages (Braunstein, 2008). In addition to providing equal access to education, governments can also implement training programs that align with the needs of domestic and foreign firms. These initiatives can be coordinated with different companies training facilities or universities. Furthermore, governments can offer certifications and qualification programs in obtaining specific skillset from the training programmes, which can be demonstrated to prospective employers (Kronfol et al., 2019).

### 6.4.6 Reshaping Gender Stereotypes

In host countries, women might encounter challenges in accessing job opportunities created by MNCs, because of social and cultural barriers created by the society. Social norms play a significant role in defining the acceptable societal roles for both women and men, thereby influencing women's opportunities. In many developed and developing countries, there persists a prevailing notion that men are primarily responsible for providing financial support for their families, while unpaid caregiving responsibilities are traditionally associated with women (OECD, 2017). These gender stereotypes can influence women’s participation in low-value added sectors in the labour markets including labour-intensive and manufacturing jobs.

Reshaping these societal gender norms and culture can enhance women’s participation in the labour force and maximise the beneficial effects of FDI on gender equality. This can be achieved through public awareness initiatives and information campaigns aimed at altering conventional gender roles both in society and the workplace. Educational institutions can play a pivotal role by implementing programs that focus on female students and their teachers, striving to eliminate disparities in learning and teaching approaches.

### 6.4.7 Policy Implications Across Different Income Group Countries

FDI may have varying impacts on low-middle income and high income countries, based on the countries' development and institutional structures. In most cases we found that the positive impact of FDI is stronger for high income countries.

Due to structural and cultural differences the policies implemented to promote gender equality should vary according to a countries development. Our results suggested a positive effect of FDI on a number of gender-related variables, including women's access to state jobs and state business in high income countries. This could be further promoted in these countries; efforts can focus on strengthening and expanding existing gender equality policies and programs, ensuring they remain relevant and effective in addressing contemporary challenges. In high income countries, gender policies are deeply integrated into the operations of all government ministries and agencies, facilitating a more comprehensive approach to promoting gender equality (OECD 2022).

For example, Canada and Sweden have undertaken significant efforts to include gender equality into their policy frameworks, with different approaches and focal points.

In Canada, Women and Gender Equality Canada operates as a dedicated ministry, while Sweden incorporates gender perspectives through a Minister of Women who holds a cabinet position. Notably, Sweden has formalised its commitment to feminism at the governmental level. While Sweden has implemented a comprehensive gender mainstreaming program across over 60 government agencies from 2013 to 2019, Canada's gender initiatives are more decentralised, spanning federal and provincial levels (OECD 2022).

Canada introduced numerous programs dedicated to supporting women in business across various ministries and agencies. Business Development Canada, Canadian Trade Commission, and Innovation, Sciences and Economic Development Canada are some examples. The Women Entrepreneurship Strategy, by Innovation Science and Economic Development Canada, offers funding and networking opportunities for female entrepreneurs. Business Development Canada provides specific programs tailored to women business owners, while the Canadian Trade Commissioner Service runs the Business Women in International Trade Initiative, facilitating mentorship, capacity building, and trade missions for women-led businesses, seeking to engage in global markets.

Governments should also provide financial and technical assistance to support women entrepreneurs in accessing the capital and skills necessary to develop business linkages with foreign MNEs. This support can include access to financing, mentorship programs, training workshops, and networking opportunities tailored to the needs of women-owned businesses. Remove regulatory barriers that hinder women entrepreneurs from seizing opportunities generated by the presence of foreign MNEs, such as business opportunities along MNE value chains and technology and productivity spillovers. This may involve revising laws and regulations that disproportionately impact women, ensuring equal access to markets, resources, and information, and promoting a favourable business environment for women-led enterprises.

In contrast to high-income countries, we found some evidence of positive effects of FDI in low-middle income countries, but the impacts were either statistically insignificant overall, or limited to certain variables. An important discovery in our research revealed that in low-middle income countries, FDI has a negative effect on female labour force participation. We discussed how these countries experience a decline in the proportion of female workers, known as defeminisation, as they transition from labour-intensive to capital-intensive production methods. Therefore, during the initial phases of globalisation in low-middle income countries, a significant number of non-working or low-skilled women transitioned from informal or agricultural sectors into formal employment as part of the industrialisation process. However, as these developing countries progress and adopt more technologically advanced, capital-intensive production methods, which demand higher skill levels, women, who are predominantly concentrated in low-skilled, labour-intensive sectors, face displacement within the labour force due to the increasing demand for skilled workers.

If developing countries continue to attract capital-intensive investment that primarily generates employment opportunities for higher-skilled workers, then women, who are typically categorised as low-skilled, may not reap any benefits from FDI. Moreover, government initiatives aimed at industrial upgrading and attracting capital-intensive investments may disrupt labour markets, leading to significant consequences for societies characterised by a large number of low skilled workers. This impact is particularly pronounced among low income countries, where there is a large skills gap between male and female workers, due to women’s lower levels of education and vocational training compared to men. This skills gap limits women's access to higher-paying and more skilled jobs, pushing them into low-wage and informal employment sectors (World Bank, 2019). Moreover, societal norms and stereotypes dictate the types of work deemed suitable for men and women, leading to a gendered division of labour.

A policy recommendation for the low-middle income countries is to closely monitor the flow of FDI within different sectors. This requires assessing whether FDI is predominantly flowing into labour-intensive sectors where women are more heavily concentrated, or into capital-intensive sectors. Governments must pay close attention to any unintended gendered effects of policies to attract capital intensive FDI especially in countries where women constitute a significant proportion of the population (Madeira, 2022).

Government policies should also focus on skills development programmes for female workers for those women who are at the bottom of the productivity ladder. In developing countries, investing in women's skills development helps reduce the likelihood of them staying in low-skilled jobs or transitioning to informal employment as wages increase (Braunstein, 2009). In addition to ensuring equal access to a high-quality education system, governments have the opportunity to improve women's skill development post compulsory education, through training programs which will match the demands of higher skilled jobs. These initiatives can be executed in partnership with corporations, training institutions, or universities. Moreover, governments can incentivise companies to invest in training for their female workforce, such as through training grants. This approach may be preferable as companies often possess insights into the specific skills lacking in the local job market (Kronfol, Nichols, and Thu Tran, 2019).

However, increasing skills training alone might not always have positive effect on improved women's participation. Women, especially in developing countries, face the highest burden of unpaid work in the home and as a result, are not able to take advantage of opportunities to upgrade their skills. Therefore, even if women possess the necessary skills, gender stereotypes contribute significantly to the persistence of the gendered division of labour, where women face barriers to accessing certain types of employment opportunities. Societal expectations often dictate that women are primarily responsible for caregiving, household chores, and other unpaid work. These traditional gender roles assign women the role of caregivers and homemakers, while men are expected to be the primary breadwinners The unequal distribution of household responsibilities leave women with less time and energy to engage in paid work outside the home.

Governments should focus on raising awareness about the harmful effects of gender stereotypes and bias. Encourage media outlets, schools, and community organisations to promote positive portrayals of women and men in non-traditional roles. Provide training and workshops on unconscious bias for employers and policymakers. Subsidised childcare services are generally absent in low-middle income countries. Merely focusing on education will not suffice to enable women to access higher-skilled employment opportunities unless it is complemented by increased public investment in childcare, early childhood education, and eldercare.

Within labour-intensive export sectors in poor countries, where there is a high demand for female workers due to their being cheap labour, the jobs offered often involve low status, low pay, and hazardous conditions. The ‘quality’ of these jobs, as well as the ability of women to take advantage of these opportunities, is influenced by domestic regulation related to employment (e.g. minimum wage, employment) (Thomas and O’Reilly, 2016). Employment laws and rights are often missing in these low-middle income countries, with the impacts of such employment and social protection policies as do exist tending to be more significant in countries with less developed legal and regulatory structures.  Government policies should ensure that the jobs created by foreign firms are good quality and safe jobs. The government should focus on the minimum wage laws and working conditions of these jobs created by foreign firms. Their effectiveness often increases when negotiated in collaboration with trade unions and representatives of the workforce. (IMF, 2018). Moreover, foreign companies operating within these nations should actively promote awareness regarding gender discrimination and the importance of equal opportunities in the workplace. Such efforts can help disseminate awareness among both male and female employees, as well as across firms through labour mobility.

Our results also suggest that the positive effects of FDI may be determined by a country’s absorptive capacity and institutional framework. Our evidence suggests that institutions, both formal and informal play a crucial role in shaping gender norms in developing countries. Gender biases in social life are perpetuated through different informal institutions, including the family, where gender roles are clearly defined. Informal institutions serve as the underlying factors behind gender inequality and altering them can be very difficult, as they challenge deep-rooted beliefs, which influence individuals from a young age. These norms and culture are widely used to define what is permissible for a woman, especially in the lowest income countries. Government policies should seek to address those informal norms and cultural factors which hamper women's empowerment, especially in the lowest income countries where these norms are most pronounced.

Initially, implementing diverse campaigns aimed at reshaping traditional perceptions of women, as unpaid care workers. Governments can encourage MNEs to provide training to women which improves women empowerment. For example, in Bangladesh's export-oriented Textile and Ready-Made Garment (T-RMG) sectors, an initiative named SARATHI was launched by the international non-governmental organisation Swisscontact. SARATHI aimed to provide training to underprivileged and less-educated women working in the RMG sector, with a focus on enhancing their financial inclusion. In rural areas of Bangladesh, the majority of women lack bank accounts, and their income is predominantly managed by their husbands. Through the SARATHI project, in collaboration with various export-oriented factories, efforts were made to ensure that women received their wages through bank accounts. Additionally, they were provided with training on the importance of having control over their own income and financial resources. Such initiatives aim to challenge traditional norms where husbands typically have full control over their wives' income.

Although women make up a considerable portion of Bangladesh's garment industry workforce, their presence in supervisory roles remains low, 5-6%. This gap in leadership positions is primarily due to societal norms, gender stereotypes, and a lack of adequate training opportunities, all of which impede women's career advancement. Acknowledging these challenges, the SARATHI project has also adopted a strategic approach that prioritises upskilling initiatives, with a particular emphasis on empowering women. These efforts aim to improve their prospects for employment and ensure their long-term job stability. The success of the Sarathi project has effectively transformed 119 women workers/operators and helped them to secure supervisor positions within a span of ten months (Ndure, 2024). These women not only demonstrate proficiency in their newfound roles but also play a pivotal role in enhancing productivity and quality standards within their respective factories.

## 6.5 Limitations and Scope for Future Research

This thesis conducted a series of empirical analyses on the relationship between FDI inflows and the three aspects of women's rights. However, it is important to note that there is always room for improvement and new areas of research when exploring the FDI-women relationship, which extend beyond the scope of this thesis. To expand the existing research on different aspects of women's rights, this study utilised a relatively new dataset, thereby broadening the potential for further investigation.

The insights provided by this study, both theoretical and empirical, offer opportunities for future research. Although the focus of this study was primarily on aggregate FDI inflows due to the unavailability of disaggregated data, future research could delve deeper into examining how the impact on women may vary based on different types of FDI (extractive, manufacturing, services) and their modes of entry (such as greenfield, brownfield). As discussed in the theoretical section, the effects of FDI can differ depending on these factors, and further exploration can enhance our understanding of their specific impacts on women.

Additionally, when studying women's rights, it is crucial to consider both formal and informal institutions. However, due to data limitations, this thesis could only account for political institutions (as measured by the polity2 variable) when analysing women's political and civil rights. There are informal institutions, such as religious and cultural institutions, that can significantly influence women's participation and their ability to achieve political and civil freedoms.

Future research can address this limitation by including these additional control variables to capture the effects of broader institutional dynamics, which may be deeply rooted in norms and culture and are therefore harder to identify.

Further research and studies are needed to examine the specific mechanisms through which FDI impacts women's rights, as well as to identify the contextual factors that shape these relationships. By understanding these dynamics, policymakers can better design strategies and interventions to ensure that FDI contributes to the advancement of women's rights and gender equality.

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# Appendix A

Table 0-1 List of Countries

| **Low-Middle Income** | | | | |
|---|---|---|---|---|
| Albania | Chad | Honduras | Nepal | Tajikistan |
| Algeria | China | India | Nicaragua | Thailand |
| Angola | Colombia | Indonesia | Niger | Togo |
| Argentina | Comoros | Iraq | Nigeria | Tunisia |
| Armenia | Costa Rica | Jamaica | Pakistan | Turkey |
| Azerbaijan | Djibouti | Jordan | Papua New Guinea | Turkmenistan |
| Bangladesh | DominicanRepublic | Kazakhstan | Paraguay | Uganda |
| Belarus | Ecuador | Kenya | Peru | Ukraine |
| Benin | El Salvador | Lebanon | Philippines | Uzbekistan |
| Bhutan | Equatorial Guinea | Lesotho | Rwanda | Zambia |
| Botswana | Eritrea | Libya | Senegal | Zimbabwe |
| Brazil | Ethiopia | Madagascar | Serbia | |
| Bulgaria | Fiji | Malaysia | Sierra Leone | |
| Burkina Faso | Gabon | Mali | Somalia | |
| Burundi | Georgia | Mauritania | South Africa | |
| Cambodia | Ghana | Mexico | South Sudan | |
| Cameroon | Guatemala | Mongolia | Sri Lanka | |
| Central African Republic | Guinea | Montenegro | Sudan | |
| | Guinea-Bissau | Morocco | Suriname | |
| | Guyana | Mozambique | | |
| | Haiti | Namibia | | |

| | **High Income Countries** | |
|---|---|---|
| Australia | Israel | Oman |
| Austria | Italy | Panama |
| Bahrain | Japan | Poland |
| Belgium | Kuwait | Portugal |
| Canada | Latvia | Qatar |
| Chile | Lithuania | Romania |
| Croatia | Luxembourg | Saudi Arabia |
| Cyprus | Mauritius | Singapore |
| Denmark | Netherlands | Slovenia |
| Estonia | New Zealand | Spain |

| | | |
|---|---|---|
| Finland | Norway | Sweden |
| France | Hungary | Switzerland |
| Germany | Ireland | United Kingdom |
| Greece | | Uruguay |

# Appendix B

## Chapter 3 Economic Rights

Figure 0-1 Scatter plot: FDI%GDP and Female Labour Force Participation

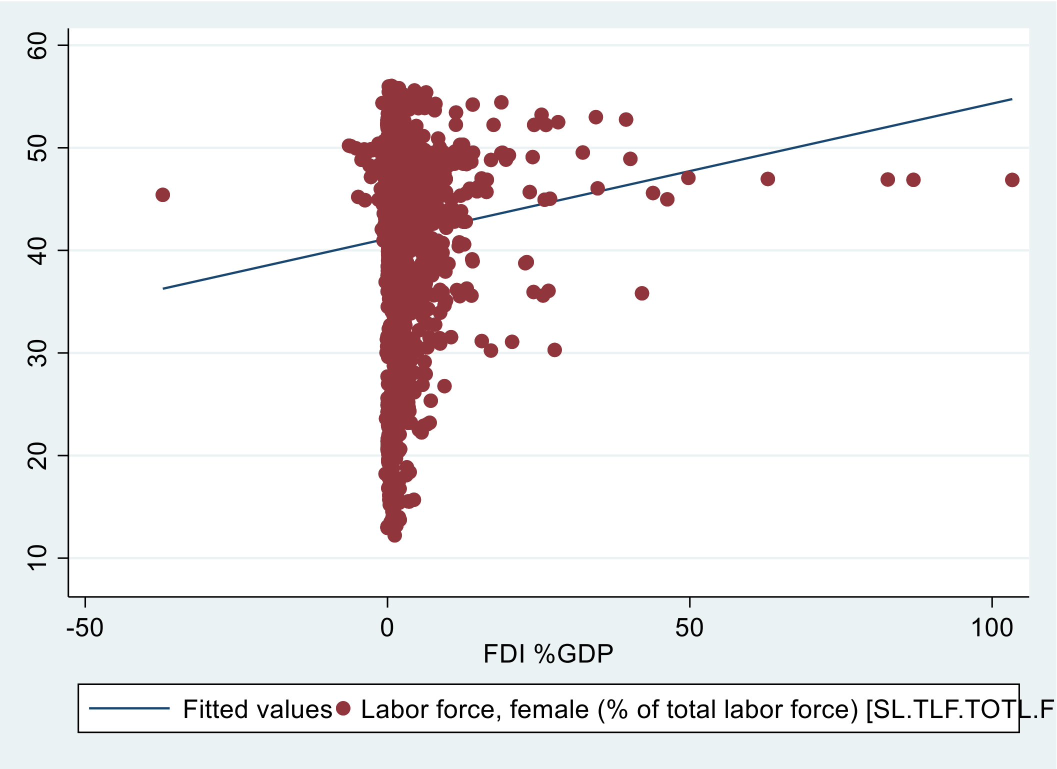


Figure 0-2 Scatter plot: FDI%GDP and Women Business and The Law Index


### Post Estimation tests for FLFP

Table 0-1Test for Multicollinearity

| Variable | VIF | 1/VIF |
|---|---|---|
| EDUSEC | 5.93 | 0.168518 |
| FEMFERT | 4.02 | 0.248639 |
| URBUNPOP | 2.53 | 0.395913 |
| POLITICORR | 2.13 | 0.470182 |
| GOVEXP | 1.35 | 0.739565 |
| NATRESOURC | 1.34 | 0.747189 |
| GDPGROWTH | 1.09 | 0.917115 |
| FDIperGDP | 1.02 | 0.982249 |
| Mean VIF | 2.43 | |

### Test for Serial Correlation

Serial correlation is usually expected in time series and panel data with Time T>20. In technical terms, serial correlation reduces standard errors of coefficients smaller than their actual values and inflates R2. Our study deals with large N and medium T and it is important to check for serial correlation. We use the Wooldridge test for autocorrelation which is suitable for panel data. Interestingly, statistics in table 3 show that null hypothesis is rejected (p-value < 0.000) and it can be inferred that there is serial correlation among residuals. Consequently, OLS coefficients are likely to be biased, inconsistent and inefficient.

Table 0-2 Wooldridge test for autocorrelation

| Wooldridge test for autocorrelation | in panel data |
|---|---|
| H0: no first order autocorrelation | |
| F( 1, 128) = 134.549 | |
| Prob > F = 0.0000 | |

**Test for Heteroskedasticity**
Heteroskedasticity is often present in cross country analysis and can result in wrong estimates of standard errors for coefficients and for t-values. The estimates of OLS might not be biased but standard errors do become wrong. Results in Table 4 show that null hypothesis is rejected (p-val < 0.000) and it can be concluded that residuals are not homogeneous. Consequently, the estimates of standard errors for coefficients and therefore their t-values are unlikely to be correct.

Table 0-3 Test for Heteroskedasticity

| Modified Wald test for groupwise Heteroskedasticity in fixed effect regression model |
|---|
| H0: sigma(i)^2 = sigma^2 for all i<br>chi2 (137) = 2.6e+29<br>Prob>chi2 = 0.0000 |

Table 0-4 Post Estimation tests for Women's Access to State Jobs

| Wooldridge test for autocorrelation in panel data |
|---|
| H0: no first-order autocorrelation |
| F( 1, 122) = 326.138 |
| Prob > F = 0.0000 |

| Modified Wald test for groupwise heteroskedasticity in fixed effect regression model |
|---|
| H0: sigma(i)^2 = sigma^2 for all i<br>chi2 (127) = 1.4e+07<br>Prob>chi2 = 0.0000 |

**Post Estimation tests for Women's Access to State Business**

| Modified Wald test for groupwise heteroskedasticity |
|---|

| | |
|---|---|
| in fixed effect regression model | |
| H0: sigma(i)^2 = sigma^2 for all | i |
| chi2 (127) = 1.4e+07 | |
| Prob>chi2 = 0.0000 | |

**Post Estimation tests for Women's Business and law**

| | |
|---|---|
| Modified Wald test for groupwise | heteroskedasticity |
| in fixed effect regression model | |
| H0: sigma(i)^2 = sigma^2 for all | i |
| chi2 (127) = 1.4e+07 | |
| Prob>chi2 = 0.0000 | |

# Appendix C

### Chapter 4: Political Rights

Figure 0-1 Scatter Plot: FDI%GDP and Women's Political Participation Index

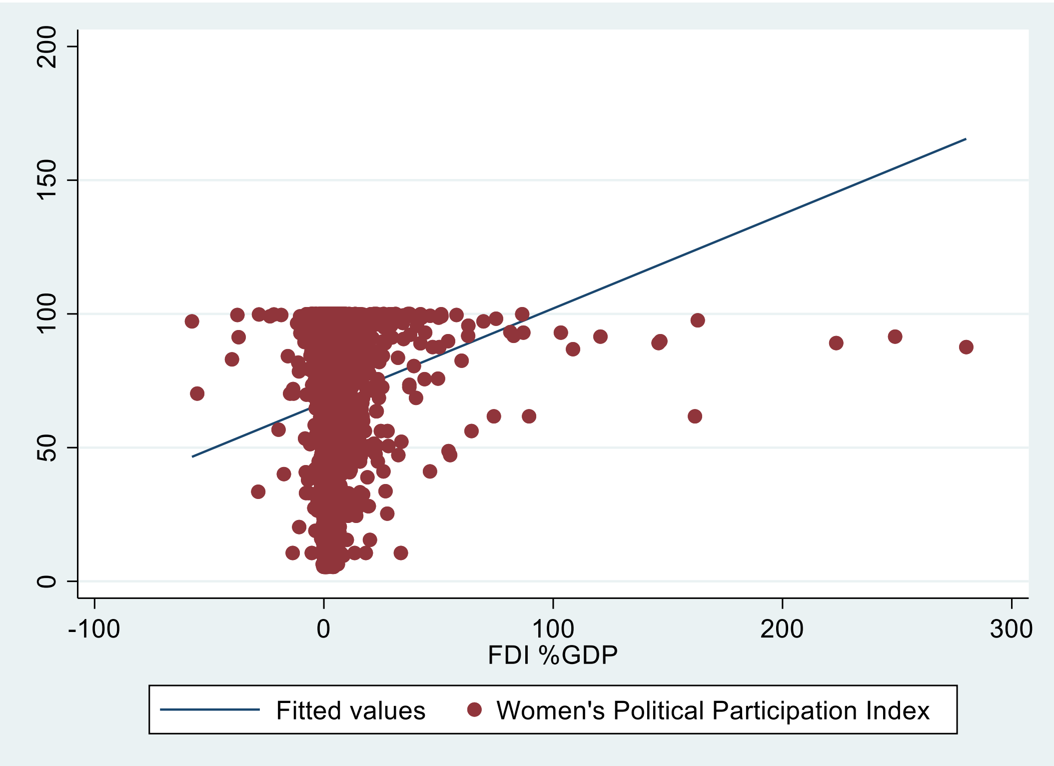
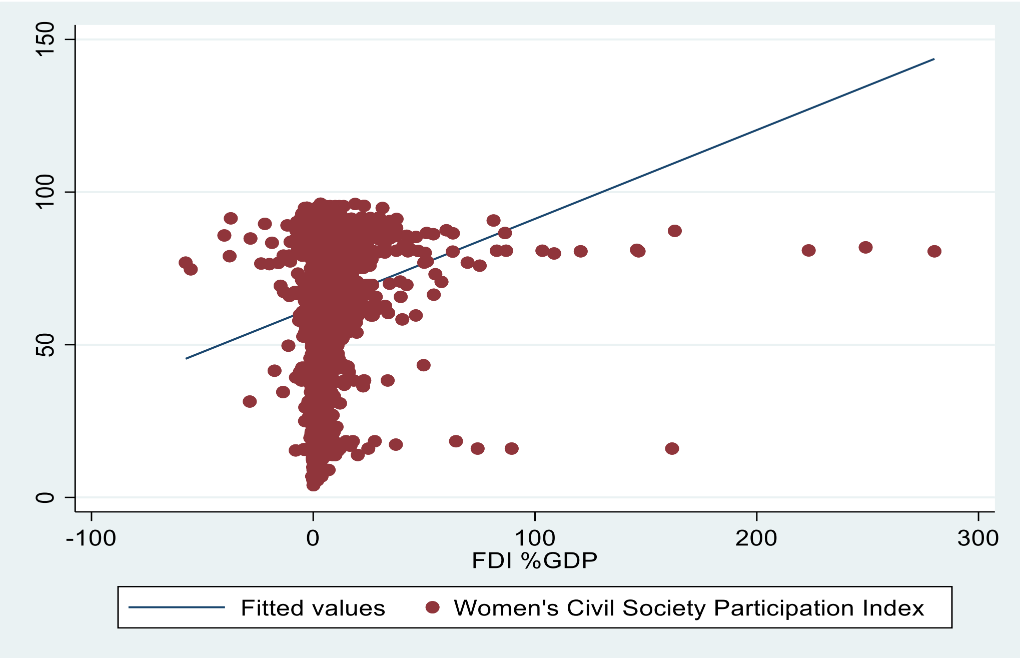


Figure 0-2 Scatter Plot: FDI%GDP and Women's Civil Society Participation Index




**Diagnostic and misspecification tests**

Table 0-1 Wooldridge test for autocorrelation

| | |
|---|---|
| Wooldridge test for autocorrelation | in panel data |
| H0: no first order autocorrelation | |
| F( 1, 121) = | 606.554 |
| Prob > F = | 0.0000 |

Table 0-2: Test for Heteroskedasticity

| Modified Wald test for groupwise Heteroskedasticity in fixed effect regression model |
|---|
| H0: sigma(i)^2 = sigma^2 for all i<br>chi2 (122) = 1.9e+05<br>Prob>chi2 = 0.0000 |

Table 0-3 The Impact of FDI on Subcomponents of Women's Political Participation Index by Income Group

| | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| | Power Distributed by Gender | | Low-chamber Female Legislators | |
| | Low -Middle Income | High Income | Low-Middle Income | High Income |
| FDIperGDP | -0.003 | -0.000 | -0.042 | -0.010 |
| | (0.003) | (0.001) | (0.042) | (0.015) |
| lnGDPPC | -0.130 | -0.052 | -3.413** | -3.235 |
| | (0.120) | (0.223) | (1.427) | (2.249) |
| lnPOPUL | 0.130 | 0.358 | 4.659 | -3.422 |
| | (0.291) | (0.309) | (3.346) | (5.249) |
| TRADEOPEN | -0.000 | 0.003* | 0.003 | -0.003 |
| | (0.001) | (0.001) | (0.014) | (0.026) |
| GOVEXP | 0.007 | -0.001 | 0.127** | 0.123 |
| | (0.005) | (0.013) | (0.062) | (0.181) |
| polity2 | 0.016** | 0.062** | -0.347*** | -0.285 |
| | (0.007) | (0.025) | (0.109) | (0.179) |
| POLITICORR | -1.047*** | -1.012 | -13.785*** | -17.281* |
| | (0.313) | (0.628) | (4.596) | (8.660) |
| _cons | 1.331 | -1.441 | 15.881 | 96.787* |
| | (3.168) | (3.782) | (35.791) | (52.835) |
| *N* | 3127 | 1588 | 2796 | 1523 |
| $R^2$ | 0.598 | 0.662 | 0.576 | 0.750 |

Standard errors in parentheses
* *p* < .10, ** *p* < .05, *** *p* < .01

Table 0-4 The Impact of FDI on Subcomponents of Women's Civil Society Participation Index by Income Group

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| | Freedom of Discussion | | %Female Journalists | | CSO Participation | |
| | Low-Middle Income | High Income | Low-Middle Income | High Income | Low-Middle Income | High Income |
| FDIperGDP | 0.010** | 0.002*** | -0.072** | 0.017** | -0.006 | -0.006 |
| | (0.005) | (0.001) | (0.035) | (0.008) | (0.004) | (0.004) |
| lnGDPPC | -0.019 | -0.311 | -1.912 | -0.026 | -0.095 | -0.095 |
| | (0.167) | (0.189) | (1.155) | (1.863) | (0.137) | (0.137) |
| lnPOPUL | -0.049 | -0.008 | -6.257** | -2.207 | 0.534** | 0.534** |
| | (0.397) | (0.237) | (2.743) | (3.069) | (0.239) | (0.239) |
| TRADEOPEN | -0.001 | -0.003* | 0.041*** | -0.019 | -0.001 | -0.001 |
| | (0.001) | (0.002) | (0.014) | (0.018) | (0.002) | (0.002) |
| GOVEXP | -0.001 | -0.010 | 0.121** | 0.085 | 0.015*** | 0.015*** |
| | (0.010) | (0.011) | (0.051) | (0.116) | (0.005) | (0.005) |
| polity2 | 0.107*** | 0.171*** | 0.323*** | 0.146 | 0.021*** | 0.021*** |
| | (0.013) | (0.024) | (0.075) | (0.204) | (0.008) | (0.008) |
| POLITICORR | -1.386** | -1.861** | 1.601 | -11.028 | -0.693** | -0.693** |
| | (0.641) | (0.790) | (3.120) | (7.892) | (0.281) | (0.281) |
| _cons | 1.917 | 4.645 | 109.466*** | 66.364* | -2.929 | -2.929 |
| | (4.133) | (3.081) | (31.261) | (39.261) | (2.921) | (2.921) |
| *N* | 3127 | 1588 | 3124 | 1588 | 3127 | 3127 |
| $R^2$ | 0.628 | 0.735 | 0.727 | 0.778 | 0.591 | 0.591 |

Table 0-5 First Stage regression

| Dependent Variable: FDI%ofGDP | (1)<br>First Stage IV |
|---|---|
| L.FDI%ofGDP | 0.578*** |
| | (0.013) |
| lnGFCF | 0.037 |
| | (0.116) |
| lnGDPPC | -0.040 |
| | (0.459) |
| lnPOPUL | 0.615 |
| | (0.850) |
| TRADEOPEN | 0.013* |
| | (0.007) |
| GOVEXP | 0.006 |
| | (0.030) |
| polity2 | -0.045 |
| | (0.033) |
| POLITICORR | -1.947 |
| | (1.260) |
| *N* | 4599 |
| $R^2$ | 0.3667 |
| *Diagnostic tests:* | |
| *Anderson canon. corr. -N*ln(1-CCEV) LR stat. (Underidentification tests)* | 1751.437*** |
| *Cragg-Donald (N-L)*CDEV/L1 F-statistic( Weak identification tests)* | 76.000 |
| *Robust F-statistic* | |
| *Shea Partial $R^2$* | 0.324 |
| $R^2$ | 0.366 |

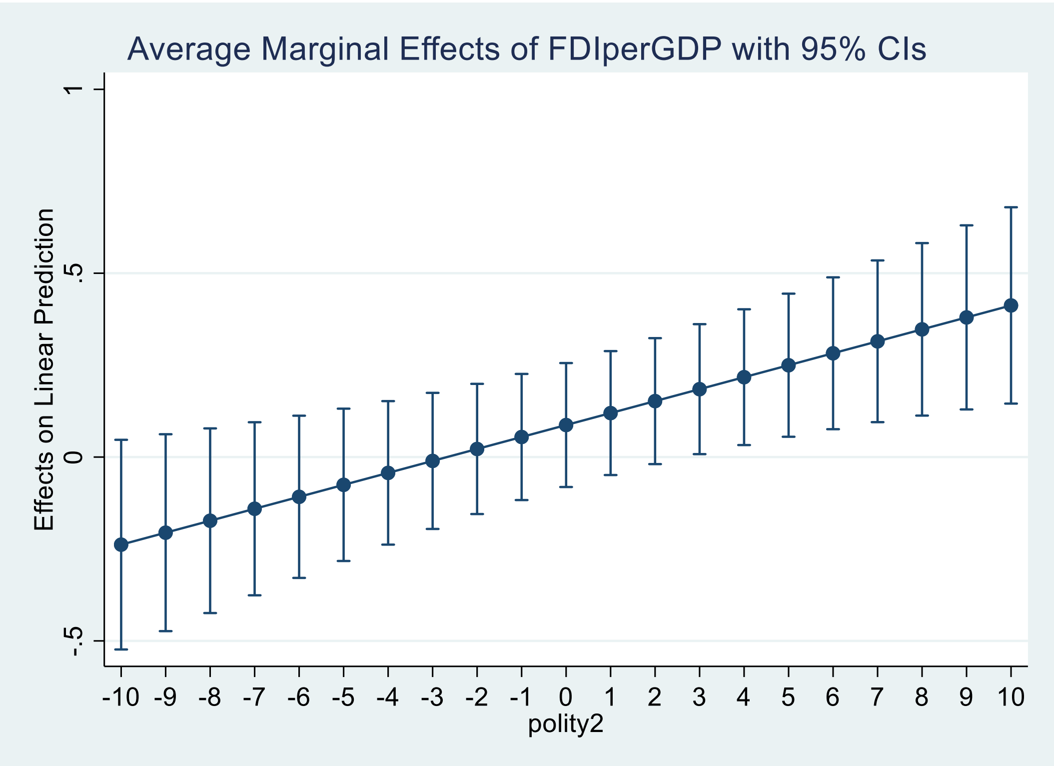
Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Note: Standard Errors in parentheses. All IV-2SLS results are OLS models implemented in using the STATA xtivreg2 procedure. To report the first stage regression First and savefirst savefprefix(st1) options were used, which also reported the partial shea $R^2$ anderson test and Cragg Donald test. In 2SLS the predicted endogenous variable is treated as the dependent variable (FDI%ofGDP) while the instruments (lag of FDI, GFCF and Land Area) and the control variables are included as the independent variables. .The Anderson Canonical Correlation test is a likelihood-ratio test of whether the equation is identified. Because the statistics is significant at the 1% level, we can reject the null hypothesis that the equation is underidentified. In short, the excluded instrument are correlated with the endogenous regressors (FDI). The Cragg-Donald F Statistic is a test of instrument strength. The first-stage results also include Shea's (1997) "partial R-squared" measure of instrument relevance that takes intercorrelations among instruments into account, the more common form of "partial R-squared" (a.k.a. the "squared partial correlation" between the excluded instruments and the endogenous regressor in question), and the F-test of the excluded instruments in the corresponding first-stage regression.

# Appendix D

Figure 0-1 Scatter plot: FDI%GDP and Women's Civil Liberties Index


Figure 0-2 Interaction term: FDI5GDP and Polity2



The average marginal effect of FDI on women's rights increases with higher democracies

Table 0-1The Impact of FDI on the Subcomponents of Women's Civil Liberties Index, by Income Groups

| Dependent Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|
| | Freedom of Movement | | Freedom of Forced Labour | | Property Rights | | Access to Justice | |
| | Low middle Income | High Income | Low middle Income | High Income | Low middle Income | High Income | Low middle Income | High Income |
| FDIperGDP | 0.006 | 0.004*** | 0.008** | 0.001*** | 0.005 | 0.001 | -0.000 | 0.001*** |
| | (0.005) | (0.001) | (0.004) | (0.000) | (0.004) | (0.001) | (0.004) | (0.000) |
| GDPGROWTH | -0.002 | -0.001 | 0.001 | 0.000 | 0.001 | 0.001 | 0.004* | 0.004* |
| | (0.002) | (0.002) | (0.002) | (0.002) | (0.002) | (0.003) | (0.002) | (0.002) |
| TRADEOPEN | 0.001 | -0.002** | -0.001 | 0.000 | -0.001 | -0.000 | 0.000 | -0.000 |
| | (0.001) | (0.001) | (0.001) | (0.002) | (0.001) | (0.001) | (0.002) | (0.001) |
| GOVEXP | -0.003 | 0.013** | -0.002 | 0.008 | 0.008 | 0.006 | 0.012** | -0.008 |
| | (0.007) | (0.006) | (0.007) | (0.009) | (0.005) | (0.010) | (0.005) | (0.010) |
| lnPOPUL | -1.205*** | 0.032 | -0.199 | -0.039 | -0.729** | 0.562*** | -0.133 | 0.127 |
| | (0.371) | (0.144) | (0.318) | (0.215) | (0.310) | (0.205) | (0.365) | (0.127) |
| polity2 | 0.056*** | 0.101*** | 0.023*** | 0.026 | 0.030*** | 0.039* | 0.056*** | 0.134*** |
| | (0.012) | (0.024) | (0.007) | (0.022) | (0.010) | (0.021) | (0.011) | (0.020) |
| POLITICORR | -0.058 | -0.843 | -0.222 | -1.710*** | 0.078 | -1.645 | -0.545 | -1.105 |
| | (0.569) | (0.673) | (0.323) | (0.528) | (0.444) | (1.276) | (0.491) | (0.691) |
| _cons | 10.865*** | 0.249 | 2.224 | 1.688 | 6.474** | -3.586* | 1.147 | -0.090 |
| | (3.068) | (1.287) | (2.719) | (2.007) | (2.555) | (1.791) | (3.044) | (1.066) |
| *N* | 3267 | 1570 | 3267 | 1570 | 3267 | 1570 | 3267 | 1570 |
| $R^2$ | 0.406 | 0.690 | 0.296 | 0.291 | 0.426 | 0.522 | 0.440 | 0.751 |

Table 0-2 Wooldridge test for autocorrelation for Women's Civil Liberties Index

| | |
|---|---|
| Wooldridge test for autocorrelation | in panel data |
| H0: no first order autocorrelation | |
| F( 1, 121) = | 606.554 |
| Prob > F = | 0.0000 |

Table 0-3 Test for Heteroskedasticity for Civil Liberties Index

| Modified Wald test for groupwise Heteroskedasticity in fixed effect regression model |
|---|
| H0: sigma(i)^2 = sigma^2 for all i<br>chi2 (122) = 1.9e+05<br>Prob>chi2 = 0.0000 |

Table 0-4 First Stage regression

| Dependent Variable: FDI%ofGDP | (1)<br>First Stage IV |
|---|---|
| L.FDI%ofGDP | 0.578*** |
| | (0.013) |
| lnGFCF | 0.037 |
| | (0.116) |
| lnGDPPC | -0.040 |
| | (0.459) |
| lnPOPUL | 0.615 |
| | (0.850) |
| TRADEOPEN | 0.013* |
| | (0.007) |
| GOVEXP | 0.006 |
| | (0.030) |
| polity2 | -0.045 |
| | (0.033) |
| POLITICORR | -1.947 |
| | (1.260) |
| *N* | 4599 |
| $R^2$ | 0.3667 |
| *Diagnostic tests:* | |
| *Anderson canon. corr. -N*ln(1-CCEV) LR stat. (Underidentification tests)* | 1751.437*** |
| *Cragg-Donald (N-L)*CDEV/L1 F-statistic( Weak identification tests)* | 76.000 |
| *Robust F-statistic* | |
| *Shea Partial* $R^2$ | 0.324 |
| $R^2$ | 0.366 |

Standard errors in parentheses
* $p < .10$, ** $p < .05$, *** $p < .01$

Note: Standard Errors in parentheses. All IV-2SLS results are OLS models implemented in using the STATA xtivreg2 procedure. To report the first stage regression First and savefirst savefprefix(st1) options were used, which also reported the partial shea $R^2$ anderson test and Cragg Donald test. In 2SLS the predicted endogenous variable is treated as the dependent variable (FDI%ofGDP) while the instruments (lag of FDI, GFCF and Land Area) and the control variables are included as the independent variables. .The Anderson Canonical Correlation test is a likelihood-ratio test of whether the equation is identified. Because the statistics is significant at the 1% level, we can reject the null hypothesis that the equation is underidentified. In short, the excluded instrument are correlated with the endogenous regressors (FDI). The Cragg-Donald F Statistic is a test of instrument strength. The first-stage results also include Shea's (1997) "partial R-squared" measure of instrument relevance that takes intercorrelations among instruments into account, the more common form of "partial R-squared" (a.k.a. the "squared partial correlation" between the excluded instruments and the endogenous regressor in question), and the F-test of the excluded instruments in the corresponding first-stage regression.