

GUIDE TO PROMOTE GENDER EQUALITY IN
LATIN AMERICAN AND CARIBBEAN COMPANIES



DIMENSION 4

Equal compensation

Analía Avella • Julia Hakspiel • María Teresa Villanueva



This dimension is part of the
***'Guide to Promote Gender Equality in
Latin American and Caribbean Companies'***

Download the full publication [HERE](#) to explore all the dimensions.

1 Engagement and
strategy development

2 Inclusive talent
attraction and selection

3 Women's development
and leadership

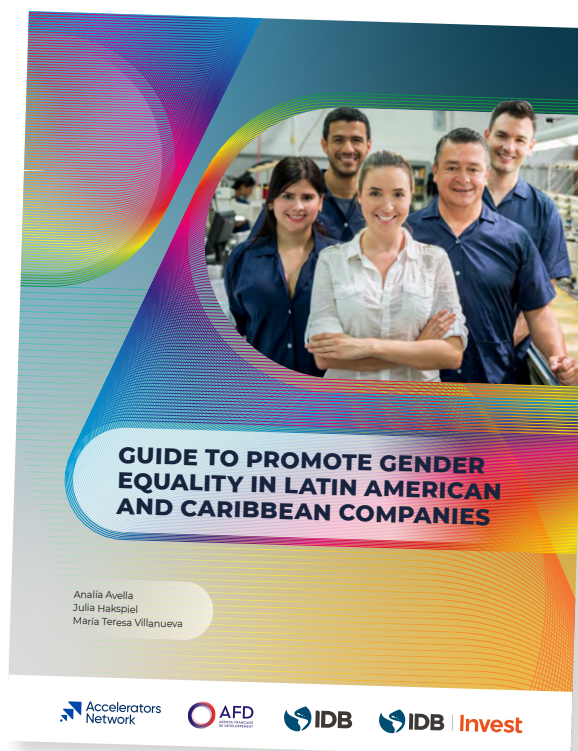
4 Equality in
compensation

5 Conciliation and
co-responsibility for care

6 Working environments
free of violence and
harassment

7 Inclusive product
and service design

8 Inclusive
value chains





Equal compensation

The gender pay gap is not an independent phenomenon, but a reflection of multiple social, cultural and labor inequalities.

Context and evidence

One of the most striking facts about gender disparities in the labor market is that, **in all countries of the world, women earn on average less than men**. Latin America and the Caribbean are no exception. What factors explain these gaps?

In the region, women earn 12% less than men on average. However, this difference does not take into account the fact that women attain a higher level of education. **When adjusting the data to account for differences in educational level, field of study, work experience and other related factors, the gender wage gap rises to 22%** (IDB, 2022)¹. This gap has widened by 2 percentage points since the early 2000s, as the education gap grew in favor of women.

These inequalities are even more pronounced among certain groups of female workers. **Women entrepreneurs, those working in the informal sector or those with part-time jobs face greater wage disparities**. Self-employed women earn about 24% less than men, informal women workers 26% less, and women working part-time 36% below (IDB, 2022)².

The review of evidence does not reveal the existence of a manifest problem of wage discrimination in the labor market that could explain these gaps; that is, it is not observed that women systematically receive lower wages than men for the same jobs; although it is likely that women may be affected in the negotiation and/or wage review processes in certain positions and/or roles (see [Box 7](#)).

Part, although not the most significant part, of the gender wage gap is explained by the **overrepresentation of women in lower-paying sectors and occupations**, such as health services, welfare and education³, and their lower representation in high-income activities such as engineering, science and technology. This segmentation begins in the educational system. Women represent 74% of graduates in health, welfare and education, while they are only 32% in engineering and 27% in information and communication technologies (IDB, 2022).

However, factors linked to occupational segregation explain only a minor part of the gender wage gap. The most important factor contributing to these inequalities between men and women is the stage of family formation. **With the arrival of children, women (unlike men) suffer penalties in the labor market**. The effects of motherhood on employment have been empirically documented in developed countries such as Austria, Denmark, Germany, Sweden, the United Kingdom and the United States (Kleven et al., 2019).

1. Harmonized Household Surveys of Latin America and the Caribbean.

2. Harmonized Household Surveys of Latin America and the Caribbean.

3. Although these sectors have other comparative advantages in relation to other occupations, such as a higher proportion of working people contributing to social security (Cruz Aguayo et al., 2019).



Emerging evidence in the region suggests similar effects, **with a decrease in women's labor participation and wage gaps that start to become evident after childbearing.**

Because of childcare and child-rearing responsibilities, many women are forced to abandon their jobs, interrupt their career paths, reduce the hours dedicated to paid work (which implies a reduction in income), or adapt to more flexible occupations, often in the informal sector. **These factors affect their career progression and their inclusion in higher positions, which becomes a key determinant of the gender pay gap.**

According to Querejeta and Bucheli (2021), women's monthly salaries in Uruguay fall 19% one year after the birth of the first child and this effect is not reversed, reaching 36% after 10 years, mainly due to a reduction in formal employment. The study by Berniell et al. (2023) finds that in Chile, Mexico, Peru and Uruguay motherhood implies a 17% to 20% drop in employment in the short term, which persists 4 years after the birth of the first child. **Maternity changes the occupational structure of women towards more flexible but more vulnerable forms of employment: part-time jobs, self-employment and informal employment.**

The transition of women to the informal sector after childbearing is especially notable in the region, due to the high prevalence of informality (Villanueva and Ken-Hou, 2020). It has been shown that, were it not for this sector, the gender gaps would be even larger. However, this transition to the informal sector has significant costs for women, not only in terms of their professional careers, but also in the long term, increasing the risk of falling into poverty in old age because they have not contributed to the social security system.

Given the magnitude and complexity of these inequalities, it is crucial that both public policies and private initiatives focus on mitigating these effects. **In particular, it is essential to implement measures that promote co-responsibility in caregiving.** This will allow a more equitable sharing of childcare and childrearing responsibilities, **making it easier for women to develop their careers on equal terms with men.** In this way, women will be able to improve their chances of sustaining their professional careers and gain access to leadership positions and better salaries. These measures will not only help reduce gender gaps but will also enable organizations to better retain and leverage women's talent. For more information, see section 4.5.



BOX 7

EQUAL PAY, GENDER PAY GAP AND REGULATORY FRAMEWORKS

Pay equity and the gender pay gap are related but distinct concepts. Equal pay refers to men and women receiving equal pay for equal work or for tasks of comparable value. In contrast, the gender pay gap measures the difference between men's and women's average pay, expressed as a percentage of men's pay.

These differences can deepen when considering total compensation, which includes not only base salary, but also discretionary components of compensation, such as benefits and bonuses. These elements are often agreed upon in individual salary negotiation processes, where women may face additional challenges compared to men in defending their market value. This can affect women's employment income, especially at middle and senior levels. Tracking the gender pay gap is a relevant tool for assessing an organization's progress towards gender equality.

International and regional framework on equal pay

Convention No. 100 known as the Equal Remuneration Convention (ILO, 1951) and Recommendation No. 111 concerning Discrimination in Employment and Occupation (ILO, 1958) establish the principle of equal pay for work of equal value. According to this principle, jobs that are equal and those that provide similar value should be remunerated in the same way, regardless of the gender of the person performing them. This Convention has been ratified and is in force in more than 170 countries, including all Latin American and Caribbean countries.

However, different approaches have been adopted to incorporate these provisions. While some give constitutional status to equal pay, such as Argentina, Costa Rica and Mexico, only Bolivia, Ecuador and the Dominican Republic explicitly reflect the principle of equal pay for work of equal value in their constitutions. Other countries, such as Brazil, Chile and Uruguay, include general provisions on equal pay without clearly specifying this principle.

Despite advances in legislation, the practical implementation of equal pay continues to face challenges. Many national laws lack concrete measures and specific sanctions to guarantee this right. Some countries, such as Chile (2009), Colombia (2011) and Peru (2017), have enacted specific enforceable laws to address these constraints and promote equal pay, with amendments to their labor codes (ILO, 2019).



Potential actions

Strategies to reduce gender wage inequalities

Companies can implement and combine different strategies to reduce pay inequalities. These strategies include both initiatives focused on ensuring the principle of equal pay for work of equal value, as well as specific measures that address the structural factors that determine gender pay gaps.

A Actions to promote equal pay

- **Establish a formal commitment.** Companies can institutionalize a policy of equal pay for work of equal value, in line with the international regulatory framework and national legislation applicable in each case.
- **Define a compensation system with clear and objective criteria.** These criteria may include factors such as required skills, level of effort, working conditions, and the responsibility associated with each position.
- **Communicate to employees the compensation criteria defined** and provide access to explanatory documents.
- **Review salary structures and compensation practices and** implement mechanisms to correct any inequalities detected.
- **Ensure collaborative processes in salary review instances,** between the benefits and compensation team and the corresponding area managers.
- **Include in climate surveys specific queries** on perceptions of pay equity and career advancement opportunities.

B Actions to reduce gender pay gaps

- **Monitoring.** Monitor employee salary data disaggregated by gender, including additional elements of compensation such as bonuses, incentives, benefits and allowances.
- **Measurement.** Periodically measure gender pay gaps by hierarchical levels and functional areas of the organization.
- **Analysis of systemic factors and corrective measures.** Analyze whether there are systemic problems in the work cycle, such as gender bias in the recruitment, selection, evaluation and promotion processes, and adopt measures to improve the balance in these stages. Refer to sections 4.2 and 4.3 of this guide and [Box 8](#).
- **Specific measures for work-life balance and co-responsibility.** To reduce gender pay gaps in organizations, it is key to address the structural barriers that limit women's career paths and hinder their access to higher-paying positions. Companies can implement actions that promote work-life balance and, fundamentally, measures that support co-responsibility in caregiving. Encouraging co-responsibility not only contributes to improving the distribution of domestic and child-rearing responsibilities between fathers and mothers, but also improves women's job opportunities and moderates the penalizing effects associated with motherhood. Specific actions to support these dimensions are detailed in section 4.5.



BOX 8

KEEP IN MIND: SOME GUIDING QUESTIONS ON PROCESSES THAT IMPACT GENDER WAGE GAPS

- Is there gender balance in hiring?
- For what roles and functions are men and women being hired?
- Are performance ratings gender balanced?
- Are salary adjustments granted equally between men and women?
- Are bonuses and benefits gender balanced?
- Is equal support provided for assuming care and parenting responsibilities between men and women?
- Are family leave schemes balanced?
- Do flexible work arrangements apply to both men and women?
- Are women on maternity leave included in salary reviews and adjustments?
- Are there any penalties in terms of salary or promotion opportunities associated with motherhood?
- Are the work objectives of women returning from maternity leave adjusted so as not to affect their performance evaluations?
- Is there gender balance in succession and promotion planning?

Source: own elaboration.



Tools and resources

GUIDES AND METHODOLOGIES	
Equal Pay Diagnostic Tool [DIR]	<ul style="list-style-type: none">Self-assessment tool developed by UN Women to support companies and organizations in assessing whether they are applying the principle of "Equal Pay for Work of Equal Value", in line with ILO Convention No. 100. Entity: UN Women / + Explore
A guide to measuring the gender pay gap	<ul style="list-style-type: none">Proyecto liderado por la Embajada Británica en México. Metodología para medir la brecha salarial de género a partir de una adecuación de la metodología utilizada en Reino Unido. Entity: British Embassy in Mexico / + Explore (Available in Spanish).
A Guide to Gender Pay Gap Analysis	<ul style="list-style-type: none">Guide for analyzing salary components, with the objective of identifying the factors that contribute to gender gaps in remuneration. Entity: WGEA / + Explore
A Guide to Closing the Gender Wage Gap	<ul style="list-style-type: none">Guide to identify and address the main factors involved in gender wage gaps. Entity: Champions of Change Coalition / + Explore
ALLIANCES AND COMMUNITIES	
International Equal Pay Coalition	<ul style="list-style-type: none">Initiative led by ILO, UN Women and the Organization for Economic Co-operation and Development (OECD). This coalition collaborates with governments, the private sector, civil society and academia to implement concrete measures to accelerate the closing of the gender wage gap.. Entity: ILO, UN Women and OECD / + Explore

Source: own elaboration.



Case studies

Outstanding global and regional business practices.



GLOBAL

Schneider Electric:

Achieving pay equity across all offices in more than 100 countries.

- **Industry:** Energy.
- **Country:** Global, based in France.

Schneider Electric began its journey toward gender parity in 2014 with a working group sponsored by the CEO and country presidents. The group designed the **Global Pay Equity** (GPE) initiative to reduce the gender pay gap to less than 1% by 2025. The company assessed inequalities at key points in the employment cycle to identify where pay gaps originate and design solutions to close and mitigate their recurrence.

From 2015 to 2017, the company's decision was to progressively implement this approach in its operations worldwide, with proactive actions to correct and close gender pay gaps. Through a global-local compensation framework, backed by strong governance and automated analytics, the GPE initiative was implemented in all countries starting in 2018 and reached 99.6% of its total workforce by the end of 2020. Broader impact: improved pay equity helped move toward the company's 50/40/30 gender parity targets by 2025. As of Q3 2022, women accounted for 41% of new hires (vs. 34% in 2014), 27% of frontline management positions (vs. 24% in 2017), 27% of people employed in leadership roles (vs. 21% in 2017), and 34% of the overall workforce (vs. 30% in 2014).

The full case study for this company is available in the World Economic Forum's [DEI Lighthouse 2023](#) report.



REGIONAL

Bagó Laboratories

Formalizing commitments to closing the gender pay gap.

- **Industry:** Pharmaceutical Industry.
- **Country:** Chile.
- IPG member company in Chile.

Since 2015, the company has obtained certification in Chilean Norm 3262 on Gender Equality and Conciliation. This certification, among other aspects, requires an annual evaluation of the gender pay gap in the company. Therefore, each year a diagnosis is carried out to analyze variations with the aim of progressively



reducing this gap. In addition, the company participates in various compensation studies to adjust its compensation based on the market. The company has managed to reduce the gender pay gap from 13.7% in 2021 to 9.2% in 2023.

See the complete case study of this company in Annex 5.1.

Source: Prepared by the authors, based on the DEI Lighthouse 2023 Report of the World Economic Forum and information provided by the companies.



This publication was prepared by the IDB Group in collaboration with the World Economic Forum, with funding from the French Development Agency (AFD).

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org

Copyright © 2024 Inter-American Development Bank ("IDB"). This work is subject to a Creative Commons license CC BY 3.0 IGO (<https://creativecommons.org/licenses/by/3.0/igo/legalcode>). The terms and conditions indicated in the URL link must be met and the respective recognition must be granted to the IDB.

Further to section 8 of the above license, any mediation relating to disputes arising under such license shall be conducted in accordance with the WIPO Mediation Rules. Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the United Nations Commission on International Trade Law (UNCITRAL) rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this license.

Note that the URL link includes terms and conditions that are an integral part of this license.

The opinions expressed in this work are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Executive Directors, the countries it represents, or its partners the World Economic Forum or the French Development Agency.



