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# **Chile**

## **Country Gender Assessment**

**Expanding Women's Work Choices to Enhance Chile's Economic Potential**

**2007**



**Poverty Reduction and Economic Management Sector Unit  
Latin America and the Caribbean Region  
The World Bank**

**SERNAM**

**Gender Equality in Development Unit  
Department of Sustainable Development  
Inter-American Development Bank**

**Document of the World Bank, the Inter-American Development Bank, and  
SERNAM**

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## **ACRONYMS AND ABBREVIATIONS**

ANAMURI	Asociación Nacional de Mujeres Rurales e Indígenas (National Association of Rural and Indigenous Women)
CEPAL	Comisión Económica para América Latina y el Caribe (Economic Commission for Latin America and the Caribbean)
CASEN	La Encuesta de Caracterización Socioeconómica (Chile's National Household Survey)
CGA	Country Gender Assessment (Diagnóstico de Género de País, DGP)
CIDEM	Centro de Información de los Derechos de la Mujer (Center for Information on Women's Rights)
CNR	Comisión Nacional de Riego (National Commission for Irrigation)
CONAF	Corporación Nacional Forestal – Chile (Chile's National Forest Corporation)
CONICYT	Comisión de Investigación Científica y Tecnológica (Commission on Scientific and Technological Research)
CORFO	Corporación de Fomento de la Producción (a state industrial development agency, part of Ministry of Economy)
CSE	Consejo Superior de Educación (High Council for Education)
DIBAM	Dirección de Bibliotecas, Archivos y Museos (Division for Libraries, Archives and Museums)
DIPRES	Dirección de Presupuestos (Chilean Budget Office)
DITRAB	Dirección de Trabajo (Chilean Labor Office)
FIA	Fundación para la Innovación Agraria (Foundation for Innovation in Agriculture, part of Chile's Ministry of Agriculture)
FONASA	Fondo Nacional de Salud (National Health Service)
FOSIS	Fondo Solidaridad e Inversión Social (Social and Solidarity Investment Fund)
IADB	Inter-American Development Bank (Banco Interamericano de Desarrollo, BID)
IBRD	International Bank for Reconstruction and Development (Banco Internacional de Reconstrucción y Fomento, BIRF)
ILO	International Labour Organization (Organización Internacional del Trabajo, OIT)
INDAP	Instituto Nacional de Desarrollo Agropecuario (Agricultural Development Institute)
INE	Instituto Nacional de Estadística (National Statistics Institute)
JUNAEB	Junta Nacional de Auxilio Escolar y Becas (The National Board for School and Scholarship Assistance)
JUNJI	Junta Nacional de Jardines Infantiles (The National Board for Nursery Schools)
MDG	Millennium Development Goals

MINEDUC	Ministerio de Educación de Chile (Chile's Ministry of Education)
MIDEPLAN	Ministerio de Planemiento y Cooperación (Ministry of Planning and Cooperation)
MIP	Management Improvement Program (Programa de Mejoramiento de la Gestión, PMG)
NEW	Non-traditional Employment for Women (New York City)
PIO	Plan de Igualdad de Oportunidades entre Hombres y Mujeres (Plan for Equal Opportunities for Men and Women)
PRIO	Políticas de Igualdad de Oportunidades para la Mujer Rural (Policies for Equal Opportunities for Rural Women)
PROCHILE	Programa de Fomento de las Exportaciones Chilenas (Program to Foster Chilean Exports)
PRODEMU	Fundación PRODEMU (Foundation for the Promotion and Development of Women)
OECD	Organization of Economic Co-operation and Development
OMIL	Oficinas Municipales de Intermediación Laboral (Municipal Offices for Job Intermediation)
SBIF	Superintendencia de Bancos e Instituciones Financieras (Superintendent of Banks and Financial Institutions)
SENCE	Servicio Nacional de Capacitación y Empleo (National Service for Training and Employment)
SERCOTEC	Servicio de Cooperación Técnica (Ministry of Economy's Service for Technical Cooperation)
SERNAM	Servicio Nacional de la Mujer (National Service for Women)
UMI	Upper Middle Income Countries (Países de Ingreso Medio Alto, PMIA)
WANTO	Women in Apprenticeship and Nontraditional Occupations (Federal grant)
WDI	World Development Indicator

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## PREFACE

Country Gender Assessments (CGAs) identify gender-responsive policies and actions that are strategic for poverty reduction, economic growth, human well-being, and development effectiveness. The CGA for Chile is a joint effort between the World Bank and the Inter-American Development Bank (IDB) in response to a request from the Servicio Nacional de la Mujer (SERNAM) in Chile. Priority issues were identified through an assessment of knowledge gaps and consultations with SERNAM that took place during July and September 2005, and finally during a preparation mission in Santiago in early November 2005.<sup>1</sup>

Through the Plan for Equal Opportunities for Men and Women 2000–2010, SERNAM has undertaken an impressive process of gender mainstreaming with the line ministries (Education, Health, Justice, Finance, and Planning), and now it would like to add to its analytical understanding of the role of gender equality in promoting development. For the World Bank and IDB, this report is an opportunity to advance analytical knowledge about the links between gender and development as well as to identify best practices in gender mainstreaming in Latin America and the Caribbean.

Gender equality is a dimension of development not only in its own right but also because of its impact on economic growth, poverty, and income inequality. Gender equality can be understood in terms of equality under the law, equality of opportunity, and equality of voice (participation in decision-making). Chile has already made much progress toward equal opportunity for women and men (in education, health), equality under the law, and in voice (political participation), and in setting a framework for promoting gender equality.

Because of the wealth of available research on gender issues, the Chile CGA team in consultation with SERNAM chose to address an area of comparative advantage for both banks where less research has been done—gender equality in labor markets. In addition, the IDB and the World Bank are collaborating with the Government of Chile to conduct analytical work in other areas that are important for SERNAM, such as early childhood education, justice, and social protection (pensions), all areas in which it is important to incorporate a gender perspective.

So the CGA focuses on gender equality in the labor markets, an area in which Chile trails other Latin American and Caribbean (LAC) and Upper-Middle Income (UMI) countries. Gender equality in the labor markets is a broad concept. Female labor force participation, differentials in employment, occupational segregation, and the gender earnings gap are just four dimensions. The report addresses these dimensions because they are not only relevant to economic growth and reduction of poverty and inequality but also because they are critical to labor market efficiency and growth.

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<sup>1</sup> List of those consulted during the CGA preparation mission in early November 2005: SERNAM Staff; Claudia Carbonell (Budget Office-ODEPA), Pilar Eguillor (Labor Office); Pamela Farias (Ministry of Public Works); Eugenia Morcarquer (Ministry of Public Works); Soledad Ovando (State Bank), and Carolina Ramirez (Ministry for the Economy).

Female labor force participation has surfaced as an important issue in Chile's current public policy debate. At 38.8 percent, Chile's female labor force participation rate is one of the lowest in the region. It also has a high gender earnings gap, with the average wage of women only 67 percent that of men. This reality was highlighted in the 2003 annual report of the World Economic Forum, which cited Chile's low level of female labor force participation as one of the principal reasons that country is among the least competitive. In recognition of the need to reverse this trend, public campaigns were initiated to increase the employability of women by shattering myths about them being less reliable employees.

The issue of low female labor force participation, particularly among low-income households, was also prominent in the recent presidential campaign and gained new significance in public policy and the government's agenda, as the new government is emphasizing the need to address exclusion and inequality. Increasing low-income women's participation in the work force and reducing the barriers to employment they face is seen as an effective way to help overcome inequality and poverty and to better distribute the benefits of development.

The main purpose of the Chile CGA is to provide sound analysis and policy options that will help the country's public policy discussions by:

- Providing empirical evidence about the impact of gender inequality, specifically unequal access to labor markets, on economic growth, overall inequality, and poverty reduction in Chile;
- Identifying key factors explaining low female labor force participation in Chile;
- Assessing the institutional framework and performance of Chile's gender mainstreaming strategy to determine whether it is capable of implementing the policy options that emerge of the analysis; and,
- Proposing a set of policy and program options that can effectively increase women's access to labor markets.

The report does not aim to address other important gender issues or even to cover the entire gamut of issues related to equality of opportunity and women's participation in the work force. Rather, it focuses particularly on low-income women so as to address the issues of poverty and inequality along with growth. Future research could address in greater depth differences in labor force participation by socioeconomic level as well as the situation of women in rural areas and indigenous women. More analysis is also needed to determine the right combination of policies to enhance opportunities for women.

Both the World Bank and the IDB look forward to continuing their productive relationship with SERNAM and other government partners in Chile. The results from this CGA could be used as an input for SERNAM's dialogue with other key decision-makers so as to integrate gender issues into the work programs in different sectors such

as education, labor, or public administration. They are also meant to inform the policy dialogue and the World Bank's and the Inter-American Development Bank's upcoming partnership strategies for Chile. As important as the report itself is disseminating its findings and recommendations. The IDB and World Bank stand ready to support SERNAM's plans and efforts to generate discussion and promote ownership of the CGA findings among key decision-makers in the country. We hope our partnership with SERNAM will include continued collaboration on analytical work, on technical assistance (for integrating gender issues into public programs such as those on early childhood education, life-long learning or public sector reform), and on building capacity among public sector staff to better integrate a gender perspective in their work.



It is an honor to present this publication produced by the World Bank and the Inter-American Development Bank with the *Servicio Nacional de la Mujer* (SERNAM). As the designer and promoter of gender equity policies in Chile, it is of fundamental importance for SERNAM to know the reality of Chilean women evident in this report.

This Country Gender Assessment analyzes the participation of women in the Chilean labor market. This has always been a complex subject. Female participation in the labor market is low due to barriers to entrance, particularly for low-income groups. There are a number of gaps in the market such as salary differences between men and women and occupational segregation, which limits the access of women to traditionally male occupations.

Nonetheless, we know that today women enjoy a higher level of education, are attending college in greater numbers, are achieving higher grades than their male counterparts, and are more productive at work. As a report by *The Economist* showed, the role that women's participation in the workforce has had in economic growth has been greater than that of technology and great powers such as China and India.

Given this context in a country whose primary challenge is to advance toward development, it is unacceptable that female labor force participation is one of the lowest in Latin America. Likewise, with 31.5 percent of Chile's heads of household being women, the work these women do is an indispensable source of income for the home. As President Bachelet said "*greater female participation in the labor force is not only imperative for development, but it is an ethical imperative as well.*"<sup>2</sup>

To further the rights of women and men and achieve equality of economic opportunity, we must continue eliminating barriers and discriminatory practices that affect access to the labor market, quality of employment opportunities available, ability to remain in the work force, and women's withdrawal from the labor market.

Chile is implementing policies along these lines and each day is dedicating greater efforts to increasing women's participation in the work force. We believe the female work force is a pillar of the social, human, and economic development of our country.

*Laura Alborno Pollman*  
Minister of the *Servicio Nacional de la Mujer de Chile*

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<sup>2</sup> Speech by President Michelle Bachelet at a dinner with women from The White House Project in Washington, D.C., United States, on June 8, 2006.

## EXECUTIVE SUMMARY

After achieving a path of sustained growth, considerable poverty reduction, and democratization during the last decade (Chile CAS 2002), Chile is well on its way to reaching an advanced stage of development. However, this process may be affected by its high level of inequality, one of the highest in the Latin America and Caribbean (LAC) region, and resilient pockets of poverty.<sup>3</sup> Chile's high level of economic growth and notable accomplishments in social policy (particularly in education and health) also coexist with some paradoxical trends in gender equality that can restrict economic growth. In many senses, the experience of Chile defies conventional wisdom and suggests the need to understand these paradoxes.

Gender equality is a dimension of development not only in its own right, but also because of its potential impact on economic growth, poverty, and income inequality. The concept of gender equality can be understood in terms of equality under the law, equality of opportunity, and equality of voice.<sup>4</sup> Worldwide evidence suggests a positive correlation between economic growth and female labor force participation. As a dimension of equality of opportunity, gender equality in the labor market encompasses various aspects. Differences in participation in the workforce, employment, occupational segregation, and the gender wage gap are just four aspects of gender inequality in labor market opportunities and outcomes. These dimensions were selected as the focus of this study because they are also critical to labor market efficiency and growth.

### **The Chilean Context**

Chile has made much progress towards equality between women and men in terms of opportunities (education, health), the law, and voice (political participation); and much analysis of these topics has been conducted both in Chile and internationally. Institutional and social transformations in Chile over the last few decades also changed the sociopolitical, economic and cultural context and increased support for gender equality in the country. Significant progress has been made toward gender equity in key sectors such as work, education, agriculture and the economy, where commitments related to the integration of gender have been made and successful initiatives have arisen to promote women's interests.

No single factor has served as the main contributor to the process of gender mainstreaming in Chile. Rather, it is the synergy between all the instruments operating in different areas and at different levels of public management that facilitated greater inclusion of gender considerations in government activities.

### **Trends in Gender Equality in Chile's Labor Market**

Female labor force participation has surfaced as a critical issue in Chile's current public policy debate. At 37 percent, Chile registers one of the lowest rates of female labor force

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<sup>3</sup> By 2003, the Gini coefficient for Chile was 0.57, which implies much higher levels of inequality than in most developed countries or in the Latin America. Also by 2003, poverty still affected 18.8% of the population (19.1% of all women) and extreme poverty affected 4.7% of Chileans (CASEN survey).

<sup>4</sup> World Bank (2001) and Inter-American Development Bank (2006).

participation in the region, and among UMI countries. And it has a high gender earnings gap, with the average wage of women only 67 percent that of men.

Addressing gender inequality could enhance Chile's economic development. Therefore gender differences in workforce participation deserve to be further explored to understand why they are occurring and their potential impacts.

**1. Chile has a relatively low rate of female labor force participation compared to other countries in the LAC region and other UMI countries.**

Chile has seen a steady increase in women's participation in the work force over the past twenty years, from 29 percent in 1986 to 38.8 percent in 2007. Nonetheless, Chile has a very low rate of women participating in the work force compared to LAC and UMI countries (which have average rates higher than 50 percent). It also falls well below the OECD countries (whose rates are generally higher than 55 percent).

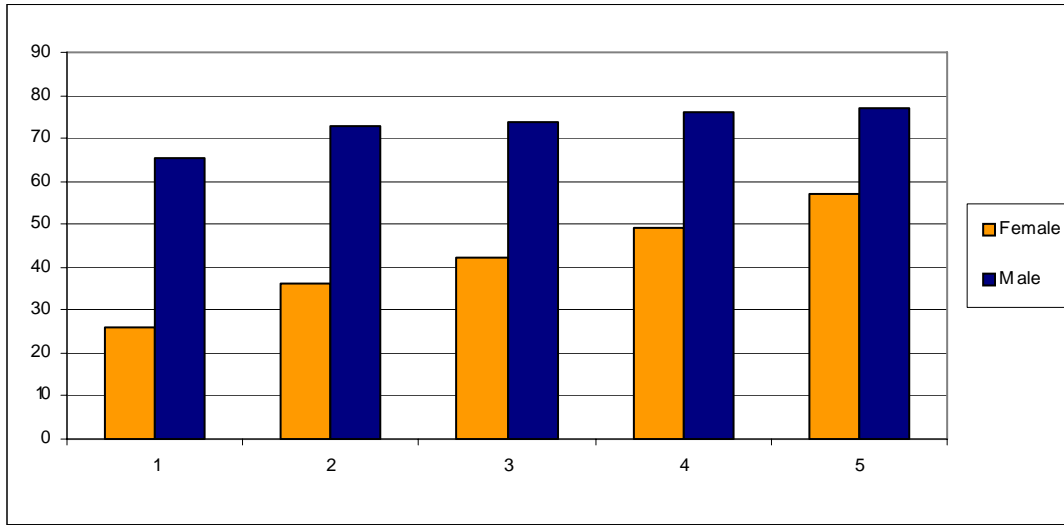
**2. Current high average levels of education for both men and women in Chile would be consistent with higher female participation in the labor market.**

In general, the rate at which women participate in the work force increases as greater numbers of women gain access to a high quality education. This allows countries to fully profit from the skills of their working age populations. Chile has one of the highest levels of education in the region and has virtually achieved parity in terms of enrollment of boys and girls in primary and secondary education. In spite of this, Chile's female labor force participation rate remains low. Low labor force participation coupled with occupational segregation by gender have well-documented negative effects on productivity and economic growth (World Bank, 2001).

**3. Female labor force participation is particularly low among low-income households.**

Global trends have shown a strong positive correlation between the incidence of poverty and female labor force participation, and even child labor. In fact, as a survival strategy households in extreme poverty often require as many members of the family as possible to work. In contrast, in Chile low-income groups have participated in the work force at relatively lower rates than have those from higher income brackets. More specifically, 26 percent of women in the lowest income quintile in Chile participate in the job market, compared to 57 percent of women in the highest quintile.

**Female participation rate by income quintile: 2003**



Source: CASEN 2003

Note: Details in Chapter II

#### **4. Low female participation in the labor market has had an impact on gender equity in access to social security.**

Due to women's low level of participation in the work force and to discontinuity, men have a significantly higher probability of collecting pensions and make greater contributions into the system.

### **Main Findings**

Analyzing current conditions affecting female labor force participation in Chile reveals impacts on economic development and poverty reduction; provides a greater understanding of the reasons for these trends; and points towards strategies to improve the climate for gender equality in labor markets.

#### **1. Limited job training and childcare options have contributed to the low levels of women's labor force participation among low-income households.**

While labor force participation patterns prove very heterogeneous across income groups and regions, the very low level of female participation in the work force among the poorest households is particularly worrisome. Because labor force participation is driven by existing job and earnings opportunities, the analysis focused on access to opportunities in Chile's labor markets, the gender earnings gap, and gender segregation.

Several factors appear to contribute to Chilean women's low labor force participation. First of all, lack of access to quality education and *limited training* received by low-income women has restricted their entrance into the job market. Second, *family structures*, specifically families with a larger number of children under the age of 15,

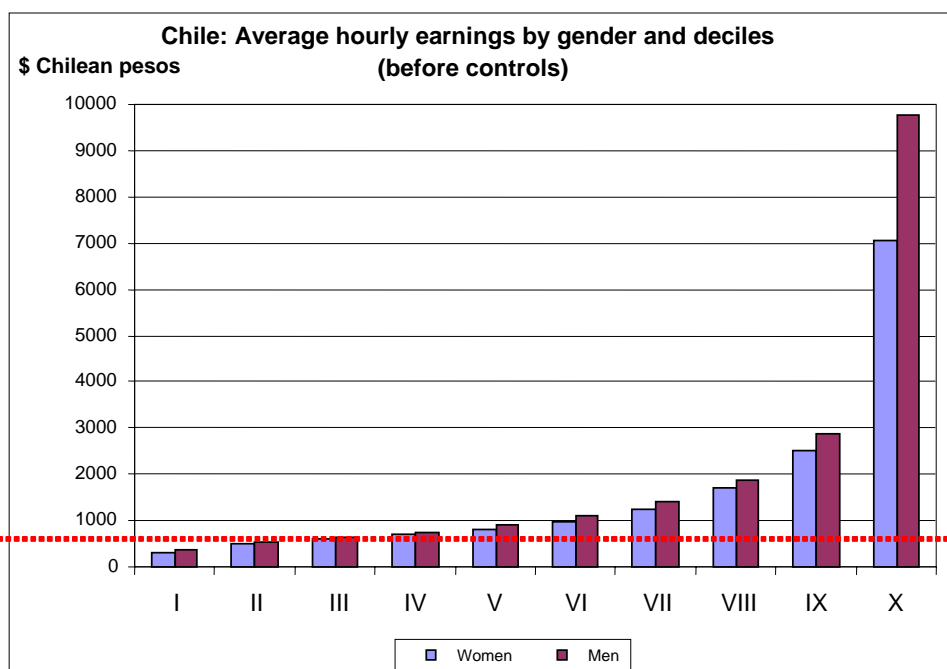
result in a lower female labor supply because mothers serve as the principal childcare providers. Third, women have tended to work for a shorter length of time with the same employer, have shorter periods of continuous employment, and have longer periods of inactivity and unemployment than men. Consequently, the amount of ***work experience and on-the-job training*** they have received generally has been lower than for men. Fourth, ***traditional cultural values and attitudes*** about gender roles in Chile constrain women's employment outside the home.

## 2. Specific experience gaps and occupational segregation explain persistent gender earnings gaps, especially for workers in low-income households.

Although gender earnings gaps have diminished over the past few decades, they still remain large. In 2003, the average wage of Chilean women was approximately 67 percent that of men.

***Differences in specific occupational experience and job tenure*** (years at the same job) explain a large proportion of the gender earnings gaps. Other factors that explain the gender earnings gap include ***occupational crowding*** into a few segregated occupations or social conventions justifying lower wages for female-dominated occupations. Chile has similar levels of ***occupational segregation*** as the rest of LAC. This segregation decreases as educational levels increase, since more educated men and women compete equally for technical and professional jobs. Among young workers, occupational segregation is still very high, but it is declining as more recent generations adhere less rigidly to gender roles and gender parity in education increases. After controlling for job experience and occupations there is evidence of an ***unexplained*** gender earnings gap in high-income groups, but not in low-income groups. Unexplained gender earnings gaps in high-income groups could be due to barriers to upward mobility for women within some organizations. Other factors behind these unexplained gaps could be gender-based wage discrimination by employers and the preferences men and women have about job characteristics and non-wage benefits.

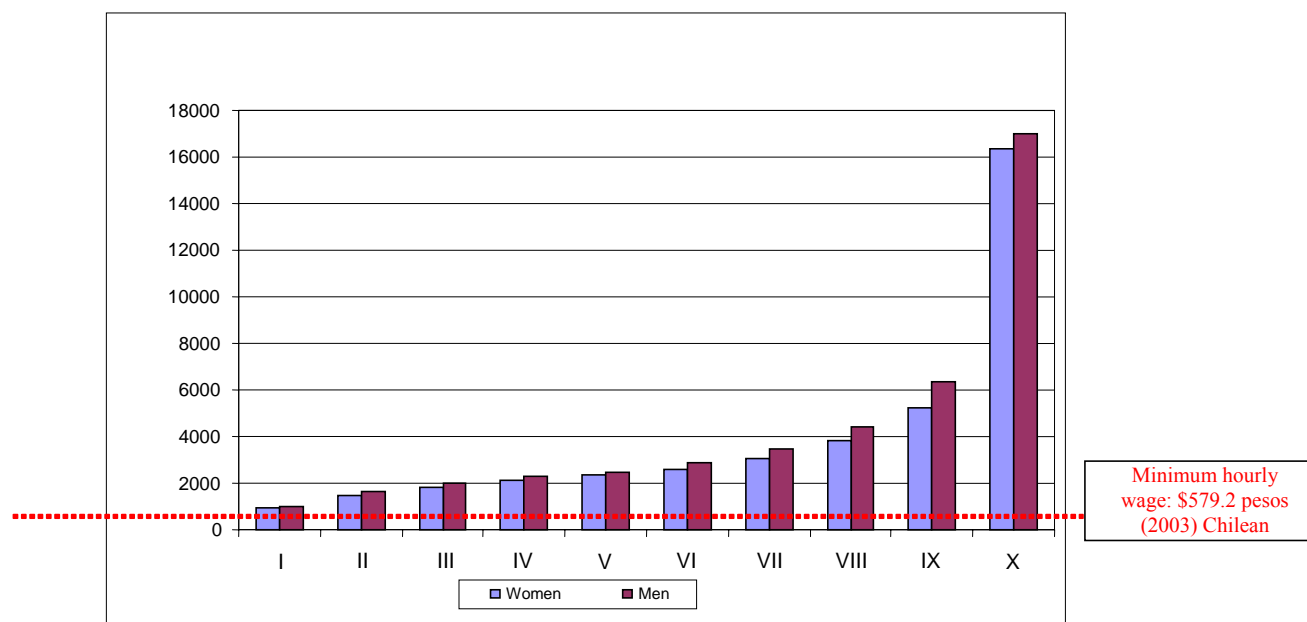
### Relative Gender Earnings Gap by Income Group (Household Income Deciles) — Unadjusted, 2003



Minimum hourly wage:  
\$579.2 Chilean pesos  
(2003)



### Average Earnings by Gender for Groups with Matching Age, Marital Status, Education, and Years at the Same Job—Adjusted Using Matching Technique, 2003



Source: CASEN 2003 and Ñopo 2006.

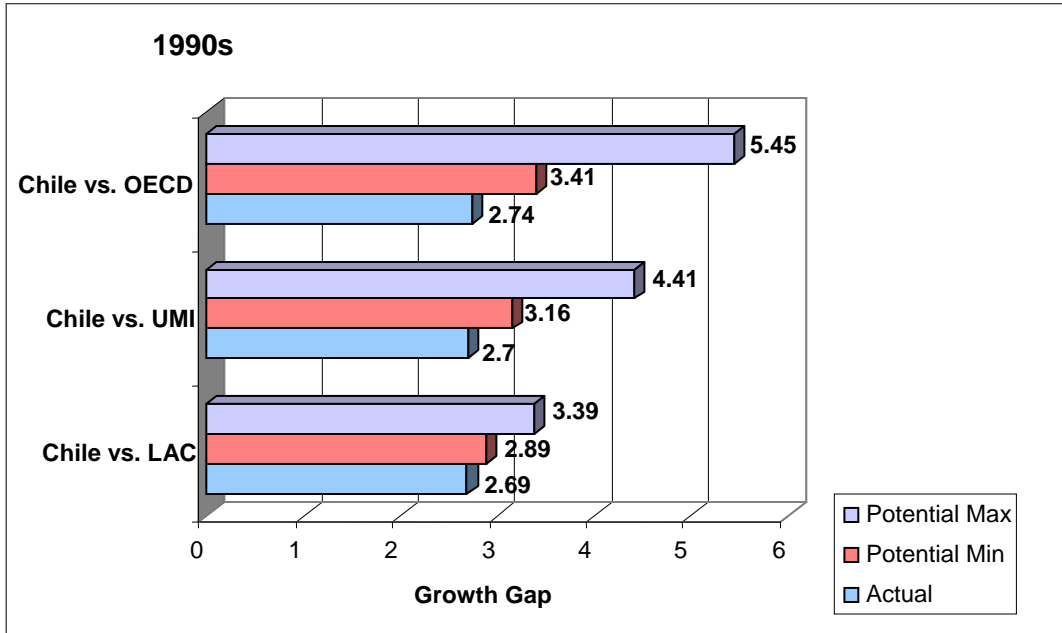
Note: Details in Chapter I.

### 3. Increasing women's participation in the work force could have enhanced growth and poverty reduction

Using cross-country evidence and micro data simulations for Chile, the analysis explored the potential effects that increasing women's participation in the work force could have on economic growth, poverty, and income inequality.

Increasing the rate at which women in Chile participate in the work force from the current 37 percent to around 50 percent, which is the regional UMI country average, could have *increased Chile's growth advantage* compared to the average UMI country from 2.7 to 3.2 percentage points during the 1990s. Greater participation of women in the workforce also could have *significantly reduced poverty*. Specifically, if the female labor force participation rate in Chile were close to the LAC regional average, about 15 percent of total poverty and 20 percent of extreme poverty could be eliminated. Nevertheless, income inequality does not seem particularly sensitive to changes in female labor force participation.

## Estimated Impact on the Economic Growth Gap of Increasing Female Labor Force Participation



Source: Simulation results using fixed effects growth regressions

Note: Details in Chapter II.

### 4. Policy Options to Improve Gender Equality in Chile's Labor Markets

The report proposes priority policy objectives, discusses policy options, and suggests key elements for their success in Chile. The policy options attempt to respond to the Chilean institutional context. The report also highlights examples from the international arena. Some of the suggested policy options are complementary to ongoing efforts in Chile. The two priority policy objectives and corresponding policy options are:

**Increase female labor force participation, especially for low-income households,** and reduce discontinuity in women's work experience. Possible policy options include:

- *Adapt current childcare expansion policies to the needs of women workers, especially those in low-income households.* Monitor and evaluate the impact of current programs on women's participation in the work force and the cost of programs to low-income households. Evaluate the effect changes in the hours of operation and location of childcare centers have on women's participation in the work force. Examples of international success include the provision of public childcare services in Japan, which stimulated female labor supply,<sup>5</sup> and the Pilot Childcare Initiative in Ireland that provided a public response to the "child care crisis."<sup>6</sup>

<sup>5</sup> Shimizutani and Noguchi (2004).

<sup>6</sup> Murphy (1995), Murphy-Lawless (2000), Collins and Wickham (2001), Ireland's National Training and Employment Authority (<http://www.fas.ie>), and Central Bank of Ireland (<http://www.centralbank.ie>)

- *Design new training and life-long learning programs, or modify existing ones, to facilitate women's entry into the labor market, their more continuous presence, and their return after childbirth and the child-rearing years.* This may require assessing the relevance and coverage of current training and job intermediation programs for non-working women in low-income households.
- *Value household work and improve its distribution between men and women.*

**5. Reduce occupational segregation by gender and gender earnings gaps.** Policy options that are linked to education and training and aim to reduce occupational segregation by gender include:

- *Increase and encourage better informed occupational choice in secondary and tertiary education for both women and men.* A key element for success would be to use information collected by the job intermediation system to improve linkages between education and labor market demand.
- *Revise existing education and training programs to reduce gender stereotypes and segregation.* The Chilean Ministry of Education has produced a manual to avoid gender stereotypes in the classroom and promote gender equality in primary and secondary education, which can serve as a useful resource in this process.<sup>7</sup>
- *Design and implement pilot training programs in nontraditional occupations for both men and women through the Chile Joven program*<sup>8</sup>. Monitoring and evaluating the impact of such pilot programs is important to successfully designing and implementing broader initiatives. Austria, Ireland, and Japan are moving towards a model of targeted interventions to groups with differentiated needs, with programs such as Austria's "Returnees Program" and Ireland's "Back to Work" programs.

Evidence from Chile and international experience point towards two additional intermediate objectives that could help improve gender equity in the labor markets:

**6. Enhance the capacity of the private and public sectors to promote gender equality.** Policy options include:

- Foster quality employment for men and women and continue efforts to improve labor regulation in the areas of flexible work schedules, maternity leave, and child care leave. Special attention should be paid to reducing as much as possible non-wage labor costs differentials between male and female employees.
- Transform SERNAM's current Award for Good Practices in Gender Equality in the Private Sector into a full-fledged training and certification model, similar to the Gender Equity Certification Model in Mexico. Chile's public sector is already developing good practices on gender equality in the workplace, which can be used

<sup>7</sup> Araneda, Guerra, and Rodríguez (2000).

<sup>8</sup> Chile Joven showed a significant impact in reducing occupational segregation.

to train management and staff in private firms that would like to be certified to train both their management and other employees.

**7. Promote women's entrepreneurship, especially in booming and high-productivity sectors.** Policy options include:

- Improve access to financial services for both male and female entrepreneurs of small and micro enterprises by creating incentives for private banks to tap the small business market and offering incentives for the entry of specialized private microfinance providers.
- Expand access to business networks, business development services, and technology for women entrepreneurs. A key element for success would be to explore new public-private partnerships that include local government, businesses, and civil society organizations.

Gender equality in the labor markets can be instrumental to Chile's sustained growth and progress towards a more equitable society. Chile's auspicious economic and political environment, as well as its solid institutional structures and strategies for gender mainstreaming in the public sector, offer a unique opportunity to achieve substantial improvements in gender equality in the labor markets in the short and medium run.

# **I. WOMEN'S PARTICIPATION AND GENDER INEQUALITY IN CHILE'S LABOR MARKETS**

## **SUMMARY**

1.1. As women's participation in the work force is driven by existing job and earnings opportunities, this chapter focuses on access to opportunities in Chile's labor markets, and considers the issues of labor supply, employment and its quality, gender earnings gap, and occupational segregation.

1.2. Gender equality in the labor markets is a broad concept. Differences in participation, occupational segregation, and the gender earnings gap are just three dimensions of gender inequality. These dimensions were selected as the focus of this study because they are also critical to labor market efficiency and growth.

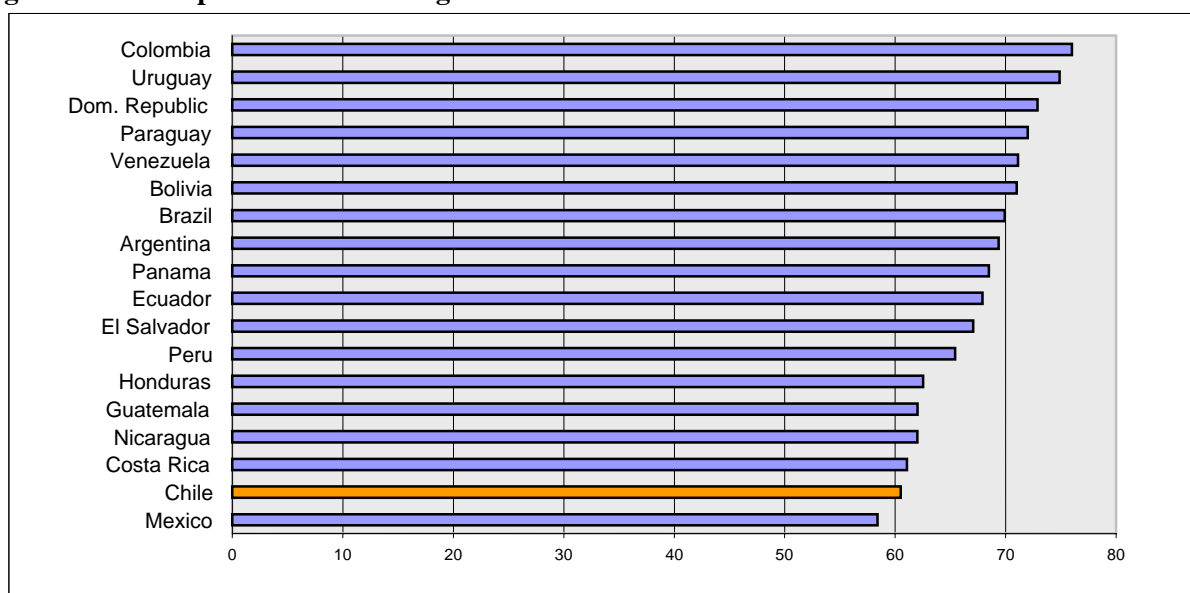
1.3. The main findings are as follows:

- Female labor force participation has increased about 7 percent in the last 20 years, but remains low compared with other Latin American countries.
- Female labor force participation is particularly low among low-income households: 26 percent of women in the lowest income quintile are active members of the workforce compared to 57 percent of women in the highest income quintile.
- The following determinants explain the low numbers of women in Chile's work force: (i) differences in education and training; (ii) family structure and caring for children of all ages, particularly those under the age of 15; (iii) past work experience; (iv) fairly traditional cultural values and attitudes about gender roles that limit women's employment outside the home; and, (v) cohort effects driven, in part, by demographic factors.
- Occupational segregation tends to decrease as education increases, as both men and women compete for technical and professional jobs. Occupational segregation for young workers is still high, but it is declining as more recent generations have less rigid gender roles and there is increasing gender parity in education.
- Gender earnings gaps are persistent, though they have diminished in recent decades. Specific experience and job tenure (years at the same job) explain a large proportion of the gender earnings gap, especially between women and men in low-income groups. In high-income groups, there is evidence of an unexplained gender earnings gap that could indicate vertical segregation, barriers to promotion ("glass ceiling"), or discrimination.

## EVOLUTION OF THE WORK FORCE

1.4. This section presents an analysis of female participation in the *paid work force* (*activities that normally occur outside of the home*). Nonetheless, literature on gender equity emphasizes the total work concept, which includes unpaid activities within the home that are just as necessary for the economy and society (eg. taking care of children and the elderly). Figure 1.1 presents estimates of total work for men and women in Chile. Female participation in the paid work force is defined as the percentage of women age 15-65 that is busy or actively looking for paid work. Women's participation in the work force has increased 7 percentage points in the last 20 years, but continues to be low compared to other Latin American countries (see Figure 1.1).

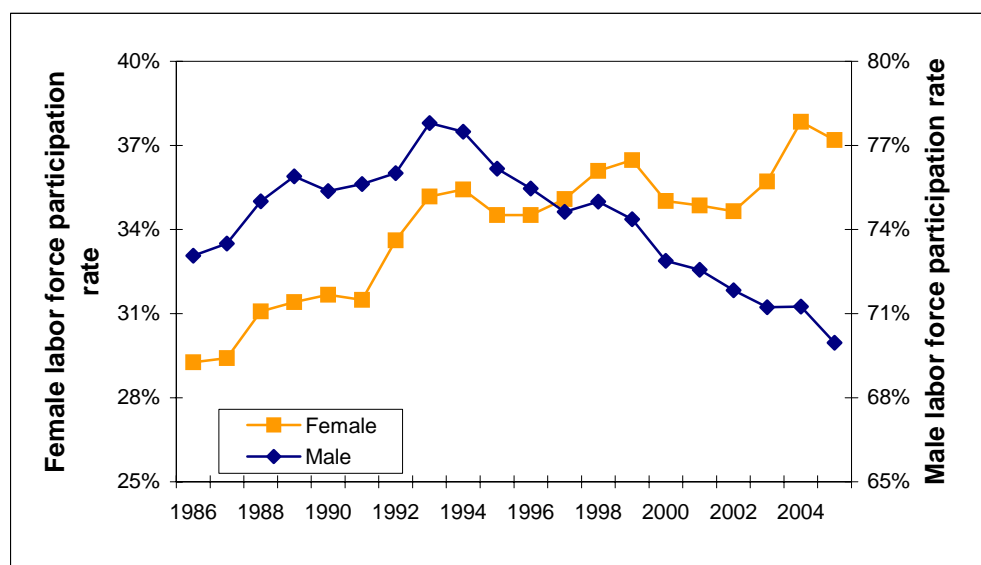
**Figure 1.1 Participation of Women age 25-34 in Latin America's Work Force**



Source: ECLAC, based on tabulations of household surveys.

1.5. Women's participation in the work force in Chile increased from 20 percent at the beginning of the last century to 38.8 percent, according to data from the National Employment Survey (December 2006–February 2007). In the last 20 years, women's participation in the work force has increased significantly. As can be seen in figure 1.2, data from the survey show this tendency. This increase is even more marked when compared to the tendency of men, whose participation rate began to decrease after 1991.

**Figure 1.2 Men's and Women's Participation in the Work Force in Chile, 1986-2005**



Source: National Institute for Employment (INE), National Employment Survey (*Encuesta Nacional de Empleo*).

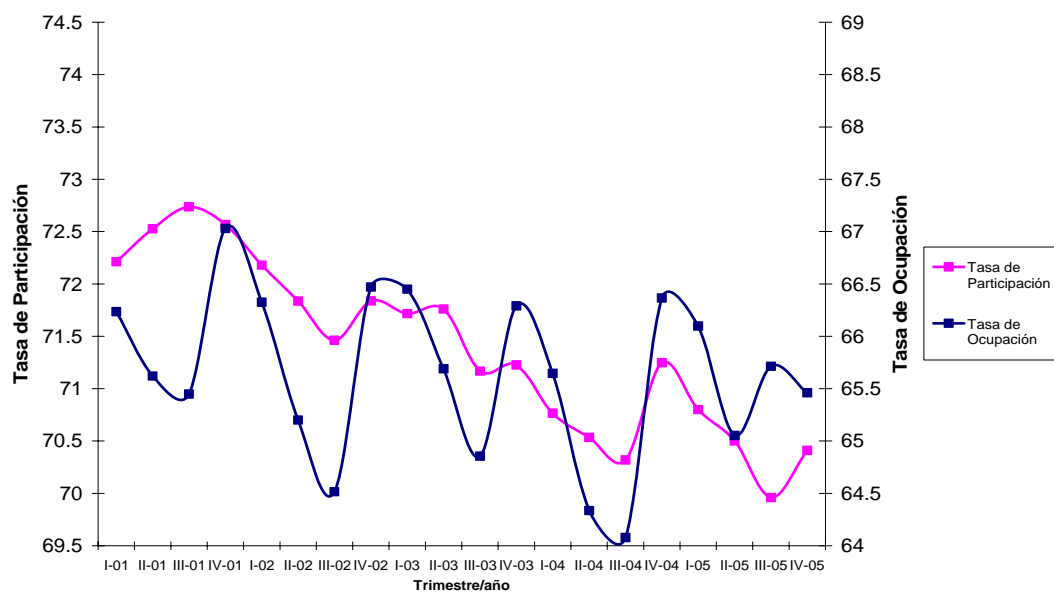
1.6. Census data show that between 1992 and 2002 the work force increased by 1.8 million people, 50 percent of whom were women. Employees increased by 852 million people, 62 percent of whom were women. The National Institute for Employment's survey suggests that between 1990 and 2006 an estimated 720,000 women joined the work force, doing so in strongest numbers during periods of economic growth. A series of factors affect this incorporation into the work force, and one of the most important is job creation<sup>9</sup>. If the series are analyzed, including the mobile INE quarters, one can clearly see that the women's participation rate is much more conditioned by the employment creation factor than is the participation rate of men.

1.7. In Chile, seasonal work is more common among women. Analysis of participation data from quarterly INE surveys show that during the winter months the amount of agricultural work to be done declines, reducing the total number of employees in this area, meaning a reduction in the work force, particularly among women workers. In a "typical" year, the difference in jobs between months with the most activity and months with the least activity is some 200,000 positions, half of which are occupied by women. During the winter months the unemployment rate increases, but not so much given that the size of the work force also decreases. The situation of temporary women workers (especially in agricultural exports) in agricultural regions illustrates this development. Temporary women workers who may or may not live in the countryside must go to picking or packing places during the harvest time. However, a significant number of them stop looking for work in the winter either because they can't find work or they don't expect to find it, and they temporarily become homemakers. Therefore, women's participation rate follows seasonal patterns of work as can be seen in figure 1.3.

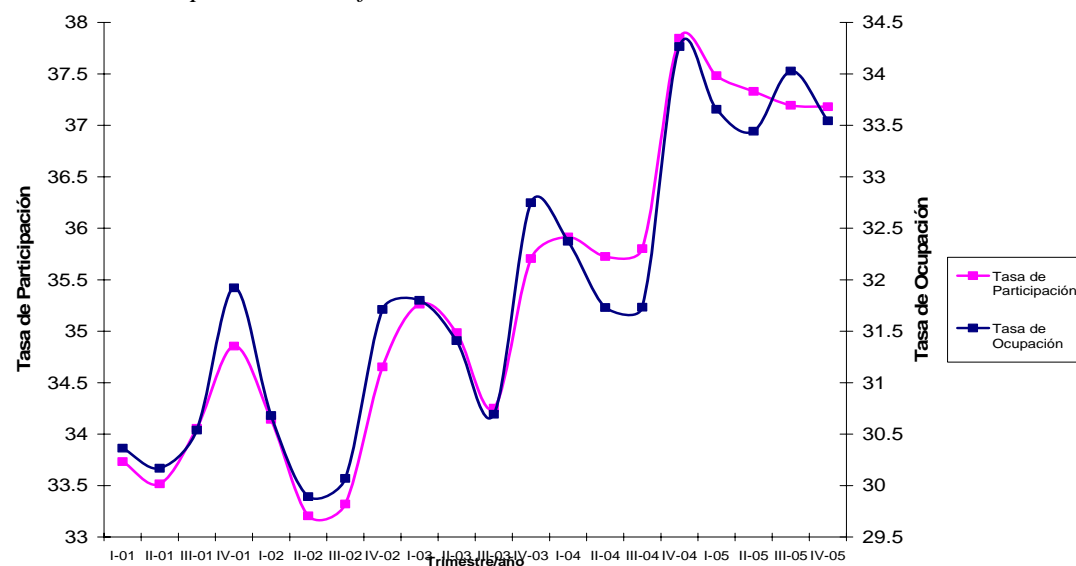
<sup>9</sup> According to the census, between 1992 and 2002 women's employment increased to an annual rate of 3.6% and female work force participation increased by 4.1%.

**Figure 1.3. Seasonality: Employment and Participation Rates of Men and Women in the Chilean Labor Force, 1997-2005**

*Employment and Participation Rates of Men*



*Employment and Participation Rates of Women*



Source: INE, Encuesta Nacional de Empleo.

Note: Left axis and pink line show the participation rate; while right axis and blue line demonstrate employment rate.



### Box 1.1 Work in the Home and Total Work

1) Total employment estimates in Chile and contributions to household work by sex. Generally when people speak of joining the work force, they forget that domestic tasks are work that is socially necessary for production. If household work is included in “total work,” we can obtain indicators of the social division of work by men and women (SERNAM INE 2004: 90–95). Results from the 2002 census show that Chilean women provide 53.4 percent of total work, 35 percent of the work force (non-domestic), and 95 percent of the unpaid domestic work (table 1).

Table 1. Distribution of Men and Women in Total Work Force (2002 Census)

	Workers in Commercial Activities a	Workers with Main Activities in the Household b	Total Number of Workers
Women	2.048.913	2.470.151	4.519.064
Men	3.828.236	121.933	3.950.169
Total	5.877.149	2.592.084	8.469.233

a Corresponds to the Economically Active Population 15 years old and above.

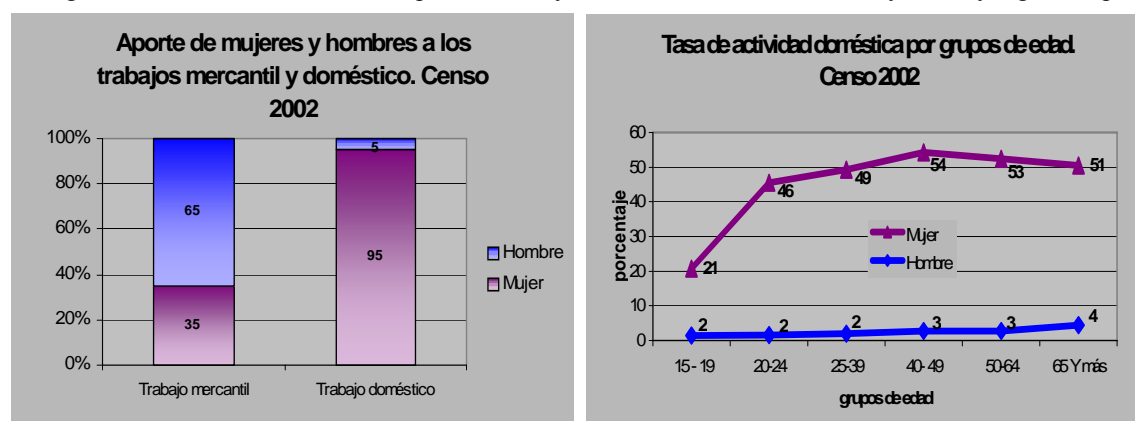
b Corresponds to the population above 15 years old, who declared “household work” as their main activity.

Total Work Force = Number of persons older than 14 years who are employed or unemployed (EAP), plus the number of workers with household work as their main activity.

Similar results are obtained when studying the INE employment surveys, but domestic work tends to be slightly lower since it tends to be underestimated due to the emphasis placed on the active work force (see annex 1.1).

2) Expanding the definition of work allows one to calculate a domestic activity rate similar to the work rate. In figure 1 one can see that the domestic activity rate among men is much lower and relatively stable for each age group, while for women the domestic activity rate generally increases with age, reaching 53 percent for women age 50–64.

Figure 1: Distribution of Work, Contribution by Gender and Domestic Activity Rate by Age Group



Note: Left graph illustrates the contribution of women (pink) and men (blue) to commercial and domestic work; and right graph demonstrates the Domestic Activity Rate per age group (pink line illustrates women, blue line men).

Domestic Activity Rate (Tasa de actividad doméstica) = % of population older than 14 years, who declared “household work” as their main activity.

3) Analyzing the distribution of women's time allows us to recognize the role played by gender in the distribution of paid and unpaid work between men and women, as well as to determine the distribution of work within the home. Bolivia, Ecuador, Guatemala, México, Nicaragua, the Dominican Republic, and Uruguay have conducted surveys to get a clearer picture of how men and women spend their time. Results show that in Bolivia 97 percent of women and girls over the age of 12 participate in domestic tasks. The other countries studied have similar rates: 91 percent of women in Guatemala, 84 percent in Nicaragua, 92 percent in Ecuador, and 96 percent in Mexico.

Women spend up to six hours daily, while men spend less than three hours daily on domestic chores. Uruguay's survey (2003) showed that women spent two-thirds of their time (67 percent) on domestic work and caring for the family, while men only spent 31 percent of their time on these tasks. Analysis of paid and unpaid work in families that have at least one child less than 18 years of age reveals that women work an average of 62.5 hours per week that is 17 hours more than men. Having children increases the demand on women's schedules by 16 hours per week if they are part of the paid work force and by 23 hours per week if they do not work outside the home. Men who live with their female partners tend to work less in the home than men who live alone, which saves them 26 hours of domestic work per week. That work load is transferred to the women.

## **FEMALE LABOR FORCE PARTICIPATION IN CHILE: WOMEN IN LOW-INCOME HOUSEHOLDS ARE STAYING HOME<sup>10</sup>**

1.8. In most developing countries, female labor force participation varies according to socio-demographic characteristics, and Chile is no exception. Contrary to men, who have a relatively high and homogenous participation rate, women's participation in the work force depends largely on their income, age, education, family composition, and geographic location. In the following pages, using data from CASEN 2003, the participation rates of different groups of women are analyzed to determine the effect these factors have on the situation in Chile.

### **Income Level**

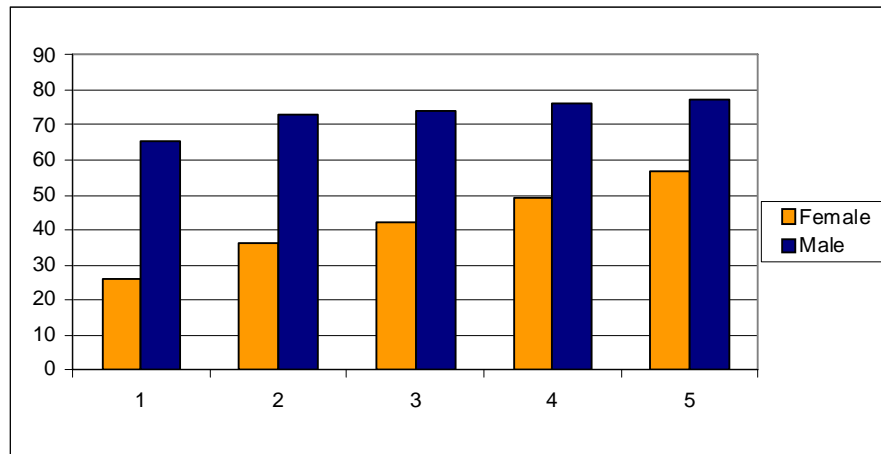
1.9. *Women in low-income households in Chile are staying home.* Figure 1.4 shows the female participation rate by income quintiles in Chile. Women in the lowest income quintile have a participation rate of 26 percent, while those in the highest quintile more than double that rate, at 57 percent.<sup>11</sup>

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<sup>10</sup> This section draws on the report "Oferta Laboral Femenina y Cuidado Infantil" prepared by Elaine Acosta, Marcela Perticara and Claudio Ramos for the IDB and supervised by Carmen Albertos, of RE1/SO1 of the IDB.

<sup>11</sup> Annex 1.2 presents changes in the rate of participation by income quintiles since 1990. While women's participation rate has increased across all income brackets, the lowest participation rates remain among the poorest households.

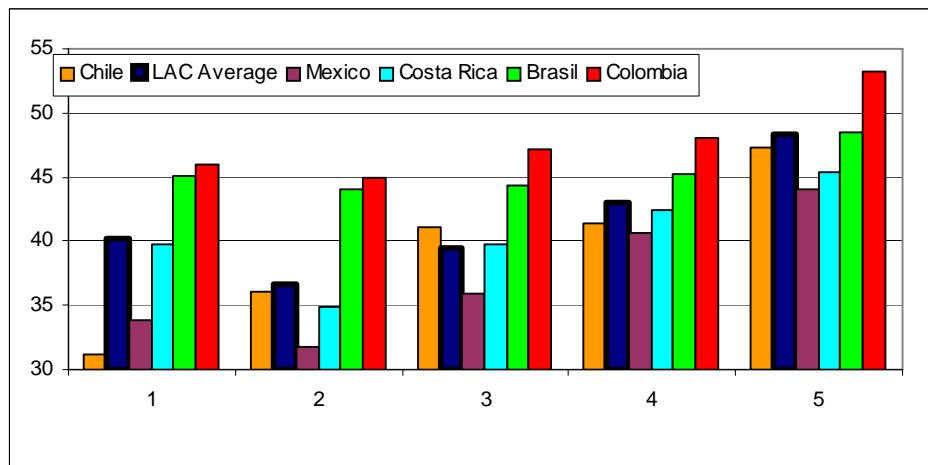
**Figure 1.4 Female Participation Rate by Income Quintile, 2003.**



Source: CASEN 2003

1.10. The positive correlation between income levels and women's participation in the work force is a characteristic pattern in the region. However, the gap in paid employment for women by household income level is extremely wide in Chile compared to other Latin America countries. Figure 1.5 shows the percent of Chilean women in paid employment not in the agricultural sector, the average for Latin America, and the rates for some individual countries by income quintiles.<sup>12</sup> Note that while participation among Chilean women in the higher quintiles is similar to the regional average, women in the lowest quintile are considerably less likely to be working in paid employment than are their regional counterparts. While the average gap between the top and bottom quintiles is 8 percentage points regionally, it is 16 percentage points in the case of Chile. When comparing total female labor force participation (including the self-employed) by income group, the result in Chile is similar to the rest of Latin America.<sup>13</sup>

**Figure 1.5 Share of Urban Women in Wage Employment in the Non-Agricultural Sector (Including Domestic Workers) by Income Quintiles, Circa 2003.**



Source: Equity and Social Indicators. Inter-American Development Bank

<sup>12</sup> The indicator in figure 1.6 is the same one used in the Millennium Development Goals. To avoid bias toward the agricultural sector, we only used data for urban areas, so the indicator for participation rate is different.

<sup>13</sup> See Contreras, Puentes and Bravo (2005).

1.11. Women in the bottom quintile face more obstacles to joining the labor force. A profile of women age 25–55 (age range of greatest participation in the work force as it excludes most students and retirees) in Chile is presented in table 1.2. Low-income women are less educated, with only 8.5 years of education, compared to 13.8 years of those in the top quintile. There are also significant differences in fertility. Despite being on average only 1.5 years younger, women in the lowest quintile have twice as many children who are less than 18 years old, and the gap is even larger for mothers of children younger than 6 years old<sup>14</sup>. Women in low-income households are also more likely to live in rural areas, which may affect their access to jobs: 19 percent of women in the lowest quintile live in rural areas, compared to only 5 percent of women in the highest income quintile. Indeed, rural women have much less schooling and participate less in the labor force than women living in urban areas (see table 1.2 - Rural). Women in rural areas usually participate less in the labor market because they devote many hours to home-based production or agricultural production for self-consumption.<sup>15</sup>

## **Educational Attainment**

1.12. Figure 1.6 shows the participation rate of men and women in the labor force in Chile by education level attained. As educational attainment increases, so does the earning potential of workers, which explains why labor force participation also rises, particularly when an educational cycle is completed. Participation gaps by income level may reflect women's different levels of human capital and labor market opportunities. Although participation increases with education for women, it is fairly constant among men. The difference in participation between men and women gets smaller at higher education levels, going from a gap of 36 percent for those with no education to 16 percent among those with tertiary studies. It is worth noting that participation rates are also very low for men with no education, but this group is very small.<sup>16</sup>

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<sup>14</sup> A series of studies done in Chile reflect the dynamics and obstacles that poor women face in trying to enter the job market. See, for example, SERNAM (1998) Working Paper No.62

<sup>15</sup> There is evidence in Chile of the importance of women's work in the countryside, especially among small producers, but the studies are mostly exploratory. There is also evidence of inactive women wishing to join the job market at the beginning of the 1990s (Gálvez 1994). Likewise, agricultural census data shows the importance of women's full-time unpaid work in the agricultural work force—33% of women workers (INDAP/SERNAM, 2000). Time-use studies carried out by the Comisión Económica para América Latina y el Caribe (Economic Commission for Latin America and the Caribbean, or CEPAL) and SERNAM should provide valuable, current evidence on this subject.

<sup>16</sup> Men with no education between 25 and 55 years old represent only 1.3% of the total male population of this age group. The equivalent figure is 1.5 for women.

**Table 1.1 Profile of Women 25-55 Years Old by Income, Chile 2003**

*National*

Profile of Women 25-55 years old. Chile 2003.

Characteristics	Per capita Income Quintiles				
	1	2	3	4	5
Place of residence					
<i>Rural</i>	19%	15%	12%	7%	5%
<i>Urban</i>	81%	85%	88%	93%	95%
Age	37.9	38.6	39.2	39.6	39.4
Years of education	8.5	9.5	10.3	11.5	13.8
Marital status					
<i>Married</i>	71%	71%	69%	70%	70%
<i>Single</i>	16%	17%	20%	20%	21%
Children					
<i># of children less than 18 years old</i>	2.1	1.7	1.3	1.2	1.0
<i># of children less than 6 years old</i>	0.8	0.6	0.5	0.4	0.3
Hours worked	33.0	39.9	42.7	43.8	43.5
Labor force participation rate	33%	45%	54%	63%	74%

*Rural*

Characteristics	Per capita Income Quintiles				
	1	2	3	4	5
Age	38.2	38.5	39.9	40.7	40.4
Years of Education	6.8	7.3	7.7	8.5	11.3
Marital Status					
<i>Married</i>	76%	76%	73%	75%	77%
<i>Single</i>	17%	18%	22%	20%	19%
Children					
<i># of children less than 18 years old</i>	2.1	1.6	1.2	1.0	1.2
<i># of children less than 2 years old</i>	0.2	0.1	0.1	0.1	0.1
<i># of children &gt; 3 and &lt; 6 years old</i>	0.3	0.2	0.1	0.1	0.2
<i># of children &gt; 6 and &lt; 18 years old</i>	1.7	1.3	1.0	0.8	1.0
Labor force participation rate	16%	28%	37%	44%	54%
Employment rate	13%	26%	36%	44%	54%
Hours worked per week	33.2	39.3	44.6	44.1	44.6
% with a labor contract	37%	56%	67%	75%	88%
% with social security benefits	34%	51%	68%	73%	88%

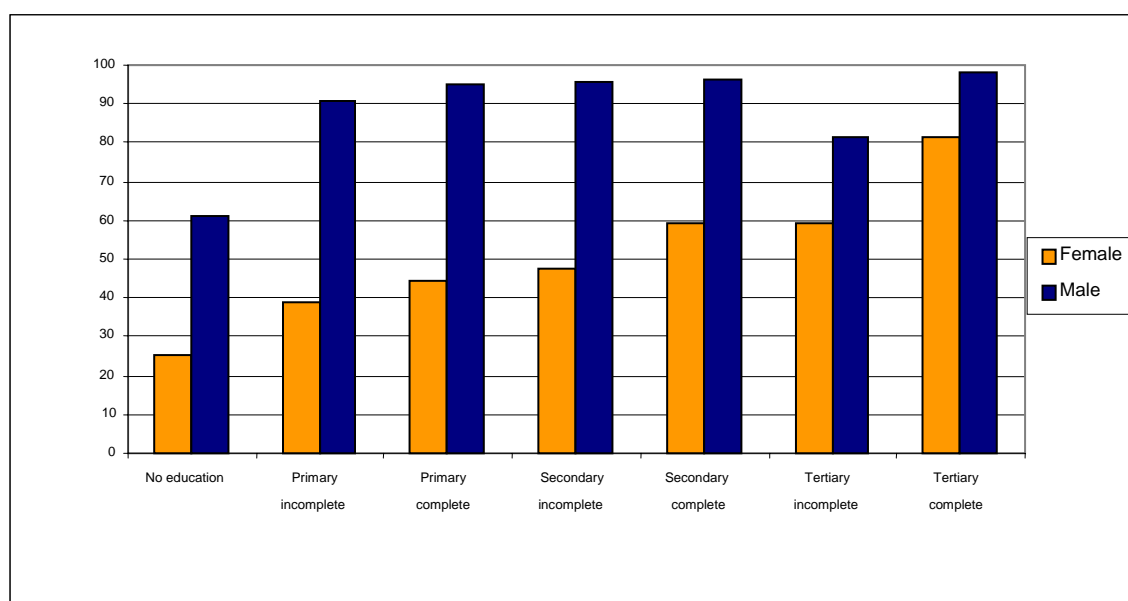
*Urban*

Characteristics	Per capita Income Quintiles				
	1	2	3	4	5
Age	37.9	38.6	39.1	39.5	39.3
Years of Education	8.9	9.9	10.6	11.7	14.0
Marital Status					
<i>Married</i>	69%	70%	68%	69%	69%
<i>Single</i>	16%	17%	19%	20%	21%
Children					
<i># of children less than 18 years old</i>	2.1	1.7	1.4	1.2	1.0
<i># of children less than 2 years old</i>	0.2	0.1	0.1	0.1	0.1
<i># of children &gt; 3 and &lt; 6 years old</i>	0.3	0.2	0.2	0.2	0.1
<i># of children &gt; 6 and &lt; 18 years old</i>	1.6	1.3	1.1	0.9	0.8
Labor force participation rate	37%	48%	57%	65%	75%
Employment rate	24%	40%	51%	61%	72%
Hours worked per week	33.0	40.0	42.5	43.8	43.5
% with a labor contract	45%	63%	75%	84%	89%
% with social security benefits	45%	63%	73%	84%	88%

Source: Tabulations of CASEN.

Note: Quintiles are defined based on the income of all earners in the household: "1" identifies the lowest quintile and "5" identifies the highest quintile.

**Figure 1.6 Labor Force Participation by Educational Attainment in Chile. 25-55 Years Old.**



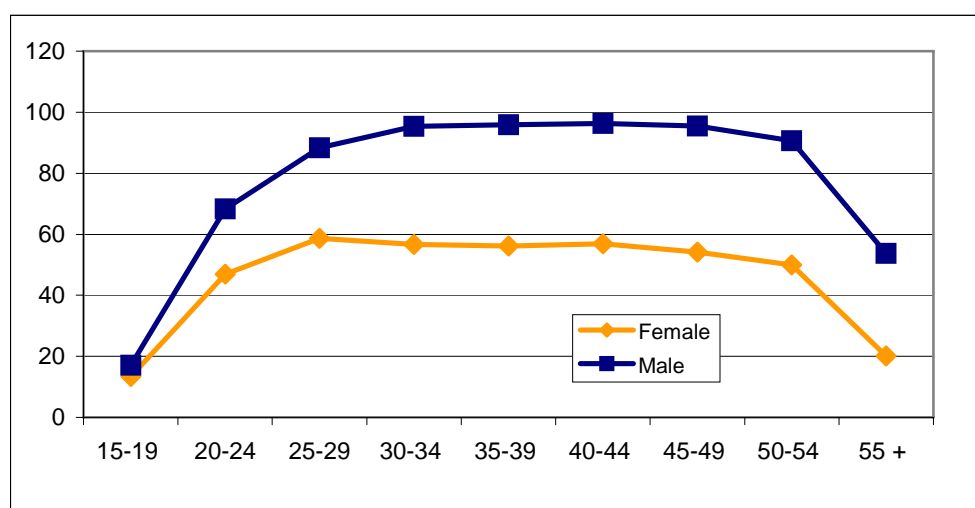
Source: CASEN 2003.

1.13. Women who are not participating in the labor force have, on average, lower average levels of schooling than those participating (see Annex 1.2) for all income groups. However, the absolute levels of education of women who are outside of the labor force are still high (more than 8.3 years), especially in urban areas. The next section about labor force participation determinants demonstrates that educational attainment has a positive and significant impact on women's probability of participating in the labor force. This fact is indicative of the potential impact of expanding female labor force participation, presented in the next chapter.

### Age Group

1.14. Figure 1.7 illustrates the participation rates of women and men of different age groups. Although the curve for men is clearly almost 40 percentage points above that of women, the shape is very similar, and the participation gap between men and women is fairly constant along the age spectrum. Very few men or women enter the job market before the age of 20, since most are still studying. The gender gap for the 15–19 year old group is only 3 percent. The gap starts to widen at age 20 with men joining the labor force at higher rates than women, until the age of 30, when the participation rates for both men and women remain almost constant. Then participation starts to decline at the age of 50. The graph reveals that many women do not participate at any age. The highest female participation occurs in the 25–29 age group, followed by a very slight decline until the age group of 50–54, and a sudden drop after it. This pattern is quite characteristic for Latin America, though the curve is flatter in Chile than in other countries, which reflects smaller increases in the participation rates of young women at a productive age.

**Figure 1.7 Labor Force Participation by Age**

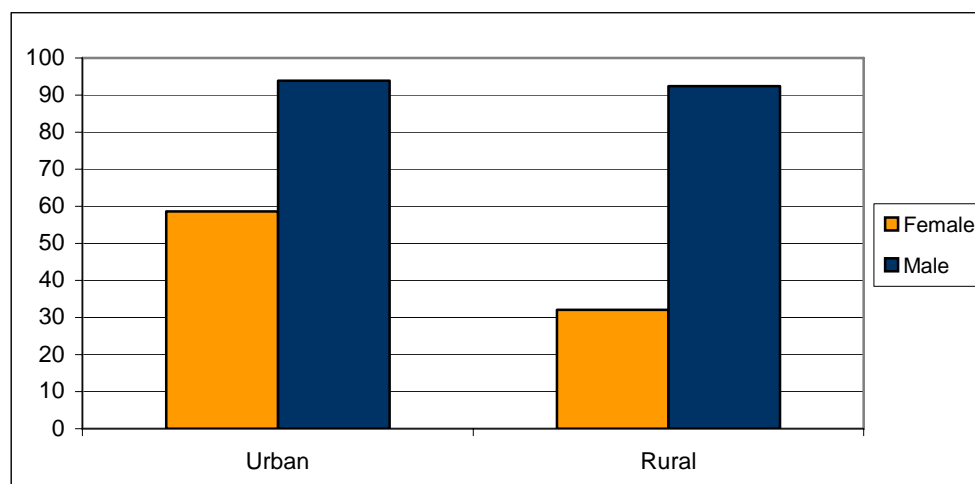


Source: CASEN 2003

## Geographic Location

1.15. As in the case of education, geographic location affects the decision of both women and men to join the work force. While urban men's rate is only 1 percent higher than in rural areas, the gap for women is very large. The difference in labor force participation rates between urban and rural women is 26 percent, making the gender gap in rural areas more severe, as seen in figure 1.8. Female participation varies by region of residence as well, as seen in table 1.3. The highest levels of participation are found in the Metropolitan Region of Santiago with 61 percent, followed by the regions of Aysén and Magallanes. At the other extreme, in the regions of Araucanía and BioBio, women's work force participation levels are between 40 and 45 percent.

**Figure 1.8 Work Force Participation by Geographic Location. 25-55 years old.**



Source: CASEN 2003

**Table 1.2 Female Labor Force Participation in Chile, by Region, 25-55 Years Old**

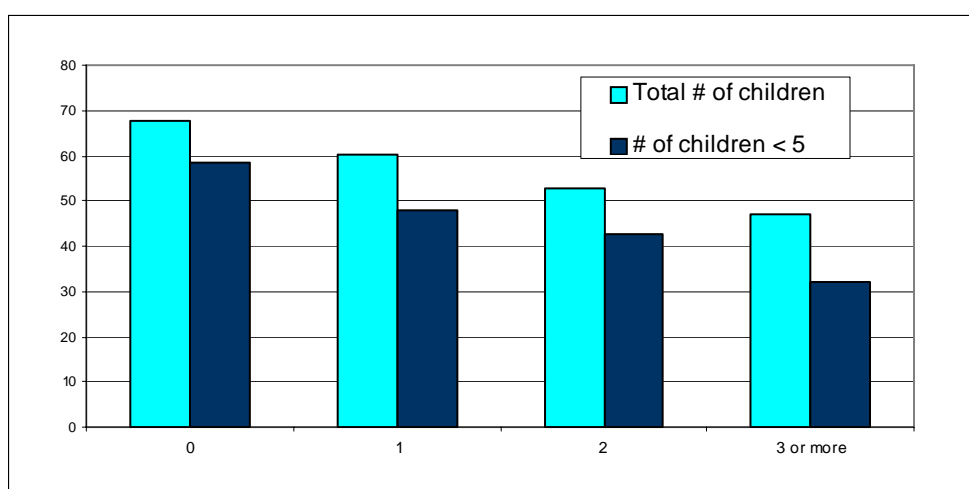
Metropolitan Region	61.1
Aysen Region (XI)	57.8
Magallanes y Antartica Chilena Region (XII)	55.9
Valparaiso Region (V)	54.9
Tarapaca Region (I)	53.7
Coquimbo Region (IV)	51.0
Atacama Region (III)	50.4
Antofagasta Region (II)	49.7
Maule Region (VII)	48.7
O'Higgins Region (VI)	47.3
Los Lagos Region (X)	46.8
Bio Bio Region (VIII)	44.5
Araucanía Region (IX)	42.3

Source: CASEN 2003

### Family Structure

1.16. The role women play in the household caring for children, the elderly and the sick, and taking care of domestic chores, is also an important factor explaining their participation in the work force. A traditional division of labor within the family seems to prevail in Chile, where men are responsible for “productive” work and women take on “reproductive” (domestic) work. When analyzing women’s participation in the work force, variables associated with family structure have an influence. These factors include marital status, who is the head of household, number and age of the children, and whether other adult family members live in the household. For instance, figure 1.9 shows an inverse relationship between the number of children in the household and the participation rate of women in Chile.<sup>17</sup> Clearly, women with more children are less likely to work for pay than women with no children. This is particularly true for women with children who are under five years old.

**Figure 1.9 Labor Force Participation among Women 25-55 Years Old, by Number of Children**



Source: CASEN 2003

<sup>17</sup> Data from INE report that in 2003 the average number of children per women was 1.9.



## **Ethnic Origin**

1.17. According to CASEN 2003, there is no difference in the rates at which indigenous and non-indigenous women participate in the work force at the national level. In urban areas, indigenous women's labor force participation rate is 5 percentage points higher than that of non-indigenous women, while in rural areas it is 6 points lower than that of non-indigenous women. Given the low levels of female participation in rural areas, the employment level among indigenous women is extremely low at 18 percent.

## **Labor Force Determinants**

1.18. Labor force participation decisions are made at the household and individual level by comparing expected market wages to reservation wages, which reflect the opportunity cost of taking on paid work (usually outside the home). Women's reservation wage is a function of the number of children, domestic help, technology, income of other household members, length of the work day and of the school day, and availability of daycare services, among other factors. The expected market wage is usually determined by education level, experience, occupation and employment sector, and other job characteristics. Gender-based salary discrimination usually also plays a role, since women take into account the existence of unfavorable wage gaps when deciding to participate in the work force.

1.19. Several studies have looked at the patterns of women's participation in Chile's work force, trying to identify determinants and elasticities. Given the traditional division of labor, women's participation in the work force depends on all the traditional variables that explain earnings plus some additional ones that reflect a higher reservation wage than that of men due to the high value placed on the role of women in domestic work.

1.20. The following determinants are significant in explaining Chilean women's low level of participation in the work force: (i) education and training; (ii) family structure (having children under the age of 15 inhibits female labor supply); (iii) work experience (less time with the same job and employer, shorter periods of continuous employment, and longer periods of inactivity and unemployment compared to men<sup>18</sup>; (iv) fairly traditional cultural values and attitudes about gender roles that limit women's employment outside the home; and (v) cohort effects driven by demographic factors. Table 1.4 summarizes some studies that present evidence to this effect.

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<sup>18</sup> Peticara (2005) documents the importance of previous experience using a measure of years of inactivity. This along with a strong negative correlation between having children and participation in the work force suggest that dynamic factors may be at work. Women who leave the work force to raise their children will have fewer chances of finding future work, even after their child-raising responsibilities have diminished.

**Table 1.3 Determinants of Female Labor Force Participation in Chile**

Determinant Factors	Studies (by author)					
	<i>Mizala, Romaguera and Henríquez (1999)</i>	<i>Contreras, Bravo &amp; Puentes (2005)</i>	<i>Acosta, Peticara &amp; Ramos (2005)</i>	<i>Peticara (2005)</i>	<i>Contreras &amp; Plaza (2004)</i>	<i>Larrañaga (2005)</i>
<b>Educational Attainment</b>	(+) Level of education. Women with higher education (university) have a participation rate 22% higher than women with secondary education.	(+) Cohorts with more schooling have higher participation rates. Four additional years of education imply 8 percentage points increase in participation for women within the same cohort *** <i>The data is for women who were 20 years old in 1945 and 1975. It takes 12 years to complete secondary school and 8 years for primary school. The percentage difference is noted between women with 7.7 years of education and those who have 11.3 years of education.</i>	(+) An extra year of schooling increases participation by 43%	(+) Women with university studies are less likely to become inactive than women with only primary education.	(+) Women with more human capital tend to participate more.	(+) For the last five years of analysis, participation rates are 25% higher for women with a university degree and 10% higher for women with secondary education, compared to women with only primary education.
<b>Demographic Factors</b>		(+) Age of cohort. Young women participate more than older ones.	(+) Changes in age group composition.	(-) For women born between 1977 and 1982, the risk of choosing inactivity after childbirth is 135% while it is 300% for the ones born before 1947.		(+) Participation increases with age in the cohort 25-39 years old.
<b>Family Composition</b>	(-) Presence of children less than 15 years old  (+) Presence of daughters between 19-24 years of age	(-) Presence of children between 6-10 years old severely restricts women's participation, even more so than preschoolers	(-) Presence of young children implies a reduction of 15% in participation, compared with women with no children or children older than 14.	(-) The risk of inactivity is higher for women with children less than one year old	(-) Greater number of children of young age.	(-) The presence of children has a strong negative incidence of 25 to 35%, depending of the number of children compared to women with no children.
	(+) Women with a family structure that equals that of the average family in the highest income quintile are 10% more likely to participate.					(+) The impact of children on participation decreases when women do not have a partner.

<b>Marital Status</b>	(-) Married women participate less than single ones.				(-) Married women tend to participate less in the labor market.	(-) There is a strong correlation with the presence of a partner, particularly for women with only primary education who participate less than other women.
<b>Cultural Factors</b>					(-) “machista” behaviors reduce participation by 13%** <i>The “Machismo Index” measures opinions on women contributing to household income and on responsibility for childcare.</i> (-) The most conservative women are less likely to participate in the labor market.** <i>The “Conservative Values Index” measures opinions on marriage, having children in and out of wedlock, living together out of wedlock, and divorce.</i>	
<b>Child Care Provision</b>			(-) Having a child who is not enrolled in a childcare program because the family cannot afford it or there is no access reduces participation by 15%			
<b>Other factors</b>	(+) Access to electricity, water and public sewage system connection.	(+) GNP growth, female participation rate is pro-cyclical.				
<b>Methodology &amp; Data</b>	Probit model with data from CASEN 1996, for population older than 15 years. It estimates a labor supply function for men and women and then a female labor supply equation with additional variables.	Synthetic cohort methodology, with data for Greater Santiago from 1957 to 1997, performing cross-section time series analysis.	Estimation of a static participation model based on CASEN 1990, 1996 and 2003.	Uses the <i>Encuesta de Protección Social</i> 2002 (longitudinal database) extracting a sample of individuals, showing the risk of becoming inactive in the labor market.	Uses data from the survey “Women and work, family and values” (2002). Estimates a probit model of female labor force participation.	Multivariate analysis with data from Universidad de Chile employment surveys for Greater Santiago from 1958–2003 and CASEN (household survey) for 1987–2003 for women age 25–45.

1.21. Many studies have presented an analysis of the importance of institutional child care services to increasing women's incorporation into the work force. For example, Acosta, Peticara, and Ramos (2005) found that access to child care can significantly increase women's participation in the work force. Chilean women are less likely to participate in the work force when they have small school-aged children.

1.22. There has been considerable debate in Chile about the role of cultural norms as a determinant of female labor force participation. Fortunately, this has been an actively investigated topic in recent years and research underscores the importance of cultural values and gender roles in explaining women's low participation in the Chilean labor market. Box 1.2 highlights the main findings of two studies based on opinion polls on this issue. The results imply that cultural norms should help increase female participation rate in the future, as new cohorts of more educated women feel a stronger tie to the labor market. Nevertheless, as figure 1.10 shows, when participation rates of young cohorts of Chilean women are compared with their counterparts in the region, Chile still has the second lowest rate in Latin America.

**Box 1.2 Cultural Norms and Women's Participation in Chile's Work Force**

1. In 2001, SERNAM carried out an opinion survey to understand the attitudes of men and women. Managed by the School of Economics at the University of Chile, the survey was conducted among a representative sample of 1,000 people age 18–65 in urban and rural areas.

- a) SERNAM's D.T. #77 (2003) concluded that making paid work compatible with domestic responsibilities is a basic problem. Women of a fertile age, especially married women with children, would choose part-time work, while 20 percent of women (heads of household) would opt for full-time work. Younger and more educated Chileans criticize the gender order and generally think that men could take on more child care responsibilities. Obstacles to women joining the work force include the work itself or household responsibilities and respondents generally felt there are few factors that facilitate participation in the work force. Among the subjects raised were maternity leave and sexual harassment.
- b) SERNAM's D.T. #78 (2003) based on reactions to "traditional, situational, and progressive" propositions, concludes that opinions vary significantly by sex, age, schooling, and personal experience. Women question more traditional gender order, ideas that are more shared among older groups. Greater education translated into recognition of the individuality of women and educated women of an intermediate age more radically question and demand changes in the family structure. Younger women are less assertive and young men support women's development less (they view it as unnecessary).

2. In 2002, an opinion survey called "*Mujer y Trabajo, Familia y Valores*" [Women and Work, Family and Values] was conducted based on the questionnaire about family and gender roles used by the International Social Survey Programme (ISSP). Two studies based on this survey reach similar conclusions regarding the role of cultural norms [in women's decisions to participate in the work force].

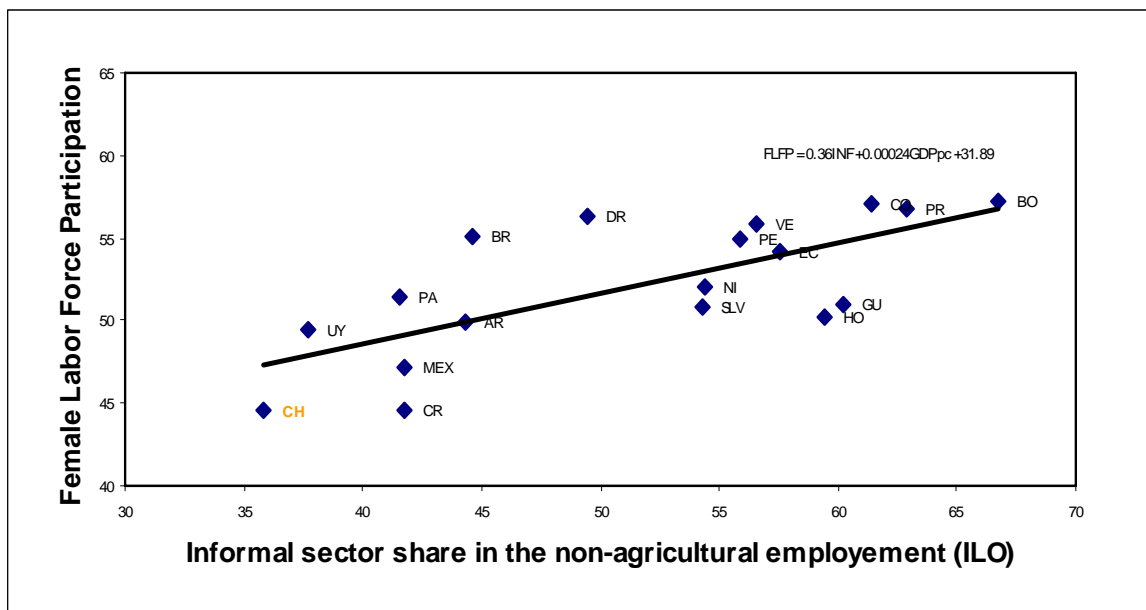
- a) Lehmann (2003) constructs an index of perceptions of women's work based on answers to four questions about whether women should work full-time, part-time, or not work at all at different stages of their lives. The same index was calculated for the 24 countries that participated in the 1994 ISSP survey. Chile ranks 23 (followed only by Philippines)

in terms of how open the country is to women's work outside the home. It is important to note, however, that not all Chileans share the same views. In general, women, younger cohorts and the more educated are more likely to see women's participation favorably

- b) Contreras and Plaza (2004) measure the impact of cultural norms on female labor participation decisions in Chile. The authors construct an index of *machismo*, which looks at attitudes related to female and male roles and responsibilities regarding paid work, domestic work, and childrearing. The authors also construct a *conservative values* index, which reflects attitudes towards marriage, cohabitation and divorce. *Machismo* varies widely by age and education: younger and more educated groups are less *machistas*. The conservative values index does not vary by education. Controlling for education, age, number of young children, non-labor income and marital status, the researchers find that *machismo* reduces acceptance of female participation by 13 percent and more conservative values lowers acceptance by 10 percent. Both cultural norms together outweigh the positive impact of human capital, which increases participation by 9 percent.

1.23. The fact that Chile has a relatively small informal sector has been hypothesized to be another explanation for the low female participation rate. Many authors have addressed the role that the informal sector plays as a source of employment for women because of the flexibility it offers in scheduling and location. Controlling for per-capita GDP, figure 1.10 shows the relationship between employment in Latin America's informal sector and the rate at which women participate in the work force. Chile stands in the lower left corner, while Uruguay, with an informal sector of similar size, has a much higher female participation rate. This topic deserves further study.

**Figure 1.10 Female Labor Participation and Informal Sector Share in the Non-Agricultural Employment (ILO Definition), 2002-2004**



Source: ECLAC and ILO (2005), tabulations of household surveys.

1.24. Another hypothesis about the low participation rate of low-income women links it to the wide coverage of Chile's poverty alleviation: i) PASIS, which is for the elderly and people with disabilities, and the Unique Family Subsidy, which is based on the number of children per household; ii) service subsidies such as a potable water subsidy and others aimed at mitigating rising transportation costs; and iii) the *Programa Chile Solidario*, which makes small transfers (equivalent to \$17 for the first six months and \$6 after the first 18 months) to indigent beneficiaries. More than 60 percent of households in the two lowest income quintiles receive one of these main monetary subsidies. The sum of all these monetary subsidies plus the value of health and education transfers would account for 60 percent of the total income of households in the lowest decile, and 40 percent in the second decile. This share of resources could be acting as a disincentive to women from the poorest households to participate in the work force. This may be particularly true among male-headed households, where women's work would provide a second income.<sup>19</sup> It is important to note that while this type of interpretation may help understand behavior in some cases and allows us to be alert to potential disincentives, extrapolating this to be a generalized truth with implications for the reformulation of policies would be a mistake, since that tends to generate regressive consequences.

#### **EMPLOYMENT, UNEMPLOYMENT, AND OCCUPATIONAL SEGREGATION BY GENDER**

1.25. This section summarizes current employment trends in Chile by gender. It includes brief descriptions of the main occupations, economic activity, and employment by size of company. The results of occupational segregation by gender for different age and education groups are also presented.

1.26. Labor demand affects unemployment and informality rates, as well as occupational segregation. However, information about labor demand in this section is limited by the fact that the data used (CASEN 2003) comes from a household survey, and does not have information from firms as units. Thus, even if the data on outcomes reflects interaction between labor supply and demand, there is more information about labor supply.

#### **Unemployment in Chile: The Perils of Gender Bias**

1.27. *Unemployment rates are higher among women than among men* (figure 1.11). *The rate is particularly high among urban women in low-income households.* Although rural women experience lower unemployment rates than urban women, the latter also have low levels of labor force participation (see previous section), amounting to their exclusion from job market opportunities. High levels of unemployment among some

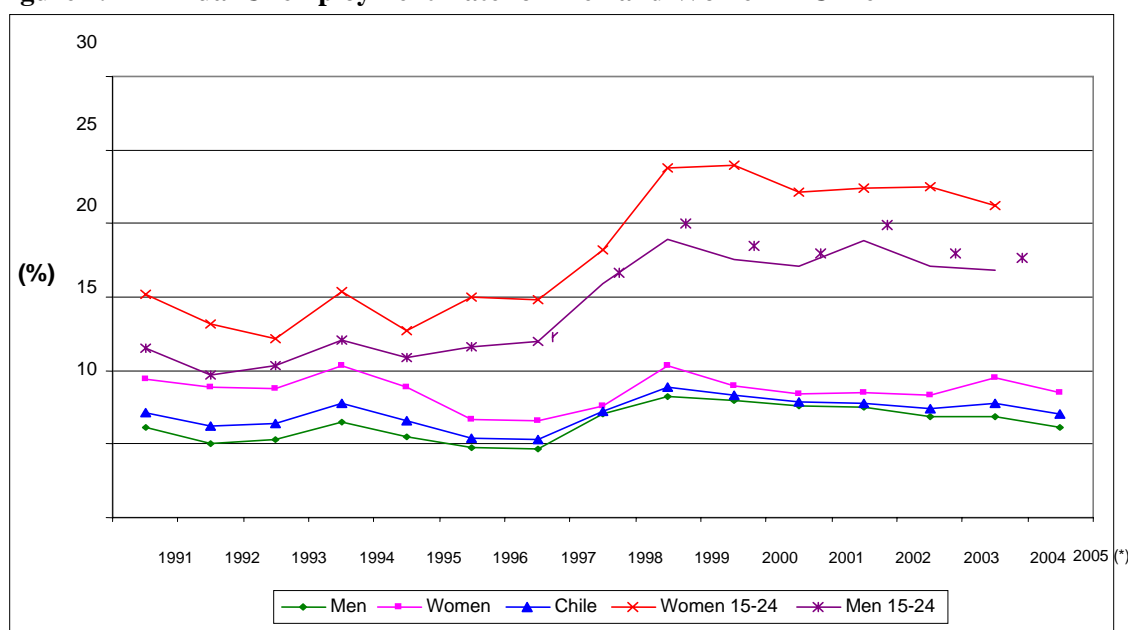
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<sup>19</sup> According to CASEN data, from 2000-2003, the participation rate among women age 25-55 in the lowest income bracket decreased by 3.6%. However, participation by women from the highest bracket increased from 17.9% in 1990 to 25.7% in 2000 to 26.3% in 2003. In addition, MIDEPLAN analysis of the work history of beneficiaries of Chile Solidario found that 17% of the program's beneficiaries were housewives (amas de casa) in 2000, compared to 12% nationally.

vulnerable groups also can lead, in turn, to lower female labor force participation, as job seekers could get discouraged.<sup>20</sup>

1.28. Figure 1.11 shows that women's unemployment fluctuates more than men's as a result of the economic cycle. Duration of unemployment is also higher for women. ILO (2004) finds that the average unemployed woman spent 30.6 weeks job searching in 2002, while men spent just 25.3 weeks. These unemployment patterns by gender may be the result of cyclical variations in female labor supply and the types of jobs typically performed by men and women. Women experience higher unemployment rates and are more vulnerable to cyclical variations in the labor market than men. These differences should be taken into account when designing gender-sensitive unemployment insurance programs and job intermediation policies.

**Figure 1.11 Annual Unemployment Rate for Men and Women in Chile**



Source: Encuesta Nacional de Empleo, INE-Instituto Nacional de Estadísticas. Note: For 1991-2004, data is from October-December. (\*) November-January 2005-2006.

1.29. Women have experienced a higher level of unemployment in all regions throughout the last decade, although in general, unemployment is higher in regions that have higher levels of poverty.<sup>21</sup>

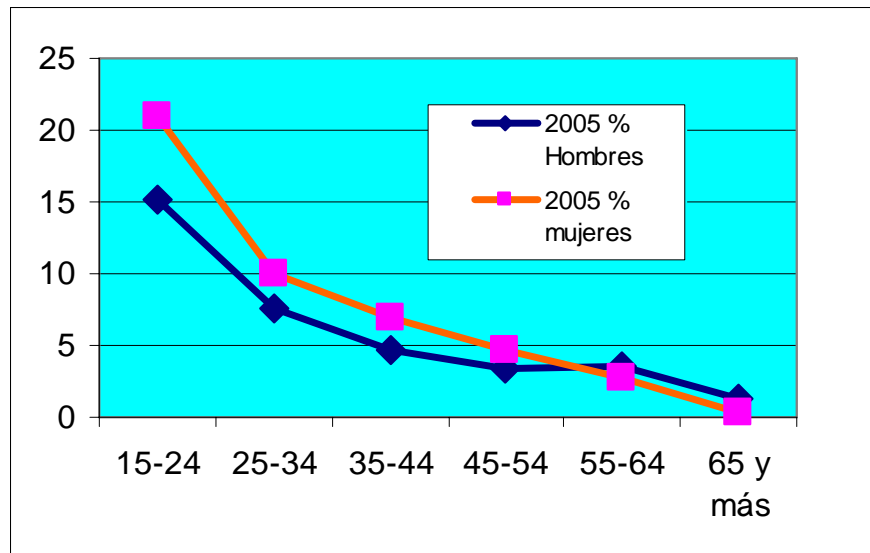
1.30. Youth unemployment also has been a concern in Chile since the 1990s, and it increased tremendously after 1998. In spite of recent decreases, more than 15 percent of young men and more than 20 percent of young women were unemployed in 2005. More women than men under age 24 are unemployed (see figure 1.13). High youth unemployment in Chile may partially result from the demographic transition that has increased total labor force participation as the population is aging, lack of opportunities

<sup>20</sup> For more on *discouraged worker* effects on labor force participation see World Bank (2006)-Dominican Republic Poverty Assessment, Bosch and Maloney (2005), and Benati (2001).

<sup>21</sup> ILO (2004).

for new entrants in the more dynamic sectors, and labor market rigidities protecting those who have jobs over new entrants<sup>22</sup> Another potential determinant of youth unemployment is rigid labor regulations<sup>23</sup>, but there is a series of myths about labor market inflexibility.<sup>24</sup> Chile is addressing youth unemployment using several policies, including a youth training program called *Chile Joven*, which has been a model for other Latin American countries due to its impact and innovative design.<sup>25</sup>

**Figure 1.12 Unemployment Rates by Age and Gender**



Source: INE, Encuesta Nacional de Empleo, Trimester October-December 2005

Note: Dark blue line illustrates the unemployment rate for men; pink for women.

1.31. Regarding the impact of legislation and labor costs, researchers have reported differing findings. L. Abramo (2001) suggests that for the employer direct costs associated with hiring women are reduced due to the decline in the fertility rate.<sup>26</sup> Abramo and Todaro (2002) conclude that the cost of hiring a woman is just 87.6 percent of the average cost of hiring a man. A study SERNAM did with INE found only a .2 percent difference when comparing by sex the increases to total salary including non-salary costs. If the comparison is done by the hour, the difference disappears.<sup>27</sup> Pages and Montenegro (2003) find that *job security provisions are not gender neutral*; rather, they reduce employment opportunities for women while increasing them for men. Higher turnover among women may explain why job security provisions affect young women

<sup>22</sup> For more information on obstacles youth face when trying to join the job market, see M. Charlin and J. Weller (2006).

<sup>23</sup> ILO (2005) and Pagés and Montenegro (2003).

<sup>24</sup> Although there are different forms of contracting that are less expensive and allow greater flexibility in the work schedule, women have few of these positions. One example of inflexibility in work schedule is payment for years of service. Data from the Labor Office show that for 85% of the for 85% of the payouts this benefit was not applicable to discharged employees.

<sup>25</sup> In the following chapter this subject will be revisited as it relates to policy options

<sup>26</sup> In Chile costs are 1.8% of the gross monthly salary (breaking down to 1.27% for childcare, child feeding .48% and replacement .08%.

<sup>27</sup> See Working Document N° 75, SERNAM (2002)

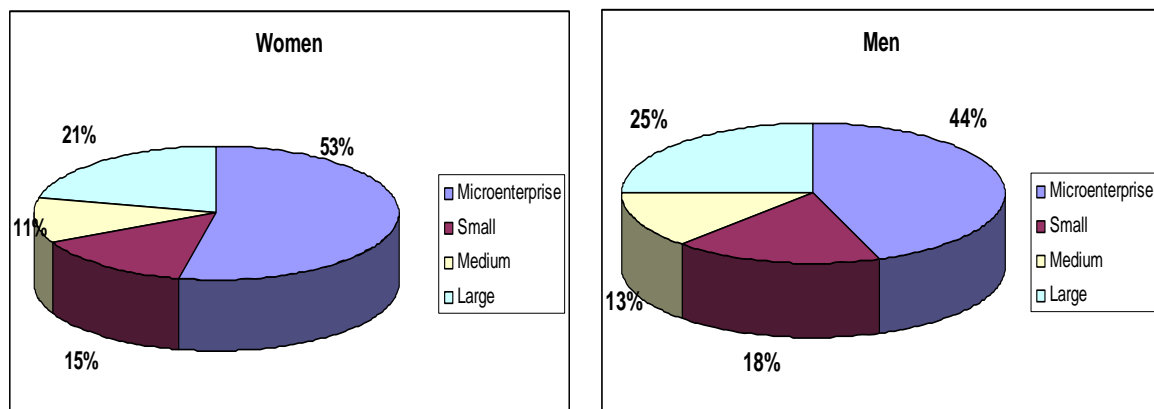


less than young men as well as why middle -aged and older women benefit less from job security than men of the same age.

### Informality, Firm Size, and Job Opportunities by Gender

1.32. *Microenterprises in Chile, including the self-employed, employ the largest percentage of workers, especially women* (figure 1.13). Microenterprises can offer more flexible work arrangements than medium and large firms; hence, they usually offer job opportunities that better meet the needs of female workers and youth. But there is evidence that the relative weight of women in this sector is greater in microenterprises, that women concentrate on a lesser number of productive sectors or industries, the microenterprises formed by women are smaller, their microenterprises are less profitable and have fewer sales than do those of men, and almost half of microenterprises run by women are run from their own homes.<sup>28</sup> Most female managers in Chile are managing micro and small firms in wholesale trade, earning less than their male counterparts and other female managers (see annex 1.3). Policies to promote entrepreneurship and enhance the productivity of microenterprises have been tried in many LAC countries to increase employment and the economic empowerment of vulnerable groups and women. These policies have been particularly successful in Chile, especially in the case of formal microenterprises.<sup>29</sup> More analysis is needed to determine the right combination of policies to enhance opportunities for women in this sector.

**Figure 1.13 Firm Size and Employment by Gender**



Source: Own calculations- CASEN 2003.

1.33. The informal sector is defined as consisting of legal activities that do not comply with labor, taxation, and other regulations. In most Latin American countries, informality rates are high and the informal sector is very heterogeneous (IDB, 2004). For some groups of workers, informality is associated with low-productivity and low-wage jobs, while for some self-employed workers and micro entrepreneurs, informality is not an

<sup>28</sup> ME Valenzuela y S. Venegas (2001).

<sup>29</sup> CASEN 2003 and Superintendencia de Bancos e Instituciones Financieras (Superintendent of Banks and Financial Institutions) of Chile. The Ministry of the Economy's Service for Technical Cooperation currently is carrying out various campaigns promoting services to small and medium-sized businesses, eg. a program to facilitate access to credit and one for seed capital. These programs include institutions specifically for women, youth, and the indigenous people. For more information, visit [www.redsercotec.cl](http://www.redsercotec.cl).

impediment to high earnings. In this section, an operational definition of informality is used that is consistent with a legalistic definition, according to which informal workers are those without social security or a formal contract with their employer.<sup>30</sup>

1.34. Although Chile's informal sector is smaller than in most other Latin American countries (IDB 2004), Sabatini and Wormald (2004) conclude that informality increased there between 1990 and 2000 (CASEN data).<sup>31</sup> The percentage of workers without contracts increased from 14.2 to 21.6 percent, and the percentage of workers not covered by social security increased from 30.4 to 34.7 percent during that period. Sabatini and Wormald also conclude that informality rates in Chile vary by economic activity. Retail has rates that are close to 49.4 percent and personal services has rates around 33.1 percent. Both sectors show increases in the percentage of informal workers.<sup>32</sup> On the other hand, construction and the financial sector registered reductions in the percentage of informal workers during the same period. They also conclude that informality is higher among female workers, young workers (15-34), and older workers (65+).

1.35. *One-third of female workers and almost one-fourth of male workers are employed in the informal sector* in Chile as shown in table 1.5. In urban areas, 50.3 percent of all informal workers are women, while 49.7 percent are men. In rural areas, 24.7 percent of all informal workers are women, while 75.3 percent are men. Both male and female informal workers are concentrated in the microenterprise sector. Most female and male informal workers are in the 41–50 age-group and have only slightly lower levels of educational attainment. Thus, policies aimed at improving the productivity and access to credit of both female- and male-owned microenterprises could boost employment and earnings for an important group of workers. Most women who are micro entrepreneurs concentrate in retail commerce and have lower earnings than their male counterparts.

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<sup>30</sup> There are several operational definitions that attempt to provide a measurement of informality, including definitions using firm size and self-employment adjusted by excluding those workers who are self employed and professional. The CASEN questionnaire includes questions about social security and existence of a contract allowing for a “legalistic” operational definition. Both definitions produce similar results in the case of Chile, because most informal firms from a contract or social security participation side tend to be microenterprises.

<sup>31</sup> Based on data from the Social Protection Panel Survey from 1980-2005 (pending publishing), Peticara and Monroy find that informality remains fairly stable throughout the eighties and until 2004 for both male and female workers.

<sup>32</sup> The increase in self-employed workers which continued until 2004 according to INE data suggests that the informal sector continued increasing and may have reversed in 2005 and 2006 because of the strong increase in salaried employment at that time.

**Table 1.4 Informal Workers by Gender, Chile 2003**

	Female			Male			Total
	N	% column	% row	N	% column	% row	
Informal	653,390	32.0%	42.5%	883,409	25.4%	57.5%	1,536,799
Urbano*	456,276	90.8%	50.3%	451,002	76.3%	49.7%	907,278
Rural*	45,984	9.2%	24.7%	140,297	23.7%	75.3%	186,281
No informal	1,386,412	68.0%	34.9%	2,589,931	74.6%	65.1%	3,976,343
Total	2,039,802			3,473,340			

Source: own calculations-CASEN 2003. Note: employed workers who are 15 or older.

Note: \*Only for micro enterprise workers.

**Table 1.5 Informal Workers by Gender and Firm Size**

Chile 2003: Informal workers by gender and firm size							
	Female			Male			Total
	N	% column	% row	N	% column	% row	
Micro enterprise	502,260	79.8%	45.9%	591,299	71.2%	54.1%	1,093,559
Small enterprise	51,756	8.2%	29.4%	124,138	14.9%	70.6%	175,894
Medium enterprise	32,423	5.2%	37.0%	55,162	6.6%	63.0%	87,585
Large enterprise	43,075	6.8%	41.8%	59,884	7.2%	58.2%	102,959
Total	629,514			830,483			

Source: Own calculations- CASEN 2003. Note: employed workers who are 15 or older.

### Occupational Segregation by Gender: Working within Confines

1.36. In most countries in the world, women and men tend to concentrate in different occupations.<sup>33</sup> Gender differences in occupational distribution reflect partly worker choice and partly employers' selections based on individual qualities related to productivity and other factors. Differences in occupational composition become occupational segregation by gender when individuals who are identical in all productivity-related characteristics choose a job or can only find a job in certain occupations, based on gender roles. Box 1.3 details the potential negative implications of occupational segregation by sex.

1.37. In Chile, where women work in certain fields and job categories, occupational segregation by sex is part of the public debate on labor markets. Occupational segregation indicators are included in a set of job quality indicators published by the Ministry of Labor and SERNAMEC.<sup>34</sup> How segregated is occupational distribution in Chile? Figure 1.14 provides an overview of where women are working by sector and job category for leading occupations dominated by men and women. These occupations are highly segregated by traditional gender roles. Women work as domestic workers, in retail, in public or private services, as independent contractors (self-employed) in retail, as industrial workers, in the financial sector, and in agriculture. The top five female-

<sup>33</sup> Inter-American Development Bank (2004) (Women at Work).

<sup>34</sup> Chile's Labor Ministry and SERNAMEC published in 2005 the first Índice Nacional de Calidad del Empleo Femenino, to be added to the annual Observatorio Laboral –Índice Global de la Calidad del Empleo.

dominated occupations account for about 49.6 percent of the total number of women workers, while the top five male-dominated occupations account for just about 23.6 percent of the total number of male workers.

### Box 1.3 Implications of Occupational Segregation by Gender

High levels of occupational segregation by gender may have important implications for the well-being of women and men as well as for the efficiency of labor markets, to the degree that they:

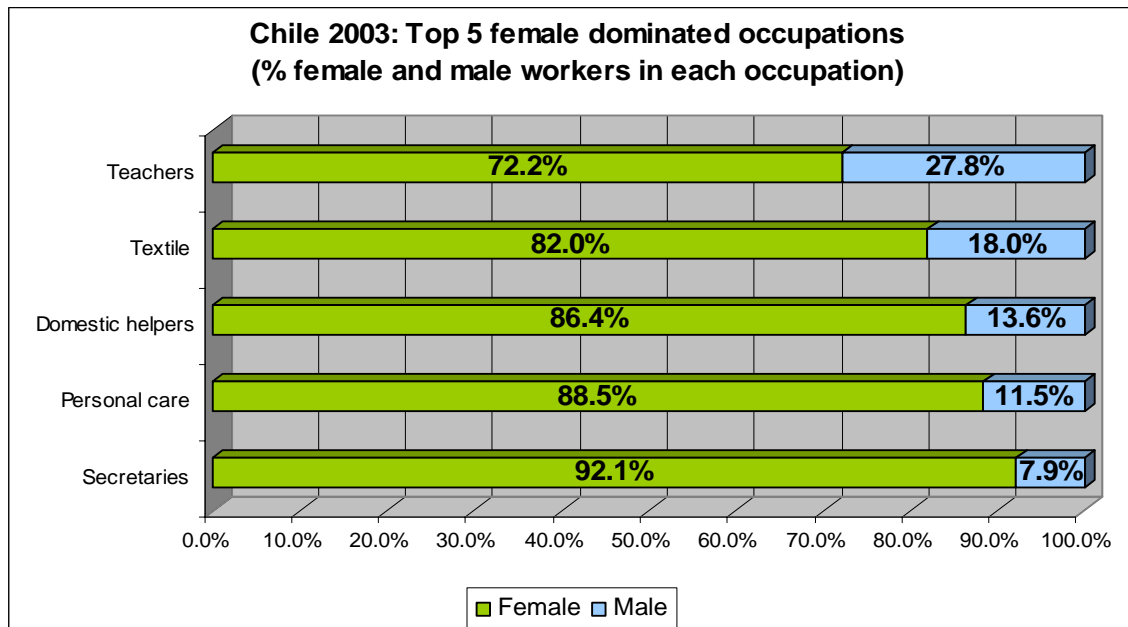
- Contribute to lack of mobility in the labor market, since women are effectively excluded from “male” occupations, and men are effectively excluded from “female” occupations. Lack of mobility affects the labor market’s capacity to adjust to aggregate shocks and changes in trade patterns. It also may mean that the best candidate for a specific job position does not even learn about the opening due to his/her gender, which limits productivity and efficiency gains.
- Affect the education and training of future generations. Parents’ decisions about their children’s education are based on perceived labor market opportunities. Occupational segregation could result in under-investment in female education and training in technical occupations and an under-investment in male education and training in service provision.
- Limit labor market opportunities for women which could, in turn, reduce female labor force participation.
- Have an effect on poverty, since “female” occupations often offer very low pay as an inheritance of past social models in which the men were the bread-winners and women’s salaries were nominal. This low earnings scale could have an incidence on poverty in female-headed households and in households with a majority of women members.
- Contribute to perpetuating gender stereotypes concerning appropriate roles for women, as well as gender earnings differentials.<sup>1</sup>

<sup>1</sup> See Preston (1999), Jacobs and Lim (1992), Tzannatos (1999) and Anker (1998).

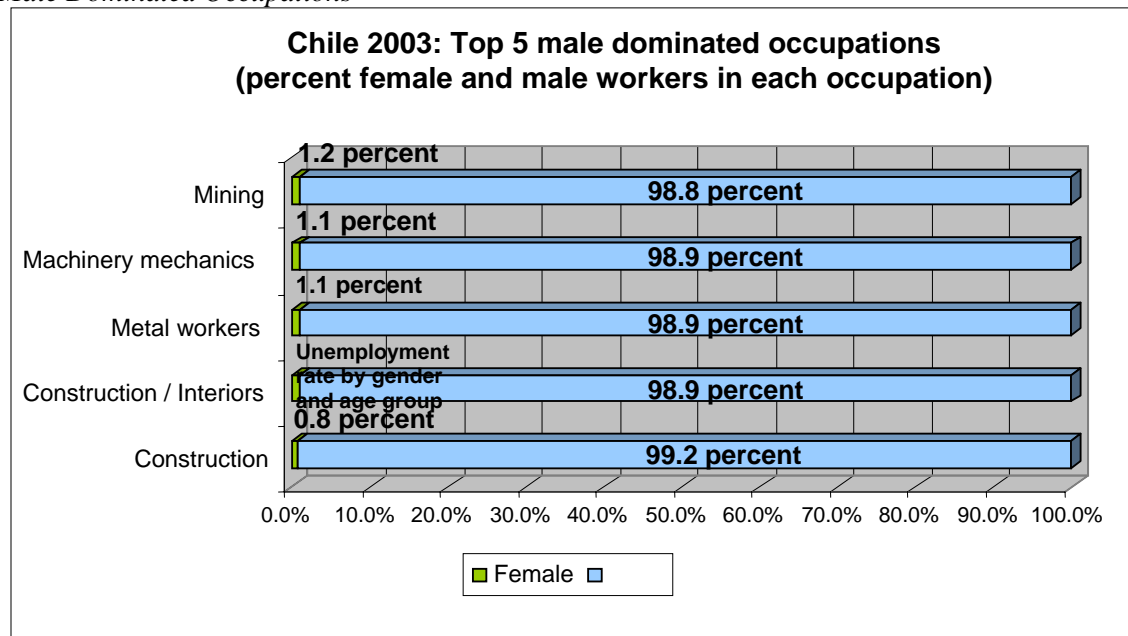
1.38. ***Women workers tend to be concentrated in a few occupations*** (table 1.6): 61 percent work in just five types of jobs, and 25 percent work in domestic and related work. Men, however, are distributed among many more occupations—less than half (47%) work in the top five jobs for men. This has implications for risk and vulnerability. While women’s high concentration in a few occupations makes them more vulnerable to changes in the labor market and less able to find alternative jobs, men’s wider distribution reduces their risks and opens more opportunities for employment in different occupations and sectors to them.

**Figure 1.14 Occupational Compositions by Gender in Chile**

*Female Dominated Occupations*



*Male Dominated Occupations*



Source: Own estimations- CASEN 2003

1.39. *Women workers tend to be concentrated in a few occupations* (table 1.6): 61 percent work in just five types of jobs, and 25 percent work in domestic and related work. Men, however, are distributed among many more occupations—less than half (47%) work in the top five jobs for men. This has implications for risk and vulnerability. While women’s high concentration in a few occupations makes them more vulnerable to changes in the labor market and less able to find alternative jobs, men’s wider

distribution reduces their risks and opens more opportunities for employment in different occupations and sectors to them.

**Table 1.6 Top Five Occupations for Women and For Men**

<b>Top Five Occupations for Women</b>	<b>No. of Workers</b>	<b>% Workers</b>
Domestic and related helpers, cleaners and launderers	419,796	24.67
Shop, stall and market salespersons and demonstrators	199,206	11.71
Secretaries and keyboard-operating clerks	174,375	10.25
Managers of small enterprises	148,036	8.70
Primary and pre-primary education teaching professionals	97,378	5.72
<b>Top Five Occupations for Men</b>	<b>No. of Workers</b>	<b>% Workers</b>
Motor vehicle drivers	314,368	12.6
Agricultural, fishery and related laborers	255,853	10.3
Building frame and related trades workers	226,424	9.1
Managers of small enterprises	199,298	8.0
Shop, stall and market salespersons and demonstrators	176,171	7.1

Source: Own estimations, CASEN 2003.

1.40. In order to use an overall measure of occupational segregation by gender that allows *comparisons* with other countries, the standard classification of the WTO was used to calculate the Duncan (or Dissimilarity) Index, employing data from CASEN 2003. The Duncan Index can be interpreted as the percentage of workers that would have to change occupations to obtain an equal occupational composition for male and female workers.<sup>35</sup> The level of occupational segregation by sex observed is related to how disaggregated the occupational classification is—the more disaggregated the occupational data, the closer the categories get to specific job types.<sup>36</sup>

1.41. The two-digit estimates for Chile presented in table 1.7 are consistent with Anker (1998), though slightly lower when only non-agricultural jobs are considered.

**Table 1.7 Duncan Index for Chile for All Occupations and Workers**

<b>Chile - Overall</b>	<b>ID</b>
1 digit	0.35
2 digits	0.47
3 digits	0.56

Source: Own calculations based on CASEN (2003)

<sup>35</sup>  $D = [\sum |M_i - F_i|] * 100 / 2$

$M_i$  = percent of all men workers employed in an occupation

$F_i$  = percent of all women workers employed in an occupation

<sup>36</sup> Further disaggregating the data leads to higher levels. Anker (1998) established that the Duncan Index for various developing and developed countries (except in Latin America) increases to 37% when based on one-digit data, to 58% when based on two digits, and nearly 64% when based on three digits (for non-agricultural employment)

1.42. An Inter-American Development Bank review (2004) of cross-national studies of occupational segregation by gender found that the Duncan Index is higher in LAC than in the Middle East. Occupational segregation in Costa Rica, Ecuador, and Uruguay *registered* a two-digit Duncan Index between 54 and 55 percent by 1997. Hence, at the two-digit level, Chile's current levels of occupational segregation are lower than these LAC countries.

1.43. ***Three-digit Duncan Index results reveal levels of occupational segregation similar to those of other LAC countries. 56 percent of Chilean workers would have to switch jobs to attain gender parity in occupational composition.*** Occupational segregation varies across urban and rural areas, with urban areas being more segregated (table 1.8). Occupational segregation decreases the higher the educational level, as both men and women compete for technical and professional jobs. International evidence and evidence for Chile shows that segregation is declining over time, because more recent generations have less rigid gender roles and there is increasing gender parity in education. In fact, Chile's Duncan Index declines for younger workers, although occupational segregation for young workers is still very high at more than 53.3 percent.

**Table 1.8 Occupational Categories – Duncan Index**

<b>Duncan Index -- Three Digit Occupational Categories –Chile 2003 Duncan Index</b>	
OVERALL	56.3%
URBAN	55.1%
RURAL	50.0%
<b>By Educational Level</b>	
No formal education	64.0%
Primary	68.1%
Secondary	56.5%
Post secondary	45.6%
<b>By Age Groups</b>	
15-20	53.2%
21-30	53.2%
31-40	58.5%
41-50	59.7%
51-65	62.7%

Source: Own calculations – CASEN 2003

1.44. High levels of occupational segregation in Chile could be costing the country in terms of labor market efficiency and equity. In addition to the effects mentioned at the beginning of the section, occupational segregation can create pockets of vulnerable workers if combined with geographical barriers, informality or enclave export sectors. For instance, domestic servants, vulnerable because of a lack of social protection and workplace regulations, are predominantly women (table 1.9). Box 1.4 describes the case of seasonal agricultural workers (*temporeras*) in Chile as an example of the perils of occupational segregation by gender.

**Table 1.9 Gender and Economic Activity**

Chile: Top 17 Economical activities 3 digits 1/					
	Female		Male		Average Wage Gap (wM/wF)
	%	Average hourly wage (wF)	%	Average hourly wage (wF)	
Retail trade	47.6	1,396	52.4	1,770	1.27
Agriculture and livestock production	9.6	858	81.5	996	1.16
Construction	4.5	3,028	95.5	1,859	0.61
Domestic services	87.6	762	12.4	1,339	1.76
Education services	65.5	2,177	34.5	2,832	1.30
Land transport	8.0	2,411	92.0	1,774	0.74
Business services except machinery and equipment rental and leasing	34.0	3,045	66.0	4,036	1.33
Public Administration and Defence	30.8	2,141	69.2	1,972	0.92
Medical, dental, other health and veterinary services	70.1	2,381	29.9	4,835	2.03
Food manufacturing	36.7	1,129	63.3	1,211	1.07
Restaurants, cafés and other eating and drinking places	54.7	1,150	45.3	1,467	1.28
Repair services not elsewhere classified	7.0	1,340	93.0	1,647	1.23
Manufacture of fabricated metal products, except machinery and equipment	5.8	1,780	94.2	2,129	1.20
Wholesale Trade	27.5	1,779	72.5	3,350	1.88
Fishing	17.4	1,060	82.6	1,887	1.78
Manufacture of wearing apparel, except footwear	80.3	1,225	19.7	2,239	1.83
Metal Ore Mining	7.4	2,357	92.6	2,711	1.15

Female dominated economic activities

Male dominated economic activities

Source: CASEN 2003

1/ ISIC - International Standard Industrial Classification - United Nations.

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=8&Lg=1>

## GENDER EARNINGS GAP: EQUAL PAY FOR EQUAL WORK?

1.45. Gender earnings gaps have been shrinking in LAC during the last decade. Despite this, they remain as one of the main factors behind inequality (World Bank, 2005). In Chile, gender earnings gaps declined in the 1990s, but increased slightly during the early part of this decade. In this section, evidence is summarized on the size of the gender earnings gap in Chile and its determinants are discussed. The following chapter presents simulations that estimate that eliminating the gender earnings gap in Chile could result in an 8 percent reduction in extreme poverty and a 2 percent increase in average per capita income.

### Size of the Gender Earnings Gap

1.46. In 2003, Chilean women earned on average approximately 23 percent less than did men. *Chile's* gender earnings gap is similar to that of other countries in LAC, except for Mexico (figure 1.15), but greater than the gender earnings gap in the United States, Sweden, and Ireland, and similar to that of Germany.



#### **Box 1.4 *Temporeras*—Women Workers in Seasonal Agricultural Exports**

The development of the modern agricultural production sector in Chile led to new agricultural employment for women as temporary workers in packing plants during the harvest season. This provided employment opportunities for rural women, spurred other women to enter the labor force as summer agricultural workers, and provided new opportunities for women who migrated from rural areas and live on the outskirts of the cities, as well as for the urban population in other regions of the country (Jarvis 2004, Labor Office 2005, SERNAM 2006).

Although precise, current figures are not available, data from the last agricultural census (1997) showed there were 280,000 temporary workers, 70,000 of whom were women. It is difficult to estimate the number of temporary agricultural workers given the seasonal nature of their work, their movement from one place to another, and their migration from the city to the countryside to work for a few months. In 1999, an add-on module to the INE's Employment Survey found that there were 873,514 women who had worked for a period of time in previous years, 20 percent of them in agriculture, or 174,793 women that year. The Labor Ministry estimates that there are about 500,000 temporary agricultural workers, of whom at least 50 percent are women who work under different conditions than their male colleagues.

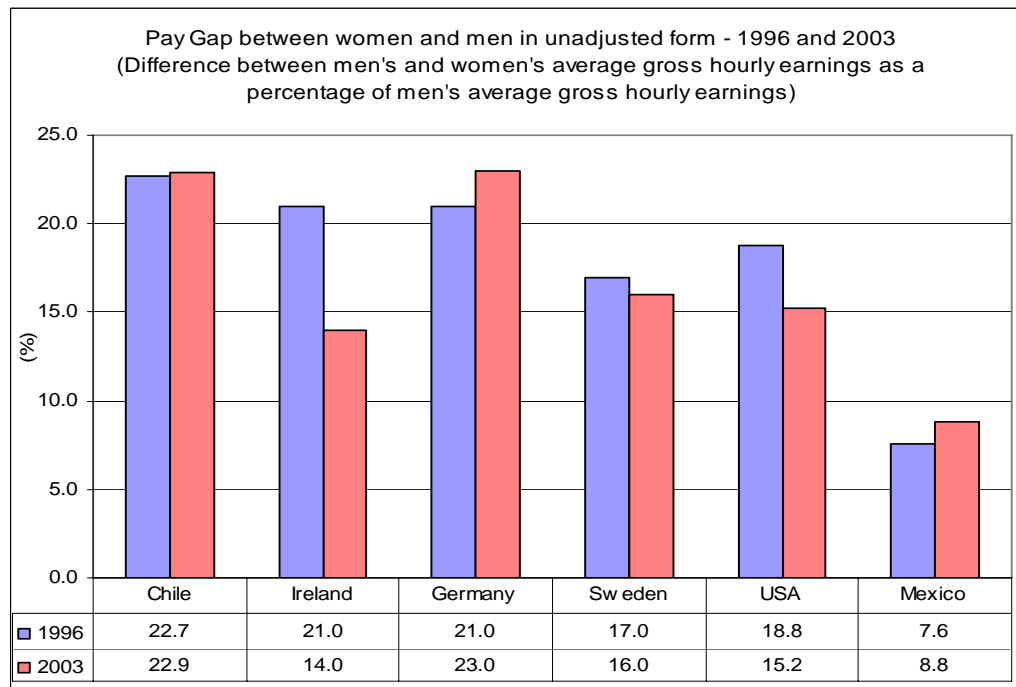
*Temporeras* work in production, packing, and exportation of fruits, flowers, seeds, and vegetables produced mainly in the Central Valley regions (VI, VII and Metropolitan). According to SERNAM (2006), they work between October and April. Venegas (1995) notes that most of them (56%) worked only four months a year, 35 percent worked between four to eight months a year, and only 7 percent worked all year long.

About 50 percent of the *temporeras* have never signed a contract and negotiate their payment informally with their employers. Most earn less than the minimal wage. A significant number have worked this way for more than ten years.

These women come from towns, cities and small villages near the work sites. A growing number of them move during the season to another region to work. Thirty percent are urban residents, 20 percent are from rural communities near the workplace, and 50 percent come from other areas, rural and urban. Forty percent of these workers are between 15-29 years of age and 50 percent have children. Sixty-eight percent have no preventive care coverage and only use the emergency-type assistance offered to the very poor. They average 6.8 years of schooling (although the ones working in agro-exports have ten years of schooling on average). 16 percent are illiterate, and 24 percent did not complete primary education. A higher percentage of *temporeras* live in poverty than do the workers in the work force in general (31.2 percent of rural workers and 55.3 percent of urban ones).

Temporary and part-time jobs within agricultural packinghouses and fields have been characterized by very poor working conditions including long working hours (more than ten hours a day), poor hygienic conditions, and exposure to toxic chemicals.

**Figure 1.15 Comparison Average Gender Earnings Gap – Unadjusted -1996 and 2003**



Sources: CASEN 1996 & 2003 (Chile), European Commission - Eurostat (Ireland, Germany and Sweden), U.S. Department of Labor (USA) and INEGI-STPS (Mexico)

### Explaining Gender Earnings Differentials in Chile: The Role of the Specific Experience<sup>37</sup>

1.47. As noted in the previous paragraphs, the observed average gender earnings gap favors men. Specific experience explains a large part of gender earnings gaps in low-income groups, whereas unexplained gender gaps remain in high-income groups. More research is needed to understand the role of occupational segregation on earnings and earnings gaps between male and female entrepreneurs.

1.48. Substantial empirical literature in Chile is devoted to explaining the gender earnings gap using variables such as education, experience, and other characteristics such as marital *status* and area of residence. Researchers also have quantified the residual or “unexplained” gender earnings gap, which is the remaining gender earnings gap after controlling for all the variables above. This residual gender earnings gap portion is what some authors equate with evidence of gender discrimination in salaries. The gender earnings gap literature in Chile finds sizable “unexplained” gaps of up to 25 percent. Some authors find evidence of increasing unexplained gaps; while others find no clear trend (see table 1.10).

<sup>37</sup> This section draws on a forthcoming working paper by Hugo Ñopo titled “The Gender Wage Gap in Chile 1992-2003 from a Matching Comparisons Perspective”. Inter-American Development Bank. RES-562.

**Table 1.10 Explaining the Gender Earnings Gap in Chile- Literature Summary**

<i>Author</i>	<i>Methodology</i>	<i>Results</i>
Aguilar, Renato and Dresdner, Jorge (2000)	1) Heckman Two Stage 2) Oaxaca – Blinder decomposition Data: CASEN Surveys (1987, 1990, 1992, 1994, 1996, 1998)	Unexplained earnings gaps: 1987: 61% 1990: 78% 1992: 71% 1994: 58% 1996: 60% 1998: 47%
Contreras, Dante and Puentes, Esteban (2000)	1) Oaxaca (1973) and, Oaxaca and Ramson (1994) decompositions. 2) Bootstrapping method was used to estimate confidence intervals Data: Employment and Unemployment Survey by the University of Chile for greater Santiago 1966-1996	The unexplained earnings gap by gender decreased from the 1960s until the 1980s, but this trend reversed in the 90s. The unexplained earnings gap is mainly the result of the <i>underpayment of females</i> rather than the over-payment of males.
Montenegro, Claudio (2001)	1) “Mincerian” earnings equations and Quantile Regressions. 2) Oaxaca decomposition. Data: CASEN Surveys (1990, 1992, 1994, 1996, 1998).	Average (OLS) adjusted “unexplained” earnings gaps: 1990: 25% 1992: 25% 1994: 24% 1996: 23% 1998: 20% Unexplained earnings gap steadily <i>increases</i> from 10% to 40% as one moves from the lower part to the <i>upper part</i> along the conditional earnings distribution.
Ñopo, H. (2006)	Non-parametric estimation. – one-on-one matching comparisons allows for analysis of the whole earnings distribution. Data: CASEN 1992-2003	Average unexplained earnings gap during the period is around 25% of female earnings after matching (comparison with control group) and shows no clear trend. Unexplained gaps are reduced dramatically for those years for which it is possible to control for <i>specific experience</i> . Unexplained gaps are <i>higher at the medium-high percentiles of the earnings distribution</i> , among those with higher education, managers, and part-time workers. This is evidence of a “glass-ceiling” effect.
SERNAM/INE (2002)	Estimates of the costs of contracting by sex, implications for the salary gap. Data; special processing of salary and labor cost survey by INE	Women’s salaries are not lower to compensate for non-salary costs incurred by companies. Average total per-person labor costs are less for women workers than for men. Nor can it be said that “indirect costs” are the reason for women’s lower pay. Total labor cost is .2% higher for women, but there is no difference when looking at hourly wage data.

1.49. Studies find that both total gross and unexplained gender earnings gaps in Chile are highest for the most educated women living in mid- to high-income households. ***Workers living in high-income households have the largest gender gap in earnings.*** Figure 1.16 shows average earnings by gender and household income in 2003.

1.50. ***Informality is another important determinant of the gender earnings gap in Chile.*** The total gross gender earnings gap in the informal sector is about 34.8 percent,

while the gender earnings gap in the formal sector is only 9.1 percent (CASEN 2003). This result is similar to that of other Latin American countries.

1.51. Some authors, such as Altonji and Blank (1999), have emphasized the importance of measuring experience to accurately estimate the unexplained portion of the gender earnings gap. Light and Ureta (1995) found that differences in timing (i.e., differences in the frequency, duration, placement of non-work spells) account for as much as 12 percent of the gross earnings gap, and as much as 30 percent of the portion of the gap explained by differences in the time of work experience and return to work. Because young men and women often are not continuously employed, inferences about gender earnings differentials depend on the ability to accurately measure cumulative work experience and when the work took place.

1.52. Ñopo (2006) found that *the earnings gap is reduced considerably once a control for job tenure (number of years at the same job) and specific experience is included, especially for low-income groups* (Figure 1.17).<sup>38</sup> Using a one-on-one matching technique to form groups of men and women who are identical in all observable characteristics except for their sex, Ñopo concluded that the highest adjusted or unexplained earnings gap is found among workers in the mid- to high- income groups. The size of the gender earnings gap varies considerably depending on the controls used to choose these virtually identical individuals (age, marital status, number of children, etc.).

1.53. More research is needed to determine whether unexplained earnings gaps are due to productivity differentials, employment or salary discrimination, lack of opportunities for women to advance (glass-ceiling effect), or occupational segregation. The effect of the number of children on women's earnings is also not clear.<sup>39</sup> Each potential determinant of the gender earnings gap has different policy implications and may be more relevant in an urban or a rural context.<sup>40</sup> Gender earning gaps vary by region with Tarapacá and Antofagasta having the biggest gaps.

1.54. *The reasons for the difference in pay between "women's jobs" and "men's jobs" should be the subject of further research.*<sup>41</sup> As discussed in the previous section, Chile has high levels of occupational segregation by gender. Contreras et al. (2004) and

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<sup>38</sup> Unfortunately, the CASEN survey does not include this variable for all years and does not include better proxies of experience. Social protection surveys in Chile for the years 2002 and 2004 have included a module to collect information on individual work history. The module encompasses individual work histories since 1980.

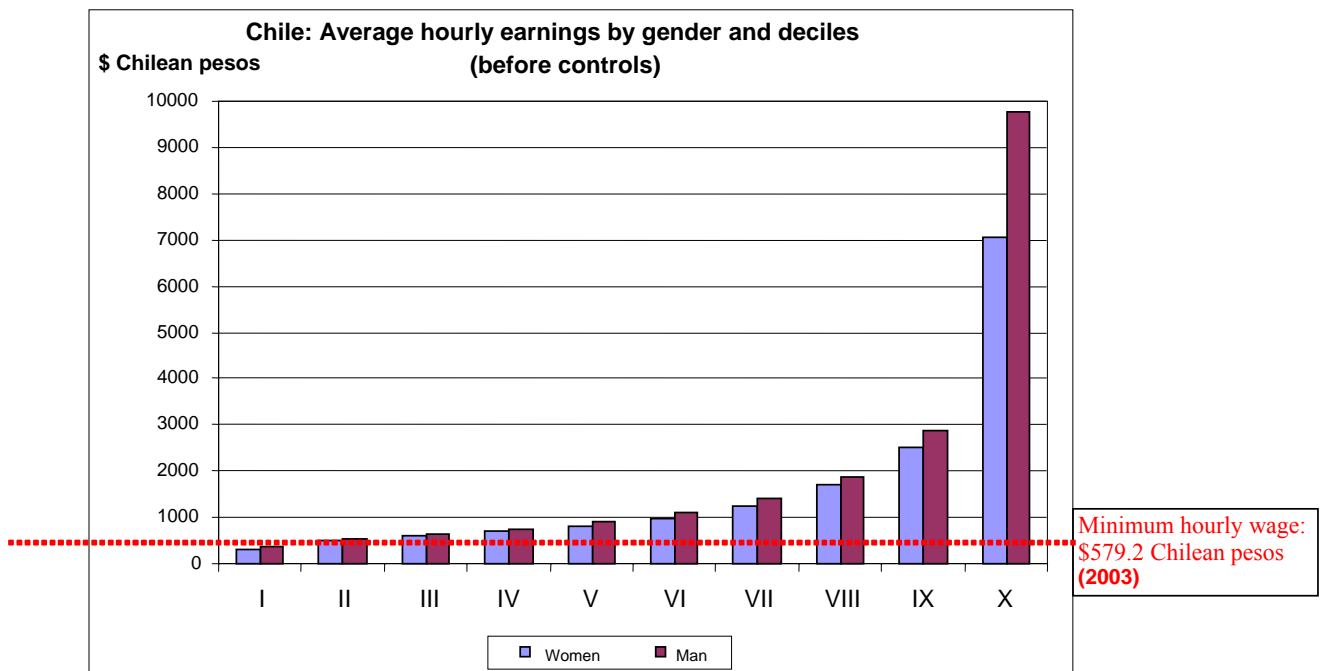
<sup>39</sup> See Polachek and Xiang (2006) to find evidence for OECD nations on the negative impact of fertility on women's wages. Joshi, Paci, and Waldfogel (1999) find a "motherhood penalty" in the United Kingdom. In Latin America, the available evidence is less conclusive (Ripani and Piras, 2005).

<sup>40</sup> Gender earning gaps vary in magnitude by region with Tarapacá and Antofagasta registering the broadest gaps. Determinants may also vary significantly by region, given the predominant economic activities and occupational distribution in each region.

<sup>41</sup> Some authors argue that the difference in pay reflects a tendency of women to freely choose low-wage jobs because women prefer less dangerous or more flexible work. Preferences would then create "occupational crowding" that would drive wages for those jobs downwards (Gerhart and El Cheikh, 1991). Others argue that earnings differentials by gender due to occupational segregation may be due to discrimination in employment and wages by employers or social conventions justifying lower wages for female dominated occupations (Neumark 1996, Blau and Beller, 1988).

Ñopo (2006) find evidence of the role of gender segregation by occupation and economic activity in reinforcing gender earnings gaps, especially after the second trade liberalization in Chile. Because some jobs dominated by women are, on average, lower-paying than jobs dominated by men, occupational segregation is an important determinant of the gender earnings gap.<sup>42</sup> In Chile, domestic employment—the top female-dominated occupation—is also a low-pay occupation. Agricultural, fishery, and related work—male-dominated occupations—are the lowest paying jobs. Moreover, some occupations, for instance managers of small businesses, have higher gender earnings gaps than the average for all workers. More research is needed to understand the nature of occupational segregation in Chile, as well as its impact on earnings.<sup>43</sup>

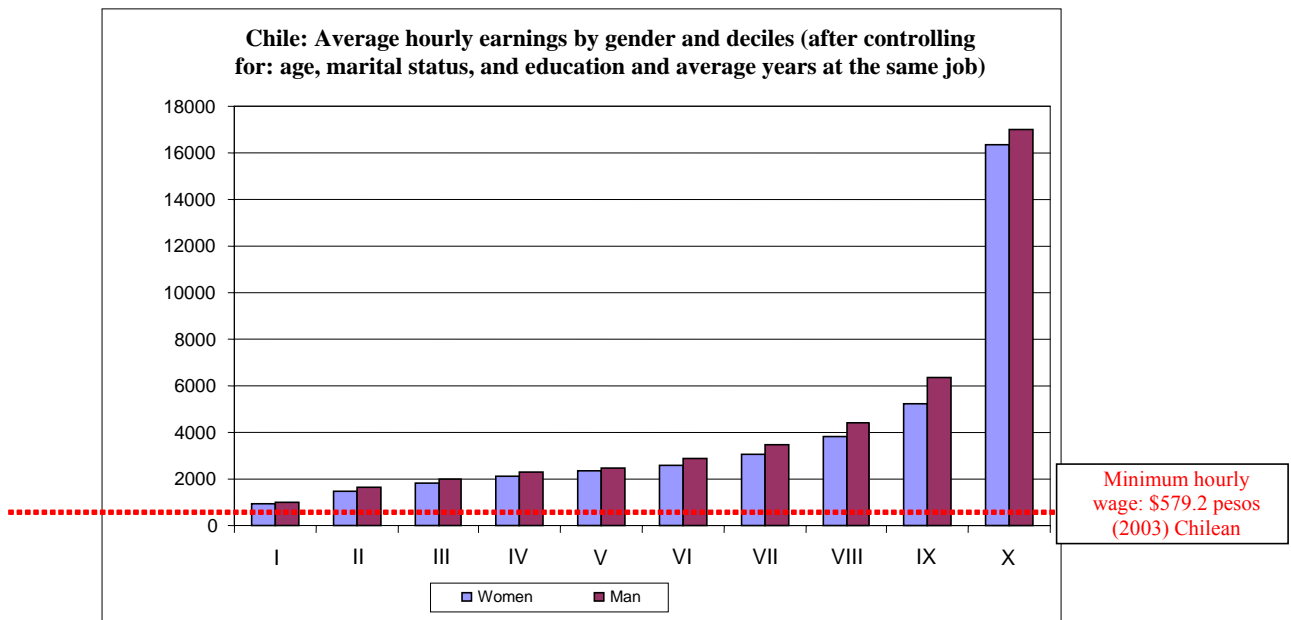
**Figure 1.16 Relative Gender Earnings Gap by Income Group (Household Income Deciles) – Unadjusted and Adjusted using Matching Technique, 2003**



<sup>42</sup> Lewis (1996) finds that the decrease in occupational segregation by gender accounts for about 31% of the reduction of the gender earnings gap.

<sup>43</sup> Random hiring simulations and wage gap decompositions such as those by Deutsch, Morrison, Piras, and Ñopo (2004) could be informative for Chile.

**Figure 1.17 Average Earnings by Gender for Groups with Matching Age, Marital Status, Education, and Years at the Same Job**



Source: CASEN 2003 and Ñopo (2006).

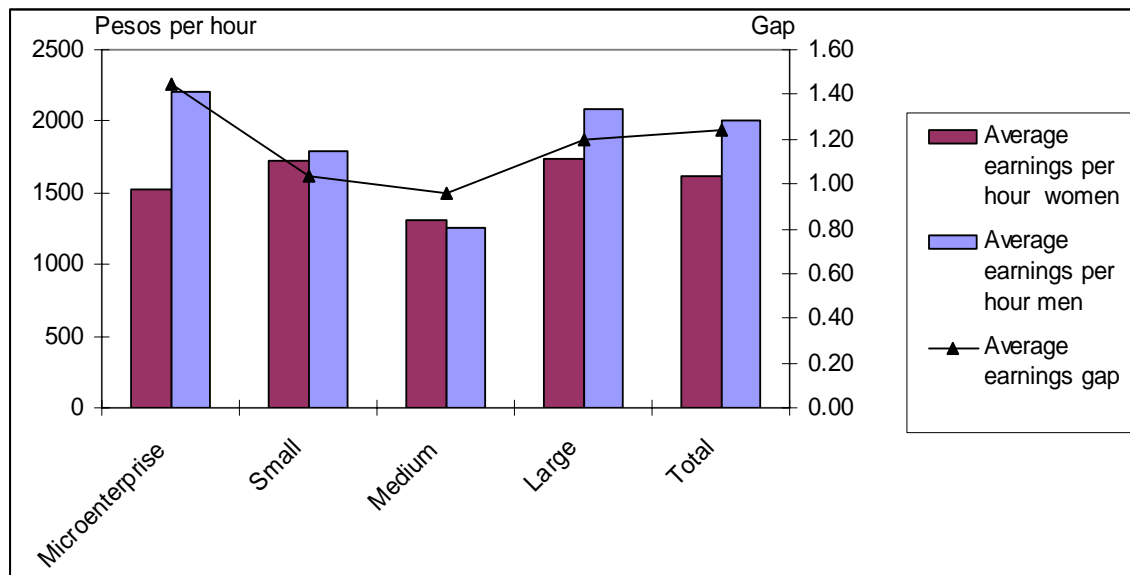
Note: In the second graph, average earnings are calculated after controlling for age, marital status, education, and years at the same job using a one-on-one matching technique. Usually, some observations are lost in the process of matching individuals using the previous characteristics. In this case, lost observations are predominantly individuals with very low earnings.

1.55. *A different allocation of men and women by firm size also influences the gender earnings gap.* In Chile, the largest gaps are found in the microenterprise sector, as shown in figure 1.18, due in large part to earnings differences between male and female small business owners (annex 1.4), which may result from gender-based differences in access to credit, assets, or innovative technologies.<sup>44</sup> They also could be due to occupational segregation within the microenterprise sector. The widest gender gaps are in retail commerce and service microenterprises (annex 1.4).<sup>45</sup>

<sup>44</sup> Access to microcredit and other financial services for female entrepreneurs is on the rise in Chile (see next Chapter and Herrera, 2003).

<sup>45</sup> Another potential explanation for wider gender earnings gaps is that the microenterprise sector in Chile concentrates most of the relatively few- by LAC standards- informal firms in the country, which may exhibit worse gender practices than the formal private sector and the public sector.

**Figure 1.18 Firm Size and the Gender Earnings Gap in Chile**



Source: Own estimates based on CASEN 2003.

1.56. *Differences in firm or asset ownership by gender may also influence the gender earnings gap.* More research is needed to understand earnings gaps between male and female business owners and self-employed workers. Approximately 30 percent of all firm owners in Chile are women. Women owners have lower earnings than their male counterparts, as they are concentrated in the microenterprise sector (annex 1.4). Other observable characteristics of male and female business owners or self-employed workers, such as education, are very similar (see Valenzuela and Venegas, 2001).

### Quality of Employment

1.57. As discussed at the beginning of this chapter, gender equality in the labor markets is a broad concept. Differences in employment, occupational segregation, and the gender earnings gap are just three dimensions of gender inequality in labor market opportunities and outcomes. These dimensions were selected for this study because they are also critical to labor market efficiency and growth. Another more normative dimension of gender equality in the labor market is quality of employment. The Ministry of Labor and Social Protection in Chile, in cooperation with SERNAM, is working on gender-disaggregated indicators of employment quality, as summarized in box 1.5.

#### **Box 1.5 Employment Quality: Chile's National Index of Employment Quality for Men and Women**

The Ministry of Labor and Social Protection, the University of Chile and SERNAM are working to complement the current National Index of Employment Quality with an index that considers dimensions of employment quality affecting women and men differently.<sup>46</sup> An initial version of the index is proposed to summarize indicators for men and women in the following

<sup>46</sup> The proposal has been prepared by the University of Chile –Micro Datos Center- and is based on the ILO's framework for employment quality. Several data sources are used: Census, CASEN, National Survey Socioeconomic Characterization, and Employment Surveys INE.

dimensions:

- Labor supply: labor force participation rate, growth rate of working age population
- Employment: employment rate, unemployment rate, hours worked
- Informal employment and underemployment: existence of a contract, temporary vs. permanent work
- Social security, health insurance, and pension coverage and density
- Occupational segregation: Duncan Index
- Gender earnings gap
- Access to training: coverage of training programs
- Unionization
- Pre-labor market conditions: university test results

Some interesting preliminary results provided by SERNAM for 1996-2003 follow:

- A higher percentage of women (14%) than men (6.2% in 2003) work part time. Most men and 46 percent of women report working 48 hours per week.
- About 35 percent of economically active women work in the informal sector, and 41 percent of all working women are underemployed. These percentages are significantly higher than they are for male workers. About 72 percent of female workers and 77 percent of male workers have an employment contract. These percentages increase with educational level.
- About 63 percent of male workers and 60 percent of female workers are currently contributing to the pension system. However, the high percentage of women out of the labor force, especially women aged 45 or older, means that a large number of women are not covered by the system.
- Only 10 percent of men and 6.5 percent of women are unionized.
- About 46 percent of first-year students in Chilean universities and about 54 percent of graduates are women. Women have a higher completion rate in tertiary education, and half of all graduate students are women, but they concentrate more in specialized programs than in Masters or Doctorate programs.
- According to university admission tests, men perform better than women, especially in mathematics, although women have better grades.

Sources: Chile's Ministry of Labor and Social Protection- Labor Observatory –<http://www.mintrab.cl>  
ILO Chile - [http://www.oitchile.cl/pub\\_deploy.php?cat=emp](http://www.oitchile.cl/pub_deploy.php?cat=emp)

1.58. The issue of gender equity and social security has become increasingly important due women's increasing participation in the work force, their increasing participation in the pension system as primary beneficiaries, the fact that numerous social security systems have been and are being reformed, and ongoing demographic changes. Studying the pension system from a gender perspective entails identifying how the employment behavior of men and women affects the pensions of these groups, as well as identifying and overcoming possible system design problems that could negatively affect women's pensions. Gender issues should not be sidelined, especially considering that the projected increase in the number and relative importance of the female labor force will shape, among other factors, the future evolution of the labor and pension markets.

1.59. IDB (2005) compares contribution patterns among wage employees, for whom participation is compulsory, with contribution patterns among self-employed workers, for whom participation is generally voluntary. This study finds that for all LAC countries,



contribution rates among salaried workers are similarly correlated with education, earnings, size of the employer, household characteristics, and age. The probability of contributing is higher for single women than for single men in most countries with the “pay-as-you-go” system. However, Chile, the country that first switched from pay-as-you-go to individual accounts, does not show such gender differences. For most countries, however, the order is reversed for married women in salaried jobs. To the extent that married women are entitled to a survival pension (if they survive the spouse) or can access their husband’s account balance, which are in many cases higher than the pension they can get through their own contributions, they may have a smaller incentive to contribute than do married men.

1.60. Rofman and Lucchetti (2006) present estimates of coverage indicators in Latin America by different demographic groups (age, gender, education, income level) and firm characteristics (economic activity sector and firm size) based on household surveys for the period 1990–2004.<sup>47</sup> Chile is the country with the second highest coverage in Latin America (nearly 60-80 percent), but coverage for women is always lower than for men for all indicators. Two indicators for the elderly were considered: (i) the ratio of pension recipients to individuals over the age of 65; and (ii) the ratio of individuals aged 65 and older residing in households with pension recipients, to individuals over the age of 65. At the regional level, the authors do not find systematic and significant gender differences in coverage. The authors conclude that the cause of gender bias in coverage among the elderly is not a result of differential access to contributory systems for woman in the labor force, but differences in access to the labor force.

1.61. The pension system in Chile presents gender inequities analogous to those in the job market. Women have smaller pensions than do men and do not tend to access the highest pensions. The density of Chilean contributions is 52.1 percent and if someone works 40 years, he or she only pays about 21 years. The situation is more precarious when disaggregated by gender. The density of contributions for women is 43.4 percent and 59.6 percent for men (see figure 1.19). On the other hand, with regard to the segment of the population that does not pay, the Social Protection Survey of 2004 concluded that 72 percent of workers who are not part of the pension system are women. According to Arenas de Mesa, Behrman, and Bravo (2004), in the period under analysis, men have between five and nine additional points of probability of making contributions than do women. Men also have a higher density of contributions.

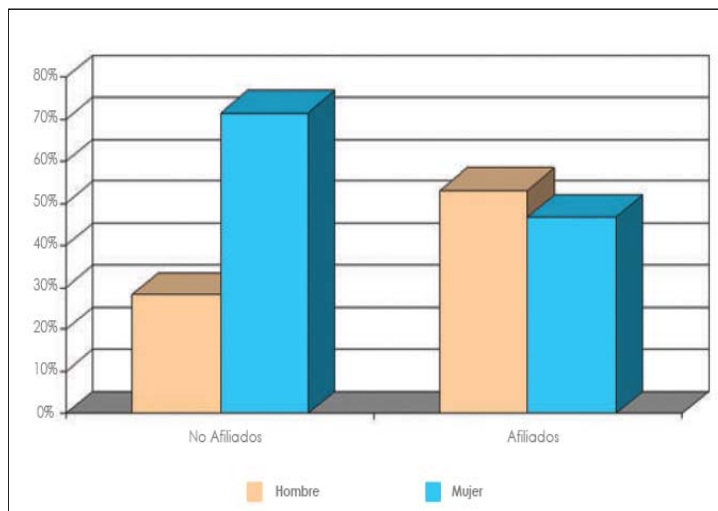
1.62. Pension reform includes a group of measures aimed at guaranteeing gender equity. First, design and implementation of the Pension System (*Sistema de Pensiones Solidarias, SPS*) points directly to gender equity. The SPS does not contemplate requirements for the number of payments, limits barriers to access, and delivers greater subsidies to people with smaller contributions to the individual capitalization system. Women are preferential beneficiaries. Because of the need to take care of the home and family and because of the way the job market works, a large proportion of women are in

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<sup>47</sup> For active workers, three indicators were selected and processed: (i) the ratio of contributors to economically active population, (ii) the ratio of contributors to employed workers, and (iii) the ratio of contributors to wage earners.

this situation. It is estimated that more than 60 percent of the people who access the basic pension will be women. Furthermore, the *reform* eliminates the requirement that one contribute for 240 months in order to access the State's basic pension. That requirement discriminated against a large number of women who work periodically or on a temporary basis. The government is considering giving every woman who receives an AFP (*Administradoras de Fondos de Pensiones*) pension, with or without solidary contribution, and all women who receive a basic pension, a bonus based on each child born alive. This bonus will be equal to 12 pension payments for a minimum salary and will begin to earn 4 percent interest upon signing of the law. ([http://www.gobiernodechile.cl/reforma\\_previsional/equidad.html](http://www.gobiernodechile.cl/reforma_previsional/equidad.html)).

**Figure 1.19 Percentage of Men and Women Affiliated to the Pension System**



Source: Social Protection Survey (Encuesta de Protección Social), 2004.

Note: The left set of columns shows the percentage of men (yellow) and women (blue) who are NOT part of the pension system; the right hand set illustrates the percentage of men (yellow) and women (blue) who are part of the pension system.

## II. FEMALE LABOR FORCE PARTICIPATION: CONTRIBUTION TO GROWTH AND POVERTY REDUCTION

*"Countries that do not capitalize on the full potential of one half of their societies are misallocating their human resources and undermining their competitive potential."*

*World Economic Forum (2005)*

### SUMMARY

2.1 Female labor force participation is a important issue in Chile's current public policy debate. Chile has demonstrated some distinctive characteristics in terms of women's labor force participation as compared to other countries:

- c) Chile's growth performance over the last decade has been impressive, and the gender gap in female labor force participation has decreased since 1986.
- d) Chile's female labor force participation rate of 38.8 percent remains low compared to other LAC countries and Upper-Middle Income (UMI) countries (with average rates higher than 50 percent) and also well below the rate of most OECD countries (which is usually higher than 55 percent).

2.2 This chapter provides evidence about the potential impact of increasing female labor force participation on economic growth and the reduction of inequality and poverty. Cross-country evidence and micro data simulations for Chile are employed. The findings can be summarized as follows:

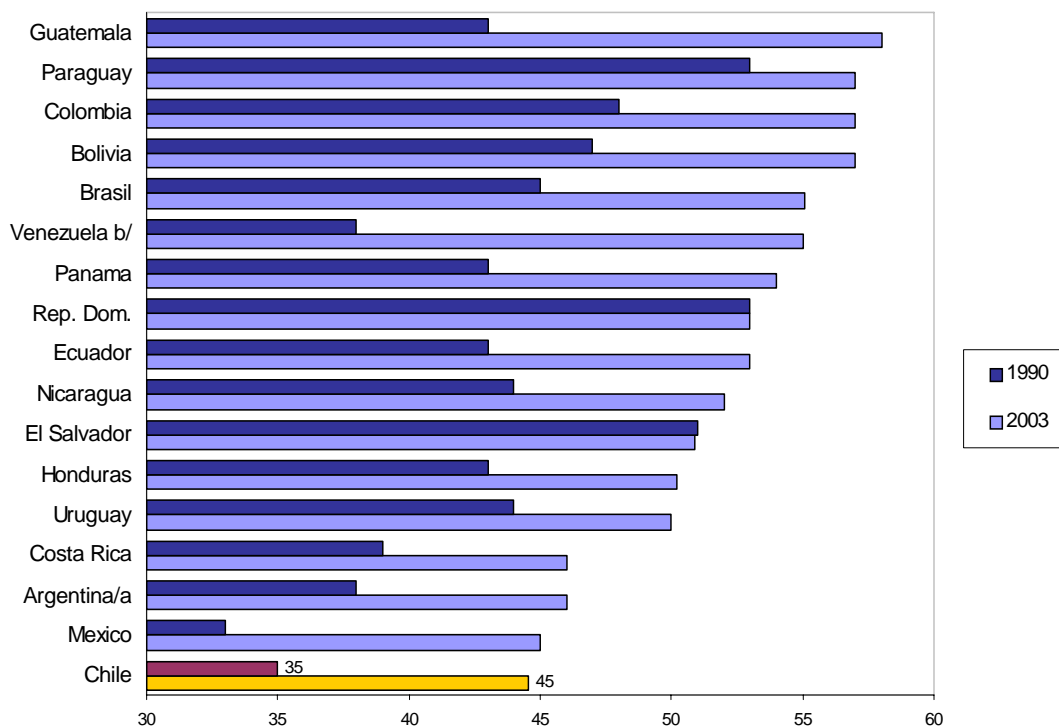
- Estimates of the effect of female labor force participation on growth in the Chilean economy [(in line with the methodology in Klasen (2003)] suggest that a higher presence of women in the labor market is positively correlated with higher economic growth.
- Chile's growth advantage (or disadvantage) compared to other UMI countries could have been greater (or less) if the country had had the same male-female ratio in the labor market. According to the simulation results, Chile's growth advantage to the average UMI country could have increased from 2.7 percentage points to 3.16 percentage points during the 1990s.
- An increase in the female labor force participation rate from the current level to the average level in LAC and UMI countries could also have sizable effects on poverty reduction and average income per capita.
- The effect of increased female labor force participation on poverty reduction and average income per capita varies depending on the assumptions made regarding which income groups experience the largest increases in female labor force participation. For example, if female labor force participation is increased uniformly across household income quintiles, there could be sizable positive effects on both poverty reduction and mean per capita income. Yet if female labor participation increases only in the lowest income group, the impact could be greatest on poverty reduction in rural areas and reducing extreme poverty.

## FEMALE LABOR FORCE PARTICIPATION IN CHILE: GROWING BUT STILL LOW BY INTERNATIONAL STANDARDS

2.3 Despite the significant incorporation of women into the labor force over the past few decades, by international standards Chile continues to lag behind when compared to other middle income countries or even to countries in Latin America. Figure 2.1 shows the evolution and relative position of Chile vs. other countries in the region with respect to female labor force participation in urban areas. All countries in the region experienced a significant increase in the participation rate of women over the period of 1990 to 2003. Chile's rate increased by 10 percentage points, but countries like Venezuela, Guatemala, and Mexico experienced even higher increases. So female labor force participation in Chile is still the lowest in the region

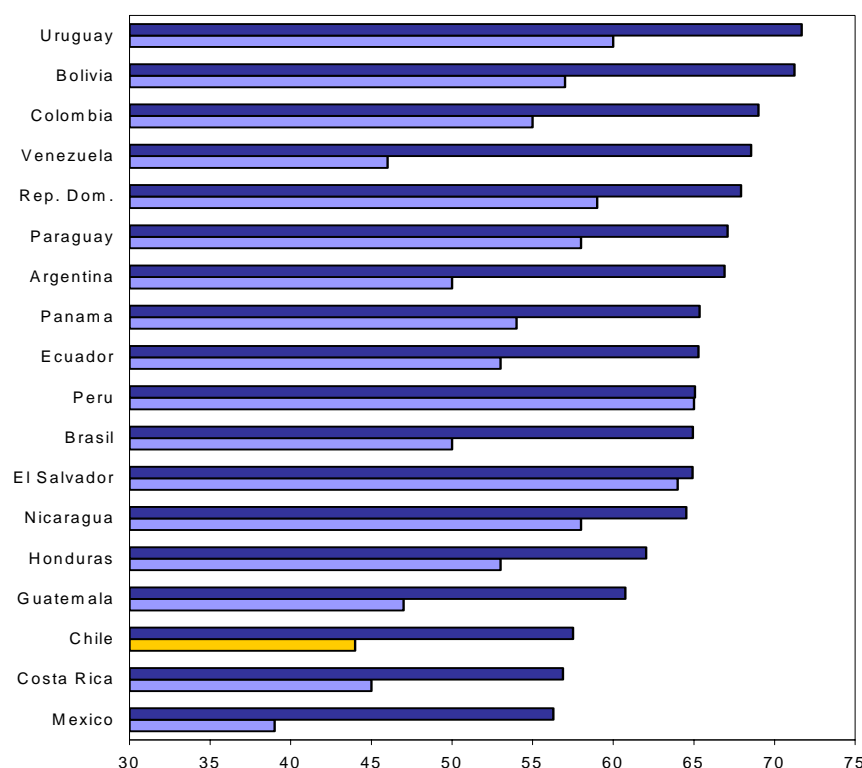
2.4 Age plays an important role in women's participation decisions. Younger adults may decide to continue their studies, while older women may decide to retire early, particularly in high-income countries. To eliminate the potential variation caused by those on the two ends of the working age spectrum, figure 2.2 presents the participation rate of urban women in their "productive age," between 25 and 55 years old. For this age group, Chile is still at the bottom of the chart, joined by Mexico and Costa Rica. These results are striking considering that by Latin American standards Chilean women have a relatively high level of education and given the income level and sustained economic growth of the Chilean economy, which, as previously shown, is related to female participation in the work force. These results also hold in rural areas. Annex 2.1 shows the total female (urban and rural) participation rates for fourteen Latin American countries. Chile has the lowest rate of all.

**Figure 2.1 Female Participation in the Rural Work Force, 1990-2003**



Note: a/ The 1990 data reflects greater Buenos Aires!; b/ National data.

**Figure 2.2 Participation of Women of “Productive Age” in Urban Work Force, 1990-2003**



## **Linkages between Economic Growth, Poverty, Inequality, and Female Labor Force Participation: A Quick Review of the Evidence**

2.5 A quick look at the evidence on the linkages between economic growth, inequality, poverty, and female labor force participation suggests that these linkages are complex and vary across countries. Therefore, this section calls for further empirical exploration of these linkages through both cross-country fixed effects regressions and microsimulations using Chilean data.

2.6 Empirical evidence supports the idea that gender equality promotes economic growth. The effects of gender equality on human capital accumulation (education, health, and fertility), access to voice and representation, and labor market opportunities have all been examined.<sup>48</sup> There is an extensive amount of literature on the effect of gender inequality in education on both the levels of GDP per capita (see e.g. King and Hill, 1993, and Knowles, Lorgelly and Owen, 2002) and GDP per capita growth (see e.g. Klasen 1999, 2002, 2003; Dollar and Gatti, 1999; Forbes, 2000; and Appiah and McMahon, 2002). The effect gender inequality in labor force participation has on economic growth is much less studied because of the lack of data and the inability to determine direct causality. Just as increased female labor force participation can have a positive

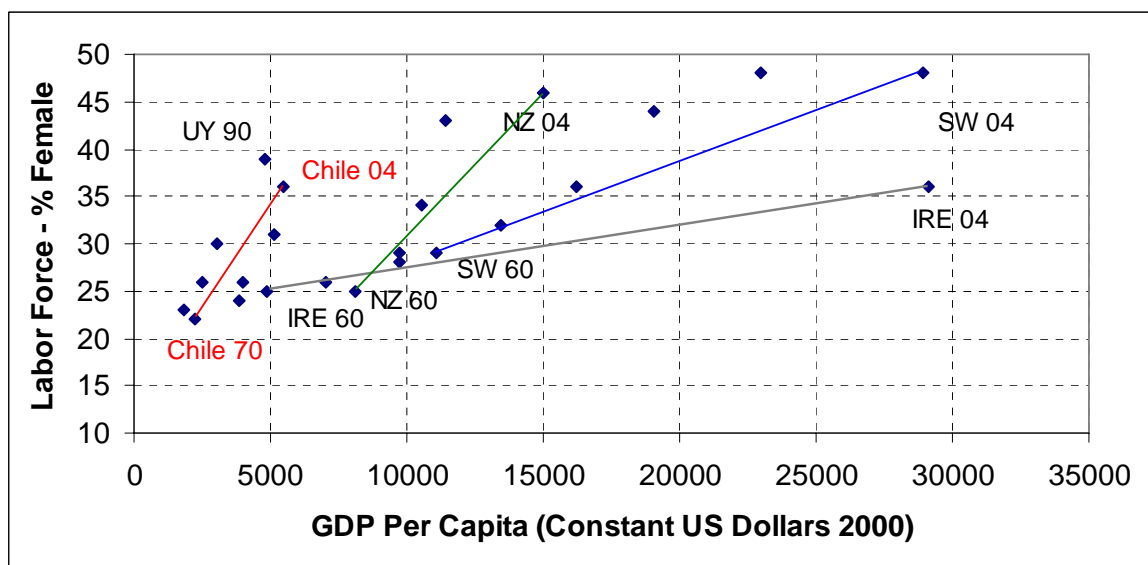
<sup>48</sup> World Bank (2001 and 2006) and Inter-American Development Bank (1999 and 2002) present evidence from different countries at different periods of time on the relationship between gender equality and economic growth. Besides the direct effect on economic growth from women's lower labor supply (relative to men), occupational segregation and vertical gender segregation are other dimensions of gender inequality in the labor market that generate macroeconomic losses through efficiency losses. Occupational and vertical segregation by gender are discussed in Chapter II.

impact on growth; economic development usually increases women's participation in the labor force.<sup>49</sup>

2.7 Barriers to female labor force participation may lower productivity and growth, because society is not fully using its available pool of talent. Under the assumption that talent is distributed equally between men and women, such exclusion has direct effects by lowering or restricting the quality of human capital formation and limiting the quality of the labor force. This, in turn, also lowers a country's international competitiveness when other countries do use their full potential. Economic policies that increase women's participation in education and in the labor market for *low-income households* also are likely to reduce overall inequality and poverty.

2.8 Increases in GDP per capita go hand in hand with the increases in the presence of women in the labor force for all countries, but there is a lot of variation in both the rate of increase and the level of women's participation in the labor force. Given its growth in GDP per capita, Chile has had a marked increase in the rate of female labor force participation compared to other countries. Figure 2.3 includes data on GDP per capita and labor force composition by gender for some countries for different years from 1960 to 2004. The increase in Chile's rate is second only to that of New Zealand, although Chile started at a lower level (22 percent) in the 1960s and 1970s. Chile's female labor force participation in 2004 was similar to that of Ireland, a country that has been actively implementing policies to increase its low level of female labor force participation. Sweden, which started the period with a relatively high percentage of women in the labor force, had almost achieved gender parity by 2004.<sup>50</sup> [footnote 55: The next chapter includes some examples of childcare policies and other measures taken in Ireland. See also OECD (2003).

**Figure 2.3 Development and Women in the Labor Force – Selected Countries**



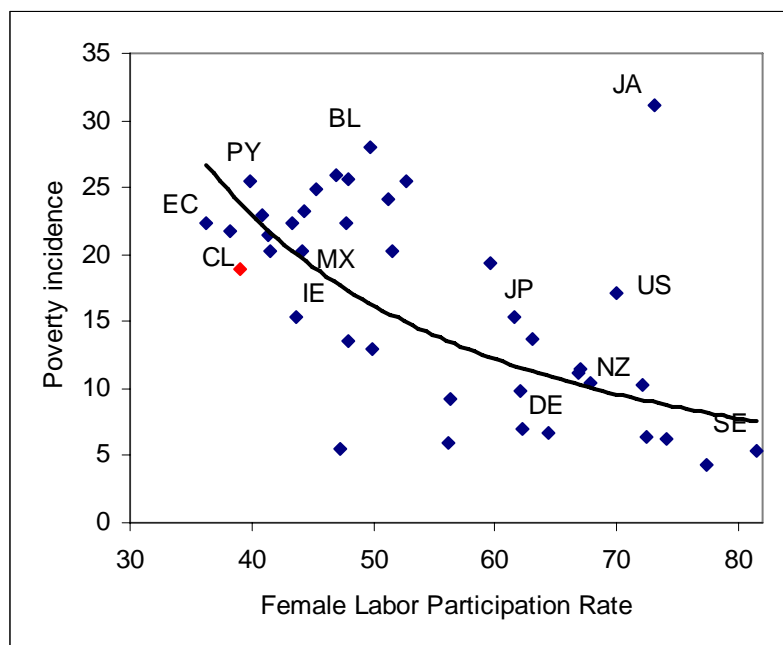
<sup>49</sup> This effect has been documented by demographers and economists alike. Throughout development, the demographic transition towards low fertility/low mortality societies produces relative shortages of labor supply and relative wage increases that stimulate female labor force participation. In Becker (1981), household decisions, including each member's labor supply would be affected by the wage/reservation wage ratio. Women's access to education would increase such ratio and, consequently, female labor force participation.

<sup>50</sup> See Chapter IV for some examples of child care and other policies in Ireland. See also OECD (2003).

2.9 Chile has low average female labor force participation and high levels of relative poverty compared to OECD countries, and low average female labor force participation and low levels of relative poverty when compared to countries in Latin America and the Caribbean.<sup>51</sup> The relationship between female labor force participation rates and poverty is complex. Countries with high poverty rates tend to have a higher percentage of women in the labor market. In fact, as survival strategy households in extreme poverty tend to have several household members working, even at meager wages.<sup>52</sup> Thus, many countries with a high rate of extreme poverty also have high levels of female labor force participation and child labor.

2.10 Figure 2.4 presents data on the relationship between a measure of relative poverty and female labor force participation rates for Chile, other LAC countries, and developed OECD countries. In order to compare Chile to developed (OECD) countries, poverty is measured by the percentage of people with income below half of the median income level, a measurement method widely used by OECD countries. This measure of poverty also captures inequality. In general, countries such as Sweden and Germany, which make equality a policy priority, have the lowest relative poverty and highest female labor force participation. The United States has very high levels of female labor force participation, but also has one of the highest levels of relative poverty in the developed world.

**Figure 2.4 Female Labor Participation and Relative Poverty Incidence (OECD Poverty Measurement): Comparison to Developed and Latin America and Caribbean Countries 2003**



Source: World Development Indicators (2005) and OECD (2005)

Note: CL (Chile), EC (Ecuador), PY (Paraguay), BL (Bolivia), MX (Mexico), IE (Ireland), JP (Japan), DE (Denmark), NZ (New Zealand), US (United States), JA (Jamaica), SE (Sweden)

<sup>51</sup> Chile registers high levels of inequality, with a Gini coefficient of 0.53 and 40 percent of the population concentrating only 13.7 percent of total income by 2003 (ECLAC, 2005). Increasing female labor force participation could be one of several policy avenues to improve income distribution.

<sup>52</sup> See Skoufias and Parker (2006) for recent findings on the added worker effect in Mexico.

2.11 Decreases in gender inequality may not unilaterally decrease overall inequality, since rich and poor households may be affected differently. For example, greater university attendance among high-income groups is likely to decrease gender gaps in education, but will probably deepen overall income inequality. On the other hand, policies that increase low-income women's education and participation in the labor market are likely to reduce both gender inequality and overall inequality and poverty.

### Potential Impact of Increasing Female Labor Force Participation <sup>53</sup>

2.12 Chile's growth performance over the last decade has been impressive, and the gender gap in labor force participation has decreased. Yet further increases in female labor force participation could boost the country's economic development.<sup>54</sup> Like in other LAC countries, the gender inequality in labor force participation in Chile is not coupled with a gender gap in education. Not only is there no gender gap in total years of education (Chile is well above the average for both OECD and Upper Middle Income countries) but Chileans also have more years of schooling on average than other Latin Americans and Upper Middle Income country citizens (see table 2.1). Thus, women's absence from the labor market cannot be attributed to their lack of formal education.

**Table 2.1 Gender Gaps in Education and in the Labor Market in 2000, by Type of Country**

	CHILE	LAC	UMI	OECD
<b>LABOR MARKET</b>				
Average female labor force participation rate	40.27	45.79	49.34	60.65
Average male labor force participation rate	81.89	86.55	82.83	79.56
<i>Gender gap in female labor force participation rates (female/male labor force participation)</i>	<i>0.49</i>	<i>0.53</i>	<i>0.60</i>	<i>0.76</i>
<b>EDUCATION</b>				
Average female years of education	7.85	5.87	7.09	8.92
Average male years of education	7.94	6.00	7.51	9.65
<i>Gender gap in years of education (female/male years of education)</i>	<i>0.99</i>	<i>0.98</i>	<i>0.94</i>	<i>0.92</i>

Source: ILO and Barro and Lee (2000).

Note: Female labor force participation rates are expressed in percent of the female and male population aged 15-65 respectively. The gender gap is the female to male ratio of a measure (a measure of 1 means complete equality and the smaller the number the larger is the male dominance).

2.13 In order to provide indicative cross-country evidence about the effect of female labor force participation on growth and the potential negative impact on growth for Chile, growth regressions are estimated for a large group of countries and these estimates are used to calculate the effects on the Chilean economy, following the methodology in Klasen (2003). Table 2.2 reports a summary of the results of estimating fixed effects growth regressions with GDP per capita growth as the dependent variable for 89 countries and four decades (1960 to 2000). Annex 2.2 presents detailed econometric results and robust standard errors for different model specifications. In order to mitigate reverse causality between economic growth and gender inequality in the labor force, only the values of the gender inequality measures for the first year

<sup>53</sup> Results of the estimation with fixed effects at countries level.

<sup>54</sup> Chapter II presents more evidence on the size and evolution of female labor force participation in Chile, including more comparisons with the LAC region and disaggregated data by household income and region.



of each decade are included as an explanatory variable. It is unlikely that the average growth rate during a specific decade could have an impact on the initial level of female labor force participation of the same decade. Time dummies control for decade-specific effects in all estimations. The results are fairly stable across specifications.

**Table 2.2 Impact on Growth of GDP per capita – Summary of Results of Fixed Effects Growth Regressions**

Initial GDP per capita	Negative and significant at 1%
Investment	Positive and significant at 1%
Population growth	Not significant
Openness	Not significant
Labor force growth	Not significant
Female labor force participation	Positive and significant in 2 out of 3 model specifications at 10%
Total labor force participation rate	Negative and significant at 10%
Ratio of female to male labor force participation	Positive and significant at 1%
Total years of education	Not significant
Female to male years of education	Not significant
Dummy 1960s	Positive and significant in 1 out of 6 model specifications at 10%
Dummy 1970s	Positive and significant in 2 out of 6 model specifications at 10%
Dummy 1980s	Negative and significant in 1 out of 6 model specifications at 10%

Note: For detailed econometric results and robust standard errors see annex 2.2.

**2.14 Results reported in table 2.2 suggest that the higher presence of women in the labor market is correlated with higher economic growth.**<sup>55</sup> The effect of female labor force participation is positive and significant two of the three times it is included (see model specifications in annex 2.2). The resulting coefficient of female labor force participation combines the overall effect of adding more workers given labor demand and the effect of incorporating more women. The male-to-female ratio in work force participation, an alternative measure of gender gaps in the labor force, is also strongly significant and positive (see annex 2.2). Including the ratio of female to male workers (gender participation gap) in the specifications makes it possible to control for total labor force participation, which has a negative effect on growth due perhaps to labor demand constraints. Thus, the estimated coefficient of the gender participation gap measures the *net* effect of reducing the gender participation gap, which

<sup>55</sup> Estimates of the growth effects of gender gaps in labor force participation and in education are derived from the coefficients in columns 2 and 5, where the former always constitutes the lower bound of the effects and the latter the upper bound. Estimates for all decades since the 1960s are shown in Annex 1.2 (Table A1.4).

is positive and larger than the overall effect of increasing female labor force participation. In the simulations discussed in the following paragraphs, reductions in gender gap in participation to the levels of the reference groups of countries are assumed to be the result of increases in female labor force participation, while male labor force participation remains constant.

2.15 Labor force growth over each decade is not significant in the regression and is therefore dropped in the remaining model specifications. Initial GDP per capita has a negative and significant effect on growth while investment is significantly positive. Population growth and openness are not significant, as is often the case in growth regressions. Neither the initial level of average years of education nor the gender gap in education is significant.

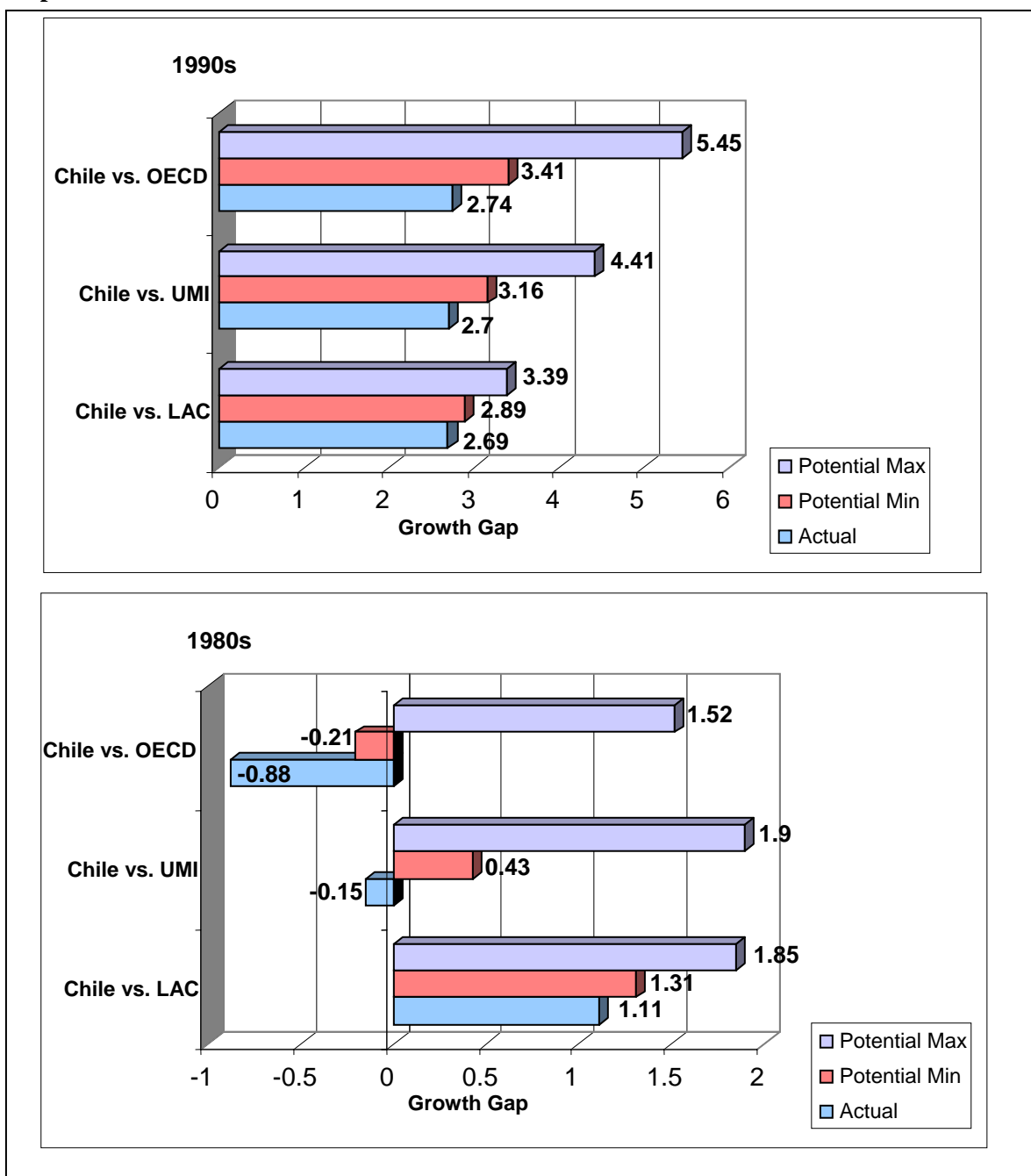
2.16 Figure 2.5 presents the potential net impacts on economic growth gaps of increasing female labor force participation or reducing the gender gap in labor force participation in the 1980s and 1990s to the levels of each group of countries used as a reference group according to the values in table 2.1. Each bar represents actual or estimated growth rate differences (in percentage points) between Chile and a comparison group. Maximum potential impacts on Chile's growth gap compared to each group of countries are estimated using the upper bound coefficients (based on the gender gap in labor force participation), and minimum potential impacts are estimated using lower bound coefficients (based on female labor force participation).

- During the 1990s, Chile's economic growth outperformed the average for Latin American, Upper-Middle Income, and OECD countries. The *actual* growth gap shown in figure 2.5 is about 2.5 percentage points and favors Chile compared to the average for Latin American countries. Chile's potential growth advantage over all comparison groups could have been larger if its female/male labor force participation ratio had been similar to the average rates for Latin American and Caribbean, Upper-Middle Income, and OECD countries respectively.
- During the 1980s, Chile's actual growth rate was higher than the Latin American average but lower than the average for Upper-Middle Income and OECD countries. Chile's economic growth could have been enhanced if the increases in female labor force participation had resulted in a female/male ratio similar to that of each group of countries. For instance, the growth gap between Chile and the average UMI country during the 1980s was favorable to the UMI countries. If Chile had achieved a female labor force participation rate similar to the average for Upper-Middle Income countries, its annual growth could have outperformed those countries' average annual growth by a minimum of 0.43 percentage points.<sup>56</sup>

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<sup>56</sup> The effects on economic growth of gender inequality in total years of education are reported in Annex 1.1, even though Chile basically has no gender gap in education. Klasen (1999) suggested that gender equality in education could have positive effects on growth through labor market effects and through reduced fertility. Chile was one of the first Latin American countries to undergo a fast demographic transition that lowered fertility and mortality rates. Gender parity in education has favored Chile compared to all groups of countries at all time periods. This does not, however, outweigh the larger negative effect from the gender gap in labor force participation documented in the paragraph above.

**Figure 2.5 Estimated Impact on the Economic Growth Gap of Increasing Female Labor Force Participation**



Source: Simulation results using fixed effects growth regressions

Note: Each bar represents actual or estimated growth rate differences (in percentage points) between Chile and the comparison group. Maximum potential impacts on Chile's growth gap compared to each group of countries are estimated using the upper bound coefficients (obtained from the regression using gender labor participation gap as one of the explanatory variables in annex 2.3). The minimum potential impact is estimated using lower bound coefficients (annex 2.3).

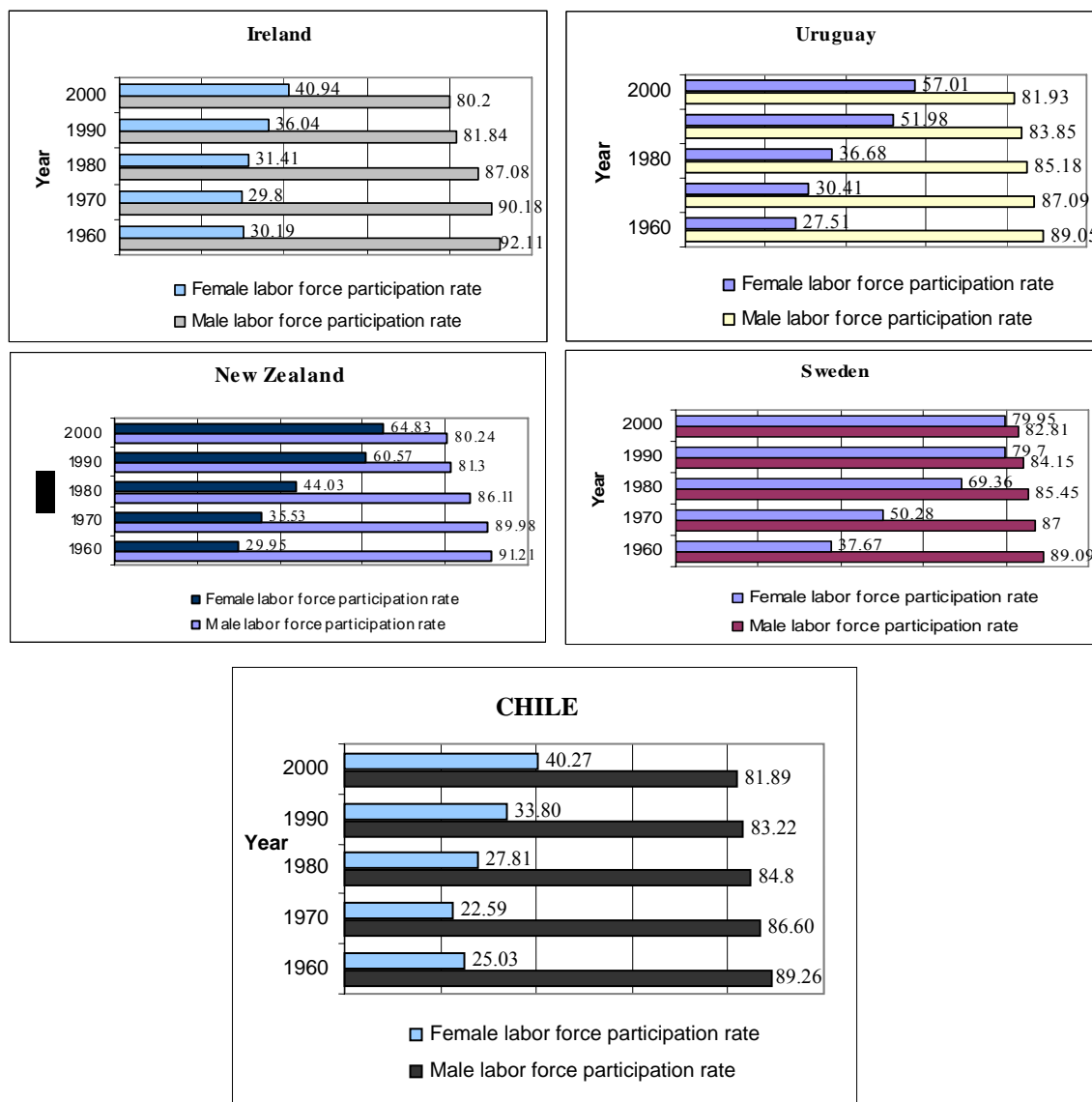
2.17 Given the large variation in labor market regulations and structure in Latin American, Upper Middle Income, and OECD countries, it is interesting to compare Chile directly with countries that have either very similar or very different labor market characteristics. The general

result is that Chile's growth advantage (or disadvantage) towards each of these countries could have been higher (or lower) if Chile had the same male-to-female labor force participation ratio as each of the countries. Four countries are analyzed: Ireland, which had a similar female labor force participation rate as Chile and outstanding growth performance; New Zealand and Uruguay, which had higher female labor force participation than Chile; and Sweden, which had a high female labor force participation rate and sustained growth. Figure 2.6 reports these countries' gender gaps in female labor force participation, while figure 2.7 presents how much of the economic growth differences between Chile and each one of these four countries can be accounted for by gender inequalities in labor force participation.

2.18 There may be important gains in GDP per capita growth rates for Chile from increasing female labor force participation, even in a highly segregated labor market. The Swedish case serves as an example of potential mechanisms. As reported in figure 2.6, Sweden's female economic labor force participation rate has exceeded 50 percent since the beginning of the 1970s. The large difference in the female labor force participation rate in Chile compared to Sweden seems to have had an impact on Chile's growth performance. There is, however, a notable difference in working hours between the sexes in Sweden: while few men work part time, one third of women in the formal labor market work part time. At the same time Sweden, has a very segregated labor market by occupation. The segregation of the labor market in Sweden came about as women entered the labor market in great numbers with the expansion of the public sector starting in 1960. Women then entered the public "care sector" to perform the same tasks previously done at home, i.e. caring for children, the sick and the elderly.

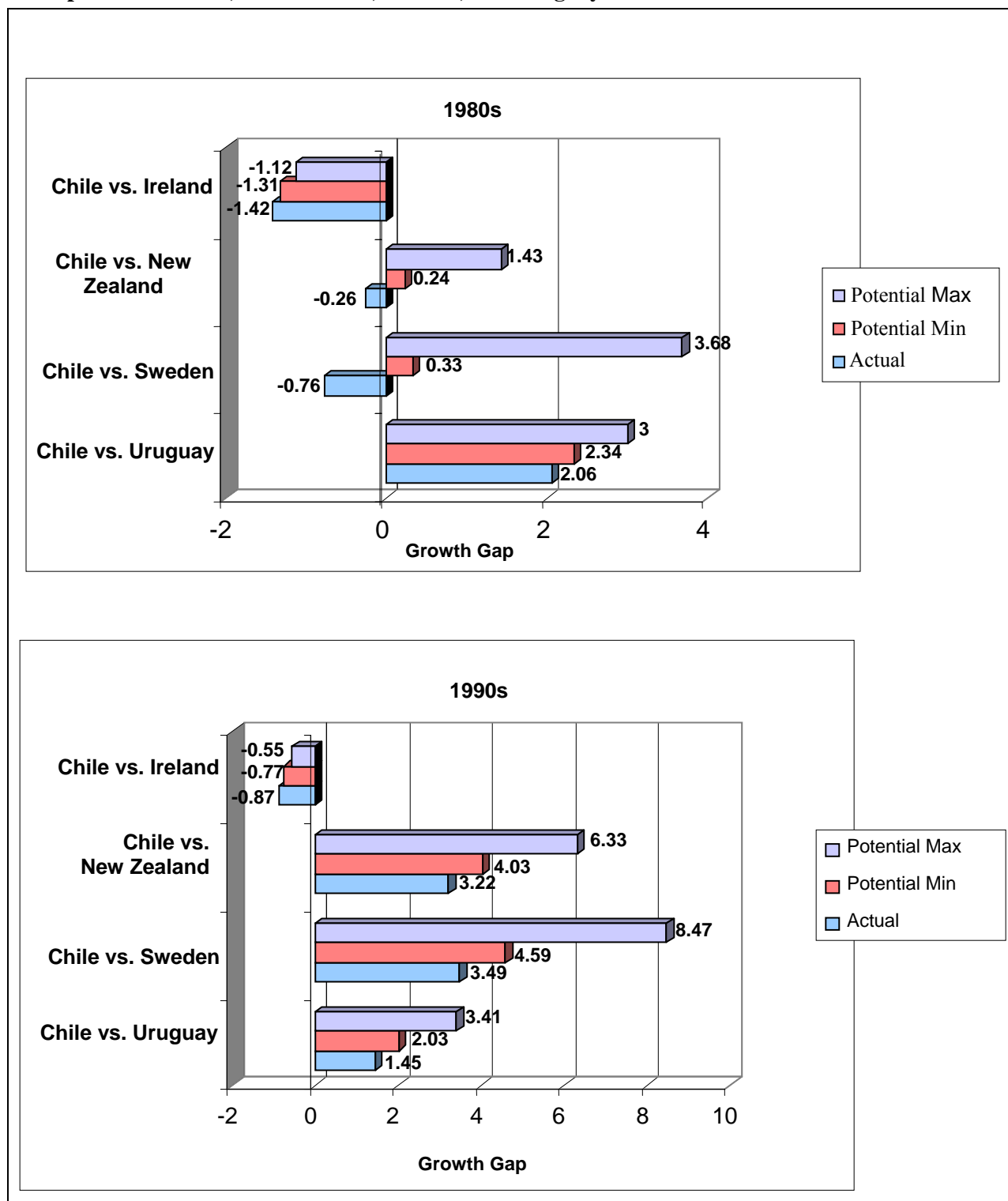
2.19 The large difference between the rate at which women participate in the work force in Chile and Sweden appears to have had an impact on growth in Chile (see figure 2.7). It's interesting to note that some of the factors that brought Sweden to have a labor market segregated by gender—such as expansion of public childcare services and the legal right to work part-time—were also preconditions to women's high rate of participation in the work force, since the average woman worker in Sweden still has to juggle work with family responsibilities to a greater degree than do male workers.

**Figure 2.6 - Gender Inequality in Labor Force in Ireland, New Zealand, Sweden, and Uruguay by decades, 1960-2000**



Source: ILO and Barros and Lee (2000).

**Figure 2.7 Impact of Increasing Female Labor Force Participation on Growth Rates in Chile Compared to Ireland, New Zealand, Sweden, and Uruguay**



Source: Simulation results using fixed effects growth regressions.

Note: 1.2. Each bar represents actual or estimated growth rate differences (in percentage points) between Chile and the comparison group. Maximum potential impacts on Chile's growth gap compared to each group of countries are estimated using the upper bound coefficients (annex 2.3). The minimum potential impact is estimated using lower bound coefficients (annex 2.3).

2.20 Given Chilean women's relatively high educational level, the positive effect of their greater participation in the work force on GDP per capita might be even higher in Chile than indicated by these estimates. The above effects are estimated based on the *average effect* in a selection of countries. Moreover, the ongoing demographic transition in Chile, which means an ageing population in general and a shrinking work force in the long run, will make it necessary for the economy to make use of well-educated women in the labor market.

2.21 Probably expanding the production frontier and a more optimal use of the well-educated population will make greater female participation in the work force possible and increase growth. However, further research is needed to discriminate between potential explanations and transmission mechanisms. Since it is difficult to satisfyingly analyze causality with macroeconomic data, a fruitful avenue of research uses matched firm-workers micro data to estimate firm-level production functions and earnings equations. This methodology is useful to gauge productivity differentials between men and women as well as productivity differentials across firms with different employee composition by gender.<sup>57</sup>

2.22 When considering potential gains in terms of economic growth, there is room in Chile for economic policies and legislation that stimulate greater female labor force participation. Increasing the level of women's labor force participation to the Latin America and the Caribbean average may be a precondition for continuing the economic boom that Chile has experienced since 1990. The growth miracle of the Southeast Asian economies and New Zealand was based on a highly skilled labor force consisting of both men and women.

#### **POTENTIAL IMPACTS OF INCREASING FEMALE LABOR FORCE PARTICIPATION AND REDUCING THE GENDER EARNINGS GAP IN CHILE: EVIDENCE FROM MICROSIMULATIONS**

2.23 The previous section highlighted the potential impact of increasing female labor force participation in Chile using a selection of countries, that is, the counterfactual for the comparison is constructed using historical evidence from other countries. This section addresses whether the cross-country evidence of potential impacts on growth has implications for Chile today, given its current labor market structure. Could this potential additional income per capita help reduce poverty and inequality in Chile?

2.24 In order to address these questions, a number of quantitative simulations of the economy-wide effects of changes in female labor force participation were conducted using microdata from Chile (CASEN, 2003). Box 2.1 describes the microsimulation methodologies. The microsimulation model, based on Ganuza, Paes de Barros, and Vos (2002), assumes that occupational shifts may be measured by a random selection procedure within a segmented labor market structure. Annex 2.4 presents a more detailed description of the data set and results, including confidence intervals (estimated using Monte Carlo Simulations).

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<sup>57</sup> See Hellerstein and Neumark (2004) for evidence on the United States.

2.25 The first simulation increased the female labor force participation rate by 25 percent, which would bring Chile's average female participation rate to 49 percent, close to the LAC regional average. The second simulation examined the impact of reducing by 25 percent the existing gender earnings gap in the labor market, where women are paid less even when they have the same education, experience, age and other characteristics. The last simulation changed the labor force participation and unemployment rates to OECD equivalent rates by age group and gender. The main findings are:

- An increase of Chile's female labor force participation rate to the LAC regional average would have a large effect on average income per capita and poverty reduction. If the female labor participation rate in Chile were close to the LAC regional average, about 15 percent of total poverty and 20 percent of extreme poverty would be eliminated, and average per capita income in Chile would increase by 10 percent.
- The effect increases in women's participation in the work force have on poverty and average per capita income vary depending on assumptions regarding which households add the most women to the work force. If female labor force participation is increased uniformly across household income quintiles, poverty could be significantly reduced and per capita income significantly increased. If female labor participation increases only among the lowest income group, poverty in rural areas and extreme poverty would be most reduced.
- Income inequality is not sensitive to changes in female labor participation or the earnings gap between male and female workers. Reducing inequality in Chile requires a number of different policy actions, and improving equality of opportunity between women and men would be an important—but not the sole—component.
- Increasing young women's labor force participation and reducing their unemployment rate would have a larger impact on total poverty and income per capita than the changes for the previous two simulations.

2.26 Although these simulations are only hypothetical and are based on many assumptions, including constant elasticity of labor supply and labor demand, they do show the potential effects on poverty that would result from improving gender equality of labor opportunities in Chile. Furthermore, because pro-equality policy reforms generally cannot be viewed in isolation, there may be important synergies that have not been examined here such as between female labor force participation and the reduction in the gender earnings gap. Lastly, these simulations considered only the direct impact of such policies on poverty and inequality, and not the potential positive effects on growth documented in the previous section.

#### **Box 2.1 Microsimulations: Methodology and Caveats**

In line with recent practice of methodologies studying the economy-wide effects of economic policies, we take a top-down approach. The 'top-down' causal chain works from macro shocks through the operation of factor and product markets yielding prices, wages, and employment, and finally to household income and expenditure. A crucial part of analyzing and modeling distributional outcomes at the household level is the specification of the various sources of



household income and how those sources are linked to the operation of factor and product markets. We focus on the labor market as the main transmission channel of the modeled impact on poverty and distribution.

Going from the counterfactual labor market effects to poverty and income distribution at the household level requires dealing with two methodological issues. First, how can the distributions analysis incorporate the effects both between and within groups? That is, how can we account for the full distribution and thus for the heterogeneity of the population within households when assessing the poverty and inequality effects? Second, people may change position in the labor market (hence also affecting household income) due to trade reforms, external shocks or other simulated macro changes. Workers may shift from one sector to another, change occupation or lose their jobs. The methodological issue is to find a procedure that can account for such labor market shifts and identify which individuals are most likely to shift position in order to be able to simulate a new, counterfactual income distribution.

Various microsimulation methodologies to deal with these problems have been proposed in the literature.<sup>58</sup> We single out two types that try to answer the type of questions raised in this study. The first involves the estimation of a microeconomic, partial-equilibrium, household income-generation model through a system of equations that determine occupational choice, returns to labor and human capital, consumer prices, and other (individual) household income components (see, for instance, Bourguignon, Fournier and Gurgand, 2001; Bourguignon, Ferreira and Lustig, 2001). Bourguignon, Robilliard, and Robinson (2002) combined this “top-down” methodology with a Computable General Equilibrium (CGE) model for the case of Indonesia.

A second microsimulation approach of less modeling intensity assumes that occupational shifts may be measured by a random selection procedure within a segmented labor market structure. This procedure makes it possible to impose counterfactual changes in key labor market parameters (participation rate, unemployment, employment composition by sectors, wage structure, etc.) on a distribution derived from household survey data and estimate the impact of each change on poverty and income distribution at the household level. We take this approach here with the methodology developed in Ganuza, Paes de Barros and Vos (2002) and more widely applied in Ganuza, Morley, Robinson and Vos (2004).

Such simulations are meant to provide only approximate guidance about the overall importance of pursuing policies favoring equality, since any quantification depends on a host of variables that are difficult to predict. For example, any approximation of the impact of higher female labor force participation would depend very much on the earnings and salaries of such new entrants and on whether the newly working women come from poor or not-so-poor households. We take a top-down approach and focus on the labor market as the principal mechanism transmitting the modeled impact on poverty and distribution of income.

Source: Vos (2005).

## **Impact of Increasing Female Labor Force Participation**

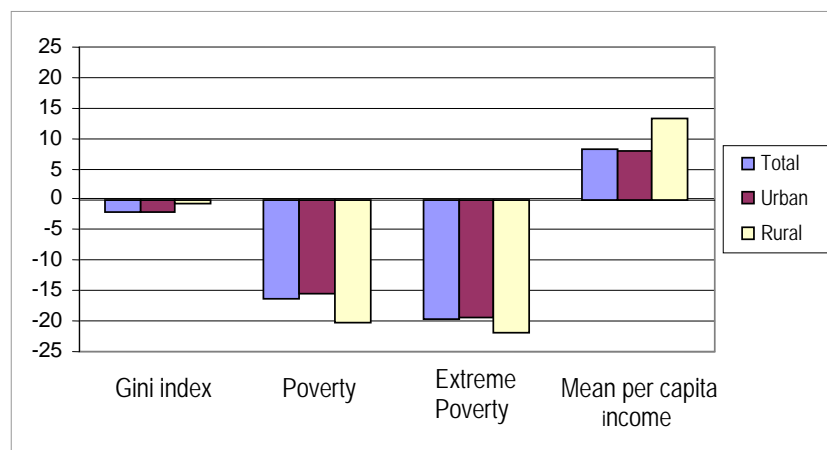
2.27 Increasing female labor force participation uniformly across income groups could help reduce poverty and increase average income per capita. As indicated previously, if the

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<sup>58</sup> See Bourguignon, Pereira da Silva and Stern (2002) for an overview of related methods. It should be noted that the approach is fairly new in its application to a developing country context, but combinations of macro or CGE policy models and microsimulations, for instance to assess distributional effects of tax reforms, are quite common in applications in developed countries.

female labor participation rate in Chile were close to the LAC regional average, about 15 percent of total poverty and 20 percent of extreme poverty would be eliminated, and Chile would experience an additional increase of 10 percent in per capita income (Figure 2.8). Increases in female labor force participation have an enormous impact on poverty reduction and per-capita income, but a relatively low impact on income inequality. The increase in per-capita income would be larger for rural areas, given the low initial levels of female labor force participation in these areas.

**Figure 2.8 Estimated Effect of Higher Female Labor Participation in All Income Brackets on Poverty, Inequality and Growth (% change from actual indicators)**



Source: Own estimates using CASEN 2003 – Monte Carlo Simulations.

2.28 Since the labor force participation is increased uniformly by 25 percent, the actual increase is larger for those with relatively high participation rates such as in the high-income groups. The female labor market participation rate by income quintile in ex-ante and ex-post simulation was as illustrated in table 2.3.

**Table 2.3 Female Labor Force Participation Rate by Income Quintiles**

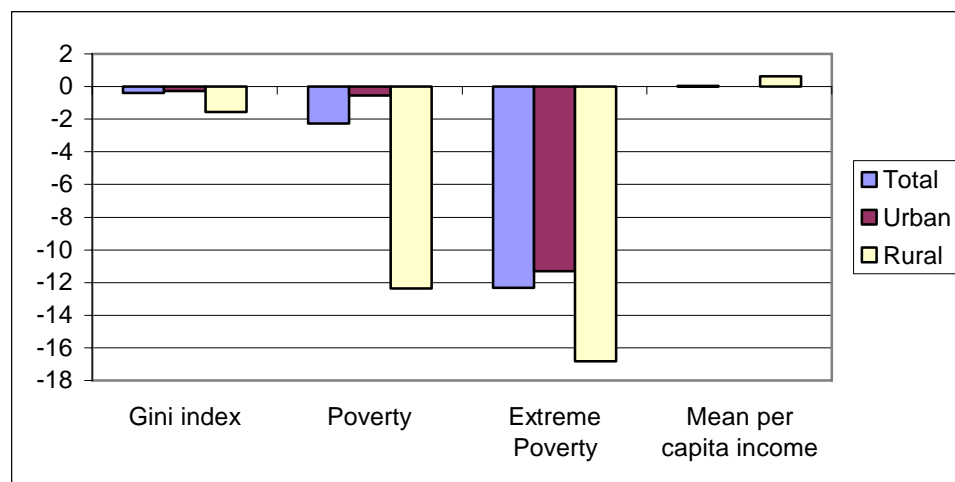
Quintile	Ex-ante	Ex-post Simulation
1	25.0%	31.3%
2	32.0%	40.0%
3	42.8%	53.5%
4	45.0%	56.3%
5	52.0%	65.0%
Total	39.4%	49.2%

Source: Own estimates using CASEN (2003).

2.29 Increasing female labor force participation in the lowest income group could help reduce extreme and rural poverty. As documented in table 2.3, the labor participation rate is disproportionately low among women in the bottom income quintile in Chile. Thus, higher labor participation for this group could reduce poverty more than changes in labor participation among other groups. Increasing female labor participation to 50 percent (currently 25 percent) for the bottom income quintile would reduce poverty by 2 percent and extreme poverty by 12 percent (figure 2.9). The effect on poverty could be especially

pronounced in rural areas, as 12 percent of poverty and 17 percent of extreme poverty would be eliminated. Increasing female labor force participation in low-income households has a negligible effect on the overall per-capita income, probably due to current productivity levels of workers in this income group, but it contributes greatly to the alleviation of poverty. This simulation requires additional assumptions regarding the employment rate and earnings of women in low-income households (see annex 2.4 for details).

**Figure 2.9 – Estimated Effect of Higher Female Labor Participation in the Lowest Income Group on Poverty, Inequality and Growth (% Change from Actual Indicators)**



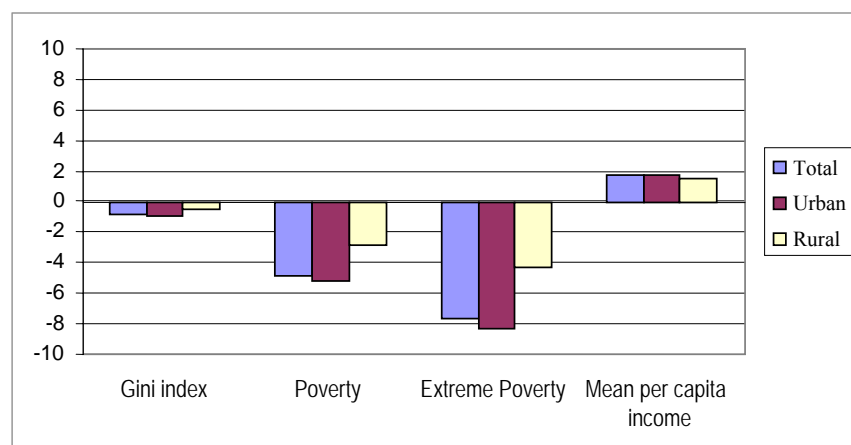
Source: Own estimates using CASEN 2003 – Monte Carlo Simulations.

### Impact of Reducing the Gender Earnings Gap

2.30 The second simulation explored the impact of reducing the earnings gap between male and female workers. Results suggest that doing so also significantly reduces poverty (figure 2.10). The average earnings for women in 2003 were only 67 percent of those of men. In this microsimulation, increasing by 25 percent the earnings of women who earn less than the national average would raise the average female earnings by 7 percent, so that the earnings of female workers would be 72 percent of male workers' earnings. The effect of changes in the gender-based earnings gap is smaller in rural areas, primarily because of very low female labor force participation among rural women.<sup>59</sup> (see Chapter I).

<sup>59</sup> This simulation does not take into account the implicit wage gap in agricultural home-production.

**Figure 2.10 – Estimated Effect of Reducing Gender Earnings Gap on Poverty, Inequality and Growth (% Change from Actual Indicators)**



Source: Own estimates based on CASEN 2003 – Monte Carlo Simulations

2.31 A large percentage of the gender-based earnings gap in Chile is due to gaps in specific experience and occupational segregation, while discrimination seems to play an important role for professional women. Reducing the gender-based earnings gap requires a combination of different policies and the sustained expansion of opportunities for women in the labor markets. Both the last chapter and the next one present evidence about the different components of the gender earnings gap and policies that can help reduce it.

### Impact of Reducing Unemployment among Young Women Workers

2.32 The third simulation explored the effects on employment and poverty of changing labor force participation and unemployment rates for different age groups and by sex. Using the predicted value for a hypothetical OECD country with GDP per capita similar to that of Chile would increase young women's (15-24 years old) labor force participation and lower their current unemployment rates. Table 2.4 shows *actual* labor participation and unemployment rates by age group (15-24, 25-64, and 65+) and by sex. Next, the target rate for each group was applied, using the predicted value for Chile from a regression with OECD countries data.<sup>60</sup> The predicted value would thus be the benchmark case from a hypothetical OECD country with GDP per capita similar to that of Chile.

<sup>60</sup> Actual data is from CASEN 2003. Target status is the predicted value for Chile from a regression of OECD countries. In the regression using OECD countries and Chile data, we take labor force participation and unemployment as the left side variables and GDP per capita as the explanatory variable.

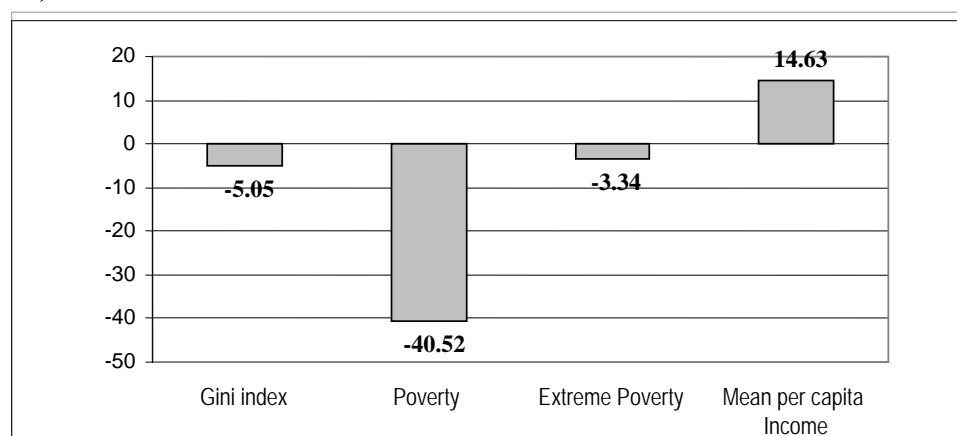
**Table 2.4 Labor Force Participation Rate (LFP) and Unemployment Rate (UN) for Chile and OECD Benchmark Cases**

Original Status							
Age	15-24	15-24	25-64	25-64	65+	65+	Total
Sex	Women	Men	Women	Men	Women	Hombres	
LFP	30%	42%	52%	91%	8%	30%	54%
UN	26%	18%	10%	7%	3%	5%	11%
Target Rate (Benchmark Case)							
LFP	36%	49%	59%	86%	7%	19%	58%
UN	7%	9%	6%	7%	0%	0%	6%

Source: Own estimates using CASEN 2003 and World Penn Tables.

2.33 Figure 2.11 shows the effect that increasing young women's labor force participation and reducing their unemployment rate has on total poverty and per-capita income. While the Gini index is not very sensitive, the magnitude of the change on poverty and income per capita is greater than for the previous two simulations.

**Figure 2.11 – Estimated Effect of Changes in Young Women's Labor Force and Unemployment Rates on Poverty, Inequality and Growth (% change from the actual indicators)**



Source: Own estimates based on CASEN 2003 – Monte Carlo Simulation.

2.34 In Chile researchers have begun to conduct studies using simulations of increased female labor market participation rates over the next few years and the consequences, with results similar to those found here. For example, Tokman (2006) concludes that "...as new cohorts enter their working age years more committed to working outside the home, and their commitment increases with age, over the next 10 years this alone would result in an expected increase of nearly 10 percent in women's participation in the work force...the increase in female labor supply in the 1990s is due mainly to the increases in real wages for women. This is a significant factor when a woman decides to work, even if the increase in wages is less for her than for her husband... From international comparison, one concludes that if Chile had had the levels of income, fertility, unemployment, literacy, and dependency ratio that the countries of the OCDE had in 2002, female labor market participation would have been on average 8 percentage points higher. Five percentage points more for per capita income differences and 3 percentage points for the fertility rate.

In sum, women's participation in the labor market will continue to increase in the years to come, which is good news in a country where the ageing of the population threatens a significant reduction in the labor market."

### **III. POLICY OPTIONS TO IMPROVE GENDER EQUALITY IN THE LABOR MARKETS IN CHILE: BETTER OPPORTUNITIES FOR MEN AND WOMEN FACING THE DEMANDS OF THE 21<sup>ST</sup> CENTURY**

#### **SUMMARY**

3.1 Chile's favorable economic and political environment, as well as its solid mechanism for gender mainstreaming in the public sector, provide a unique opportunity to achieve substantial improvements in gender equality in the labor markets in the short and medium run. Gender equality in the labor markets can be instrumental to Chile's sustained growth and progress towards a more equitable society.

3.2 This chapter identifies priority public policy objectives, offers policy options, and suggests key elements for achieving greater gender equity in Chile's labor market. Policy objectives are identified as the result of the previous analysis of gender equality in Chilean labor markets with a focus on women in poor households. The policy options presented in this chapter seek to address the priorities and lack of opportunities of low-income women. The framework for policy options reflects the Chilean institutional context (see annex 3.1), as well as programs that are already in place in Chile and international experience. In many cases, policy options are complementary to ongoing efforts in Chile.

3.3 Three main policy objectives are proposed as priorities:

**(i.) Increasing female labor force participation, especially for low-income households.** Findings of the report point towards the following policy options:

- In order to achieve more compatibility between paid work and work in the home environment for both men and women, define policies and programs aimed at a better distribution of tasks associated with traditional gender roles. Increase the value society places on work in the home, achieve a better division of labor among the sexes, and place greater value on other forms of work
- Further a better distribution of total work, facilitating women's participation through education and training initiatives that reduce gender stereotypes and segregation in existing education, professional training, and capacity-building programs.
- Design new training and life-long learning programs or modify existing ones to strengthen workers' skills in nontraditional occupations. Include a motivational strategy to ensure demand for new competencies.
- Widen and adapt current childcare expansion policies to the needs of working women, especially those in low-income households. A key element for success in Chile is to monitor and evaluate current programs in terms of their impact on female labor force participation and their costs to low-income households, paying special attention to the hours of operation and location of childcare centers.

**(ii.) Increase occupational preparation and training and reduce labor discontinuity.**

Policy options include:

- Emphasize the importance of open occupational choice in secondary and tertiary education for both women and men. A key element for success would be to improve links between education and labor market demand by using and perfecting information collected by the job intermediation system, which should evolve into an integrated system.
- Design new training programs or modify the existing ones to facilitate women's entry into the job market, their more continuous presence in the market, and their return to the job market after giving birth or raising their children. The key would be to evaluate the pertinence and coverage of current training and labor intermediation programs for women from low-income households who do not do paid work.

**(iii) Increase quality employment and female entrepreneurship.** Among the policy options are to:

- Promote access to credit for women who own small businesses or microenterprises. This can be done by expanding current programs and creating incentives for private banks and providers who specialize in microfinance.
- Expand women's access to business networks, business development services, and technology. New public-private partnerships in which local government, businesses, and civil society organizations participate can play a key role.

3.4 An additional objective to help achieve the above, taking advantage of already existing advances in the country, is to enhance the capacity of the public and private sectors to promote gender equity. For example, this can be done through a complete certification model for companies that experience good practices in gender equity. Some advances in best gender equity practices in the workplace could also be passed from the public sector to the private sector. The practices could be used to train management and personnel at private companies that would like to get certified.

3.5 Finally, it's appropriate to continue efforts aimed at improving labor regulations, taking precautions to avoid directly or indirectly favoring precariousness in the workplace or harming the advancement of labor rights. In this area it is possible to achieve consensus in tripartite efforts to improve labor regulations related to working hours, maternity leave, and child care. These improvements require working with existing and new public-private alliances, improving worker participation (both male and female), and allowing for variations to fit the needs of workers and employers in specific sectors.



## **IMPROVE DISTRIBUTION OF CHILDCARE RESPONSIBILITIES AND FACILITATE THE PARTICIPATION OF WOMEN, ESPECIALLY FROM LOW-INCOME HOUSEHOLDS, IN THE WORK FORCE**

### **Valuing domestic work, improving the division of labor, and sharing the costs of childcare**

3.6 As shown at the start of chapter I, people generally forget that domestic work is also socially necessary. Considering this work in the category of “total work” opens ample room for public policy action with reference to better definitions, tools, and even specific activities both in the public and the private sectors. Concrete policies and measures that promote shared domestic responsibilities will help achieve better gender equity and create a new environment in that regard.

3.7 This requires: (i) Working to change traditional gender roles (men on “productive” tasks and activities and women on “reproductive” (domestic) activities), to achieve a more equitable distribution of family and domestic activities. (ii) Action to make paid employment and domestic responsibilities more compatible. This differentiation allows firstly for design of specific policies and programs focused on dissemination and promotion of a general understanding of the distribution of total work. Secondly, it would group aspects directly related to characteristics of employment and measures related to the job market.

3.8 Domestic work should also be understood to include care both of the elderly and of the sick and disabled. This is an essential social function that women fulfill fundamentally in a private fashion and which also competes for their time. In Chile, as the demographic transition progresses, responsibilities associated with care of the elderly will increase. Policies recognizing the value of this care are required to ensure women’s economic participation and simultaneously address the care needs of different social groups. Possibly, alternatives will require the coordination of different groups: educational entities, health providers, municipalities, NGOs that work in the communities, and families. Providing these services could offer women new opportunities for paid work.

3.9 It’s worth noting that to better assess and design policies in this area, it’s necessary to work on systems for measuring and collecting data. Currently, capturing the real situation in the work force is especially difficult because of the definitions of work that are used, the periods that are used to determine presence (the previous week), and gender biases among surveyors and interviewees with regard to women’s work. Furthermore, there is not a clear boundary between some productive activities that women carry out—especially in the less structured sector and rural areas—and the domestic work women do to benefit the household. Indicators can be expanded and refined in this area, which will facilitate assessment and measurement of the impact of policies.

### **Increasing women’s participation in the work force, especially among low-income households.**

3.10 As discussed in Chapter I, expanding childcare options could increase women’s participation in the labor force in Chile. According to a national opinion survey in Chile (Box 3.1), [limited] childcare, [lack of] training in specific skills, and rigid gender roles are factors that limit women’s participation in the workforce. There are policy options to expand childcare, as well as provide training and life-long learning with a gender perspective.

### **Box 3.1 What do Chileans say about participation in the labor market and gender roles?**

In 2001, SERNAMEC conducted a national opinion survey on women in the job market. Opinions varied with demographic characteristics such as gender, age, socioeconomic status, and level of education. Among women, opinions also depend on whether they are heads of household, whether they have children and the age of the children, and their situation with respect to the labor market.

Both men and women agreed that the main obstacle for women in finding or keeping a job is having young children. This factor is considered most important for women who are out of the work force and for those of a lower income level (fifty-eight percent of women from low-income households consider having children a problem, compared to only 43 percent of women in the high-income households). Men and women from the higher socioeconomic level also said that it costs firms more to hire women, or at least that is the perception.

Survey respondents indicated that a leading factor that can ease women's attaining paid work is to have a good education and training. The second factor that would most promote women's participation (in accordance with problems previously identified) is to have reliable child care. In third place appear factors associated with gender roles, such as "counting on the support and encouragement of one's spouse." 44 percent of low-income women and 33 percent of low-income men recognized the importance of this factor. 44 percent of low-income women also indicated that having a job that allows one to work from home would support this goal, while 61 percent of low-income men voiced that opinion. This is consistent with the view that women have responsibilities in the home that impede them from participating in the work force outside of the home.

Source: SERNAMEC- Study carried out by the Economics Department of the University of Chile and the Center for Public Studies (*Centro de Estudios Públicos*, CEP)

## **Expanding Childcare Options while Considering the Needs of Working Women**

3.11 Expanding affordable childcare and pre-school education has been identified as a policy priority by President Bachelet's administration in Chile.<sup>61 62</sup> Pre-school education coverage (for children 3-6 years old) is very low, about 33 percent, compared to developed countries and other LAC countries, like Mexico where such coverage is above 70 percent.<sup>63</sup> Childcare coverage (for children 0-3 years old) is less than 13 percent.<sup>64</sup> The low coverage of childcare and pre-school education is the result of low supply of affordable, high-quality options, as well as cultural factors associated with the demand side. Evidence (CASEN survey) suggests that reasons for not sending a child to school are related to low demand from the parents. Nevertheless, from 1990 to 2000, there seemed to be an increase in the importance given to supply factors, which is an indication of a growing need for childcare services.<sup>65</sup>

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<sup>61</sup> The new Minister of SERNAMEC announced the commitment to provide childcare to 20,000 additional children. President Bachelet formed a Childhood Commission to accelerate progress in early childhood education.

<sup>62</sup> Among the commitments made for the administration's first 100 days was to expand childcare to 20,000 additional children. President Bachelet formed the National Childhood Commission to accelerate progress in early childhood education. (Table 3.2 "Chile Grows with You")

<sup>63</sup> UNICEF, 2004

<sup>64</sup> World Bank (2006). Formal childcare coverage for 0-3 children is still low in some developed countries (18% in Japan, and around 13% in Ireland and Austria). Overall public spending in pre-school education is between 0.3-0.4% in Japan, Ireland, and Austria (OECD, 2003).

<sup>65</sup> The way this question is raised in CASEN surveys has changed over time, limiting our ability to make comparisons.

3.12 Most programs in Chile have centered on early childhood education and development. The challenge will be to incorporate the needs and concerns of parents, especially working mothers, in project design, location of childcare centers, and hours of operation. The objective of expanding high quality childcare to improve early childhood education could clearly complement that of increasing female labor force participation. However, these objectives can conflict. Some high-quality early childhood education programs demand a great deal of attention and time from mothers, and have schedules that are incompatible with those of full-time workers.

3.13 Developed countries, such as Ireland, Austria, and Japan, have been stepping up their efforts to increase childcare coverage, driven more by female labor supply considerations than by child development itself. Recent increases in funding for pre-school education and earmarked funds are common in developed countries (“Kindergarten Billion” in Austria and “Angel Plans” in Japan).<sup>66</sup>

3.14 The appropriate mix of childcare provision by public and private centers varies by country context and target population. In Ireland, childcare policy during the economic boom of the 1990s focused on aiding low-income families with tax incentives and special benefits, including coverage of childcare costs. Tax incentives also aim to maintain fertility levels. Public provision was implemented in poor communities and linked to training and retraining programs for women, but most childcare provision was private. The policy included measures to improve the quality of informal childcare (friends, family, and neighbors), which is widely used in Ireland.<sup>67</sup>

3.15 In the case of Austria, the predominant policy is to provide child benefits and tax incentives with the aim of boosting fertility, given their aging population. Such tax incentive schemes for families are not necessarily applicable to Chile, given their more direct impact on fertility, though they may be considered for the future.

3.16 Expansion of public provision and recent reforms allowing private providers to participate has had a measurable impact on female labor supply in Japan (box 3.3). Public provision by local governments plays a key role in childcare, according to OECD (2003). In order to achieve a progressive model and stimulate demand for childcare at very early ages from all income groups, support is offered via a subsidy to parents, who pay an income-based fee.

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<sup>66</sup> Formal coverage of childcare for children up to age 3 is still low in some developed countries (18% in Japan and nearly 13% in Ireland and Austria), as shown by the World Bank (2006). Public spending on preschool educations ranges from 0.3-0.4 percent in Japan, Ireland, and Austria (OECD, 2003)

<sup>67</sup> OECD (2003).

### Box 3.2 Childcare, Family Subsidy, and Female Labor Force Participation in Ireland

Ireland and Chile are characterized by their economic dynamism. At the beginning of the 1990s, women's participation in the work force was low in both countries and the determinants (including cultural factors) were similar in both nations. Both countries also have experienced significant increases in female labor force participation in recent years.

During the 1990s, the Pilot Childcare Initiative provided a public response to what was referred to in Ireland as the "childcare crisis," the demand for high-quality and affordable childcare. The program was implemented in poor communities and was linked to training and retraining women. In some cases, the program also provided training and career development support for providing childcare as a viable entrepreneurial option.

This policy was combined with financial incentives to which poor families have been very receptive, e.g. tax incentives, or child income support. Additional benefits help pay childcare costs for each child under age six.

Sources: Murphy (1995), Murphy-Lawless (2000), Collins and Wickham (2001), Ireland's National Training and Employment Authority - <http://www.fas.ie>, and Central Bank of Ireland - <http://www.centralbank.ie>

3.17 In the United States, governmental interventions aimed at expanding the availability of childcare have focused on using public programs to build a childcare workforce. Childcare providers trained with public resources work mostly for private childcare providers. This policy is relevant to Chile given the importance that the country places on improving the quality of privately-provided childcare services and the expansion of the public supply of childcare.<sup>68</sup>

### Box 3.3 Provision of Childcare in Japan

Japan needs female labor force participation to increase in order to maintain sustainable economic growth as its population rapidly ages and fertility decreases. Providing public childcare services has been cited as essential to increase female labor force participation in Japan. A study addresses this topic using micro-level data from households with children under age five in Tokyo. Results indicate that female labor supply increases when parents' payments for childcare are reduced, and when mothers' wage rates increase. Female labor supply is stimulated by the provision of family leave (*licencia familiar*), flexible or reduced working hours, and childcare in the workplace.

Moreover, price policy for childcare and welfare policy for the workplace are also significant aspects that affect female labor supply.

Source: Shimizutani and Noguchi (2004)

3.18 The responsibility women have to care for those dependent on them is not limited to young children under the age of six, but continues throughout the life cycle. Mothers usually are in charge of taking care of school-age children after the school day finishes. The extension of the school schedule in Chile, to what is known as *Jornada Escolar Completa* (JEC), is an example of how the time involved in caring for school-age children restricts women's participation in the labor market. A recent evaluation commissioned by the Ministry of Education revealed that one

<sup>68</sup> See IWPR, 2003.

of the main effects of the JEC on the family has been increasing opportunities for mothers to work.<sup>69</sup> The transition to the JEC has not yet been fully completed, but all schools are expected to adopt this schedule within the next two years. Nonetheless, even when full coverage of JEC is achieved, the difference between the school schedule and the typical work schedule should be analyzed and possible effects on participation of mothers in the work force should be considered.

### **Keys to Successfully Expanding Childcare Options that Consider the Needs of Working Women in Chile**

3.19 In Chile, the role of private providers remains central even with the current expansion of public childcare. Certification schemes and best practice dissemination can help improve the quality of private providers. In order to improve equity and respond to the needs of low-income households, income-tested subsidies to families using private childcare could be used. For policies aimed at expanding private provision of childcare, such as tax incentives for child centers, it is important to monitor both total cost of childcare paid by poor households and the quality of care provided.

3.20 In terms of public provision, an assessment of whether the current expansion of public childcare centers and early childhood development programs is considering the needs of female workers or potential female workers is needed. Specifically, paying special attention to details like hours of operation and location of childcare centers is important. Public childcare programs could also be linked to job training and retraining of mothers.

3.21 As a result of existing legislation, Chile also has a large number of workplace child care centers.<sup>70</sup> As explained in the section that follows on regulation, there is a debate on whether the effect of this policy is to discourage the hiring of women. It's of fundamental importance to evaluate the impact of policy instruments on allowing more women to enter the labor force and providing new job opportunities for both women and men. This will be necessary for existing and new policies such as the Chile Grows with You (*Chile Crece Contigo*) program (box 3.4).

#### **Box 3.4 Chile Grows with You: Protection of Childhood System**

The Chile Grows with You (*Chile Crece Contigo*) program seeks to ensure equal opportunity to develop for all girls and boys. To do so, it provides subsidies to all pregnant women from the 40 percent of families with the lowest incomes. The subsidy goes from pregnancy until children are three years of age and have entered preschool.

The system considers global actions, actions for children in the public health system, and actions targeting the most vulnerable children from low-income households. The program is designed to ensure a package of basic services to meet the needs of children at each stage of development.

Chile Grows with You ensures the availability of daycare for children of women from the 40 percent of families with the lowest income who are working, looking for work, or studying. Children with special needs for care or are especially vulnerable (if they have mothers who suffer from depression, accidents or serious illness) are also eligible. Likewise, the program will make possible flexible use of prenatal

<sup>69</sup> Pontificia Universidad Católica de Chile. Evaluación Jornada Escolar Completa. Julio 2005.  
[http://www.mineduc.cl/index2.php?id\\_seccion=1274&id\\_portal=1&id\\_contenido=1917](http://www.mineduc.cl/index2.php?id_seccion=1274&id_portal=1&id_contenido=1917)

<sup>70</sup> Chile's labor law requires that establishments employing 20 women or more have to provide or subsidize a day care for their children.

and postnatal care in certain cases.

Source: MIDEPLAN

## **INCREASING OCCUPATIONAL CHOICE: IMPROVING TRAINING AND REDUCING DISCONTINUITY IN EMPLOYMENT**

### **Training and Lifelong Learning with a Gender Perspective**

3.22 During the 1990s, when the Chilean economy experienced very high growth and very low levels of unemployment, the government emphasized the importance of training among other labor market policies. The initial objective of training programs was to increase workers access to the labor market by updating and developing their skills and promoting more agile labor intermediation. Many training and employment programs were put in place to strengthen the potential employability of the most vulnerable workers, including women,<sup>71</sup> youth, disabled, workers from declining sectors, those under new employment modalities, and those in small, medium, and microenterprises.<sup>72</sup>

3.23 Job training in Chile varies by audience and training type, but generally is designed for: (i) active adults; (ii) the unemployed or those who risk becoming unemployed; and, (iii) young workers in transition from school to work. Job training policies take these three types of beneficiaries into account through different mechanisms: (i) tax exemption system (*Sistema de Franquicia Tributaria*) for employed workers; (ii) training programs for the unemployed and vulnerable groups; and, (iii) other programs such as Chile Qualifies (*Chile Califica*). (These programs are detailed in box 3.5)

3.24 Data from CASEN 2003 shows that 21% of employed workers received job training during the previous year, with no significant gender difference (22% of women and 20% of men).<sup>73</sup> Nevertheless, there is a regressive pattern of training coverage by income (Figure 3.1). Workers in the highest income deciles recognize they have received significantly more job training than low income workers. The majority of workers received training through their employer (75 percent of trainees), but with a significant gender difference (79% of men and just 67% of women).

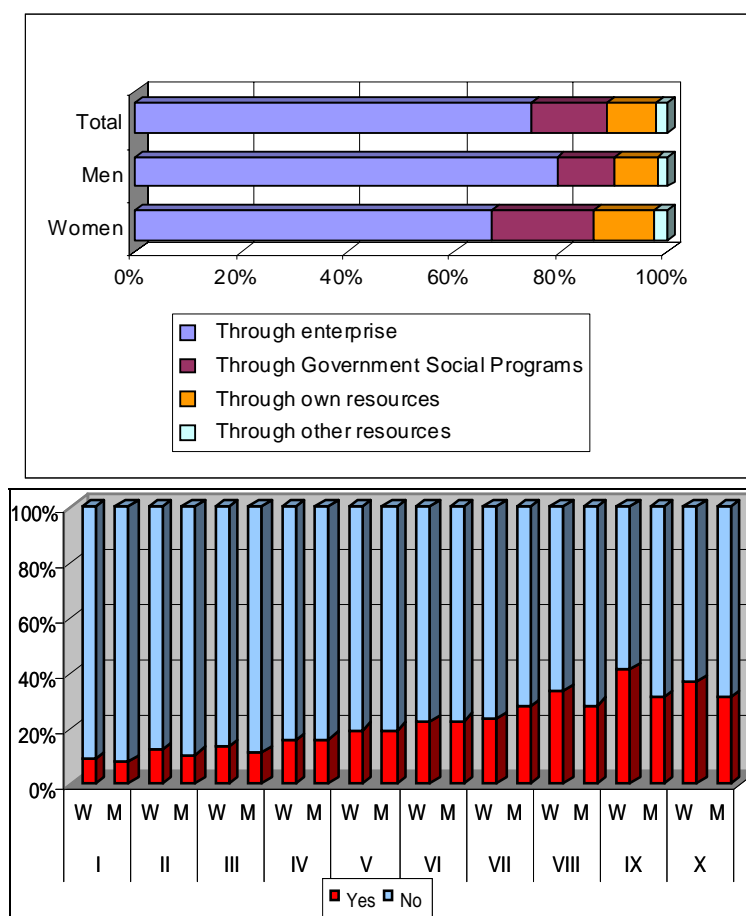
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<sup>71</sup> One of the programs that specifically targeted women was “Programa Mujeres Jefas de Hogar.” It had two areas of concentration—independent and dependent women workers. This program began a new phase of implementation in 2007.

<sup>72</sup> For a detailed account of the different labor market programs and their evaluations see García-Huidobro (2002).

<sup>73</sup> Only a small percentage of workers answered the questions in the CASEN questionnaire regarding training.

**Figure 3.1 Training by Income Decile and Access to Training by Gender**



Fuente: Estimaciones propias con base en CASEN 2003.

3.25 While non-working adult women and mothers are not a specific target group, there are some programs that reach them, like the system of tax exemptions and the national scholarship program. A labor program for young women by SERNAM (*Programa de Habilitación Laboral para Mujeres Jóvenes*–SERNAM), part of *Chile Solidario*, and job training for women by PRODEMU may also be reaching these groups. Clearly the variety of programs has been evolving over time and impact evaluations show, in part, the differential effect they have on men and women (box 3.5).

### Box 3.5 Two Impact Evaluations of Training Programs with a Gender Perspective

An impact evaluation of *Chile Joven* that used a propensity score matching methodology revealed important and significant impacts on the three dimensions studied—labor income, probability of being employed, and probability of formal employment. By comparing the effects on different groups of beneficiaries (by gender and age), the analysis showed that the impact on labor income and probability of employment was higher in relative terms for young women, and the impact on the probability of formal employment was higher among young men. However, factors important to improving gender equality such as the effect of the program on occupational segregation by gender were not evaluated. There was also some concern about the effectiveness of the agreements between *Chile Joven* and the INTEGRA Foundation related to childcare services.

A 1999 impact evaluation of the System of Tax Exemptions found the training had a significant impact on the earnings of unskilled workers. This finding underscores that workers with the lowest levels of human capital benefit the most from investments in training. In terms of gender, the results show that wage elasticity with respect to the cost of training is higher for women than for men, signaling that women would benefit more than men from proportional increases in training costs.

Sources: Aedo, C. and M. Pizarro. “Rentabilidad económica del programa de capacitación laboral de jóvenes Chile Jóven.”

CINTERFOR bulletin—“Chile Jóven: una experiencia pionera revisada. No. 139-140, April-September, 1997.

3.26 Nonetheless, implementation of policies focusing on low-income, working women is needed. Access to training during maternity leave should be part of those policies. Ireland and Austria offer interesting—if expensive—policy options (box 3.6).

### **Box 3.6 Promoting Employment among Non-Working Mothers: The Experience of the Back-to-Work Programs in Austria and Ireland**

Austria and Ireland are moving away from employment programs for all job seekers towards a model of targeted interventions to groups with differentiated needs.

Austria’s “Returnees Program” was specifically designed for nonworking parents (mostly mothers), and provides additional support to all job-seeking parents regardless of their status as beneficiaries of other programs. Forty percent of mothers in Austria are out of the labor force after finishing a two-year long period of maternity leave. Thus, going back to work is no simple matter due to the obsolescence of their skills and their distance from networks. The Returnees Program started with the public sector supporting thousands of women through information events, counseling services, skills training, and childcare subsidies.

In Ireland, providing financial incentives to beneficiaries of unemployment insurance or other programs has been a major pillar of all “back-to-work” programs, including those affecting nonworking parents. Childcare arrangements are usually a big concern for job-seeking parents. Two innovative initiatives provide both job-matching and care-matching services—the Community Employment Scheme and Northside Partnership. An interesting initiative to improve non-working mothers’ access to information is the Irish Gateway for Women launched in 2002.

Single parents face specific barriers to entering the labor force, including more limited time than couples with children and stringent income constraints. It is also a group that tends to receive a large proportion of its income in state benefits, which may discourage labor force participation. Ireland has specific programs for single parents, while Austria allows single parents to work part-time until their child is two and a half years old.

Source: OECD (2003).

### **Policy options to address the training and education needs of women**

- Design affirmative action measures to promote the participation of women in some schooling and training programs.
- Create skills certification areas related to care provision as a formal occupation (care of children, the sick, the elderly, and the disabled).
- Create incentives (quotas and scholarships) for women to receive training in occupations not dominated by women.



- Determine which groups of women should be targeted to increase their probability of entering the work force and reduce their chances of dropping out of the work force. Design a job-training demand subsidy for targeted groups of low-income women (informal workers, head of households, and inactive workers).
- Evaluate the relevance and impact of current training and job intermediation projects on labor supply and the working conditions of nonworking women in low-income households.

### Job intermediation services

3.27 A different approach to enhance employment and continuous skills formation for women is to take advantage of current efforts to mainstream gender in job intermediation services, as described in the previous chapter. While Chile has made important progress in job intermediation services, it still faces a series of challenges, particularly with regard to its prestige, the need for improvements in the system, and ways of operating aimed at decreasing segregation in the job market (box 3.7).

#### Box 3.7 Gender Mainstreaming in Job Intermediation Services in Chile

The largest provider of these services is the Ministry of Labor through the National Service for Training and Employment (SENCE), which is responsible for the Job Intermediation Program. Operation of this program is decentralized to the Municipal Offices for Job Intermediation (*Oficinas de Intermediación Laboral*, or OMIL). At the local level, the OMIL provide vocational training, information, and referrals to public training, job intermediation and placement services.

One of the resources available through the OMIL is the National Employment Bank (*Bolsa Nacional de Empleo*, or BNE). The BNE is a web-based system created by the administrator of the unemployment insurance fund. It operates as an electronic job market, generating immediate information on registered job-seekers as well as on firms and vacancies. In the future, the system will also include private intermediation services. This online service is only available through the OMIL. SENCE also administers an intermediation service through the web called *Infoempleo*, which provides free access to job seekers and companies that want to list vacancies.

A 1999 assessment showed that at that time the OMIL were placing 36,000 workers a year (about 50 percent of the available vacancies). It also found that the biggest problem with the offices was their dependence on the local government, which means different levels of priority for the OMIL as well as variable organizational structures, and human and economic resources. Furthermore, it is difficult for them to reverse the entrenched social and spatial segregation in the job market. In lower-income *communes*, for example, more than 90 percent of jobs offered are at less than the legal minimum wage.

The Bridge Program (*Programa Puente*, part of *Chile Solidario*) also offers a job placement service aimed at helping beneficiaries enter the formal job market. In placing women, the program tries to give preference to workplaces with childcare services.

SERNAM designed an informational guide and job handbook with a gender perspective for use by these offices. The guide provides steps to follow to counsel women in informed decision-making regarding their occupational aspirations; provide information on labor market characteristics (traditional and non-traditional employment for women), requirements and sectors; and analyze with the beneficiaries the training that is open to them, emphasizing emergent sectors and use of technology in order to break occupational segmentation.

The Bridge Program (*Programa Puente*, part of *Chile Solidario*) also offers a placement service for

its beneficiaries to help them get into the formal job market. For women, the program gives special consideration to work places that offer child care.

SERNAM is preparing a Labor Intermediation Portal aimed at women with technical training or college education who are searching for employment. The portal will provide a package of interactive information services, job orientation and intermediation (e-job market) to help them find vacancies that match their capabilities in dynamic sectors of the regional economy.

Sources: [www.bolsadeempleo.cl](http://www.bolsadeempleo.cl)

Chanamé, Cesar (1999); SERNAM “*Guía de Información y Orientación Laboral con Perspectiva de Género para Funcionarios/as de Oficinas Municipales de Información Laboral.*”

## **INCREASING QUALITY EMPLOYMENT AND WOMEN’S ENTREPRENEURSHIP WHILE REDUCING THE GENDER EARNING GAP**

### **Promoting and supporting dignifying employment and an increase in quality employment**

3.28 Policy options to improve employment go beyond changes in labor law and include building partnerships among local governments, civil society, unions, and employers. There are many areas in which current jobs require modernization measures, an increase in productivity and income, and especially dignifying, both in the informal sector and in subcontracting. A viable alternative is to favor association among small producers or commercial activities in which cross-institutional agreements are developed, and the participation of various agents to promote modernization and development, especially when it generates processes that increase a sense of identity and pride in one’s work. Some interesting examples of specific results obtained through alliances of this type are organizations such as FOSIS, SERCOTEC, and SERNAM itself. There are also private organizations for cooperation and strengthening of civil society that have extensive experience in this area. An interesting example of the concrete results achieved by such partnerships is the case of recently improved work conditions for *temporeras* (seasonal agricultural workers) described in box 3.8.

### Box 3.8 Improving working conditions for temporary workers

*Temporeras*, seasonal women agricultural workers, started organizing themselves informally to find specific solutions for their needs. They also joined the *Comisión Nacional Campesina* (the country's largest national peasant confederation) to express their views. In 2001, Anamuri (National Association of Rural and Indigenous Women) organized the First National Assembly of Female Fruit Workers, attended by 2,000 representatives. Their conclusions and demands were sent to SERNAM and then President Lagos. Subsequently, the Public-Private Committee on Temporary Agrarian Employment was created. Business associations, associations of temporary workers, ministries (for women, health, labor and agriculture), and several public services all form part of the committee.

Among the improvements made in the working conditions of *temporeras* are:

- Changes to the Labor Code in 1993 (Law 19,250) giving legal recognition to temporary agricultural workers. Included in Code 3 are new articles with specific standards to be applied to contracts. Standards address working conditions, transportation to and from work, lodging and food for workers, etc.
- Changes to the Ministry of Health's Decree 594 regarding hygienic conditions in the work place, storage of toxic pesticides, location of bathroom facilities, etc.
- Changes of FONASA (public health service) regulations allowing *temporeras* to have coverage for a year with only 60 days of individual capitalization in the system. During the first year, 19,000 women used the benefit. Between January and October 2005, almost 40,000 women signed up for the program.
- Unemployment insurance, since 2002, for temporary workers with a contract, if they have been in the system for six months.
- Strong monitoring of the use and marketing of fertilizers and pesticides, public awareness campaigns and training courses for temporary workers and their employers on the risks associated with agricultural pesticides. It was included as part of the mandatory program of training courses for agricultural workers provided by the National Service of Training and Employment.
- Creation of a network of about 218 day care centers, by SERNAM, JUNJI, JUNAEB, INTEGRA and PRODEMU, for children of *temporeras* in 119 municipalities to care for children between 2 and 12 years of age for up to 12 hours a day.
- Nutrition programs for children of temporary workers. Launched in 1992, the program provides all daily meals to children between 6 and 12 years of age during the months of January and February.
- Special training scholarships awarded to *temporeras* by SENCE.
- The "*Trato hecho, contrato firmado*" program to promote signing of formal contracts.
- Creation of the Temporary Agricultural Workers' Observatory in 2003 to measure a set of indicators concerning the working conditions of *temporeras*.

Source: SERNAM and [http://www.segpres.cl/portal/documentos/gobierno\\_marcha/gob\\_marcha\\_julio\\_2005/](http://www.segpres.cl/portal/documentos/gobierno_marcha/gob_marcha_julio_2005/).

### Increasing occupational options and reducing the gender-based wage gap

3.29 As analyzed in the first part of Chapter I, increasing occupational options could spur an increase in women's participation in the work force. The issue is how and in which sectors to increase women's occupational options in order to take advantage of the opportunities that arise.

3.30 In addition to the consequences of occupational segregation on potential efficiency and equity (as mentioned in Chapter I), occupational segregation can also have an impact on the gender earnings gap. In the case of Chile, there is no empirical evidence on whether the gender earnings gap is larger in female-dominated occupations, *ceteris paribus*. The existing literature has not looked at whether women working in female-dominated occupations would, in fact, do better if they could move into male-dominated occupations, including non-monetary factors that may induce women to voluntarily choose female-dominated occupations. This is an area that could be studied more in the future, especially considering that it's possible to predict an increase in demand in the service sector (which has the largest concentration of women) that would allow for professionalizing of a series of activities at the same time as it could generate new businesses.<sup>74</sup>

3.31 There is currently no consensus regarding the impact of occupational segregation on earnings. IDB (2004) analyzes evidence from Costa Rica, Ecuador, and Uruguay in the 1990s. The study found that in some countries and for certain years occupational segregation helped to explain the presence of male-female earnings gaps, but it was not the most important determinant of these gaps. According to Pitts (2003), in the United States, women do not choose the occupation that pays less when they enter a female-dominated job area. After controlling for the selection bias on earnings associated with occupational choice, the author concludes that there is efficient matching between occupations and skills for women in the labor force, and refuted the theories of occupational segregation or crowding as a determinant of the gender earnings gap. Other papers show the opposite. Hansen and Wahlberg (2000, for Sweden) and Bayard, Hellerstein, Neumark and Troske (2003), using matched employer-employee data, found that segregation of women into lower-paying occupations, establishments, and even occupations within establishments that pay lower salaries, accounts for a sizable fraction of the gender earnings gap.

3.32 In Chapter I, evidence is presented on the high levels of occupational segregation and its strong influence on the gender earnings gap in Chile. Evidence from Ñopo (2006) suggests that specific experience has a larger impact on the gender earnings gap than does occupational segregation, but being employed in certain occupations also has a sizable effect. Additionally, labor mobility across occupations and the accumulation of specific experience is essential to expanding job market opportunities for women. To achieve a significant decline in occupational segregation, a series of ongoing policies and measures to isolate the mechanisms that reproduce segregation is needed. Explicit and required commitments can also be planned.

3.33 Reducing occupational segregation also involves post-employment policies that facilitate female labor force participation and employment in all sectors and economic activities. Training policies that are specifically targeted towards reducing occupational segregation emphasize training for women in non-traditional occupations. The impact of these programs on increasing women's employment in non-traditional occupations has been documented in systematic evaluations.<sup>75</sup> In the case of Chile, training and lifelong learning programs could emphasize gender equality in access to different occupations through their training materials. Instructors could receive information on gender segregation and ways to counter it as part of their training. Youth training programs in LAC such as ProJoven in Peru have had documented impacts in

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<sup>74</sup> Infante, R. (2006), for example, presents a series of proposals to transform social needs into employment opportunities

<sup>75</sup> ICRW (2001).

reducing occupational segregation by gender.<sup>76</sup> More research is needed to determine the impact of *Chile Joven* on occupational segregation by gender.

3.34 Key elements for successful policies to reduce occupational segregation in Chile include:

- Improve education and labor market demand linkages by using and improving information collected by the job intermediation system and improving benefits such as unemployment insurance.
- Reduce gender stereotypes and segregation in existing training programs
- Design and implement pilot training programs in nontraditional occupations for both men and women. Monitoring and impact evaluations of such pilot programs would be essential to successfully design and implement broader programs.

### **Promoting women's entrepreneurship, especially in booming and high-productivity sectors**

3.35 Chile has a platform of programs to promote women's entrepreneurship. In addition to SERNAM's programs, various public agencies work to promote entrepreneurship, in some cases focusing on women's entrepreneurship. Achievements include increased coverage of women's participation as entrepreneurs.

- CORFO (*Corporación de Fomento de la Producción*) (Ministry of Economy). CORFO helps over 20,000 Chilean companies a year, providing credit through private financial intermediaries, subsidies to promote technological innovation and certification in accordance with international standards, and counseling advice on forming partnerships. Since they are demand-based, the programs do not include actions aimed at gender equality except for generating sex-disaggregated data. Nonetheless, within this program there could be information campaigns and dissemination programs targeted to female entrepreneurs.
- PROCHILE (*Programa de Fomento de las Exportaciones Chilenas*). As part of the Foreign Affairs Ministry, PROCHILE runs two programs—Interpyme and Interpac. Interpyme seeks to promote exports by small businesses and microenterprises in order to help them enter the international market. Interpac is a program to encourage exports by small agricultural producers to insert them into foreign markets under sustainable and competitive conditions. An evaluation conducted on the framework of their management improvement program showed that no more than 20 percent of the participants of both programs were women. Action is needed to increase the participation of women in these programs.
- INDAP (*Instituto Nacional de Desarrollo Agropecuario*), which focuses on small scale farming, has integrated a concern for women farmers in its actions, showing concrete results: participation by women in its credit program increased from 14 percent in 1995 to 18 percent in 2003, and the proportion of the total funds delivered to women ranged from 9 to 14 percent in those same years. INDAP also is part of the Coordination Committee for Rural Women (*Mesa Mujer Rural*). Activities the committee has implemented that stand out include: (i) Promotion of women's access to small loans, increasing them from 18.5 percent of the total in 2003 to 20.1 percent in 2004; (ii) Creation of a network of

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<sup>76</sup> Saavedra, Nopo, and Robles (2002) find that occupational segregation of groups of young workers who graduated from the program is smaller than for a control group.

Gender Focal Points in all its regional offices that meet on a regular basis to coordinate activities; (iii) Implementation of a gender training sensitization program for its employees and produce information pamphlets for both internal use and by women beneficiaries; (iv) Increasing the number of women accessing technical assistance.

- SERCOTEC (*Servicio de Cooperación Técnica*), part of the Ministry of Economy, is another interesting initiative in Chile, although it has not yet been rigorously evaluated. Its mission is to support and promote the competitiveness and managerial capacity of microenterprises. SERCOTEC recently included a gender perspective in its operations, considering gender training for its managers, and committed to focusing 25 percent of its support actions on female micro entrepreneurs. During 2004, two of its promotion programs focused on women, namely the RedSERCOTEC program and the Access to Credit Program. In addition, programs such as the following have been implemented <sup>77</sup>: (i) Promotion of women's entrepreneurship (*Programa Chile Emprende*); (ii) regional support to participants of the *Proempresaria* program; (iii) provision of technical support to micro entrepreneurs in northern Chile; (iv) “*Fuerza de Mujer*” award (includes a monetary prize and training scholarship); and the “Seed” program that provides start-up capital for the creation of a microenterprise or the expansion of an existing activity.
- FOSIS (*Fondo de Solidaridad e Inversión Social*, Ministry of Planning) has carried out a series of microfinance initiatives in low-income sectors. Some of the achievements are summarized in box 3.9.

**Box 3.9 Examples of successful outcomes of FOSIS programs to support women's productive activities**

Currently, FOSIS has four types of programs through which it strengthens the economic autonomy of women, namely: the program to support microenterprise; the program to support economic activities in poverty-stricken sectors; the *Chile Emprende* program; and the program to support production by families for self-consumption.

Assessment of women entrepreneurs' experience participating in the pilot microenterprise project, which provides start-up funds or funds to improve productive economic activities through groups of solidarity, showed that participants experienced positive changes in their self esteem and sense of autonomy.

Regarding self-esteem, the women who applied for a second loan through this project reported having developed a higher sense of self-worth as they developed their decision-making capacity and depended less on third parties. Being able to carry out a productive activity of their own has afforded them a chance to manage their own money; relate and communicate with providers and others to offer their products, for which they had to become self-confident; develop their personalities, become more confident in the work that they do and value it more. A factor of fundamental importance is that their greater autonomy and confidence to make decisions that enable them to reach goals they set for themselves.

Managing a business enabled these women to recognize their entrepreneurial capacity as well as their autonomy. Receiving a loan increased their power since being responsible for a productive activity and having the ability to generate an income through that activity increased their decision-making skills as well as helped them acquire their own assets.

Source: Perez, N. and Riquelme, K. (2002) Sistematización: “Conociendo la experiencia de las mujeres con segundos créditos del proyecto piloto microcréditos para mujeres emprendedoras (metodología Grameen Bank), específicamente en sus cambios personales, sociales y económicos; y las fortalezas y debilidades en la ejecución del proyecto.” FOSIS. Departament for Research and Evaluation

<sup>77</sup> DIPRES (2004) CORFO, Balance de Gestión Integral 2004 and SERNAM.

3.36 Access to finance for microenterprises and small businesses is expanding in Chile, although only three banks (Banco Estado, BanDesarrollo and Banefe) offer specialized services to the microenterprise sector.<sup>78</sup> These banks constitute about 11 percent of the Chilean banking system. Banco Estado, a State-owned bank, has had some success in supporting women: from 1999 to 2003 the number of loans the bank made to women increased from 11,228 to 31,058, as did women's share of the total sums lent (in 1999 45.5 percent and in 2003 49.5 percent).<sup>79</sup>

3.37 Evidence suggests that about 50 percent of microfinancing is obtained by women (especially in the retail and crafts sectors). As in other countries, women are better at repaying than are men. For example, according to the *Superintendencia de Bancos* (Superintendent of Banks and Financial Institutions), just 1.6% of women's total debt is due, compared to 2.3% of men's debt.

3.38 Some countries have established guarantee programs to address the issue of the lack of women in the microenterprise sector. In Canada and the United States, a public entity, the Small Business Loan Administration, issues guarantees on loans to small businesses by private banks who select candidates to minimize the risk of default. In Spain, "mutual guarantee societies" have played a very important role, and their impact on small businesses productivity and growth has been documented.<sup>80</sup> Mutual guarantee societies are business networks that issue guarantees for their members using a collective fund. In addition to the guarantees function, these networks offer other benefits to members. Unfortunately, it is hard to determine the impact of mutual guarantee societies on female entrepreneurs<sup>81</sup> because women have less access to business networks. Expanding women's access to business networks is as important as expanding their access to technologies, technical capacity, and financial services (see Box 3.10).

### 3.39 Keys to successfully promoting women's entrepreneurship in Chile

- Structure interventions that lend themselves to successful implementation by NGOs in the development arena.
- Increase gender equality in access to information about business opportunities, networks, and credit.
- Expand access to financing for both male and female entrepreneurs in small businesses and microenterprises through a combination of the following: scaling up current programs, creating incentives for private banks to tap the small business market, and creating incentives for the entry of private microfinance providers.
- Expand access to business networks, business development services, and technology for women entrepreneurs. A key element for success is exploring new public-private partnerships, including local government, businesses, and civil society organizations.

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<sup>78</sup> Roman (2003) shows that coverage of microenterprises' debt increased from 32 percent in 1994 to 39 percent in 2000. This figure probably overestimates coverage according to Superintendencia de Bancos e Instituciones Financieras – Chile (SBIF), as informal microenterprises are not included in the universe of firms to calculate this coverage rate.

<sup>79</sup> Banco Estado has a good performance and is the mayor credit agency in the microfinance sector. However, there is international evidence (IDB 2005) that highlights the fact that public sector and international cooperation support which orients to funding subsidiaries for the microfinance development, is not a "good practice". It would be better if the public sector's role were just to provide favorable conditions for private microfinance institutions and Banks to develop specific products for the micro enterprise and small business market.

<sup>80</sup> Tolosa and Borrel (2005) and Garcia and Crespo (2005). For more information see <http://www.ipyme.org>.

<sup>81</sup> García and Crespo (2005).

## Strengthening the Capacity of the Public and Private Sectors to Promote Gender Equity

3.38 Chile has made progress in enhancing the capacity of the public sector, and to some extent the private sector, to promote gender equality through institutional mechanisms for gender mainstreaming. Yet, there is room to improve gender equality in labor market outcomes through further changes in regulation and strengthening partnerships with the private sector.

### Box 3.10 Women and Business Networks: More than Businesses

In many countries the entrepreneurial potential of women is evident, especially in the number of micro, small and medium-sized businesses they run. The challenge is how to harness the business potential of these individual entrepreneurs, and create programs that will enable their businesses to grow.

Although it is well known that access to financial services is important for business women's performance, it is also important to enhance and promote networking among businesswomen in order to increase efficiency and economies of scale. Institutions providing businesswomen networking fulfill specific needs, such as:

Countering sociocultural norms: Although this is not true in the Chilean case, in some countries cultural and social imperatives discourage women from mixing freely with men, especially men outside of their families. A business association for women makes sense in this case as it helps women to make connections and generate sales opportunities among themselves. Business organizations are often also a natural vehicle from which to lobby for a more business-friendly environment for women in general.

Formal connections and support: Participation in formal business organizations facilitates information sharing, helps members identify business opportunities, generates cross-referrals, and serves as a support mechanism for individual entrepreneurs who might otherwise feel isolated.

Best practice solutions for creating networks can be observed in places as different as the United States, Nepal, and South Africa. In the United States, the U.S. Women's Chamber of Commerce (USWCC), offers support to a new generation of leadership for women. In Nepal, the Women Entrepreneurs Association of Nepal (WEAN) realized the power of collective marketing, and has spun off a separate arm dedicated to marketing its members' products. Among the results obtained by this initiative are: (i) technical skills training by the business association results in a successful business idea, replicable among members; (ii) flexible and diverse production units formed by small groups of network members; (iii) uniform product standards set by WEAN Cooperative means better quality control; and (iv) scaled-up marketing and distribution of members' products.

Another interesting case is South Africa, where the government launched a women entrepreneurs' network called the South African Women Entrepreneurs Network (SAWEN). Among the results obtained by this initiative are: (i) the approximately 2,000 SAWEN members, mainly small and medium-sized businesses; (ii) the network brings the country's women entrepreneurs together; and (iii) business skills training programs, including information on how to access financing.

At the global level, a number of organizations link women entrepreneurs around the world, such as Business and Professional Women International (BPWI) and *Les Femmes Chef d'Enterprises Mondiale* (FCEM).

Sources: International Finance Corporation – World Bank Group – GEM program and U.S. Women Chamber of Commerce.



## Model for Certification in Gender Equality in the Workplace for Private Firms

3.39 Chile has started promoting best practices in gender equality in the workplace. For example, it has developed and implemented a code of best labor practices for nondiscrimination for the central administration of the government. Likewise, SERNAM is promoting a voluntary gender equity program featuring best labor practices for public and private firms. This initiative could be enriched by adopting some of the characteristics of a certification program recently carried out in Mexico with World Bank support (box 3.11).

### Box 3.11 Improving Gender Equality in the Workplace – Gender Equity Certification Model – Mexico

This program was implemented as part of the Gender Awareness Component of the Mexico Gender Equity Learning and Innovation Loan (LIL) Project implemented between 2001 and 2004. Twenty firms from the public and private sectors, as well as some NGOs, were certified in incorporating gender equity policies. The program comprises the following steps:

- a. *Definition:* Defining the principles and criteria to establish the “Gender Equity Seal”
- b. *Consultation and validation:* The final “seal” design was completed through a consultation process with firms and key actors in the economic, academic, cultural and political fields.
- c. *Selection of Certifiers:* An independent specialized certification firm was selected and trained to carry out the certification process.
- d. *Certification:* certification was carried out under a demand-driven model promoted through direct invitation to a wide range of firms in the public and private sectors, as well as to some NGOs. The process comprises the following stages:
  - i. Information and assessment of each participant
  - ii. Design and implementation of ad-hoc training to the participating firms
  - iii. Pre-certification exercise to allow for adjustments and improvements
  - iv. Certification of firms implementing gender equity policies

The following lessons learned resulted from an initial assessment of the certification model:

- Large firms are very interested and willingness to participate in the project and engage in the process.
- For international firms, this was a way to adapt “affirmative actions” to Mexico’s conditions.
- Local firms were motivated to improve the work environment.
- The fact that the certification was carried out on a voluntary basis and was separated from labor rights proved an advantage.
- Positive outcomes include the formation of women’s networks and exchange groups among some firms to continue the learning process.

Source: World Bank (2006), Mexico’s *Generosidad* Project Completion Report

## Contributing to the Debate: Options to Improve Labor Legislation to Increase Women’s Participation and Improve Gender Equity in the Job Market

3.40 Chile’s labor legislation has been the subject of much debate and research. Chilean legislation has evolved towards more flexible arrangements and special regimes for some groups of workers in an attempt by policymakers to reconcile the need to protect workers with the

flexibility needed for an open and growing economy.<sup>82</sup> In spite of recent reforms and tripartite agreements, some practices may still have a negative impact on employment, especially for women.<sup>83</sup>

3.41 More research and systematic impact evaluations are needed to understand the impact that adjustments to existing regulations that are part of labor legislation have on employment and income for women and men, whether the changes affect men and women differently, and whether they could contribute to the creation of a more level playing field for men and women in the job market. With this in mind, the following paragraphs present policy options for different types of labor regulations in Chile that may have a differentiated impact on men and women workers, including regulations on maternity protection, work week and schedules.

3.42 Chile had one of the most regulated workweeks in Latin America and the Caribbean. Nonetheless, various changes have been made to the standards concerning the workday, including part-time options. While these are seldom applied, they are frequently used to hire women (Box 3.12).

3.43 Progress was made in 2001 with reform of the Work Code. Annex 3.2 summarizes current regulations and elements of the workday that could be incorporated to facilitate participation by workers with family responsibilities—whether men or women—in the work force. Specifically, so that both workers and employers can better exercise their parental rights, options related to distribution of the workday and establishment of limits at lunch need to be considered. The most frequent advances in developed countries in this regard are flexible or reduced hours, compressed work weeks, a time bank, telecommuting, and job sharing. The addition of parental rights to the legislation can be particularly valuable in reconciling work life with family obligations, especially for those who care for small children, older adults, the handicapped, or the sick.

3.44 In order to minimize the negative effects of maternity leave regulations on women's earnings and employment, most countries in LAC, including Chile, finance the cost of maternity leave through their social security systems. The principle behind this financing mechanism is that maternity leave is a public good benefiting society as a whole.<sup>84</sup> Even when social security pays for the direct costs of maternity leave, however, employers say there are indirect costs that they bear, such as the cost of replacing the worker on maternity leave during her absence. There is little empirical evidence on this subject, so further research would be important.

3.45 In Chile legislation is strict regarding the length of time a woman has prior to and after maternity and regarding the salary-related benefits she receives. Legislations specify the duration of leave, percentage of earnings received, and financing mechanisms. According to the Executive Opinion Survey conducted by the World Economic Forum in 2006, which captures the perceptions of business leaders worldwide, Chile ranks near the bottom of the list (101<sup>st</sup> among 104 countries) regarding the impact of maternity laws on the hiring of women. That is, business people in Chile perceive maternity laws as a hindrance to hiring women. But research refutes in

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<sup>82</sup> For a detailed description of Chile's labor market regulation during the period 1975-2000 see Mizala and Romaguera (2001).

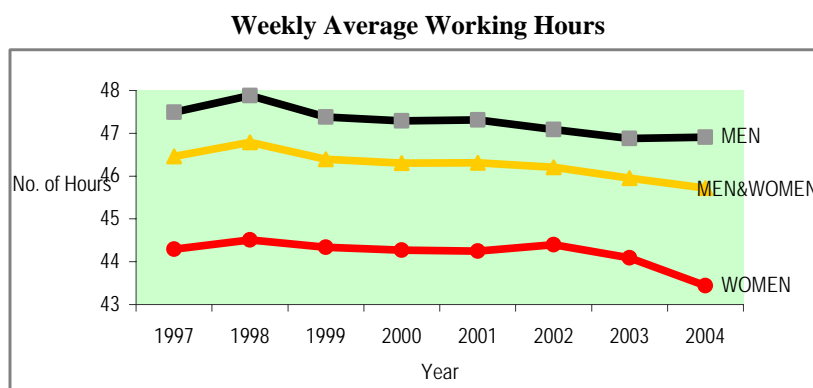
<sup>83</sup> Montenegro and Pagés (2003) analyzed the impact of different labor regulations on employment from 1960 to 1998, concluding that the provisions related to job security and minimum wage reduce employment rates for youth and low-skill workers, especially women.

<sup>84</sup> In the Swedish system the cost of maternity leave is paid entirely by the State following this principle. Arguably, this system may be too costly for Chile.

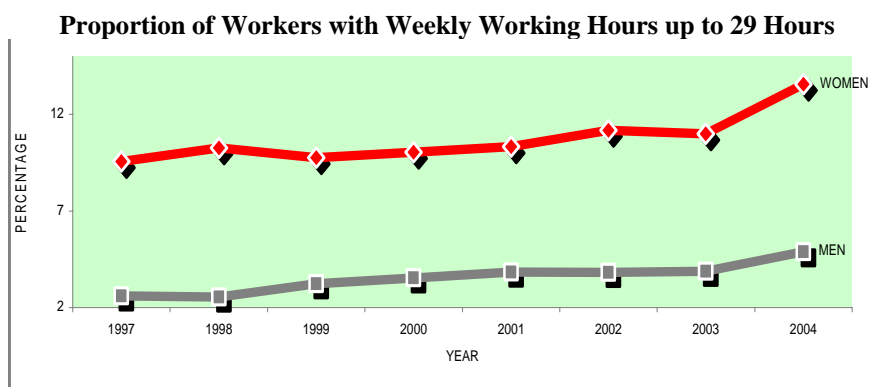
part or in whole that perception, showing that supposed maternity-related costs are not really greater.<sup>85</sup>

### Box 3.12: Length of the workday: How to increase gender equity?

The average number of hours in the work week has decreased in recent years thanks to reforms that reduced the maximum allowable work week to 45 hours. In 2004 almost one million people worked more than 48 hours per week (16 percent of men and 13 percent of women). Almost half of them (491,777) worked more than 60 hours, and 142,000 of those workers were women. While that total figure grew by 2005, the number of women declined by 10,000.



In the three sections of shortest work days (up to 34 hours), the number of women was greater than that of men (59 percent women) in 2004, decreasing in 2005 to 56 percent as the total number of workers with this length of work day also decreased (from 670,000 to about 620,000).



The Work Code recognizes part-time work as being no more than 30 hours per week. These workers enjoy the same rights as full-time workers. However, only 8 percent of employees work part-time—5 percent of men and 14 percent of women. By comparison, in the US 15 percent of the population works part-time and in Holland that figure is 33 percent.

Among the reasons for this low participation are the associated costs as well as cultural and regulatory factors. For example, for many workers the cost of transportation (in time and money) is the same for a

<sup>85</sup> A World Bank report from 2003 concludes that maternity leaves of up to 3 months have no effect on salaries, while longer leaves have a negative impact and maternity benefits increase women's unemployment and working hours. Based on abundant empirical evidence from 5 countries, including Chile, Abramo and Todaro (2002) question the myth that hiring women costs companies more.

partial day as for a complete day, so the opportunity cost is too high, particularly for women. This cost can decrease with the introduction of better transportation systems and child care.

Sources: INE Employment Surveys. Developed based on study by Helia Henriquez (2006). Leiva, Sandra (2000), Labor Office (2004) and SERNAM (2005).

3.46 Most countries in LAC allow women workers to decide how to use their maternity leave. European countries generally have very generous maternity protection, but it is more flexible and less tied to women workers than in Latin America. For example, in Finland and Sweden both parents can share the maternity leave, serving as an incentive to break the rigidity of gender roles. In Italy and Spain mothers can extend their leave by taking a proportional reduction in the wage they receive over the longer leave. Comparing Chile's maternity leave legislation with that of most European countries, one can see that it is not excessively protective (see box 3.13).

**Box 3.13: Maternity Benefits in Latin America and Europe, 2004**

	Group	Country	Weeks of maternity leave	Wage Benefits (%)	Who pays
Latin America	Group I: High Benefits	Cuba	52	100	SS
		<b>Chile</b>	<b>18</b>	<b>100 with limit</b>	<b>SS</b>
		Venezuela	18	100	SS
		Brazil, Costa Rica	17	100	50% employer 50% SS
	Group II: Medium Benefits	Argentina, Peru, Colombia, Mexico, Uruguay	12	100	SS
		Bolivia	12	100 of min. wage + 75 of the difference	SS
	Group III: Low Benefits	El Salvador	12	75	SS
		Nicaragua	12	60	SS
		Paraguay	12	50 for 9 weeks	SS
		Honduras	10	100	67% SS, 33% employer
		Bahamas	8	100	40% SS, 60% employer
Europe	Group I: High Benefits	Sweden	64	80 for 360 days then fixed amount	SS
		Slovakia	28	90 with limit	SS
		Bulgaria	16-26	100	SS
		France	16-26	84	SS
		Hungary	24	100	SS
		Finland, Italy	22	80	SS
		Russia	20	100	SS
	Group II: Medium Benefits	Denmark, Norway, Ukraine	18	100	SS
		Poland	16-18	100	SS
		United Kingdom	14-18	90 for 6 weeks then fixed amount	SS
		Spain, Austria, Netherlands	16	80-100	SS
	Group III: Low Benefits	Germany, Portugal	14	100	SS. In Germany upper limit is the average salary; the employer covers the difference.

		Ireland	14	70 with limited or fixed amount if salary is below min. wage	SS
		Israel	12	80	SS
		Iceland	9	Fixed amount	SS
		Switzerland	8	100	Employer

Source: Acosta, Peticara and Ramos (2005). Note: SS = Social Security System.

3.47 Chile's childcare legislation constitutes an unintended discriminatory mechanism against the employment of women. Firms with more than 20 female workers are required to provide a childcare center for their working mothers or to subsidize their costs. By linking the benefit of childcare to the number of women workers, firms have an incentive to limit the number of women they employ to avoid the extra costs. Studies on this issue in Chile have documented a significant number of firms with 19 female workers. Regardless of the direction that changes in childcare legislation take, any regulation on the role of the private sector in childcare should be gender neutral, requiring firms to offer the benefits to all workers, both female and male. Childcare is the responsibility of both parents, and legislation must recognize this.

3.48 Chile is one of the few countries in LAC that provides a child illness leave benefit in its labor regulation (see annex 3.2). This leave is an important benefit that allows women to care for the needs of small children. Nevertheless, because of the current wording of the regulation and cultural practices, it could have a negative effect on women's employment prospects. By offering the benefit to mothers, and only in exceptional circumstances to fathers (or through permission of the mothers), it becomes an additional indirect cost of employing women vs. men. Furthermore, current regulation does not recognize fathers as having an equal level of responsibility as care providers for their children. Policy options to assuage potential negative effects on women's employment and earnings include offering these benefits to all workers, regardless of gender. That way the needs and rights of mothers and fathers as care provider are recognized and couples can decide who will take care of a sick child.

3.49 In each of these areas, it is important that measures proposed to increase women's participation—whether flexible work schedules or incentives—pay attention to the structural causes and aim to make the costs more gender-neutral in the long term. In addition, it's necessary to pay attention to potential disincentives that are created when a protective measure unintentionally reinforces the traditional gender-based division of labor.

### **Key Elements for Success in Improving Labor Regulations To Support Gender Equality in Chile**

- Promote potential productivity gains from anti-discrimination practices.
- Study the potential effect of changes in regulation on labor costs for male and female workers. Aim to reduce or keep constant indirect hiring costs for female employees.
- Promote fact-based fine-tuning of specific changes to regulation using information from existing and new opinion polls and qualitative studies on the needs of working women.

- Allow for different regulations and standards by occupation and sector.
- Conduct systematic impact evaluations of recent legislation changes. For example, evaluate changes to [legislation regarding] the work day schedule, subcontracting, sexual harassment in the workplace, etc.
- Chile's favorable economic and political environment, as well as its solid mechanism for gender mainstreaming in the public sector, provide a unique opportunity to achieve substantial improvements in gender equality in the labor markets in the short and medium term. Gender equality in the labor market can be instrumental to Chile's sustained growth and progress toward a more equitable society.

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- Flores, Raquel. Education Sector Expert, Servicio Nacional de La Mujer. Interview.
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Rojas, María Luisa. Departament for Statistical Studies. Servicio Nacional de La Mujer (SERNAM). Interview.

***Other Resources: Web Pages and Videos***

Best Labor Practices for Equal Opportunities Contest: <http://buenaspracticas.sernam.cl>

National Health Fund: <http://www.fonasa.cl>

Effects of rural electrification on the locality of Pallaco, commune of Tirúa, VIII Region with a gender focus; field study, National Energy Commission, United Nations Development Programme (UNDP), SERNAM 2004. Video.

III Contest for Best Labor Practices for Gender Equity, Servicio Nacional de la Mujer (SERNAM), 2005. Video.

Government of Chile: <http://www.gobiernodechile.cl>

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Chile Solidario : [www.chilesolidario.gov.cl/publico/documentos.php](http://www.chilesolidario.gov.cl/publico/documentos.php)

## ANNEXES

### Annex 1.1 Female Labor Force Participation by Income Quintile

Quintile	I	II	III	IV	V	Total
<b>1990</b>	17.9	24.4	31.6	38.5	46.4	31.3
<b>2000</b>	25.7	33.2	38.6	46.5	52.2	38.6
<b>2003</b>	26.3	36.6	42.3	49.6	56.6	41.6

Source: CASEN 1990, 2000 and 2003

### Annex 1.2 Profile of Women not Participating in the Work Force, 25 - 55 age group

#### National

Characteristics	Per capita Income Quintiles				
	1	2	3	4	5
Place of residence					
<i>Rural</i>	24%	20%	16%	11%	8%
<i>Urban</i>	76%	80%	84%	89%	92%
Age	37.9	39.1	40.2	40.7	40.8
Years of education	8.3	9.1	9.7	10.8	12.5
Marital status					
<i>Married</i>	81%	84%	83%	85%	82%
<i>Single</i>	11%	11%	10%	11%	14%
Children					
<i># of children less than 18 years old</i>	2.1	1.6	1.3	1.2	1.1
<i># of children less than 2 years old</i>	0.2	0.2	0.1	0.1	0.1
<i># of children &gt; 3 and &lt; 6 years old</i>	0.3	0.2	0.2	0.1	0.1
<i># of children &gt; 6 and &lt; 18 years old</i>	1.6	1.3	1.0	0.9	0.9

#### Rural

Caracteristicas	Per capita Income Quintiles				
	1	2	3	4	5
Age	38.3	38.9	41.3	42.1	40.5
Years of education	6.7	7.2	7.1	7.8	10.1
Marital status					
<i>Married</i>	81%	82%	80%	84%	82%
<i>Single</i>	14%	14%	16%	13%	15%
Children					
<i># of children less than 18 years old</i>	2.1	1.6	1.1	0.9	1.2
<i># of children less than 2 years old</i>	0.2	0.1	0.1	0.1	0.1
<i># of children &gt; 3 and &lt; 6 years old</i>	0.3	0.2	0.1	0.1	0.1
<i># of children &gt; 6 and &lt; 18 years old</i>	1.6	1.2	0.9	0.7	0.9



Urban

Characteristics	Per capita Income Quintiles				
	1	2	3	4	5
Age	37.8	39.1	39.9	40.5	40.8
Years of education	8.9	9.6	10.2	11.1	12.7
Marital status					
<i>Married</i>	81%	84%	84%	86%	82%
<i>Single</i>	10%	10%	9%	10%	13%
Children					
<i># of children less than 18 years old</i>	2.1	1.7	1.4	1.2	1.1
<i># of children less than 2 years old</i>	0.3	0.2	0.1	0.1	0.1
<i># of children &gt; 3 and &lt; 6 years old</i>	0.3	0.2	0.2	0.2	0.1
<i># of children &gt; 6 and &lt; 18 years old</i>	1.6	1.3	1.0	1.0	0.9

What were you doing in November of 2000?

	Rural	Urbano	Total	Rural	Urbano	Total
Working	8.8	91.2	100.0	4.31	9.93	8.91
Looking for a job	9.6	90.4	100.0	0.44	0.91	0.83
Studying	10.6	89.4	100.0	2.36	4.43	4.05
Household work	19.9	80.1	100.0	89.25	80.37	81.99
Retired	16.9	83.1	100.0	0.80	0.88	0.87
Other	18.4	81.6	100.0	2.26	2.23	2.24
Total	18.3	81.7	100.0	100.00	100.00	100.00

What were you doing in November of 2000?

	Per capita Income Quintiles				
	1	2	3	4	5
Working	9%	9%	8%	9%	9%
Looking for a job	1%	0%	1%	1%	1%
Studying	2%	3%	3%	5%	12%
Household work	84%	84%	83%	81%	74%
Retired	1%	1%	1%	1%	1%
Other	2%	2%	3%	2%	2%
Total	100%	100%	100%	100%	100%

Source: CASEN 2003.

### Annex 1.3 Small Enterprise Managers in Chile

Occupations	Code	Female		Male		Average Hourly Wage		Wage Gap (H/M)
		N	%	N	%	Female	Male	
Managers of small enterprises in agriculture, hunting, forestry and fishing	1311	2,129	1.4%	15,343	7.7%	7,317	5,898	0.8
Managers of small manufacturing enterprises	1312	3,974	2.7%	13,919	7.0%	5,952	13,440	2.3
Managers of small construction enterprises	1313	1,340	0.9%	9,982	5.0%	6,972	12,098	1.7
Managers of small enterprises in wholesale and retail sales	1314	120,835	81.7%	112,836	56.6%	2,353	4,869	2.1
Managers of small restaurants and hotels enterprises	1315	8,049	5.4%	5,729	2.9%	2,969	4,073	1.4
Managers of small enterprises in transport, storage and communications	1316	3,057	2.1%	19,316	9.7%	7,008	8,748	1.2
Managers of small business services enterprises	1317	3,725	2.5%	16,020	8.0%	8,585	12,947	1.5
Managers of small enterprises in personal care, cleaning and related services	1318	1,946	1.3%	1,002	0.5%	5,218	7,177	1.4
Managers of small enterprises not elsewhere classified	1319	2,897	2.0%	5,151	2.6%	11,451	7,883	0.7
Total		147,952		199,298				

Source: Own calculations based on CASEN 2003.

### Annex 1.4 Distribution of Workers by Occupational Category and of Employers by Firm Size

#### Distribution of Workers by Occupational Category

Occupational Category	Women			Men			Total
	N	% col	% row	N	% col	% row	
Employer/ owner	59,898	2.9%	27.6%	156,865	4.6%	72.4%	216,763
Self-employed	349,233	17.2%	31.7%	752,267	22.1%	68.3%	1,101,500
Public Sector	286,611	14.1%	53.9%	245,518	7.2%	46.1%	532,129
Private Sector	990,820	48.7%	30.6%	2,241,922	65.8%	69.4%	3,232,742
Domestic Service	346,863	17.1%	97.7%	8,045	0.2%	2.3%	354,908
Total	2,033,425			3,404,617			

#### Distribution of Employers by Firm Size

Firm Size	Women			Men			Total
	N	% col	% row	N	% col	% row	
Microenterprise	45,011	75.1	27.4	119,136	75.9	72.6	164,147
Small	7,743	12.9	20.7	29,621	18.9	79.3	37,365
Medium	6,390	10.7	54.3	5,389	3.4	45.7	11,779
Large	753	1.3	21.7	2,719	1.7	78.3	3,473
Total	59,898	100		156,865	100		

Source: Own elaboration based on CASEN 2003 data.

**Annex 2.1 Female Labor Force Participation in Urban and Rural Areas (15 years old +)**

<b>Country</b>	<b>Urban</b>	<b>Rural</b>	<b>Year</b>
Peru	54.9	73.3	2003
Bolivia	57.2	70.2	2002
Brazil	55.1	61.1	2003
Ecuador	54.2	60.1	2004
Paraguay	56.7	48.4	2002
Colombia	57.0	44.3	2002
Dominican Republic	56.4	43.9	2004
Mexico	47.1	36.6	2004
Nicaragua	52.0	36.3	2001
Panama	51.4	36.1	2004
El Salvador	50.9	32.2	2004
Costa Rica	44.6	31.9	2004
Honduras	50.2	29.0	2003
Chile	44.6	24.8	2003

Source: CEPAL, Unidad Mujer y Desarrollo.

Note: Based on household surveys tabulations.

## Annex 2.2 Main Results of Fixed Effects Growth Regressions

<i>Dependent variable: GDP per capita growth</i>						
	(1)	(2)	(3)	(4)	(5)	(6)
Initial GDP per capita	-2.368*** (0.587)	-.401*** (0.588)	-.396*** (0.546)	-2.558*** (0.587)	-2.591*** (0.589)	-2.540*** (0.540)
Investment	0.097*** (0.026)	0.098*** (0.026)	0.099*** (0.027)	0.099*** (0.026)	0.099*** (0.026)	0.100*** (0.028)
Population Growth	-0.440 (0.319)	-0.246 (0.287)	-0.261 (0.279)	-0.519 (0.337)	-0.333 (0.288)	-0.341 (0.282)
Openness	0.001 (0.005)	-0.000 (0.005)	0.000 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.000 (0.005)
Labor Force Growth	0.266 (0.252)			0.255 (0.264)		
Female Labor Force Participation	0.071* (0.037)	0.062* (0.035)	0.053 (0.033)			
Total Labor Force Participation Rate				-0.155* (0.083)	-0.173** (0.081)	-0.147* (0.077)
Ratio of Female to Male Labor Force Participation				9.141*** (3.389)	9.186*** (3.388)	7.463** (3.075)
Total Years of Education	-0.078 (0.157)	-0.048 (0.155)		-0.110 (0.156)	-0.076 (0.155)	
Female to Male Years of Education	1.465 (1.524)	1.477 (1.540)		2.217 (1.598)	2.173 (1.608)	
Dummy 1960s	0.635 (0.559)	0.479 (0.515)	0.371 (0.504)	1.069* (0.633)	0.953 (0.604)	0.717 (0.582)
Dummy 1970s	0.422 (0.398)	0.406 (0.397)	0.297 (0.357)	0.773* (0.467)	0.774* (0.465)	0.554 (0.411)
Dummy 1980s	-0.341 (0.275)	-0.355 (0.275)	-0.414* (0.251)	-0.115 (0.312)	-0.120 (0.310)	-0.247 (0.277)
Observations	353	353	353	353	353	353
Number of countries	89	89	89	89	89	89
R <sup>2</sup> (within)	0.31	0.30	0.30	0.31	0.31	0.30

Note: Robust standard errors in parentheses. \* indicates significance at 90 percent level; \*\* indicates significance at 95 percent level; \*\*\* indicates significance at 99 percent level.

## Robustness

Dependent variable: GDP per capita growth					
	(1)	(2)	(3)	(4)	(5)
Initial GDP per capita	-2.41*** (0.581)	-2.45*** (0.581)	-2.44*** (0.539)	-2.35*** (0.576)	-2.49*** (0.579)
Investment	0.095*** (0.026)	0.095*** (0.026)	0.096*** (0.027)	0.099*** (0.028)	0.099*** (0.028)
Openness	0.000 (0.005)	-0.000 (0.005)	0.000 (0.005)	0.000 (0.005)	-0.000 (0.005)
Population Growth	-0.351 (0.335)	-0.210 (0.287)	-0.226 (0.279)	-0.284 (0.291)	-0.355 (0.292)
Labor Force Growth	0.178 (0.272)				
Initial Total Labor Force Participation	-0.044 (0.056)	-0.064 (0.052)	-0.064 (0.052)		
Female Labor Force Participation	0.107* (0.061)	0.119* (0.062)	0.111* (0.061)	0.050 (0.035)	
Total Economic Activity Rate					-0.143* (0.079)
Ratio of Female to Male Activity					7.189** (3.311)
Total Years of Education in Population over 25	-0.064 (0.158)	-0.042 (0.157)			
Female to Male Years of Education in Population over 25	1.474 (1.528)	1.483 (1.532)			
Total Years of Education in Population over 15				-0.047 (0.139)	-0.042 (0.139)
Female to Male Years of Education in Population over 25				-0.673 (1.348)	-0.386 (1.382)
Dummy 1960s	0.839 (0.637)	0.850 (0.639)	0.731 (0.614)	0.199 (0.527)	0.582 (0.628)
Dummy 1970s	0.577 (0.460)	0.640 (0.456)	0.522 (0.412)	0.159 (0.414)	0.445 (0.488)
Dummy 1980s	-0.278 (0.289)	-0.256 (0.289)	-0.320 (0.262)	-0.480* (0.273)	-0.301 (0.309)
Observations	353	353	353	353	353
Number of countries	89	89	89	89	89
R <sup>2</sup> (within)	0.31	0.31	0.30	0.30	0.30

Notes: Robust standard errors in parentheses. \* indicates significance at 90 percent level; \*\* indicates significance at 95 percent level; \*\*\* indicates significance at 99 percent level.

### Annex 2.3 Impact of Gender Inequalities in Labor Force Participation and in Education on Economic Growth

	1960s	1970s	1980s	1990s
<b>Chile vs. Latin America</b>				
<i>Yearly GDP per capita growth difference</i>	-0.21	-1.25	1.11	2.69
Contribution from gender gap in labor force	[-0.26, -0.05]	[-0.78, -0.24]	[-0.74, -0.20]	[-0.70, -0.20]
Contribution from gender gap in education	[0.14, 0.21]	[0.16, 0.23]	[0.10, 0.15]	[0.08, 0.12]
<b>Chile vs. Upper Middle Income</b>				
<i>Yearly GDP per capita growth difference</i>	-0.81	-1.92	-0.15	2.70
Contribution from gender gap in labor force	[-1.63, -0.52]	[-2.23, -0.69]	[-2.05, -0.58]	[-1.71, -0.46]
Contribution from gender gap in education	[0.17, 0.25]	[0.15, 0.22]	[0.14, 0.21]	[0.11, 0.16]
<b>Chile vs. OECD</b>				
<i>Yearly GDP per capita growth difference</i>	-1.66	-1.54	-0.88	2.74
Contribution from gender gap in labor force	[-1.11, -0.34]	[-1.90, -0.61]	[-2.40, -0.67]	[-2.71, -0.67]
Contribution from gender gap in education	[0.04, 0.06]	[0.10, 0.14]	[0.12, 0.18]	[0.14, 0.21]

All figures are in percentage points. Figures in square brackets give upper and lower bounds on the estimated effects from the gender gaps in employment and education.

	1960s	1970s	1980s	1990s
<b>Ireland</b>				
<i>Yearly GDPpc growth difference</i>	-1.25	-2.22	-1.42	-0.87
Gender gap in labor force	[-0.44, -0.12]	[-0.64, -0.24]	[-0.30, -0.11]	[-0.32, -0.10]
Gender gap in education	[-0.31, -0.21]	[-0.20, -0.14]	[-0.12, -0.08]	[-0.04, -0.03]
<b>New Zealand</b>				
<i>Yearly GDPpc growth difference</i>	0.26	0.49	-0.26	3.22
Gender gap in labor force	[-0.44, -0.10]	[-1.23, -0.43]	[-1.69, -0.50]	[-3.11, -0.81]
Gender gap in education	[-0.12, -0.08]	[-0.03, -0.02]	[-0.014, -0.01]	[0.08, 0.12]
<b>Sweden</b>				
<i>Yearly GDPpc growth difference</i>	-1.15	-0.38	-0.76	3.49
Gender gap in labor force	[-1.31, -0.37]	[-2.91, -0.83]	[-4.44, -1.09]	[-4.98, -1.10]
Gender gap in education	[-0.09, -0.06]	[0.01, 0.02]	[0.01, 0.02]	[0.02, 0.03]
<b>Uruguay</b>				
<i>Yearly GDPpc growth difference</i>	2.07	-1.37	2.06	1.45
Gender gap in labor force	[-0.26, -0.04]	[-0.81, -0.24]	[-0.94, -0.28]	[1.96, -0.58]
Gender gap in education	[0.25, -0.17]	[-0.24, -0.16]	[-0.16, -0.11]	[-0.17, -0.12]

All figures are in percentage points. Figures in square brackets give upper and lower bounds on the estimated effects from the gender gaps in employment and education.

## Annex 2.4 Simulation Methodology

Following the work of Ganuza, Paes de Barros and Vos (2002) and Ganuza, Morley, Robinson and Vos (2004), we focus on analyzing labor markets with our simulations.

The Ganuza-Barros-Vos approach introduces a number of important assumptions about the labor market. First, for lack of a full model of the labor market, a randomized process is applied to simulate the effects of changes in the labor market structure.

Random numbers are used to determine which working age people would change their labor force status and who would change occupational category, which employees would obtain a different level of education, and how new average incomes are assigned to individuals in the sample. Hence, the assumption is that, on average, the effect of the random changes correctly reflects the effect of actual changes in the labor market. Because of the introduction of a process of random assignation, the microsimulations were repeated many times in Monte Carlo fashion. This allows construction of 95% confidence intervals for the indices of inequality and poverty. However, this was not the case for simulations of the effect of change in the structure or level of pay, since those simulations do not use random numbers. In each simulation, the incidence, depth and severity of poverty and the Gini and Theil coefficients of the distribution of per-capita and primary income were calculated.

## Simulation Results

### Descriptive Statistics from CASEN 2003

Variable	Total	Urban	Rural
Gini of labor incomes (per worker)	0.54	0.54	0.48
Theil of labor incomes (per worker)	0.69	0.68	0.60
CV of labor incomes (per worker)	2.65	2.58	2.35
Gini of per capita household incomes	0.55	0.54	0.51
Theil of per capita household incomes	0.65	0.64	0.61
CV of per capita household incomes	2.24	2.12	3.29
Poverty incidence	0.19	0.18	0.20
Poverty gap	0.06	0.06	0.06
Poverty severity	0.03	0.03	0.03
Extreme Poverty incidence	0.04	0.04	0.06
Extreme Poverty gap	0.02	0.01	0.02
Extreme Poverty severity	0.01	0.01	0.01
Mean labor income	313038.30	330730.70	174405.00
Mean per capita income	150520.90	160515.90	86173.71

### Simulation I – Female Labor Force Participation Change

Variable	Total	Urban	Rural	Percentage Change		
				Total	Urban	Rural
Gini of labor incomes (per worker)	0.54	0.54	0.49	-0.48	-0.39	1.79
Theil of labor incomes (per	0.67	0.66	0.59	-2.72	-2.50	-1.03

worker)						
CV of labor incomes (per worker)	2.49	2.44	2.10	-6.19	-5.62	-10.80
Gini of per capita household incomes	0.54	0.53	0.50	-2.13	-2.10	-0.79
Theil of per capita household incomes	0.60	0.59	0.57	-7.58	-7.52	-6.50
CV of per capita household incomes	1.88	1.78	2.69	-16.40	-16.20	-18.15
Poverty incidence	0.16	0.15	0.16	-16.25	-15.58	-20.18
Poverty gap	0.05	0.05	0.05	-18.00	-17.47	-21.30
Poverty severity	0.02	0.02	0.02	-18.59	-18.14	-21.38
Extreme Poverty incidence	0.04	0.03	0.05	-19.83	-19.38	-21.89
Extreme Poverty gap	0.01	0.01	0.02	-18.87	-18.37	-21.26
Extreme Poverty severity	0.01	0.01	0.01	-18.10	-17.63	-20.61
Mean labor income	313090	329845	185549	0.02	-0.27	6.39
Mean per capita income	163077	173255	97553	8.34	7.94	13.21

### Simulation I (Confidence Interval) - Female Labor Participation Change

Variable	Mean	Std. Err.	95% Confidence Interval	
Gini of labor incomes (per worker)	0.54	0.0001	0.54	0.54
Theil of labor incomes (per worker)	0.67	0.0003	0.67	0.67
CV of labor incomes (per worker)	2.49	0.0020	2.48	2.49
Gini of per capita household incomes	0.54	0.0001	0.53	0.54
Theil of per capita household incomes	0.60	0.0004	0.60	0.60
CV of per capita household incomes	1.88	0.0035	1.87	1.88
Poverty incidence	0.16	0.0002	0.15	0.16
Poverty gap	0.05	0.0001	0.05	0.05
Poverty severity	0.02	0.0000	0.02	0.02
Extreme Poverty incidence	0.04	0.0001	0.04	0.04
Extreme Poverty gap	0.01	0.0000	0.01	0.01
Extreme Poverty severity	0.01	0.0000	0.01	0.01
Mean labor income	313090.20	8.4013	313073.00	313107.40
Mean per capita income	163077.00	6.4611	163063.80	163090.20
<b>Urban</b>				
Gini of labor incomes (per worker)	0.54	0.0001	0.54	0.54
Theil of labor incomes (per worker)	0.66	0.0003	0.66	0.66
CV of labor incomes (per worker)	2.44	0.0020	2.43	2.44
Gini of per capita household incomes	0.53	0.0001	0.53	0.53
Theil of per capita household incomes	0.59	0.0004	0.59	0.59
CV of per capita household incomes	1.78	0.0036	1.77	1.78
Poverty incidence	0.15	0.0002	0.15	0.16
Poverty gap	0.05	0.0001	0.05	0.05
Poverty severity	0.02	0.0001	0.02	0.02
Extreme Poverty incidence	0.03	0.0001	0.03	0.03
Extreme Poverty gap	0.01	0.0000	0.01	0.01
Extreme Poverty severity	0.01	0.0000	0.01	0.01
Mean labor income	329845.20	32.5205	329778.70	329911.80
Mean per capita income	173255.90	14.9394	173225.40	173286.50



<b>Rural</b>				
Gini of labor incomes (per worker)	0.49	0.0005	0.49	0.49
Theil of labor incomes (per worker)	0.59	0.0012	0.59	0.59
CV of labor incomes (per worker)	2.10	0.0046	2.09	2.11
Gini of per capita household incomes	0.50	0.0003	0.50	0.50
Theil of per capita household incomes	0.57	0.0008	0.57	0.58
CV of per capita household incomes	2.69	0.0049	2.68	2.70
Poverty incidence	0.16	0.0004	0.16	0.16
Poverty gap	0.05	0.0001	0.05	0.05
Poverty severity	0.02	0.0001	0.02	0.02
Extreme Poverty incidence	0.05	0.0002	0.05	0.05
Extreme Poverty gap	0.02	0.0001	0.02	0.02
Extreme Poverty severity	0.01	0.0000	0.01	0.01
Mean labor income	185549.50	234.4864	185069.90	186029.00
Mean per capita income	97553.39	94.2467	97360.63	97746.14

### Simulation II – Gender Wage Gap Change

Variable	Total	Urban	Rural	Percentage Change		
				Total	Urban	Rural
Gini of labor incomes (per worker)	0.53	0.53	0.47	-2.47	-2.55	-2.68
Theil of labor incomes (per worker)	0.66	0.65	0.57	-4.14	-4.21	-4.28
CV of labor incomes (per worker)	2.54	2.47	2.24	-4.41	-4.40	-4.81
Gini of per capita household incomes	0.54	0.54	0.50	-0.84	-0.91	-0.48
Theil of per capita household incomes	0.64	0.62	0.61	-1.90	-2.00	-1.44
CV of per capita household incomes	2.18	2.06	3.20	-2.95	-2.99	-2.74
Poverty incidence	0.18	0.17	0.19	-4.85	-5.19	-2.87
Poverty gap	0.06	0.06	0.06	-6.40	-6.84	-3.67
Poverty severity	0.03	0.03	0.03	-6.89	-7.33	-4.12
Extreme Poverty incidence	0.04	0.04	0.06	-7.61	-8.35	-4.27
Extreme Poverty gap	0.01	0.01	0.02	-7.22	-7.87	-4.09
Extreme Poverty severity	0.01	0.01	0.01	-6.55	-6.97	-4.34
Mean labor income	319884	337910	178629	2.19	2.17	2.42
Mean per capita income	153057	163241	87491	1.68	1.70	1.53

### Simulation III – Labor Market Participation and Unemployment Rate Change by Age group and Gender

	Total	Percentage change
Gini of labour incomes (per worker)	0.55	0.61
Theil of labour incomes (per worker)	0.72	4.42
CV of labour incomes (per worker)	3.16	19.10
Gini of per capita household incomes	0.52	-5.05
Theil of per capita household incomes	0.59	-9.94
CV of per capita household incomes	1.89	-15.88
Poverty incidence	0.11	-40.52
Poverty gap	0.05	-24.02
Poverty severity	0.03	-3.48
Moderate Poverty incidence	0.07	-52.38

Moderate Poverty gap	0.01	-54.64
Moderate Poverty severity	0.00	-55.27
Extreme Poverty incidence	0.04	-3.34
Extreme Poverty gap	0.02	39.70
Extreme Poverty severity	0.01	70.09
Mean labour income	209446.50	-33.09
Mean per capita income	172541.80	14.63

## **Annex 3.1 Gender Mainstreaming in Public Policy and Institutions: Chile's Model**

### ***1. Institutional Framework for Gender Equality in Chile***

In the last 15 years, Chile has made remarkable progress developing public institutions, policies, and mechanisms for the promotion of women and gender equality. Today Chile enjoys one of the most developed institutional frameworks for gender equality in Latin America, placing it well to serve as a model for other middle income countries. This document describes Chile's institutional framework for gender equality so that it might serve as a guide to other countries. Therefore it describes the Chilean model for integrating a gender perspective in the public sector and policies, analyzes the factors that have influenced the model's development, and identifies future challenges in order to perfect the model. The final part of the report emphasizes the institutions and measures that have been used to foster gender equality in the labor sector.

**Chile's institutional framework for gender equality is the outcome of a dynamic process shaped by different factors over time.** Following the creation of SERNAM during the democratic transition, the initial stage of development of the model was guided by the first Equal Opportunities Plan (1994-1999), which established the overall strategy for gender equality nationwide. At the same time, parallel institutions, such as regional councils and technical committees were created and piloted for implementing the plan in a decentralized fashion. During the time of the Second Equal Opportunities Plan (2000-2010), the system matured. The government commitment to gender equality facilitated rapid change at the institutional level through the creation of bodies such as the Cabinet for Gender Equality and the adoption of the Ministerial Agreements to link overarching gender goals to specific sector targets. With a decade of experience and favorable national and international environments, a strengthened SERNAM led the expansion of the work to integrate gender in the rest of the public sector and strategically linked gender mainstreaming to the overall process of reform of the Chilean public sector. Figure 1 depicts the framework for gender equality. This section analyzes the roles of the different institutions and mechanisms in the model.

#### ***Servicio Nacional de la Mujer (National Service for Women, SERNAM)***

**SERNAM is the cornerstone of Chile's institutional framework for gender equality.** Since its creation in 1991, SERNAM is the government body responsible for ensuring that the public sector takes women's interests into consideration during the process of planning and budgeting as well as design, implementation, and analysis of policies and programs. Within the Chile's institutional framework for gender equality, SERNAM is in charge of establishing priorities for gender action through the development of equal opportunities plans; leading the strategic planning process for implementing the plans; coordinating the different gender mainstreaming mechanisms/institutions; and taking the lead in cross-sectoral dialogue and working with other public institutions. SERNAM also assists public institutions in the implementation of gender-related programs and policies through targeted technical support<sup>86</sup>.

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<sup>86</sup> SERNAM's other functions include promoting legal reforms and cultural change towards gender equality; piloting the implementation of specific programs; and undertaking gender based research.

**By international standards SERNAM is a relatively strong national mechanism for gender equality.** International evidence indicates that a series of factors limits the effectiveness of international gender mainstreaming mechanisms, namely: conflicting roles and the lack of clear mandates, autonomy, resources and technical capacity<sup>87</sup>. SERNAM is a relatively strong institution by many of these standards. It has a clear mandate and while it is not a ministry, SERNAM's head has ministerial status and is a member of the Cabinet of Ministers. This, together with the political support SERNAM has enjoyed from the government, considerably improves its capacity to *influence cross-sectoral policy dialogue* with line ministries. Its role, focused on *mainstreaming gender in sector ministries*, with a limited mandate to implement projects is another of SERNAM's strengths, widening its reach and strengthening its impact. *Budgetary independence* is also an advantage to the institution. However, in terms of *human resources*, the low proportion of permanent employees (just 10 percent of the 270 total staff) and a lack of specialized personnel<sup>88</sup> limits institutional capacity. Finally, drastic *reorganizations* following changes of administration have weakened the institution in the past leading to the discontinuation of important lines of work.

### *The Plan for Equal Opportunities*

**The Plan for Equal Opportunities has been the framework document for gender policy in Chile since 1994.** Developed by SERNAM in consultation with the women's movement for the period 1994-1999 and 2000-2010 respectively, the plan sets the government's priority areas in gender matters and defines long-term goals for gender equality and strategies to achieve them. The evaluation of the First Plan for Equal Opportunities in 1999 concluded that the plan was an important step toward including a gender perspective in public policies and integrating gender priorities in the overall governmental agenda. The plan facilitated recognition of gender as a public policy issue within the public administration. 60 percent of the authorities interviewed during the evaluation acknowledged the importance of addressing gender inequality through public policies and government action in general. The evaluation also concluded that the work around the Plan for Equal Opportunities legitimized and helped to strengthen SERNAM as a valid partner in policymaking<sup>89</sup>.

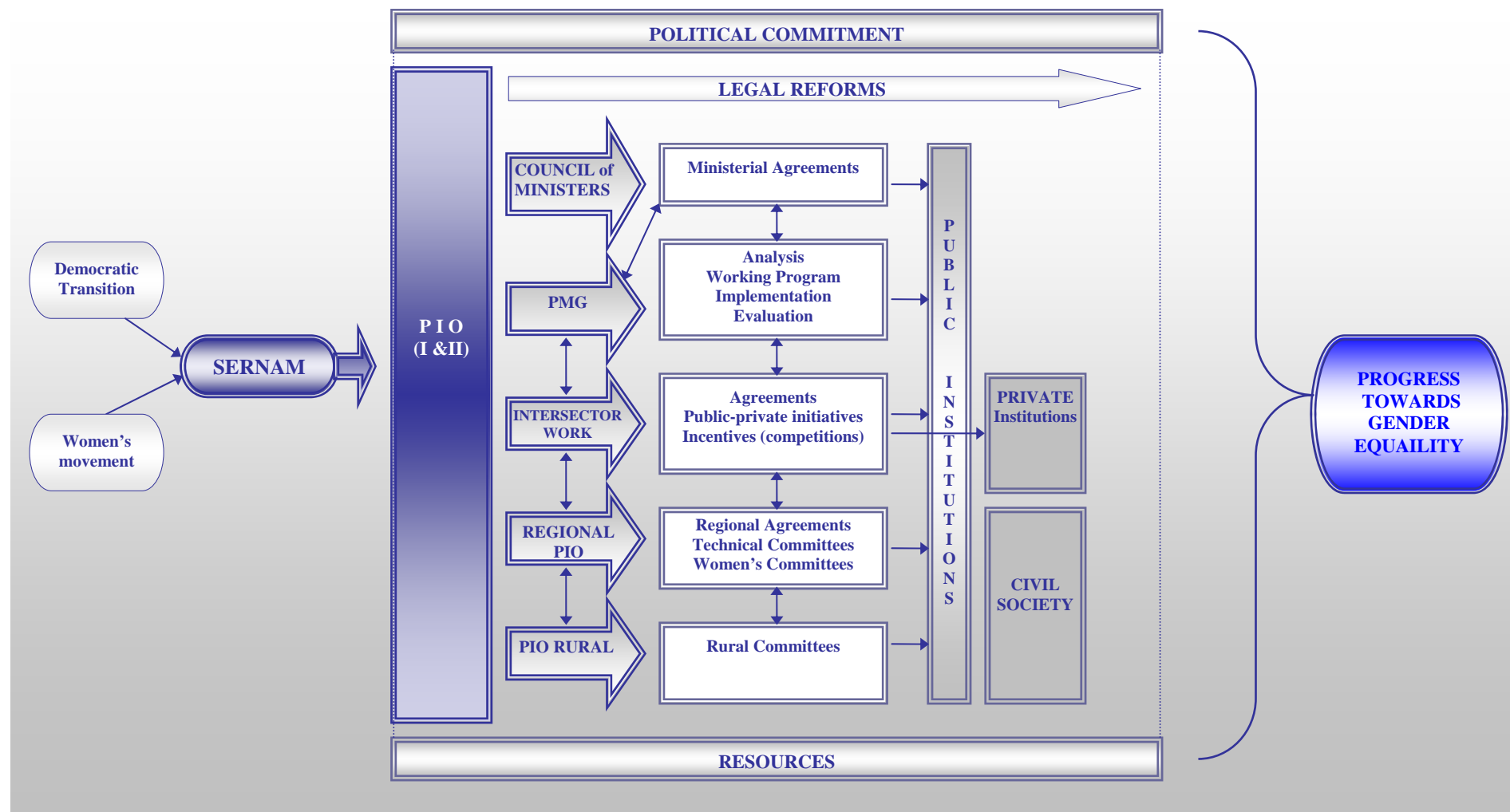
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<sup>87</sup> Byrne, B., and Koch Laier, J., 1996, National Mechanisms for Women in Development, Bridge report No 38. Sussex: Bridge.

<sup>88</sup> SERNAM, 2005, Plan de Igualdad de Oportunidades entre Hombres y Mujeres 2000-2010. Evaluación de la Primera Fase: 2000-2005. Santiago: Servicio Nacional de la Mujer.

<sup>89</sup> CEM (1999) Cuarto Informe de Avance del Plan de Igualdad de Oportunidades para las Mujeres 1994-1999. Centro de Estudios de la Mujer, Julio 1999.

**Figure 1. Chile's Institutional Framework for Gender Equality**



**The mid-term evaluation of the Second Plan for Equal Opportunities suggests that the plan has strengthened the mainstreaming of gender in government activities.** By making gender mainstreaming in public policies one of its priority action areas, the plan has driven forward the mainstreaming of gender in the public sector. The sixth area of action of the plan aims to: (i) strengthen cross-institutional coordination to address gender inequalities; (ii) promote a gender approach in the regional and local administration as well as in Chile's international relations; and (iii) facilitate the participation of women in public policy formulation. The evaluation highlights noteworthy advances in mainstreaming gender in the public sector due to institutional development in the period coinciding with the first phase of the implementation of the plan from 2000 to 2005<sup>90</sup>.

### ***The Council of Ministers for Equality of Opportunities***

**Since 2000, the Council of Ministers for Equality of Opportunities oversees the implementation of gender policies in Chile, and in particular the Plan for Equal Opportunities.** The Council, which meets twice a year, includes 9 out of the 17 Ministers in Chile, including those of the Presidency, Economy, Planning, Health, Education, Justice, Homeland (Interior), Labor and Social Security, and SERNAM. The Council promoted the creation of the Ministerial Agreements for Equal Opportunity in 2002.

### ***Ministerial Agreements***

**Ministerial Agreements were established to help Ministries prepare gender-sensitive policies and deliver gender-aware public services.** The Agreements are documents ministries use to establish gender-related goals for their sectors every year (see examples in Box 1). By 2004, 16 of 17 ministries had established 85 Ministerial Agreements. Each year SERNAM monitors and evaluates the ministries' work to comply with the Ministerial Agreement and presents the results of the evaluation to the president and regional governors in the Public Accountability Report on Gender presented every year on March 8 (International Women's Day).

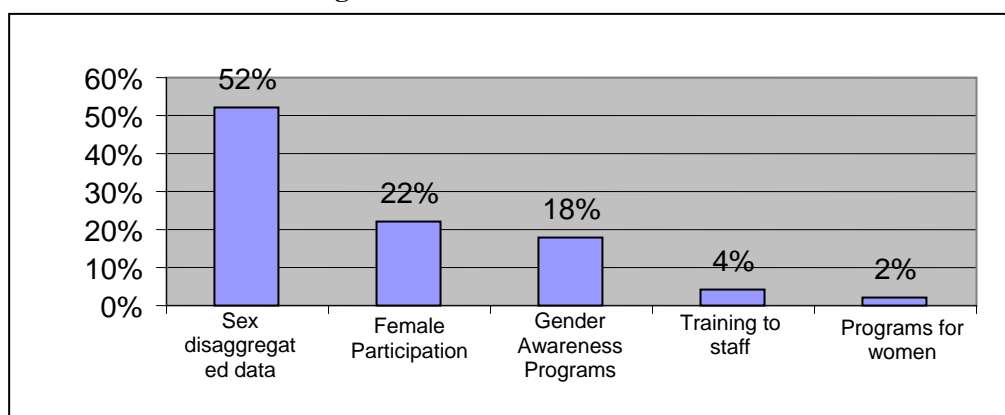
<b>Box 1. Examples of Ministerial Agreements</b>	
2005 Ministerial Agreement of the Ministry of <b>Infrastructure</b>	<ul style="list-style-type: none"> <li>▪ Implement rules and procedures which enable gender perspective to be included in the services and products of the ministry so that women participate on an equal basis in the economic and productive development of the country, with a view to fight poverty</li> </ul>
2004 Ministerial Agreement of the Ministry of the <b>Presidency</b>	<ul style="list-style-type: none"> <li>▪ Ensure that the preparation of legal projects includes agender analysis</li> <li>▪ Guarantee nondiscrimination against women within the State</li> </ul>
2004 Ministerial Agreement of the Ministry of <b>Health</b>	<ul style="list-style-type: none"> <li>▪ Guarantee the participation of women and women's organizations in opinion-gathering and decision-making processes in the health sector</li> <li>▪ Continually use gender analysis in planning and decision-making</li> <li>▪ Ensure a gender perspective is included in legal reforms in the health sector</li> <li>▪ Adopt a rights-based approach to sexual and reproductive health services</li> </ul>
2004 Ministerial Agreement of the Ministry of <b>Justice</b>	

<sup>90</sup> SERNAM, 2005, Plan de Igualdad de Oportunidades entre Hombres y Mujeres 2000-2010. Evaluación de la Primera Fase: 2000-2005. Santiago: Servicio Nacional de la Mujer.

- Evaluate the penal process from a women's rights perspective
- Integrate a gender perspective in reform of the family code
- Incorporate a gender perspective in legislation being implemented at the national and regional levels
- Collect sex-disaggregated information and use it in analysis for planning purposes
- Guarantee the rights of boys, girls and women in the penitentiary system

**In practice, however, the potential of Ministerial Agreements to become tools for strategic planning is yet to be realized.** The evaluation of the Second Plan for Equal Opportunities concludes that three years after their creation, Ministerial Agreements have not become a guiding instrument for gender policy as was expected<sup>91</sup>. While they could be important instruments for gender-related strategic planning by establishing general gender objectives for each respective sector, in practice Ministerial Agreements have just focused on technical issues to improve the sectoral capacity to address gender issues. With few exceptions, Ministerial Agreements focus on identifying specific gender actions to implement, rather than establishing global gender goals for the sector. Many agreements call for collecting sex-disaggregated information, increasing women beneficiaries' participation, integrating gender-sensitive criteria in the programs and projects, providing gender training for public employees, and targeting programs to women (see **Figure 2**)<sup>92</sup>.

**Figure 2 – Focus of Ministerial Agreements**



Source: SERNAM, 2005.

Note: Data correspond to the period 2002-2004.

### ***Management Improvement Program***

**Creating incentives for mainstreaming a gender perspective in public institutions through the Management Improvement Program (MIP) is the last step of the model to mainstream gender in the public sector.** Through the integration of gender criteria in the MIP, Chile's performance-based reward system for public service, the performance of the public sector has been linked to progress on gender equality and on delivering gender-sensitive public services (see Box 2). Most of the public services which participate in the MIP (90 percent of 178 services)

<sup>91</sup> Ibid.

<sup>92</sup> The data for this review come from an internal unpublished summary by SERNAM for the period 2002 to 2004.

adopted gender criteria to evaluate their performance in 2002. Only 3 out of 157 services failed to validate their gender components of the MIP in 2004.<sup>93</sup>

**While it is still early to assess its impact, the integration of gender considerations in the MIP has great potential to fully mainstream a gender perspective in the operations of the public sector in a sustained way.** Integrating gender in the MIP is an important achievement as the MIP applies to all services in the public sector and is an important element of the public sector reform strategy in Chile. This ensures a strategy of high-coverage and sustainability for the integration of gender considerations in public services. In 2005, 97 percent of the services participating in the MIP were in the third or fourth phase of the four-stage process (see Box 2)<sup>94</sup>. Almost all the services had identified gender issues relevant to their areas of work (phase 1), had designed plans to address these issues (phase 2), and were implementing the plans, i.e., adjusting their services to better respond to men and women (phase 3), or had already done so and were evaluating the process (phase 4). This is, in principle, a substantial change in how the public sector addresses gender issues.

#### Box 2. Integrating Gender in the Management Improvement Program

**Chile's performance-based public sector system.** In 1998 Chile started implementing the Management Improvement Program (MIP) in the public sector. Under this program, the performance of public sector departments is measured against five criteria and rewarded according to each department's ability to meet such criteria. The criteria comprise targets in the areas of: (i) human resource management; (ii) customer service; (iii) territory management; (iv) financial management; and (v) planning and management control; and finally, (vi) a gender focus. Each department chooses the relative weight which the different criteria will have in the final assessment of its performance. Rewards consist of salary increases of 2.5 to 5 percent according to the degree to which targets are met.

**Integrating gender goals.** Following an agreement between the Ministry of Finance and SERNAM in 2001, the ability to deliver gender-sensitive public services became an additional dimension of the public sector departments' performance assessment. An incremental four-stage process was devised to facilitate delivery of gender-aware services. It centered on identifying the products and services in which a gender focus could be integrated, designing an action plan to provide these services with a gender focus, and establishing a process for evaluation and follow-up. Beginning in 2006, a decision was made to apply the gender focus to the strategic definitions of the institutions rather than to all of their products. Thus, the assessment of gender focus in the first phase encompasses analysis of institutional mission, strategic objectives, provision of strategic products and services, as well as information systems for users and beneficiaries.

**Results.** The incentive system has been instrumental in creating interest in achieving gender targets. A serious process of internal review of mechanisms and strategies to address gender in service delivery took place in those departments that did not receive salary bonuses because they did not meet the gender target. For example, in the National Agricultural Institute (INDAP), the staff association promoted an internal audit to analyze causes of the failure. The implementation of the audit's recommendations led the department to achieve gender targets the following year.

Among the *necessary conditions* for the success of the initiative are: (i) establishing alliances with key institutions in the government such as the Ministry of Finance; (ii) constant gender-related technical support by SERNAM to the ministries; and (iii) involving authorities in the process.

Source: Developed from World Bank, 2006, *Mainstreaming Gender in the Public Sector: Chile's Equal*

<sup>93</sup> The data in this paragraph come from the authors calculation using MIP reports from the different services available at [http://www.dipres.cl/fr\\_control.html](http://www.dipres.cl/fr_control.html).

<sup>94</sup> SERNAM, 2005, *Plan de Igualdad de Oportunidades entre Hombres y Mujeres 2000-2010. Evaluación de la Primera Fase: 2000-2005*. Santiago: Servicio Nacional de la Mujer.



Opportunities Plan, unpublished report; Guerrero Caviedes, *Transversalizando la Perspectiva de Género mediante Instrumentos de Gestión de Control: el Caso del Programa de Mejoramiento de la Gestión – Sistema Equidad de Género*, February, 2006, Institute for Social Development. Washington, D.C., Inter-American Development Bank; and *Requisitos Técnicos y Medios de Verificación: Programa de Mejoramiento de la Gestión 2006*. Santiago, Chile: Budget Office of Chile's Ministry of Finance.

**However, the final impact of the MIP needs to be properly evaluated as it hinges largely on how the MIP is implemented by the different services. Preliminary evidence points to problems in implementation.** Preliminary evidence suggests services have focused on feasible, easy-to-achieve targets when integrating gender in the MIP, but these targets may have limited impact in the final delivery of services. Other problems in the implementation of the MIP relate to the lack of connection between the design of the gender component of the MIP and the operations of the program in general<sup>95</sup>. Design of the gender aspects of the MIP is often the responsibility of staff who are not fully engaged in the overall planning process of the service. Further, participation by middle and upper management is limited. With the new direction of the MIP, considering definitions of institutions and their primary products, we can expect that the gender MIP will successfully correct some of these deficiencies. For example, focusing on the strategic products of each institution should guarantee the final impact of activities undertaken to integrate gender. Likewise, the new system entails open communication between those responsible for management planning in each institution (the most important component of the MIP as a whole) and those who are responsible for gender matters. This should help avoid the past problem of isolation of those responsible for gender.

### ***Decentralized Mechanisms for Gender Equality***

**Finally, Chile has decentralized mechanisms to mainstream gender.** One of these is *Working Committees* or sector working groups that bring together different institutions to work around specific gender goals in a sector. At the regional level, long before the creation of the Council of Ministers for Equal Opportunities, the *Regional Councils for Equal Opportunity*, headed by the regional governor and comprising all regional ministerial secretariats, defined the regional gender equality goals and designed the *Regional Equal Opportunities Plan*. The plans were in turn supervised and monitored by the *Technical Monitoring Committees* comprising public officials from different regional government institutions involved in the planning and execution of regional programs and policies. *Bilateral Coordination Agreements* were also established between SERNAM and sector bodies in charge of implementing parts of the plan. In addition, *SERNAM has regional offices* in all the 13 regions of the country.

## ***2. Challenges and Factors Contributing to the Development of Chile's Model***

### **Factors that have contributed to development of the model**

**Several factors have contributed to the development of Chile's model.** One of the conditions that has enabled institutional development for gender equality in Chile has been *political support for gender equality*. Gender equality has figured high in the agenda of the government since the

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<sup>95</sup> SERNAM, 2005, Plan de Igualdad de Oportunidades entre Hombres y Mujeres 2000-2010. Evaluación de la Primera Fase: 2000-2005. Santiago: Servicio Nacional de la Mujer.

transition to democracy as evidenced by the creation of SERNAM, the Cabinet of Ministers for Equal Opportunities, Ministerial Agreements and the integration of gender in the MIP. Recognition by the highest levels of the public sector of *gender equality as a matter of public policy* has created sustained political support for gender equality over the years. Similarly, *support from civil society* to the institutions at the core of the model such as SERNAM or the Equal Opportunities Plan facilitated the take-off of the model during the democratic transition and lent legitimacy to the process. The creation of *strategic partnerships* with public sector entities has also played a role in the development of specific parts of the model and has been a consistent factor along the way. SERNAM's alliance with the Ministry of Finance to integrate gender in the MIP has been particularly fruitful. Also, *SERNAM's guidance and continuous technical assistance* to the different public institutions has played an essential role in the smooth functioning of the model<sup>96</sup>.

## Challenges and Next Steps

**The main challenges to Chile's model are how to strengthen, fine-tune, and ensure its sustainability.** In the coming years, Chile needs to strengthen its model for gender equality, assess its impact, fine tune and better join its different elements, and put in place mechanisms to ensure the sustainability of the investment being made in the institutions that comprise the model. Key challenges are discussed below.

**The first challenge is to make the model work as such, by better connecting its different parts.** Chile's model is the result of the creation of different institutional mechanisms for different purposes at different times. In principle, its current design could allow for a gradual move from overarching gender commitments (those in the Equal Opportunities Plan) to more specific gender objectives by sector (those in Ministerial Agreements). Thus, different public services should be able to implement specific policies and programs through the Management Improvement Program. This is an important strength of the model as there are many international examples of sound policies that are not connected to action plans and for which there is no direct resource allocation or specified targets and time frames<sup>97</sup>. However, in order to fully realize the potential of the model to translate general gender policy commitment into gender-aware programs and services on the ground, several aspects of the model need to be fine tuned.

**Redefining the role and relationship between Ministerial Agreements and the Management Improvement Program so that they complement rather than duplicate each other is essential to improving the model.** Since 2006, the MIP has been adopted as a strategic planning tool. In light of this change from its past function, more centered on management, it is important to revise the role of the Ministerial Agreements in this model. While they have never become strategic planning tools, they were conceived as such. Currently both the MIP and the Ministerial Agreements have the same function in the model. It would be logical to revise the role of the element that has had less impact in the past, which predictably could be the Ministerial Agreements.

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<sup>96</sup> SERNAM, 2005, Plan de Igualdad de Oportunidades entre Hombres y Mujeres 2000-2010. Evaluación de la Primera Fase: 2000-2005. Santiago: Servicio Nacional de la Mujer.

<sup>97</sup> Byrne, B., and Koch Laier, J., 1996, National Machineryes for Women in Development, Bridge report No 38. Sussex: Bridge.

**Building SERNAM's capacity to respond to the demands arising from the operation of the model is an important aspect of the strategy to strengthen it.** Demand for SERNAM's services and technical support has grown considerably with the mandate to integrate gender in the MIP. However, the lack of a corresponding increase in its budget has limited the institution's capacity to respond to growing demand for assistance. This problem may become more serious in the future as demands for SERNAM's time are likely to increase as the model develops. This issue should be addressed through an *adequate human resource strategy*, i.e., investing in specialized staff, and through subsequent budget allocations. Similarly, SERNAM needs to continue the dialogue and *cross-sectoral work with line Ministries* and public institutions, and capacity-building.

**Furthermore, Chile's current institutional framework could be further consolidated by strengthening its links to the budget process.** Initiatives aimed at mainstreaming gender in the budget process have grown strongly in recent years. In order to achieve a link between gender goals and national budget allocations in Chile, the connection between MIP, Ministerial Agreements, and the budget process must be made explicit. A connection between gender-related goals and effective allocation of resources was first made through the MIP and its salary bonus mechanism, but the process of aligning budget allocations to gender priorities has not been fully completed yet. A better utilization of the Ministerial Agreements and the MIP instruments would lead to establishing allocations to gender programs in different sectors as a priority in Ministerial Agreements and the MIP. However, in the longer term, it will be important to include a gender-aware budget as one of the explicit objectives of Chile's strategy for gender equality in order to increase the effectiveness and sustainability of the gender mainstreaming effort.

**Finally, evaluating the impact of the current model for gender mainstreaming in Chile is important for informing next steps in the development of Chile's strategy to mainstream gender.** Chile's model for gender mainstreaming has achieved a certain maturity and the country has just undergone a change of administration, which makes it an opportune time to evaluate the impact of the current model. In terms of innovation and potential impact, evidence points to Chile's model as an international best practice in institutional gender mainstreaming. This needs to be corroborated through a thorough analysis of the impact of the model on achieving final outcomes, i.e., the reduction of specific gender inequalities in Chile. Also, in order to regularly produce information to help reassess and improve the model, future evaluations of the Equal Opportunities Plans should adopt a results-based approach and measure the impact of Chile's actions in different policy areas, linking institutional mechanisms to final outcomes as much as possible.

### ***3. Chile's Institutional Framework for Gender Equality in the Labor Market***

**Chile has different institutional mechanisms in the labor, rural, economic, and education sectors that can help implement policies to reduce gender inequalities in the labor market.** Most of the institutions in these sectors have experience applying a gender focus to their work, have established some kind of gender objective through Ministerial Agreements, and have begun to carry out specific gender activities within the context of their departmental MIPs. Substantial progress has been achieved in certain areas, particularly with regard to the working conditions of certain groups of female workers. This section describes the institutions available in these key

sectors and presents some of the results of work done to reduce gender inequality in the labor market. Measures presented in Box 3 are just some of the many activities carried out by institutions in each sector.

### ***Labor***

The main institutional entities in the sector which may be involved in the implementation of policies to enhance the participation of women in the economy are the Labor Office (*Dirección de Trabajo* or DITRAB) of the Ministry of Labor, the *Servicio Nacional de Capacitación y Empleo* (National Service for Training and Employment, SENCE), and the Committee for Equal Opportunities in the Labor Sector (*Mesa Igualdad de Oportunidades – Sector Trabajo*).

### ***Economic Promotion***

Institutions which have successfully integrated gender issues in their programs and can play an important role in promoting women's participation in the economy are the Office of the Under-Secretary of Economy, the National Institute of Statistics, *Servicio de Cooperación Técnica* (SERCOTEC), the Bilateral Agreement between the Department for Cooperatives and SERNAM, Working Group for Analysis of Tools for Economic Development (*Mesa de Coordinación para el Análisis de los Instrumentos de Fomento Productivo*), and the Chilean Economic Development Agency (CORFO).

### ***Rural Sector***

Among the institutions and mechanisms that can facilitate the implementation of policies to generate employment in rural areas are the Ministerial Advisory Commission for Equal Opportunities, the Network of Rural Women, the Rural Women Standing Committee (*Mesa Mujer Rural*), and the National Agrarian Institute or INDAP.

### ***Education***

**Among the institutions in the education sector with experience working on gender are the** (i) the Higher Council for Education, the National Board for Childcare (JUNJI), the National Commission on Scientific and Technological Research (CONICYT), and the National Council for Academic Support and Scholarships (JUNAEB).

### **Box 3 Examples of Measures to Achieve Gender Equity in Chile's Labor Market**

#### *Labor and Economy*

- Implementation of awareness-raising campaigns about women's participation in the labor market and their labor rights for female temporary workers, women who work in domestic service, and women in general
- Changes in labor legislation to improve childcare for working women
- Law on sexual harassment
- Establishment of the public-private coordination committee to improve the working conditions of temporary agricultural workers (in collaboration with SERNAM)
- Creation of the National Award for Best Practices in Gender Equality in the workplace (in collaboration with SERNAM)
- Provision of scholarships for women to participate in on-the-job training by the National Training Service
- Gender training for public employees to identify key partners for developing gender-sensitive work and policy changes to improve labor conditions

#### *The Rural Sector*

- Improving working conditions of temporary agricultural workers, the majority of whom are women, by: (i) creating 211 childcare centers benefiting 13,000 children; (ii) establishing agreements on the use and marketing of pesticides, and (iii) creating a training program for preventing risks associated with the use of pesticides
- Development of an index with a gender perspective on the quality of temporary employment in the agricultural sector
- Increasing women's access to micro credits from 18.5 percent in 2003 to 20.1 percent in 2004
- Increasing women's access to technical assistance from 8 percent in 1990 to 21 percent in 2005
- Gender analysis of all INDAP products and instruments
- Appointment of female and male gender focal points in all regions of the country and at the national level who meet regularly to develop the work related to the Management Improvement Program
- Establishment of a gender sensitivity training program as part of global capacity building for professional, consultants, and employees using information pamphlets for staff and women in general.

#### *Education*

- Production of disaggregated statistics by sex at various levels in the sector
- Inclusion of gender matters in important sectoral publications
- Inclusion of a gender perspective in preschool education and childcare facilities
- Carrying out of two seminars on how to make the sector more gender-sensitive
- Affirmative measures to increase access to scholarships among girls in low-income families

## Annex 3.2 Summary of Chilean Labor Legislation

### Work Contract

Law	Comments
<p>The working contract is consensual, which means that it does not need to be in writing in order to exist. A verbal agreement between worker and employer on job responsibilities, work schedule, and compensation are enough for the contract to exist.</p>	<p>The contract may not be written, but if subordination, dependence, and fulfillment of work schedule are presumed, then the contract must be honored.</p> <p>The contract must include payment of health insurance and contract termination severance payments, except in the case of fee-for-service or “honorarium” jobs [by independent contractors].</p>

### Work Week

Law	Comments
<p>An ordinary work week must not exceed 45 hours per week. Exceptions include special jobs that are governed by other regulations, such as domestic workers, drivers, and traveling sales persons. The work day must be divided in two parts with a rest or meal break of at least one-half hour.</p> <p><b>Reduced hours:</b> Continuous work no more than two-thirds the duration of an ordinary work week. The same benefits and rights as with an ordinary (full) work week.</p>	<p>There is a minimum but not a maximum duration for the mid-day break. That time is not counted as time worked. Commercial employers sometimes give a rest time of 4 hours or more so that their businesses can remain open later.</p> <p>Workers and their employers have the flexibility to determine how they want to distribute the working hours. This may help men and women with childcare responsibilities.</p>

### Maternity Protection

Law	Comments
<p><b>Pre- and Post-Natal Rest:</b> Before giving birth, a worker has the right to 6 weeks leave; after childbirth, she has the right to 12 weeks leave. In some cases, pre- or post-natal leave may be extended for medical reasons.</p> <p><b>Maternal Law:</b> No female worker may be fired anytime from the time she conceives a child until a year after the post-natal or supplementary post-natal period. This is an IRREVOCABLE right</p> <p><b>Change in Responsibilities:</b> Pregnant workers should not carry out responsibilities that may be dangerous to their or their babies' health. Rather, the employer must transfer pregnant women to other jobs, maintaining the compensation and general job conditions of the previous jobs.</p>	<p>These rights are also guaranteed for domestic workers. Women who adopt children are entitled to the same post-natal leave as other women. Fathers are also entitled to four days leave after their children are born.</p>

## Child Care

Law	Comments
<p>Until their children are two years of age, all women workers are entitled to one hour per day to feed their children.</p> <p>Labor law requires employers to maintain a daycare center in the work place or to pay for a daycare that has an agreement with “JUNJI” only if 20 women work for the company. This includes all women who work for the company (including branches or subsidiaries), and regardless of the age of the women workers.</p> <p>If the daycare center is far from the work place, the employer must pay transportation costs for the women and/or their children for the feeding time. The time it takes to get to and from the daycare center must be counted as time worked.</p> <p>Big industrial centers, office or business parks or campuses. or similar must keep a shared daycare facility when more than 20 women work in the locale. This also applies to shopping centers, malls and other multiple-business settings belonging to the same corporate body.</p>	<p>The mandatory nature of daycare provision by firms employing more than 20 women may lead to gender discrimination in employment due to the costs of doing so to the employer.</p>

## Children’s Illness

Law	Comments
<p>Women have the right to take care of their children who are less than one year of age for as long as the doctor recommends.</p> <p>For children who are less than 18 years old and are seriously ill, the mother can take time to take care of them.</p>	<p>This regulation opens the window for some women to abuse the system and for employers to discriminate against women.</p>

## Men and Child Care

Law	Comments
<p><b>Childbirth:</b> Fathers can take four days leave at the time of their child’s birth or if they adopt a child.</p> <p><b>Illness:</b> The father can take care of a sick child with the mother’s authorization. In that case, the father must supply his employer a letter of authorization from the mother in addition to the medical certificate that proves the seriousness of the child’s</p>	<p>These regulations make it enormously difficult for men to take part in childcare responsibilities and do not take into consideration basic cultural realities. Furthermore, the legislation does not guarantee men the same rights as women even when men are the sole providers for their children.</p>

<p>illness.</p> <p><b>Right to permissions and maternal subsidies:</b> This applies when:</p> <ul style="list-style-type: none"> <li>- The child's mother has died in childbirth or as a consequence of it and before the post-natal maternal leave has ended.</li> <li>- The father has legal custody of a child who is less than 1 year old and is seriously sick, and requires attention at home.</li> <li>- The father has legal custody of a child who is less than 6 month old.</li> </ul>	
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### Sexual Harassment

Law	Comments
The legislation defines sexual harassment ranging from written to verbal to physical behaviors and inappropriate sexual demands that are harmful to the work environment.	In the first 3 months after the promulgation of the law, 70 complaints were filed, most of them referring to harassment by supervisors, bosses, or higher-ranking staff. Eight complaints were filed against direct employers. Two complaints were filed by male workers.

### Equal Treatment

Law	Comments
<p>Discrimination is defined by law as any distinction or preference based on race, color, sex, age, marital status, etc. that alters equality of opportunities or treatment at work.</p> <p>Workers have the right to access and keep their employment, and to promotion, without discrimination. Pregnancy tests are explicitly prohibited.</p>	

### Domestic Employment

Law	Comments
<p>Work Day: A maximum of 12 hours a day with 1 hour of rest. Rest between two working days must be at least 9 hours.</p> <p>Remuneration: It must be at least 75% of the minimum wage.</p>	The minimum remuneration for domestic workers should not be less than the minimum salary for employees with same working hours.