9-25-2018

FDI and Gender Equality: TNC Responsibilities to Address Gender Vulnerabilities in Developing Countries

Amleset Girmay
University of Pennsylvania

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Recommended Citation
Girmay, A. (2018). "FDI and Gender Equality: TNC Responsibilities to Address Gender Vulnerabilities in Developing Countries," Summer Program for Undergraduate Research (SPUR). Available at https://repository.upenn.edu/spur/26

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Keywords
FDI, gender equality, transnational corporations, business ethics, cosmopolitanism, global gender justice, corporate social responsibility

Disciplines
Business | Business Law, Public Responsibility, and Ethics

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FDI and Gender Equality: TNC Responsibilities to Address Gender Vulnerabilities in Developing Countries

Amleset Girmay
The Wharton School, University of Pennsylvania
amlesetg@wharton.upenn.edu

Faculty Advisor:
Brian Berkey
Assistant Professor of Legal Studies & Business Ethics
The Wharton School, University of Pennsylvania
bberkey@wharton.upenn.edu

September 2018
Introduction

Transnational corporations (TNCs) are important actors in our increasingly globalized world order. As such, their policies and investments have substantial global impact. This impact is especially salient in less economically developed countries, where foreign direct investment (FDI) made by these corporations injects a substantial amount of capital into both the public and private sectors and accelerates growth and development. Through their FDI activities, TNCs have the potential to create jobs, generate additional revenue streams that fund public services, and introduce new technologies into developing countries. On the other hand, the amount of economic influence that TNCs have make them potentially dangerous to the growth and prosperity of people in developing countries. When TNCs make FDI decisions solely out of self-interest without also prioritizing the short- and long-term well-being of stakeholders in developing host countries, they may cause more harm than good. For this reason, TNCs are constantly being called on – by philosophers, international agencies, and politicians alike – to adopt policies and initiatives in their foreign activities that are in the best interests of people in developing countries. These calls to action often depend on a line of moral argument that emphasizes the outcomes of TNC activities and their effects on some of the poorest nations in the world.

However, the effects of TNC investments are not homogeneous across all groups in developing host countries, and extra provisions must be made to protect the best interests of the most vulnerable groups. In this paper, I seek to show that foreign investments made by TNCs do not have an equally beneficial impact on women in developing host countries, and that the demands of justice require that additional work be done to introduce policies and initiatives that empower women and decrease gender disparities. I support these assertions with philosophical
thought from the field of global gender justice and empirical evidence that shows the actual relationship between FDI and gender equality in developing countries. I then argue that the principles of cosmopolitan justice place responsibility for introducing such policies and initiatives on the TNC themselves, at least to the extent that they ensure women are not being made worse off by their FDI activities, finishing by presenting some recommendations for what this responsibility could entail.

**Philosophical Work in Global Justice and Global Gender Justice**

Global gender justice is one of the areas of normative ethics most relevant to this discussion. Global gender justice arose from the field of global justice, which gained prominence in the mid-20th century due to the rise of the idea that the demands of justice are not confined to within state borders. Rather, it establishes the international sphere as a domain of justice. The cosmopolitan view of global justice argues for a shared morality for all human beings, meaning that we should be concerned with the satisfaction of justice for all human beings and have an equal responsibility to all, regardless of kinship or shared citizenship. Thomas Pogge, a prominent figure in cosmopolitan thought, describes this responsibility as a “…direct responsibility for the fulfilment of human rights to other[s]…” and “…a duty toward every other people not to cooperate in imposing an unjust institutional scheme…” This differs from a nationalist understanding of justice, which asserts that individuals and organizations have a greater responsibility to others in their nation than to those beyond the borders. While

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3 Pogge; pg. 50
4 Pogge; pg. 51
cosmopolitanism will be addressed in greater detail later, it is important to note that the principles of cosmopolitan global justice are the moral standard to which transnational corporations should be held. Given that TNCs are stateless and enjoy the benefits of such status, they should not be held to a nationalist understanding of ethics. As cosmopolitanism necessitates, TNCs should be expected to abide by the same standards of ethical behavior in all their international operations.

Global gender justice builds on global justice’s central concern of realizing fairness and addressing inequalities, with the additional understanding that gender disparities affect the realization of justice worldwide, and must be given specific consideration in these discussions. Across all regions of the world, women tend to suffer more than men with the same background (nationality, ethnicity, class, age, etc.) from poverty, sexual violence, marginalization and other oppressions due to transnational cycles of gender vulnerability. These inequalities are particularly salient in developing countries, where gender disparities – as measured by the Gender Inequality Index (GII), for example – are generally the highest and gender vulnerability causes women to be disproportionately affected by unfavorable conditions and lacking resources.

Understanding the way in which contemporary processes and institutions that are seemingly gender-neutral have disproportionately negative effects on women is an important part of the work done by philosophers in global gender justice, such as Allison Jaggar. In her work, Jaggar offers several examples of this, including human-caused climate change which would seem to affect everyone in similar ways, but is actually significantly more costly to women who are more vulnerable to the effects of climate change (such as loss of food and clean water) and more burdened with care for family members whose health has diminished due to environmental

5 Jaggar; “The Philosophical Challenges of Global Gender Justice.” pg. 9
degradation. Notably, Jaggar also introduces the idea that global trade and the movement of certain industries into less economically developed countries may have systematically unequal and more burdensome consequences on women.

Women’s vulnerability to global processes and transactions matters morally as gender equality is a human right. International conceptions of human rights stand on principles of equality and non-discrimination, both of which are violated when women are systematically disadvantaged due to their gender. The consistent existence of gender disparities seems at least prima facie unjust. Based on Jaggar’s work and other thought in global gender justice, we should understand that considering the effects that FDI has on a developing host country as a single unit is not satisfactory to determine if it is a just process. We must also consider Jaggar’s point that FDI may be seemingly gender neutral but actually have disparate effects on men and women, which I will do in the following section.

**Relationship between TNC Investments and Gender Equality**

At first glance, it seems relatively intuitive to say that FDI would promote the empowerment of women in developing countries, and this is often the case. It has been proven that gender inequality is strongly associated with lower economic growth in poor countries. FDI is commonly treated as a driver of growth, at least to the extent that it adds to a country’s capital stock. Therefore, it is reasonable to believe that FDI acceleration of economic growth in

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developing countries should result in an increase in gender equality. This assumption is supported by statistical analysis, as is shown by an IMF study that found FDI to be positively correlated with the Gender Development Index (GDI) and negatively correlated with the Gender Inequality Index (GII). This means that women tend to be better off and gender disparities tend to lessen when a country receives more FDI.\(^9\) One potential explanation for this is that any substantial injection of capital into a country should increase its government’s income, which would result in greater spending on public goods and services which most benefit women.

We see that a similarly positive relationship can exist when looking at FDI’s direct effects on female employment, which is arguably the most important factor to consider, as the labor market is where the direct and indirect effects of FDI are most seen. The labor market is also especially relevant in any discussion of gender equality, as the availability of employment that pays a livable wage to women plays a large role in reducing gender inequalities. Increases to women’s income and economic freedom improve women’s welfare by increasing access to health and education for women and their daughters.\(^10\) Further, the availability of well-paying jobs in a community can help all women - whether they are employed or not - achieve greater equality and fairness in the private sphere. In their modeling of household decision-making, economists have shown that the possibility of employment improves a woman’s bargaining power, and therefore results in a greater allocation of resources towards her education, health, etc.\(^11\) FDI directly affects women workers through the creation of jobs and the wages paid to


\(^10\) Ouedraogo; pg. 24

women. Research has shown that, when TNCs invest in developing countries, there is a resulting absolute increase in labor demand for women as well as a tendency towards higher wage rates.\textsuperscript{12}

However, the effect of TNC investments on the female labor force is not consistently positive, and the existing literature suggests a more complex relationship. Within the fields of development and economics, work is ongoing to develop a deeper understanding of the often ambiguous relationship between FDI and gender equality, and how this changes under certain conditions, such as the industry in question and/or the host country’s level of development. Despite the relative immaturity of this specific field of inquiry, existing studies offer enough empirical evidence to understand that there are risks to gender development from rises in FDI and that greater investment by TNCs may increase gender inequality. The most straightforward risk is that companies may be attracted to a country with higher gender inequality because this leaves the female labor force more vulnerable and therefore more willing to accept lower wages and poorer working conditions. This is the case in Asia-Pacific countries, for example, where governments have been accused of selling an image of the low-wage female textile worker to attract foreign investment,\textsuperscript{13} and decreases in economic and political gender disparities reduce FDI inflows\textsuperscript{14} In this case, the unjust consequences are relatively straightforward, and are a direct result of immoral intentions. When TNCs choose to invest in a country because of its greater degrees of gender inequality, they are actively benefitting from an unjust system that harms others. FDI that is driven by such motivations is not at all gender-neutral, so the causal relationship between TNC investment decisions and injustices along gender is clear. By making

\textsuperscript{12} Ouedraogo; pg. 5-6
\textsuperscript{13} Jaggar; “The Philosophical Challenges of Global Gender Justice.” pg. 9
\textsuperscript{14} Hoai Bui, Thi Mai, Xuan Vinh Vo, and Duy Tung Bui. ““Gender Inequality and FDI: Empirical Evidence from Developing Asia-Pacific Countries”,” Eurasian Economic Review, 2018, 1-24. doi:https://doi.org/10.1007/s40822-018-0097-1; pg. 14-17
these gendered FDI decisions, they directly incentivize current and potential host country governments to prevent gender development and ultimately broaden gender disparities.

While more difficult and less intuitive to identify, there are also morally problematic elements to the relationship between FDI and gender equality when the FDI decision is seemingly gender-neutral. When a country relies on gender-neutral factors to attract FDI rather than the image of low-wage female workers, the concern of incentivizing injustice that was discussed previously is not an issue. Gender-neutral FDI motivation includes lower labor costs (when not specifically referring to the female work force), natural resource abundances, membership to a regional trade agreement, proximity to shipping routes, etc. FDI decisions that are driven by these motivators do not suggest any ill-intention towards women but can still result in women being made worse off. This is the issue with which global gender justice is more concerned, and further supports the notion that women do not experience the effects of global processes in the same ways that their male counterparts do. Seemingly gender-neutral FDI can have gendered effects due to characteristics of the host country that are beyond the direct influence of TNCs and their traditional FDI activities. When a country has significant inequalities along gender in the following three areas, FDI inflows can make women worse off: (1) education, (2) access to resources and inclusion in the business environment, and (3) labor market segregation.

(1) First and foremost, educational inequality is a direct cause of employment and income inequalities. As women in developing countries tend to be less educated and skilled than men, we see significant female participation in the low-skill intensive manufacturing sector but an anti-female bias in more technical sectors.15 This trend

15 Ouedraogo; pg. 9
can cause a widening of the wage gap as TNCs offer better paid jobs to the skilled male labor force while female workers remain in low-paying, low-skill jobs. This is especially prevalent in export-oriented regions, where a large share of TNC employees are women in low-skill and low-wage manufacturing jobs with limited long-term prospects and often inadequate working conditions and bargaining power.\textsuperscript{16}

As technological upgrading – which is necessary for economic development and spurred by FDI – occurs, low-skilled jobs are replaced by higher-skilled ones. When women’s ability to learn new skills is constrained, they will become increasingly unqualified for these jobs, which will widen the labor force participation rate gap.\textsuperscript{17}

This defeminization of the labor force is most prominently seen in South East Asia, where researchers found that FDI is negatively associated with gender development and attributed this to large amounts of investment this region receives in technological sectors, which rely predominately on a skilled, male labor force.\textsuperscript{18}

\textbf{(2)} Secondly, researchers have found that the impact that FDI inflows have on women in any given host country (through its positive effects on women’s life expectancy, secondary education enrollment rates, formal employment, etc.) is largely dependent on women’s access to resources. When women do not have access to financial resources, land, and non-land assets, FDI inflows could increase gender disparities. This is because women’s access to resources is tied to societal rules and norms surrounding decision making in the household. In societies where women cannot

\footnotesize{\textsuperscript{16} United Nations Conference on Trade and Development, \textit{Investment by TNCs and Gender: Preliminary Assessment and Way Forward} (United Nations, 2014); pg. 9
\textsuperscript{17} United Nations Conference on Trade and Development; pg. 1
\textsuperscript{18} Ouedraogo; pg. 32}
open bank accounts or purchase land and other assets without a man, it is likely that they also cannot work without a man’s permission. In these cases, men will most benefit from the new employment opportunities created by FDI, which broadens the wage gap. In addition to missing employment opportunities, women are more likely to miss the other opportunities created by FDI when they face greater barriers to take business initiatives. IMF researchers also identified a significant correlation between the impact of FDI and the higher number of procedural barriers women have to face to open a business. This indicates that FDI may increase gender disparities in countries where opening a business is more burdensome for women, as women are not able to benefit from opportunities from foreign investors and spillover effects.

(3) Finally, gender-based segregation in the labor market contributes significantly to gender inequality. While job segregation and sexism in the workplace is not at all limited to developing countries, it is even more prominent and detrimental in countries that do not have legislation to protect women from workplace discrimination and encourage their economic empowerment. While there is no evidence that TNC investments worsen job segregation, they do facilitate the resulting widening of gender disparities by creating a significant number of higher-wage jobs that women will be prevented from accessing. Women working in such business environments generally earn less and experience less upward mobility in their careers than male counterparts, which widens the wage gap and limits women’s

19 Ouedraogo; pg. 28-29
20 Ouedraogo; pg. 29
21 United Nations Conference on Trade and Development; pg. 19
skill acquisition and long-term prospects. TNC investments also increase the importance of formal employment in developing countries, which women disproportionately tend to be left out of or forced to opt out of. Women are preferred for more flexible work arrangements – which are primarily in the informal economy and come with associated risks that can further disadvantage women – because they also have the responsibility of home work and reproduction. Again, these trends in job segregation are not unique to developing countries but have more severe and burdensome consequences on women in less economically developed and gender equal contexts.

Granted that this is not an exhaustive understanding of the relationship between FDI and gender equality in developing countries – and that a complete understanding does not yet exist – it is enough for us to reach an important conclusion. This is that FDI has the potential to significantly and directly benefit women and to reduce injustices along gender lines, but too often has the opposite effect and worsens gender inequality. As the principles of global gender justice imply, an international process that leaves women worse off and contributes to cycles of gender vulnerability is unjust. According to Pogge, we should understand a global institutional scheme as unjust when its effects in terms of rights fulfillment is inferior to what the best possible alternative would generate, which is the case when FDI is worsening gender disparities rather than meeting its potential to empower women. The principles of cosmopolitan justice stipulate that we have a duty not to ignore harm being done by unjust institutional

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22 United Nations Conference on Trade and Development; pg. 18-19
23 United Nations Conference on Trade and Development; pg. 17-18
24 Pogge; pg. 54
schemes, and that there is an expectation that reasonable efforts be made to reduce/eliminate this harm.\textsuperscript{25}

### The Need to Address Gender Vulnerability to FDI Inflows

The question of who has responsibility to address injustice is highly debated. In the discussion of FDI’s gendered effects, it is difficult to identify a single responsible entity as the disparities outlined earlier arise from a complex web of \textit{de facto} and \textit{de jure} gender discrimination in education, personal autonomy, financial freedoms, professional development, etc. This idea that disparities are caused by and further contribute to socially-maintained cycles of vulnerability is the core of Jaggar’s proposed model of transnational cycles of gendered vulnerability. She argues for the need to introduce the idea of transnational cycles of gendered vulnerability into global justice theory, especially when discussing the responsibilities that individuals and institutions have to address injustices.

Jaggar criticizes philosophers for insufficiently accounting for gender vulnerability and instead ignoring these disparities or treating them as natural or characteristic of non-Western cultures. Further, philosophers cannot treat these gender disparities – such as labor force participation rate and wage gaps arising from differences in education and training - as results of women’s poor choices when they actually result from systemic injustice. Jagger also argues that it is inadequate for philosophers to recognize the need to address gender inequality as a means to another end (such as the reduction of poverty or population control) rather than a demand of justice in its own.\textsuperscript{26}

\textsuperscript{25}Jaggar, "Transnational Cycles of Gendered Vulnerability: A Prologue to a Theory of Global Gender Justice." Pg. 46
\textsuperscript{26}Jaggar, "Transnational Cycles of Gendered Vulnerability: A Prologue to a Theory of Global Gender Justice." Pg. 35
By introducing the model of transnational cycles of gendered vulnerability into global justice theory, Jagger makes the cycles of gender vulnerability a concern of justice which would necessitate that something be done to mitigate vulnerabilities and progress towards global fairness. Assigning responsibility to address socially maintained cycles of vulnerability is complex, as they involve many institutions at different levels and in different spheres, some of which do not plan or foresee the social structure and resulting cycles of vulnerability that they will produce.\textsuperscript{27} That being said, vulnerabilities that are socially caused can be preventable\textsuperscript{28} and feasible options exist for intervention in the global and local cycles that contribute to gender vulnerability. To address the cycles of gender vulnerability means interrupting the circular cause and effect relationship between the drivers of gender disparities and the resulting inequalities. Ensuring that FDI is, at least, not making women worse off is a key way to do this, given the importance of women’s employment in gender development. When FDI results in the widening of existing gender disparities (such as labor force participation and wage gaps), women are further limited from accessing good employment, education, business resources, health services etc. which makes them even more vulnerable.

This brings us back to the question of who should be held responsible. Specifically, who should be held responsible for ensuring that FDI inflows are, at a minimum, not worsening gender disparities? In global justice theory, responsibility is often assigned to the individual or organization who is directly culpable for the harm. As we have established, the nature of cyclical vulnerability makes it difficult to assign blame. When transnational corporations make the seemingly gender-neutral investments with which we are concerned, it seems unreasonable to blame them for the resulting gender inequalities when the actual effects of FDI are determined

\textsuperscript{27} Jaggar, "Transnational Cycles of Gendered Vulnerability: A Prologue to a Theory of Global Gender Justice." Pg. 48
\textsuperscript{28} Jaggar, "Transnational Cycles of Gendered Vulnerability: A Prologue to a Theory of Global Gender Justice." Pg. 47
by country characteristics outside of their control. However, this does not mean that we should not assign much of the responsibility for addressing vulnerabilities and ensuring that women are not made worse off due to their investments to TNCs. Given their significant influence and breadth of available resources, TNC actions will likely result in the most positive outcomes, which global justice theory also often treats as a sufficient basis for assigning responsibility.

The Responsibilities and Role of Transnational Corporations

TNCs are called on to address concerns of global justice because they are influential transnational actors, often with more economic power than most countries. Transnational corporations are also in a unique position to have significant bearing on developing countries because these governments depend on attracting foreign investment, and therefore have little or no room to resist the terms stipulated by TNCs. While this certainly points towards a minimum negative duty not to abuse this power to inflict harm on developing host countries, it is also widely accepted and advocated that this gives TNCs a positive duty to leverage their economic power and influence in developing countries to be agents of world benefit.”

That is to say that TNCs should actively and proactively utilize their power to advance positive change, especially in concerns of human rights and environmental justice. As powerful global institutions, TNCs contribute to the formation of global social structures through both planned and unplanned consequences of their normal activities, and are therefore embroiled in the continuation of socially-maintained transnational cycles of vulnerability. Understanding transnational


corporations as contributors to society at a global level suggests that they have a type of citizenship in the international community, described in cosmopolitan ethics as global corporate citizenship. Considering TNCs as a universal citizen leads us to recognize that they should be expected to follow universal ethical principles, or hypernorms, even when this may result in a loss of profits.32

These principles of cosmopolitan business ethics support the notion that TNCs have a responsibility to ensure that women are not made worse off by their FDI activities. As a human right, gender equality, is one such hypernorm that TNCs should be committed to and actively protect. When seemingly-neutral FDI worsens gender disparities, TNCs unintentionally contribute to worsening cycles of gender vulnerability which violates their moral obligation to the international community. In order to be good global citizens, TNCs must make a reasonable effort to mitigate the gendered effects of their investments, even if this is costly for the corporation. It is not satisfactory for TNCs to only assume a negative duty not to discriminate against women, and then attribute any remaining inequalities to country characteristics beyond their control. Rather, TNCs have a responsibility to utilize their resources and leverage to pursue additional investments and policies that will benefit women and interrupt the cycles of vulnerability that prevent them from experiencing the benefits of FDI inflows. In the words of economist Jeffrey Sachs, “each company needs to be a part of the solution and needs to stretch its activities beyond normal market activities. This does not mean to turn the company upside down or into a charitable institution, but rather to identify the unique contribution the company may make as part of a broader effect to solve a major social challenge.”33

When operating in countries in which women are particularly vulnerable, TNCs can ‘do better’ and contribute to social change by introducing their own policies and initiatives that empower women in ways that the government is failing to do. In countries with greater gender development, the public sector has already addressed many of the external forces that cause FDI to have more gendered effects. For example, more gender equal (and generally more economically developed) countries will have legally-mandated schooling for all genders, anti-gender discrimination laws, and legislation that protects mothers at work. Ideally, all governments would take such actions to ensure women’s rights but this is not the case in states that are simply unjust and/or lack the political and economic capabilities to do so. In such cases, the belief that companies are global citizens who should promote social change can be used to argue that the responsibility to be agents of justice is largely, or even entirely, on the TNCs. This is the argument made by ethicist Thomas Maak, who argues for transnational corporations’ potential role as cosmopolitical organizations that should be held responsible for addressing social injustices when governments have failed to do so, even when this is beyond the scope of their normal market activities.

Determining the extent of the actions that TNCs should actually take to fulfill these responsibilities is a further discussion that will not be tackled here, as it requires further consideration into the ethics of encouraging corporations to expand their already asymmetrical influence in developing countries. A more easily acceptable starting point in understanding the role that TNCs should have in ensuring that women are not being made worse off by FDI, and that this global process does not contribute to transnational cycles of gender vulnerability, is to

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focus on what additional investments and policies TNCs can take that relate to their existing market activities. Perhaps the most well-known call-to-action for TNCs to promote gender development through their traditional activities of strategy, employment, marketing, supply chain management, etc. is UN Women’s Women’s Empowerment Principles (WEPs), which are as follows:

“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 nondiscrimination

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” 36

Building on the WEPs and focusing more specifically on addressing the drivers of FDI’s gendered effects, I propose that the following policies/initiatives 37 are ways in which TNCs can include gender considerations in their normal activities to fulfill their responsibilities towards women in developing host countries:

1. Evaluate a country’s gender situation when considering a potential investment opportunity and have a clear plan to address gender vulnerabilities

2. Invest in additional training programs for current employees and promising candidates to help bridge the gendered skills gap

3. Implement and enforce a clear policy of equal treatment in all hiring practices, promotions, etc. Establish an expectation of equal treatment among business partners and organizations along the supply chain

4. Give equal pay for equal work and equally valued work, understanding that men and women of similar skill may be segregated into different roles

5. Encourage and facilitate women’s participation in unions and other bodies of collective bargaining

6. Offer family benefits and childcare facilities to both female and male employees to reduce the overburdening of women in the private sphere

7. Report on gender participation at all levels of the organization and in all countries, and disclose how gender issues are integrated into their overall strategy

8. Seek out local women-owned businesses to include and their supply chain and help with capacity-building

9. Assess the gender impacts of divestment and develop a gender-friendly exit strategy

**Potential Next Steps**

In this paper, I have considered some existing empirical and normative evidence to build a preliminary line of argument towards a need to address FDI’s gendered effects and the responsibilities of TNCs to do so. There is still much to be considered in better understanding the
relationship between TNC investments and gender equality, and new empirical findings should result in a reconsideration of some of the points made. In future research, more attention should be given to the indirect effects that FDI has on women, and if these make the process more just or not. Much of the future research on this topic should focus on what actions TNCs should be expected to take towards addressing gender vulnerability and assessing the potential impacts and moral implications of these actions.

Future work should also strive to address potential objections to and areas of weakness in this argument. One potential challenge to this line of reasoning is that transnational corporations may not, in fact, be the most effective at addressing socially-maintained gender vulnerabilities due to their foreignness and ignorance of local culture. This objection is not strong enough to undermine the arguments presented in this paper, as TNCs have proven themselves successful at adapting to local cultures and overcoming the liability of foreignness to maximize sales revenue. There is nothing to suggest that the same learnings could not be applied to designing culturally-specific strategies to best utilize their influence and resources towards addressing gender vulnerabilities. Further research should be done to understand how companies have already done so, and what capabilities in market research and CSR strategy can be applied to this topic. Another potential criticism may arise from doubt in the feasibility of convincing TNCs to assume this responsibility and adopt the proposed policies and initiatives. While receiving private sector buy-in will certainly be a challenge, it is not so impossible that it should change the moral argument for TNC responsibilities to address gender vulnerabilities. As private sector leaders increasingly support the Women’s Empowerment Principles, and other women’s empowerment initiatives, we should be optimistic that more companies will recognize and act on their responsibilities to promote gender development in developing host countries.