



# WOMEN AT THE FOREFRONT OF ECONOMIC PROSPERITY IN THE 21st CENTURY

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## KEY STATISTICS

- **Latin America and the Caribbean (LAC) has closed 70% of the overall gender gap** and was the first region to achieve gender parity in primary and secondary education. However, **gender equality in the workplace continues to be a challenge**. LAC has underperformed in closing this gap compared to other regions.
- **Women's employment is a critical factor for economic growth in LAC**. It is estimated that the region's GDP would grow by US\$2.5 trillion if the workforce gender gap were to be closed completely.
- **Gender diversity in private sector leadership is cost-effective**. Companies listed in the LAC stock market who have one or more women on their boards present a 44% higher return on equity (*ROE*) and have a 47% higher EBIT margin than those that do not have women in these positions. Notwithstanding, female representation in leadership positions is limited in the region. Only 8.5% of women hold board positions and women represent only 4.2% of presidents and CEOs of listed companies.

## INTRODUCTION

**Women and girls represent half of the world's population and, therefore, half of its potential.** Increasingly, business leaders and governments are paying more attention to this economic, social and financial engine.

In the first place, if the Female Labor Force (FLF) in LAC would catch up with the male labor force, per capita GDP would increase by 34%.<sup>1</sup> On the other hand, increasing women's employment significantly contributes to reducing poverty and inequality<sup>2</sup>. During the first decade of the 21st century, income from the women's labor market reduced extreme poverty by 30% and regional inequality by 28%.<sup>3</sup> From a business point of view, the female labor force offers a unique opportunity since women influence between 58% and 73% of household spending.<sup>4</sup>

**LAC has made important progress in gender equality.** The majority of LAC countries have been able to close the gender gap in primary and secondary education<sup>5</sup> and increase female labor participation. In the 1960s, only two out of ten adult women were working or actively seeking jobs. Today, at least six out of ten Latin American women are participating in the workforce.<sup>6</sup> On the other hand, the number of women in the lower chambers of parliament in LAC increased by

<sup>1</sup> McKinsey Global Institute. September 2015. *The Power of Parity*.

<sup>2</sup> Gasparini, Leonardo, y M. Marchioni. 2015. *Bridging gender gaps*. La Plata: Universidad Nacional de La Plata.

<sup>3</sup> Banco Mundial. 2012a. «*The effect of women's economic power in Latin America and the Caribbean. Latin America and the Caribbean poverty and labor brief.*» <http://documents.worldbank.org/curated/en/731771468010902462/The-effect-of-womens-economic-power-in-Latin-America-and-the-Caribbean>.

<sup>4</sup> Catalyst. *Buying Power: Global Women*. New York: Catalyst, May 20, 2015.

<sup>5</sup> CEPAL Data. s. f. «Statistics». [http://estadisticas.cepal.org/cepalstat/WEB\\_CEPALSTAT/estadisticasIndicadores.asp](http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/estadisticasIndicadores.asp).

<sup>6</sup> Gasparini, Leonardo, y M. Marchioni. 2015. *Bridging gender gaps*. La Plata: Universidad Nacional de La Plata.

102% between 2000 and 2017 (from 13% to 25%). This is a much higher growth rate than we see in other regions of the world.<sup>7</sup>

Data from the 2017 Global Gender Gap Index<sup>8</sup> shows that Western European countries made the largest strides in reducing the gender gap,<sup>9</sup> which is currently at 25%. In LAC it's 30%. It is positioned in fourth place among eight regions of the world.

**Gender equality in the workforce continues to pose a challenge.** LAC underperforms in the Economic Participation and Opportunity sub index. It occupies the fifth place in the rankings by region with a gap of 35%.<sup>10</sup> Although women's increasing participation in the workforce reached 68%, this rise was insufficient to close the gap with men, who boast a constant participation of approximately 95%.<sup>11</sup>

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<sup>7</sup> Unión Interparlamentaria, 2017

<sup>8</sup> The *Global Gender Gap Index* is an index created by the World Economic Forum (WEF) aimed at quantifying the magnitude of gender disparities. The index examines 14 indicators divided into four subindexes: (i) Economic Participation and Opportunities; (ii) Educational Attainment; (iii) Health and Survival; and (iv) Political Empowerment. The index uses a 0 to 1 scale, total gender parity would score 1 (Schwab et al., 2016).

<sup>9</sup> Schwab, Klaus, Richard Samans, Saadia Zahidi, Till Alexander Leopold, Vesselina Ratcheva, Ricardo Hausmann, y Laura D'Andrea Tyson. 2017. «*The Global Gender Gap Report 2017*» [http://www3.weforum.org/docs/WEF\\_GGGR\\_2017.pdf](http://www3.weforum.org/docs/WEF_GGGR_2017.pdf).

<sup>10</sup> The Economic Participation and Opportunity subindex, included in the *Global Gender Gap Index*, measures three concepts: (i) participation gap; (ii) remuneration gap; y (iii) advancement gap. The participation gap is captured using the difference between women and men in labor force participation rates. The remuneration gap is captured through a hard data indicator (ratio of estimated female to male earned income) and a qualitative indicator gathered through the World Economic Forum's Annual Executive Opinion Survey (wage equality for similar work). Finally, the gap between the advancement of women and men is captured through two hard data statistics (the ratio of women to men among legislators, senior officials and managers, and the ratio of women to men among technical and professional workers). The subindex uses a scoring system between 0 and 1, 1 being the highest possible score (gender parity) with respect to economic participation and opportunity. Schwab, Klaus, Richard Samans, Saadia Zahidi, Till Alexander Leopold, Vesselina Ratcheva, Ricardo Hausmann, y Laura D'Andrea Tyson. 2017. «*The Global Gender Gap Report 2017*» [http://www3.weforum.org/docs/WEF\\_GGGR\\_2017.pdf](http://www3.weforum.org/docs/WEF_GGGR_2017.pdf).

<sup>11</sup> BID. 2017. «Standardized Statistics of Latin America»

### **Gender equality requires the participation of the other 50% of the population**

One of the greatest challenges to advance in gender equality is the need for men to actively involve themselves and share responsibilities when caring for and raising children and in the workplace, as well as in violence prevention efforts. Different types of barriers still exist in the region, which makes it more difficult to involve men. These include strict existing gender norms, institutions and programs that reinforce women's roles as caregivers, weak family-labor reconciliation policies, among others.<sup>12</sup>

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<sup>12</sup> IPPF/WHR y Promundo (2017) State of Paternity: Latin America and the Caribbean 2017. Nueva York: IPPF/RHO, Washington, D.C.:Promundo-US; Barker, Gary, y Francisco Aguayo. 2012. «Masculinities and gender equality policies: reflections based on the survey IMAGES and a review of policies in Brazil, Chile and México».

## DIAGNOSIC AND TRENDS

### Decline in women's labor force and persistent occupational segregation

1. **Advances in women's participation in the workforce have declined.** In the 1990s, the rate of women's participation increased an average of 0.9 points annually. Since the year 2000, the growth rate has declined by 0.3 points annually.<sup>13</sup> Various studies have identified the following obstacles for women's participation in the workforce:
  - a. Lack of labor and family reconciliation policies<sup>14</sup>
  - b. Discrimination by employers<sup>15</sup>
  - c. Cultural expectations on their role as caregivers and the perpetuation of traditional household gender roles<sup>16</sup>

The 2015 public opinion survey carried out by Latinobarómetro concluded that almost 40% of Latin Americans agree that women should only work if their spouse's salary is insufficient.<sup>17</sup>

2. **Women's wages are lower than men's.** In 18 LAC countries, men earn 17% more than women despite the fact

<sup>13</sup> Gasparini, Leonardo, y M. Marchioni. 2015. *Bridging gender gaps*. La Plata: Universidad Nacional de La Plata.

<sup>14</sup> Todd, Petra. 2013. «How to Improve Women's Employability and Quality of Work in Developing and Transition Economies». A Roadmap for Promoting Women's Economic Empowerment. Available at: [www.womeneconroadmap.org](http://www.womeneconroadmap.org). Accessed November; Blau, Francine D., y Lawrence M. Kahn. 2016. «The gender wage gap: Extent, trends, and explanations». National Bureau of Economic Research.

<sup>15</sup> Bohnet, Iris. 2016. «What works? Gender equality by design». Harvard University Press; Arceo-Gomez, Eva O., y Raymundo M. Campos-Vazquez. 2014. «Race and marriage in the labor market: A discrimination correspondence study in a developing country». *The American Economic Review* 104 (5): 376–80; Galarza, Francisco B., y Gustavo Yamada. 2014. «Labor market discrimination in Lima, Peru: Evidence from a field experiment». *World Development* 58: 83–94.

<sup>16</sup> Morton, Matthew, Jeni Klugman, Lucia Hanmer, y Dorothe Singer. 2014. «Gender at work: A companion to the world development report on jobs». World Bank, Washington, DC. <http://documents.worldbank.org/curated/en/2014/02/19790446/gender-work-companion-world-development-report-jobs>.

<sup>17</sup> Latinobarómetro. 2017. «Latinobarómetro Survey 2015». <http://www.latinobarometro.org/latNewsShowMore.jsp?evYEAR=2015&evMONTH=-1>.

that both received the same level of education. Women hold only 33% of the best-paid jobs in the region.<sup>18</sup> Furthermore, more women than men received hourly wages below the legal minimum (49% and 43%, respectively).<sup>19</sup> In part, these wage gaps are the result of high levels of existing occupational segregation. Women tend to concentrate on lower productivity jobs traditionally considered “feminine.” For example, 7 out of 10 women are employed in the services sector. Working women in non-traditional sectors such as construction, transportation and renewable energy account for only 3%, 12% and 35%, respectively.<sup>20</sup>

### Limited representation of women in private sector leadership positions

Women hold one out of four executive jobs in the world and normally they consist of support positions such as human resources directors (23%) or financial directors (19%).<sup>21</sup> In LAC only 21% of formal SMEs are headed by women (Executive Director [CEO] or Director of Operations [COO]).<sup>22</sup> A recent study on 1,259 LAC listed companies in 31 countries found that women hold 8.5% of board positions, 9.2% are senior managers and 4.2% are executive directors (CEO). The Caribbean boasts the highest representation rate: 18% of women in boards and 29% of female executives per company.<sup>23</sup> Some obstacles that women face to access these positions are:

- i. Conscious and unconscious biases in hiring procedures and work performance evaluations.

<sup>18</sup> Ñopo, Hugo. 2012. *New century, old disparities: Gender and ethnic earnings gaps in Latin America and the Caribbean*. World Bank Publications.

<sup>19</sup> BID. 2017. «Standardized statistics of Latin America»

<sup>20</sup> BID. 2017. «Standardized statistics of Latin America»; IRENA. 2016. «*Renewable energy and Jobs. Annual Review*»

<sup>21</sup> Grant Thornton. 2017. «*Women in business 2017*». The survey is applied to general directors, presidents and other high level executives in multiple industry sectors in medium-size businesses in 36 countries. In 2016, the survey was implemented between July and December 2016 and 5,526 interviews were conducted.

<sup>22</sup> Banco Mundial. 2010. «World Bank Enterprise Surveys»

<sup>23</sup> Abrahams, Scott; Flabbi, Luca; Piras, Claudia. 2016. «Female Corporate Leadership in Latin America and the Caribbean Region: Representation and Firm-Level Outcomes» <https://publications.iadb.org/handle/11319/7386#sthash.s4Uygtl.dpuf>.



- ii. Lack of soft skills, such as being less likely to negotiate compared to their male peers.
- iii. Lack of access to formal and informal professional networks.<sup>24</sup>

### Female entrepreneur's limited access to credit, business development services and markets

**The majority of women-owned businesses are unable to grow beyond the category of a microenterprise or move out of the informal economy.** LAC has one of the highest rates of female entrepreneurs in the world.<sup>25</sup> However, women-owned businesses have between 9% and 36% less employees than those owned by men.<sup>26</sup> The main reasons behind these gaps are:

- i. Difficulties in accessing networks and markets for their products
- ii. Difficulties in accessing training and business development services
- iii. Lack of access to credit and other sources of funding
- iv. Assets of lower value that require greater guarantees
- v. Primary household caregiver
- vi. Concentration of companies headed by women in the business and services sectors and low representation in the high productivity sectors.<sup>27</sup>

<sup>24</sup> Amoros y Bosma, 2014; Brass, 1984; Dreher y Cox Jr, 1996; Burke, Rothstein, y Bristor, 1995; Buvinic, Furst-Nichols, y Pryor, 2013; Forret y Dougherty, 2004; O'neill y Blake-Beard, 2002; Pailhé, 2014; Xavier et al., 2012; Wong, 2012; Banco Mundial, 2013b.

<sup>25</sup> Global Entrepreneurship Monitor. 2017. «The 2016 Global Entrepreneurship Monitor (GEM)». <http://www.gemconsortium.org/report/49812>.

<sup>26</sup> Banco Mundial. 2010. Women's Economic Opportunities in the Formal Private Sector in Latin America and the Caribbean: A Focus on Entrepreneurship.

<sup>27</sup> Banco Mundial. 2010. «World Bank Enterprise Surveys»; Women's Economic Opportunities in the Formal Private Sector in Latin America and the Caribbean: A Focus on Entrepreneurship.

## THE ROLE OF THE PRIVATE SECTOR

**The private sector offers a unique opportunity to increase profits and sustainability through the empowerment of women**, both in business leadership roles, as well as in the value chains of corporations.

This section presents three solutions that the IDB Group has developed through studies and programs in LAC. It also showcases the benefits that these solutions can bring to those companies that adopt them.

### **Gender Parity Initiative (GPI)**

The Gender Parity Initiative (GPI) is a public-private partnership promoted by the IDB Group and the World Economic Forum (The Forum) aimed at supporting the countries of Latin America and the Caribbean interested in enhancing collaboration and action to reduce the economic gender gap. The GPIs develop and implement plans of action that have an average duration of three years. They are presided by leading government representatives and businessmen. Each GPI sets specific goals to close gender gaps. To this end, economic participation indicators of the Global Gender Gap Forum Index are used: participation, equal pay and leadership.<sup>28</sup>

Since 2016, four countries have joined this Regional Initiative. **Chile launched its plan of action in December 2016**. Argentina and Panama joined in 2017. These countries are currently preparing their plans of action. Peru joined in January 2018. It is estimated that it will launch its plan of action during the second half of the current year. Likewise, a Learning Community has been established between these four countries to share lessons learned and indicators to measure progress.

<sup>28</sup> 2016 WEF report on gender gaps available here: <http://reports.weforum.org/global-gender-gap-report-2016/>.

1. Define goals and strategies to increase gender diversity in different senior management and leadership positions in companies.

**Companies can develop programs to help identify women with high potential. These programs can be developed both within and outside the company.** They usually consist of mentoring and coaching initiatives that help develop a pipeline of women leaders at different levels within the company. In order to achieve real change, these female leadership initiatives require acceptance, allocation of resources and set goals from the highest echelons of the organization.

*Benefits for the company:* Businesses that have one or more women in management have displayed a 44% ROE and a 47% EBIT higher than those that don't.<sup>29</sup> On the other hand, the presence of women in executive boards has been associated with a reduction of the company's likelihood of becoming bankrupt by 20%.<sup>30</sup>

### **The WEP Business-Driven Gender Tool**

The IDB Group together with the United Nations Global Compact UN Women, with the support of the governments of Japan and Germany, the Coca Cola Company, BSR, Itaipu and KPMG developed the "WEP Business-Driven Gender Tool." This is a platform that helps LAC businesses identify strengths, weaknesses and opportunities to improve gender equality through self-diagnosis.

<sup>29</sup> McKinsey. 2013. «*Why women matter: A Latin American Perspective*» Studies carried out on 345 companies in 6 Latin American and Caribbean countries.

<sup>30</sup> Women in the boardroom help companies succeed – Times article March 19, 2009 – Professor Nick Wilson LUBS

## 2. Promote inclusive work environments and programs to develop female talent

Studies around the world and in Latin America have found that the following strategies can help create more inclusive work environments, as well as identify, hire and retain more women. These are:

- i. **Expanding and supporting maternity and paternity leaves increases the chances that women will return to the workforce following the birth of the child.**<sup>31</sup> For this reason, policies should preferably be directed at achieving greater parity between maternity and paternity leaves.<sup>32</sup>
- ii. **Provide greater access to childcare, including reducing its costs.** This increases the level of waged employment among women.
- iii. **Establish a safe and equitable culture in the workplace. Eradicate tolerance of verbal, physical and sexual abuse, among other forms of violence against women.**

*Benefits for the Company:*

- i. **Increased capacity for innovation and performance:** Increasing the number of women in work teams has been associated with a better ability to resolve difficult problems.<sup>33</sup> A Harvard University study found that collective intelligence tends to be higher when the number of

<sup>31</sup> Baum, Charles L., y Christopher J. Ruhm. 2016. «The effects of paid family leave in California on labor market outcomes». *Journal of Policy Analysis and Management*; Berger, Lawrence M., y Jane Waldfogel. 2004. «Maternity leave and the employment of new mothers in the United States». *Journal of Population Economics* 17 (2): 331–49; Espinola-Arredondo, Ana, y Sunita Mondal. 2008. «The effect of parental leave on female employment: evidence from state policies». *Washington State University School of Economic Sciences working paper series WP 15*: 2008; Han, Wen-Jui, Christopher Ruhm, y Jane Waldfogel. 2009. «Parental leave policies and parents' employment and leave-taking». *Journal of Policy Analysis and Management* 28 (1): 29–54.

<sup>32</sup> Thévenon, Olivier, and Anne Solaz. 2013. «Labour market effects of parental leave policies in OECD countries»; Boeri, Tito, Brooke Helppie, y Mario Macis. 2008. «Labor regulations in developing countries: a review of the evidence and directions for future research». World Bank Social Protection Discussion Paper 833.

<sup>33</sup> Catalyst. 2013. «Why diversity matters». [http://www.catalyst.org/system/files/why\\_diversity\\_matters\\_catalyst\\_0.pdf](http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf).

females in work teams is larger. Another study including 50,000 Sodexo employees shows that gender-balanced groups (not less than 40% nor higher than 60% of representation per sex) have 23% higher net income profits than those that don't.<sup>34</sup>

- ii. **Higher levels of satisfaction among female and male workers is associated with less turnover.**<sup>35</sup>
- iii. **Better understanding of consumer preferences: today, women influence between 58% and 73% of household spending. Integrating more women in the business sector workforce** also serves as a business strategy because it helps to better understand spending patterns.<sup>36</sup>

### EDGE Certification

EDGE (“Economic Dividends for Gender Equality”) is a process that helps businesses strengthen their commitment to gender equality, as well as identify areas for improvement through a global quality standard. The IDB group helps companies by providing technical assistance for this process.

Danper, is a leading Peruvian company in the production of asparagus and avocados. In 2017, it acquired a loan of \$20.7M to fund working capital and increase its agricultural production. As part of its operations, it received financial and technical support to implement a gender-based plan of action that resulted from EDGE certification.

### 3. Involving MSMEs headed by women in the company's value chain

Every year corporations spend millions of dollars purchasing goods and services. However, it is estimated that purchases

<sup>34</sup> Anand, Rohini. 2016. «Gender-Balanced Teams Linked to Better Business Performance: A Sodexo Study» [http://sodexoinsights.com/wp-content/uploads/2016/04/Sodexo-Study\\_Gender-Balance-Trend.pdf](http://sodexoinsights.com/wp-content/uploads/2016/04/Sodexo-Study_Gender-Balance-Trend.pdf).

<sup>35</sup> Catalyst. 2013. «Why diversity matters». [http://www.catalyst.org/system/files/why\\_diversity\\_matters\\_catalyst\\_0.pdf](http://www.catalyst.org/system/files/why_diversity_matters_catalyst_0.pdf).

<sup>36</sup> Catalyst. *Buying Power: Global Women*. New York: Catalyst, May 20, 2015.

in companies headed by women represents only 1% of total government and business contracts.<sup>37</sup> Large global and regional businesses have begun to understand that involving companies headed by women is good for business.

*Benefits for the company.* Diversifying the value chain contributes to increasing competition. This also helps in reducing costs and improving the quality of inputs.<sup>38</sup>

**ConnectAmericas for Women** is the largest women's network of female service providers in LAC. It's an online business platform designed to help companies headed by women in LAC grow. Through this platform they can:

- advertise their companies and products in purchase ads published by businesses and governments
- establish direct contacts with more than 180,000 businessmen in 140 countries
- access 11 online courses and thousands of articles and videos, and connect to support programs for LAC female entrepreneurs

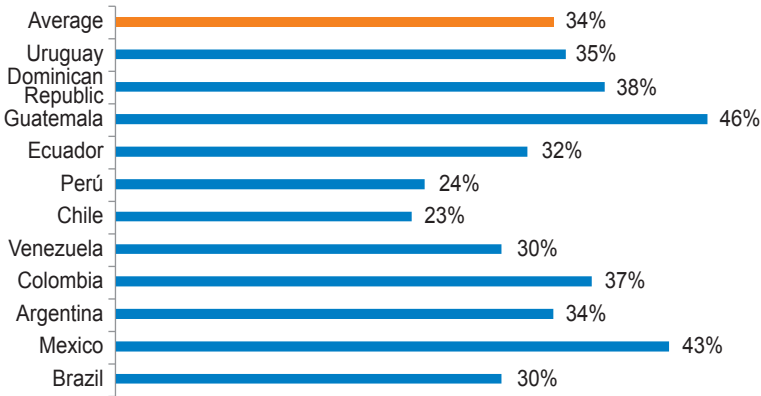
More than 500,000 female entrepreneurs in 80 countries have used this platform since it was launched in 2016. The platform is being disseminated in collaboration with strategic partners such as Google, DHL, SeaLand, Facebook and MasterCard.

<sup>37</sup> Vazquez, Elizabeth y Barbara Frankel. 2017. «*The Business Case for Global Supplier Diversity and Inclusion: The Critical Contributions of Women and Other Underutilized Suppliers to Corporate Value Chains*» WeConnect International. <https://weconnectinternational.org/images/Report.pdf>.

<sup>38</sup> Vazquez, Elizabeth y Barbara Frankel. 2017. «*The Business Case for Global Supplier Diversity and Inclusion: The Critical Contributions of Women and Other Underutilized Suppliers to Corporate Value Chains*» WeConnect International. <https://weconnectinternational.org/images/Report.pdf>.

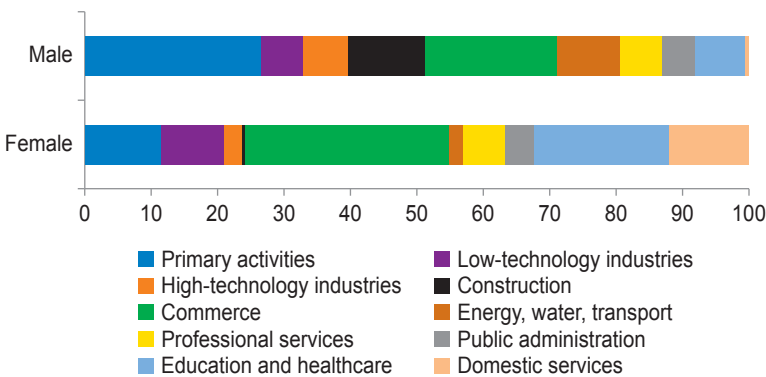
## ATTACHMENTS

### Economic Potential in GDP when closing the overall gender gap in the workforce. Selected countries LAC



Source: McKinsey Global Institute. Where will Latin America's Growth Come from? April 2017.

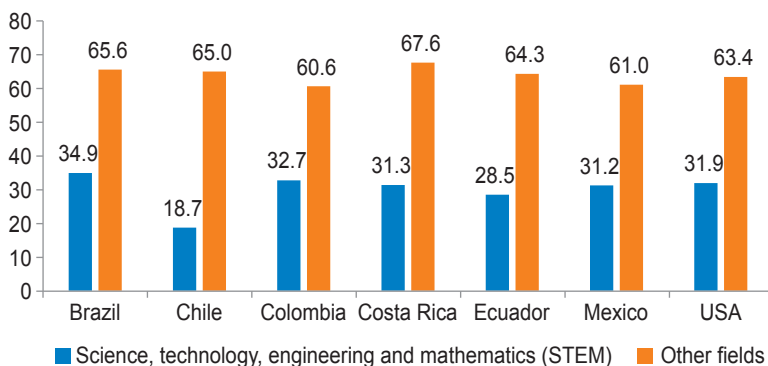
### Employment distribution by sector and gender (2016)



Note: Population between 15 and 64 years.

Source: SEDLAC (CEDLAS and The World Bank).

### Percentage of women graduates at the tertiary level, by study area (2014)



Source: Self-prepared using UNESCO figures.