# CLOSING GENDER GAPS IN THE SOUTHERN CONE

## An Untapped Potential for Growth

EXECUTIVE SUMMARY

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MARCH 2022

# Executive summary

Despite significant progress in recent decades, the countries of the Southern Cone (Argentina, Brazil, Chile, Paraguay, and Uruguay) still face challenges regarding gender inequality. Women struggle with explicit and implicit barriers throughout their private and public lives, limiting the achievement of their full potential.

Women in the region continue to lag behind men in terms of labor market participation, hours of work, and earnings. They spend three times as many hours per week engaged in unpaid labor as their male counterparts. In 2019, the average female employment rate in the Southern Cone was 49 percent, 21 percentage points below that of men (in the United States this gap was 11 percentage points). Women are also underrepresented in the highest-paid occupations and overrepresented in the informal sector, which is characterized by variable pay and job insecurity.

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Gender gaps in access to public services, human capital accumulation, and the labor market limit overall productivity and economic growth. In addition to their objectives of justice and inclusion, policies that mitigate these inequalities have the potential to foster economic development and wellbeing. In a context in which the pandemic has widened gender gaps, policymakers need a new set of policy tools that can foster gender parity in the recovery phase.

This volume studies gender gaps in the Southern Cone countries and presents evidence on their economic consequences, their drivers, and the policy tools that can contribute to mitigating them. It is thus a timely compendium of solid evidence to design policies that can effectively tackle gender disparities in in the region.

The book quantifies the aggregate costs experienced by the economies of the Southern Cone as a result of gender gaps in the labor market. When some groups (such as women) face barriers to work in certain occupations, talent is not efficiently allocated, reducing aggregate efficiency and total output. It is estimated that eliminating occupational barriers such as wage discrimination, human capital accumulation gaps, and gender-biased social norms yields considerable aggregate output gains in Southern Cone countries, ranging from 4 percent to more than 15 percent, depending on the country. In the case of Brazil, if one also removes barriers faced by various ethnic groups, the gains could reach up to 30 percent of GDP.

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This result stresses the importance of policies that promote women’s labor market participation and access to high-skill occupations, as well as the need to tackle human capital accumulation gaps early on. Recent work has shown two stylized facts: (i) the traditional female disadvantage in years of schooling has disappeared and turned into an advantage in most countries, but (ii) there are large differences in the fields of specialization chosen by males and females at the tertiary level, with females disproportionately entering lower-paying fields. In this sense, other chapters of the book focus on gender gaps in financial literacy and the choice of university degree.

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The book finds that gender gaps in financial literacy in Argentina, Chile, and Paraguay are relatively small. The differences across men and women are only partly driven by observable characteristics such as education and income.

Other chapters look at gender gaps in higher education. For example, data from Chile show that enrollment in technology and engineering only increases the income and employment of men. The book argues that this is not a consequence of gender differences in preferences for job attributes, but rather that women in technology and engineering may be subject to more labor market discrimination relative to women in other fields. This suggests that policies to effectively address gender gaps should go beyond incentivizing more women into these fields, as they may struggle in the labor market later on when trying to succeed in male-dominated fields.

> “Women have less access to jobs than men due to higher travel costs and longer distances.”

Another interesting finding from Chilean data is the positive effect of having classmates who perform better. However, such peer effects emerge only among students of the same sex: higher-quality peers of the same sex have positive effects on graduation and earnings and negative effects on fertility, both for men and women. This result suggests that investments in female human capital may have a multiplier effect in advancing gender equality: supporting girls to become top students not only has a positive effect on them, but also on their future female peers. This study also sheds light on the role of mentoring by suggesting that social structures that promote interactions between women of high- and low-performance levels might increase gender equity.

The book focuses on factors other than human capital formation that may also contribute to gender inequalities in the labor market. Using data from Buenos Aires, it shows that mobility patterns can restrict women's access to work. Women make more daily trips than men, travel more outside of rush hour, walk more, use more public transport, and have a significant share of trips devoted to care responsibilities. Furthermore, women have less access to jobs than men due to higher travel costs and longer distances. This pattern is particularly salient in the lowest income quintile. These results highlight the importance of gender-sensitive transport and urban policies to foster women's labor market participation and economic autonomy.

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The book also explores other factors that could contribute to gender equality. In a case study for Brazil, it investigates the extent to which worker mobility from multinationals to local firms leads to spillovers in terms of female-friendly labor practices. The results show these effects are small in terms of their economic significance, indicating that countries should not certainly rely on FDI as a significant source of improvement in gender equality.

Finally, the book finds significant increases in labor formalization—especially among women—as a result of a program that reduces bureaucratic costs for microenterprises in Brazil. Moreover, higher formalization rates were found for women with young children, presumably because they seek greater social security benefits. These findings are consistent with the literature that shows that women value benefits more than men and seek more social security for the family, which suggests the importance of policies to foster the formalization of micro and small businesses to reduce gender gaps in the labor market.

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In summary, the studies collected in this volume document persisting gender inequalities in Southern Cone countries and explore how reducing these gaps would significantly boost economic growth and development in the region. Several chapters point to avenues for progress and change, which is particularly useful in these dire times characterized by slow growth and low productivity levels. Now more than ever, countries in the Southern Cone need to focus on sustained and inclusive growth. A good start to these efforts is enacting programs and policies that reduce gender inequality and give women an opportunity to reach their full potential in the labor market and beyond.

**To download the full report, please access www.iadb.org/genderSouthernCone**

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