The Gender Dividend
Capitalizing on Women’s Work

Carmen Pagés and Claudia Piras
with contributions by Suzanne Duryea and Norbert Schady

Inter-American Development Bank
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Efforts to improve growth and employment in Latin America and the Caribbean must focus on women. The reason is simple but powerful: women are driving economic growth in the region. This is true at both the economy-wide (macro) and the household (micro) levels.

These trends are especially important because women play a pivotal role in the region’s economic and social life. Increased employment opportunities for women yield direct benefits for their own well-being, as well as that of their families, by boosting income and financial security. Moreover, women tend to direct a larger share of their income toward expenditures on education, nutrition, and healthcare, especially for children (see discussion, below). This is why governments throughout the region are increasingly channeling resources to women in lower-income households, effectively increasing women’s autonomy in economic decision making. Thus higher levels of earnings for women not only spur current economic growth, but also help break the transmission of poverty from one generation to the next.

Despite their pivotal role in the economy, and despite the fact that women tend to be better educated than men, the region is not making the most of women’s talents and potential. This is especially costly at a time when the region is trying to increase its productivity in order to enhance competitiveness in international markets and catch up to the developed world.

This essay reviews the trends in women’s growing economic role in the region, discusses the implications of these trends, and identifies areas that need to be
addressed. If the region is to capitalize the gender dividend, it needs to support women through public policies that facilitate their productive role and promote higher participation in the labor market on a more equal basis.
The Economy-Wide (Macro) View

The growing economic contribution of women has been a major socioeconomic change in Latin America. In the last three decades, millions of women have entered the labor market. The rate of female participation in the labor force has increased from 35 percent in 1980 to 53 percent in 2007.

From an economy-wide view, bringing more women into the paid labor force enlarges the pool of available labor, contributing to economic growth.¹ Within households, spending power and financial security increase. In terms of economic development, women’s paid work can have a significant impact on reducing poverty. Without the income contributed by female spouses, poverty in two-parent households in Latin America would have been 40 percent, instead of the actual 26 percent.²

The large influx of women into the labor force has had several distinct characteristics, which have had important consequences for growth, equality, and poverty reduction in the region.

*In many countries, increases in employment have accounted for much recent economic growth, rather than increases in productivity.*

Labor productivity grew less than 1 percent a year from 1990 to 2004 in almost all countries in the region—well below the rates attained in the fast-growing Asian countries.³ Even as GDP growth remained volatile and low, employment growth was robust in many countries—
quite surprisingly, and unlike the trends in other regions of the world. The higher quantity of jobs was not accompanied by higher quality, however; the share of labor in informal jobs increased, while a greater share of workers found themselves in jobs that did not pay enough to lift them and their families out of poverty. In many countries in the region, the experience was not of “jobless growth,” but rather of “growthless jobs.”

The growth in female employment, in turn, has accounted for much of the increase in employment.

Much of the growth in the employment rates in the region can be traced to the rapid entry of women into the workforce from a relatively low base compared with that in industrial countries. In most countries, female participation in the labor force has increased significantly since the early 1990s, with growth rates close to 1 percent a year (Figure 1). The rise in participation has been largest in countries where participation was lowest initially. This growth in female employment occurred, in some countries, at the same time that rates of participation dropped for prime-age males.4

The increase in paid work among women has not been homogenous, but has varied substantially by age group and schooling level. Growth in female labor force participation has been particularly important among middle-aged women and among the least educated.5 Among more highly educated women, labor force participation has been historically higher; thus increases in
Figure 1 Increase in Female Labor Force Participation since the 1990s

Source: Authors’ calculations based on individual country household surveys from 1989 to 2008. The period covered varies according to data availability for each country.
education have translated into higher overall levels of labor force participation.

**Women are reaching the labor force with more education than men.**

Women in the region are staying in school longer and are more likely to attend college than men. While women older than 40, who completed education two decades or more ago, had less formal schooling than men, young women have caught up and surpassed the education levels of young men (Figure 2). For the cohort born in 1980, women have, on average, one-quarter of a school year more than men. In only three countries—Bolivia, Guatemala, and Haiti—does this pattern not hold, young women not having reached the education levels of young men. However, a more detailed look reveals that in Bolivia, Guatemala, Mexico and Peru there are still noticeable gender differences, favoring boys, among older children of the poor and of people of indigenous ethnicity. In a few countries, notably the Dominican Republic, Suriname, and Venezuela, women in their twenties have almost one year more of education than men, on average.

**Women have made important participation gains in all sectors.**

Less than 30 percent of the increase in the share of women in the labor force can be traced to the expansion of sectors traditionally dominated by women. Instead, most of the expansion has been driven by the increasing
### Figure 2: Gender Gap in Education Across Generations in Latin America and the Caribbean

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>(10–20)</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>(21–30)</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>(31–40)</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>(41–50)</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>(51–60)</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>(61+)</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

participation of women in all sectors. Moreover, the share of women has been increasing faster in those sectors that traditionally employed fewer women. These trends suggest the growing participation of women has more to do with the lifting of constraints than the expansion of employment in particular sectors that are female-friendly but poorly paid.

*Female employment has risen consistently despite important swings in economic activity.*

The increase in participation is not the response to the many, and often large, economic shocks that have battered the region in the last 15 years. Female participation rates have not been very sensitive to these swings, and have grown fairly constantly (Figure 3). This pattern points to long-term factors as the main causes behind the rise in women’s participation, such as better access to schooling, lower fertility rates, and increasing availability of running water and household appliances that free up women’s time for paid work, as well as shifting female roles within the household. Changes in the amount of schooling account for between 30 and 40 percent of the increase in female labor participation, some economists estimate.10
Figure 3 Labor Force Participation by Country since the 1990s

Argentina

Brazil

(continued on next page)
Figure 3  Labor Force Participation by Country since the 1990s (continued)

Source: Sociómetro, Inter-American Development Bank.
Note: Data are for people aged 25–64.
The Household (Micro) View

Throughout the region, women are increasing their earning power and economic roles within the household (Figure 4).

*Women are increasing their economic contribution to the household.*

The percentage of female earnings within the household has grown steadily in nearly every country in the region. In most countries, it grew by more than 10 percentage points over the past decade. The share of female income in households ranges from about 30 percent in Costa Rica to nearly 45 percent in El Salvador and over 60 percent in Jamaica. Although the share of female-headed households has been increasing over the same time period for most countries in the region, this is not driving the trends presented in Figure 3.11

*As women’s economic resources increase, they invest more in their children than men do, improving family and social well-being.*

A growing body of empirical evidence shows that greater earning power can increase women’s bargaining power in the household, giving them greater say in channeling resources to the next generation. When additional resources are available, women tend to invest relatively more in their children than their male counterparts do, in the form of better food, education,
Figure 4 Rise in Women’s Earnings Within the Household, 1996, 2000, and 2006

Source: Sociómetro, Research Department, Inter-American Development Bank

Note: Percentage of household labor income earned by women compared to labor earnings of all household members aged 18 and over. Non-Labor sources of income such as remittances and child support are not included.
healthcare and clothing, improving family and social welfare considerably.12

**Governments are designing policy instruments to leverage women’s control over expenditures.**

Spurred on by this body of evidence, governments in Latin America have designed a growing number of social protection programs in ways that take these gender differences into account. A prominent example is the new generation of conditional cash transfer (CCT) programs in the region. These programs transfer cash to women, provided they undertake certain actions, such as enrolling their children and ensuring their attendance in school, or preventive health care, such as immunizations.

CCT programs have spread from two countries in 1997 (Brazil, Mexico) to most of Central and South America, (Figure 5). In some countries, including Brazil, Colombia, Ecuador, and Mexico, they cover millions of households. Transfers account for as much as one-fifth of the consumption of recipient households and amount to as much as 0.5 percent of GDP.
Figure 5  The Spread of Conditional Cash Transfers in Latin America and the Caribbean. 1997 and 2008

A. 1997

B. 2008

Conditional cash transfers channeled to women are working.

Evidence in Ecuador and Nicaragua shows that households that receive transfers spent more money on food than households that did not. In Nicaragua, women who received transfers also spent a higher share of their income and time on preventive healthcare and other inputs that are likely to benefit young children, such as books, time reading, toys, and pens and paper.

Significantly, there is no evidence that such programs are creating dependence for the women involved. Channeling resources to women has not resulted in a decline in labor force participation of women who receive benefits compared to those who do not. Nonetheless, such effects may become more prominent as the size of transfers has been increasing.
Areas that Need Further Progress

Despite positive developments, women still lag in a number of areas. They continue to suffer from higher unemployment rates, receive lower pay for equal work, are disproportionately concentrated in low-paying jobs, and are grossly underrepresented at the top of the job ladder. These shortcomings warrant continued intervention to ensure better opportunities for women.

Women remain more vulnerable to unemployment than men.

The full extent of women’s employment aspirations has not been met. Female unemployment rates have increased in most countries since 1990. At the latest national count, female unemployment rates were higher than male unemployment rates in all but one country; this was true for both young and older women. Male unemployment rates increased as well, but in most countries the increase in unemployment rate was more pronounced for women. On average, unemployment rates for adult women in Latin America (aged 25–64) were 6.3 percent, compared to 3.7 percent for adult men. For young people (aged 15–24), these figures were 17.6 percent and 11.4 percent, respectively.15
Women still earn less than men.16

Females earn less than their male counterparts in the region. On average, men earn 10 percent more than women; however, this gap does not account for the fact that women in Latin America and the Caribbean are more educated than men, on average. When comparing males and females of the same age and education level, the female earning gap increases from 10 to 17 percent.

Men earn more than women at any age, at each level of education, in any type of employment (self-employed, employer, and employee), and at any size of firm. Only females in rural areas earn the same as their male counterparts, on average.

Gender earnings gaps vary widely among the 18 countries in Latin America (Figure 6). Males earn 30 percent more than females in Brazil, and 26 percent more in Uruguay, even for comparable people. In contrast, differences are negligible in Bolivia and Guatemala.

Gender earning gaps vary across different profiles of workers and jobs. In general, the smallest gender earnings gap is found among younger people with college degrees. The biggest gaps are found among workers with lower incomes. The gender wage gap increases with age. One possibility is that wage gaps are narrowing over time. Another possible explanation could be the effect of some unobservable characteristics, like work experience, which tends to be correlated with age. Differences in accumulated experience could be exacerbated as women age and have children. In fact, the gender wage gap is slightly higher among workers with children, which
Figure 6 Female Wage Gap

Source: Atal, Ñopo, and Winder (2009).

Note: The female wage gap is defined as the percentage by which male wages exceed female wages for people of identical age and education.
could possibly be explained by difference in work experience resulting from women’s difficulties in staying in the labor market after childbirth. The gender wage gap is also wider among the self-employed than among those employed by companies, which contradicts the common view that gender wage gaps are most likely to be caused by employer-based discrimination. Moreover results suggest that women may face important segregation and access barriers to certain high-paying jobs, and that they are overrepresented in low-paying activities.

**Women are disproportionately concentrated in low-productivity, informal jobs.**

While women have entered the labor market in massive numbers, they are still overrepresented in the informal sector of the economy in most of the region (Figure 7). It is a matter of intense discussion whether women are more likely to work in the informal sector by choice or for lack of better options. It is unclear whether women have fewer opportunities in larger, more established companies, or forego wages and benefits in formal, generally more productive jobs in search of the opportunity to get more flexible hours or conditions of work. This may particularly be the case for women who have children or who care for elderly or sick household members. Alternatively or coincidentally, employers may find women who have young children and family care responsibilities less attractive as employees, particularly in large firms with more regimented and structured work flows. In either case, women willingly or unwillingly surrender pay, as
Figure 7 Share of Male and Female Workers in Informal Jobs, 2006–2008

Source: Socio-Economic Database for Latin America and the Caribbean (February 2010). http://www.depeco.econo.unlp.edu.ar/sedlac/

Note: Informal employment defined as salaried employment in small firms (fewer than 5 workers), non-professional self-employment and unpaid work.
gender gaps tend to be higher among the self-employed and those employed in small firms.\textsuperscript{17}

In most countries in the region a similar percentage of female workers report that they are making contributions to social security through their jobs.\textsuperscript{18} However, the more frequent entries and exits of women than of men from formal employment imply that women accumulate lower lifetime pension contributions, and may not satisfy minimum years for eligibility.\textsuperscript{19} Ultimately this places women at higher risk of not receiving contributory pensions at older ages.

**Women own smaller firms than men do.**

Women are less likely to own companies that employ other workers and are more likely to be self-employed than males. Male-owned firms are also larger in terms of sales, costs, and physical capital.\textsuperscript{20} This pattern suggests that women are either less inclined to grow their companies or find it more difficult to expand them. A recent study finds that a greater burden of childcare and household work affects firm size and performance negatively.\textsuperscript{21}

**Women are still strongly concentrated in certain occupations.**

The concentration of women in traditionally “female” occupations such as domestic service, teaching, and office work remains a pervasive barrier to labor market equality in the region.\textsuperscript{22} International comparisons suggest that Latin America and the Caribbean exhibit one of
the highest levels of occupational segregation by gender in the world. Despite women’s gains in education and labor force participation, occupational segregation did not decline significantly over the 1990s. Occupational segregation is more severe among the less educated.23

**Women continue to bear the greatest responsibility for childrearing, caregiving, and domestic work.**

Women devote a much higher number of hours to caregiving and domestic work than men do. A study of time use in five countries in the region found that women who
work devote about twice as much time to these activities as working males do, while this proportion rises to more than three times in Mexico. Women are more likely to work part time, but their work week is longer, when both remunerated and nonmarket activities are taken into account. This suggests that in many cases, women are too exhausted or too over-committed to look for more work.

*Women are severely underrepresented in high levels of management.*

Although women have made inroads on achieving management roles over the last decade, the percentage of women presidents and chief executive officers (CEOs) in the largest 100 companies in Latin America is still remarkably low (Table 1). Women are presidents or CEOs in only 3 percent of the top 100 companies in Argentina, Colombia, and Mexico. The figure is even lower in Ecuador and Peru (2 percent) and in Brazil (1 percent).
<table>
<thead>
<tr>
<th>Country/Year</th>
<th>Percentage</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>3</td>
<td>Microsoft, Liberty Seguros, Hewlett-Packard (Argentina, Paraguay, and Uruguay)</td>
</tr>
<tr>
<td>Brazil</td>
<td>1</td>
<td>Compagnia Global do Varejo</td>
</tr>
<tr>
<td>Colombia</td>
<td>3</td>
<td>Gas Natural, Telmex Hogar, Energía de Bogotá</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2</td>
<td>Construmercado, La Ganga</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>Grupo Continental, General Motors México, Grupo Salinas</td>
</tr>
<tr>
<td>Peru</td>
<td>2</td>
<td>Ferreyros, CENTELSA Perú</td>
</tr>
</tbody>
</table>

Source: Business magazines and other printed sources, including: for Argentina, El Cronista Comercial; for Brazil, Exame; for Colombia, Dinero, 2009; for Ecuador, Vistazo (2009); for Mexico, Expansión (2009); for Peru, Top Perú 1000 (2007).
Policies to Improve Gender Equality in the Labor Market in Latin America and the Caribbean

Given the obstacles women still face, a number of steps are required to increase the economic participation of women and the quality of their participation. A range of policies and services is needed, extending beyond labor policy. Governments and the private sector have a role to play in both encouraging behaviors that advance these goals and discouraging behaviors which prevent their attainment.

Reduce the burden of care for women.

In Latin America and the Caribbean, women bear the major responsibility for the unpaid care of children, the elderly, and the sick. While such a division of labor generates considerable value in terms of household goods, services, and welfare, it imposes substantial costs on women in the form of lost opportunities and foregone earnings. Women have less time for paid work, take lower-quality jobs, and chose flexibility over pay or advancement in their career so that they can undertake both caregiving and wage-earning tasks.

Reducing the burden of care on women requires spreading care more evenly within the family and within society. Governments can take a more prominent role in directly providing care or in providing subsidies to families—particularly low-income ones—to buy such services in the market at a lower price.
Public policies in this regard have been very limited in the region. Few initiatives provide child care, after-school programs, or care services for the increasing elderly population. In some countries, child care is part of social security; however, the supply of services is heavily rationed and only available to women employed in the formal sector. Yet, an expansion of services free of costs for women employed in the informal sector may force more women to work in informal activities to receive low-cost child care. Therefore, the availability and coverage of those services should not be tied to the type of employment women hold. Good quality care services that are affordable and conveniently located, available independently of the type of work, and that operate on a schedule compatible with working hours could make a big difference in the employment prospects of poor women, and in the quality of jobs they could pursue.

*Invest in time- and labor-saving infrastructure and policies.*

Women are responsible not only for most of the care, but also for the domestic work within the household. Activities such as collecting water, cooking, cleaning, shopping, or watching the house to protect the dwelling consume a large amount of women’s time and energy, particularly for low-income women. Investing in time-saving infrastructure and policies, such as better access to water, sanitation, electricity, gas, transportation, or better legal security, can free women to seek paid jobs or choose better ones.
Promote flexibility at work.

While reducing the burden of care and domestic work at home for women is an important step, it is also necessary to promote flexibility at the workplace to accommodate a better work–life balance for business and families. This requires laws and policies that promote more options for both women and men in terms of the amount of hours worked, the scheduling of hours, and the place of work, such as telecommuting, flex time, and flexible overtime. In finding such a balance, one size does not fit all. Modes such as part-time work—a typical way in which women (and many men) obtain flexibility in developed countries—may not be a desirable option for low-income women of the region, who simply cannot afford to work less than full time. Men are also less likely to participate in unpaid work in the home when their spouses or partners are working part time.

Promote gender equality in companies.

Organizations that have been successful in implementing specific policies and practices that foster equal opportunities can be recognized with government-endorsed certificates which serve as public recognition of their efforts. By instituting such certification systems, governments can encourage companies to commit to the promotion of policies for gender equality. Companies that want to obtain the certificate need to prove compliance with minimum standards for hiring, training, and promoting women. Several Latin American countries, including
Argentina, Brazil, Chile, Costa Rica, Mexico, and Uruguay, are beginning to implement certification systems for private- and public-sector companies.

**Improve the quality of labor policies, employment services, and training services.**

Labor policies in Latin America and the Caribbean are weak. They cover few people, and do not pay much attention to the particular needs of women. Moreover, employment services geared to place unemployed workers in productive jobs are limited in scope and coverage. Even when more developed, they have been found to be less effective at promoting the insertion of women into the labor market than at promoting men. Improving the quality of these services and their links to employers could greatly help unemployed women find better jobs.

Very few countries in the region have training systems that are able to identify the skills required by employers, ascertain whether workers have such skills, and promote adequate and effective training for workers who lack them. Improving their skills would help place women in jobs—particularly those women who have been out of the labor market while raising their children—while improving their productivity and wages. Promoting nontraditional occupations in the school-to-work transition would also increase opportunities for women, reducing occupational segregation by gender.
Provide women better protection from unemployment

While women suffer higher unemployment rates than men, they tend to be less well covered against this risk. This is because the main instrument in the region for supporting unemployed workers is severance pay, which is linked to the type of employment contract, the length of work, and the wage. This system discriminates against women in several ways. First, women tend to be overrepresented in temporary work, which does not entitle them to severance pay. Second, even if they do work in jobs that offer severance pay, they tend to work for shorter periods than men do, so they receive lower severance payments. Governments need to improve systems to protect workers during periods of unemployment, taking into account the characteristics of labor markets in low- and medium-income countries and the particular needs of women.

Improve and enforce labor legislation.

Governments need to establish effective antidiscrimination instruments that allow women to compete fairly in the labor market. Most countries have approved labor legislation regarding nondiscrimination, maternity protection, day care services, and leave to take care of sick children. However, some of these regulations need to apply to mothers and fathers alike, to prevent well-intended protections from backfiring against women.
by creating disincentives for their employment. In some countries, incorporating the concept of parental leave could complement maternity legislation. Nondiscrimination legislation needs to be enforced to protect workers’ rights effectively.

Steps like these require a comprehensive view of women’s working lives—in both the household and the workplace—and of the value of their contribution, for both paid and unpaid productive activities. Adopting such a view, and translating it into a series of concrete and effective policies and programs, would amount to a new social pact with women in the region, to reflect their growing importance for households, the wider economy, and present and future generations.
Endnotes

1 Increased female participation in the labor force increases the official tally of the nation’s total of goods and services (gross national product). However, women who do not participate in paid employment produce a significant amount of goods and services—which are not recorded in official statistics.

2 CEPALSTAT 2008


6 SEDLAC (February, 2010)

7 Duryea, Galiani, Ñopo, and Piras (2007).

8 SEDLAC (February, 2010)


11 When the samples are restricted to households of married couples (legally or de facto), the trends are qualitatively similar for the majority of countries.

12 See, for instance, Thomas (1990); Engle (1993); Handa (1994); Strauss and Thomas (1995); Buvinic (1998); Quisumbing and Maluccio (2000).


14 Alzua, Cruces, and Ripani (2010), based on experimental evidence for Honduras, Mexico, and Nicaragua.

15 Figures for the Caribbean are available only for Belize, Guyana, Haiti, and Suriname, and only for 2001 or before. Averages including these countries
show higher unemployment rates, averaging about 20.7 percent for young women and 13.4 percent for young men.

This section is based on Atal, Ñopo, and Winder (2009).

Atal, Ñopo, and Winder (2009).

SEDLAC (February, 2010).

Levy (2008)

Bruhn (2009)

Bruhn (2009)

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Deutsch, Morrison, Ñopo and Piras (2005).

Milosavljevic and Tacla (2007), based on data for Bolivia, Ecuador, Guatemala, Mexico, and Nicaragua.


López-Bóo, Madrigal, and Pagés (forthcoming).


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