

Latin America and Caribbean Poverty and Labor Brief

THE EFFECT OF WOMEN'S ECONOMIC POWER in Latin America and the Caribbean



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on a regional microdata harmonization effort (called SEDLAC) to increase cross-country comparability of selected variables from the official household surveys. Given this objective, often the indicators constructed through this process are different from official statistics reported by Governments and National Offices of Statistics. Such differences should not be interpreted in any way as an indicator of methodological superiority as both numbers depart from different, yet equally important and valid, objectives: regional comparability and best possible national representation. The welfare aggregate used in this study is income based.

Executive Summary

For the last decade economic growth in Latin America and the Caribbean (LAC) has sharply accelerated, pushing poverty and inequality to historic lows in the most unequal region in the world. Even a global economic downturn and a four-percent contraction in the regional economy in 2009 could not stop the region's progress and its significant reductions in inequality.

In 2012, as the world's ongoing economic problems make optimistic predictions less certain and threaten to undermine gains against poverty and inequality, it is critical to better understand the structural forces that have promoted recent positive social outcomes. These include more inclusive labor markets, expanded safety nets, improved educational outcomes, macro-stability and relatively high rates of growth.

This report explores how women have played a critical role in achieving the poverty declines of the last decade, with their labor market participation rates growing 15 percent from 2000 to 2010. It further considers how future progress will require increased female economic power and more effective policies to promote it.

If female labor income had remained the same during this period, holding all else constant, extreme poverty

in Latin America and the Caribbean would have been 30 percent higher in 2010. In other words, 17.7 percent of the population in the region would have been below the extreme poverty rate, compared to the actual 14.6 percent. Female labor market income contributed 30 percent of the reduction in extreme poverty, compared to 39 percent for male labor market income, while the remainder was due to public and private transfers (remittances, cash transfer programs, etc.).

The contribution made by women to both extreme and moderate poverty reduction helps explain why this century's first decade was good both for LAC generally and females in particular. Growth in women's labor market earnings and higher participation rates, particularly among poorer women, along with the introduction of non-contributory pension programs for women, explain the important role of women in reducing the region's poverty in the last decade. Labor market income from both men and women was the greatest force behind the region's decline in inequality since 2000, with transfers contributing just over a third of the decline (36 percent). The increased engagement of women in labor markets was critical to the fall in the Gini coefficient, driving it down the regional average by almost a third during the last decade.

Together with public and private transfers (which cannot be attributed to any specific gender within the household), female income proved to be crucial to reducing the pressures on the poorest of the poor, during the 2009 crisis. As male labor income declined due to the economic contraction, female participation in the labor market became a key component to help household's cope with economic shocks, while demonstrating the increased vulnerability of households that relied strictly on male income.

A focus on women's participation rates, especially those of low-income women, is fundamental for understanding the significance of the increase in female labor earnings. Greater female labor force participation was most pronounced among low-income women, a fundamental insight into LAC reductions in extreme poverty and its severity.

Increases in female labor income and female labor market participation appear to reflect both higher enrollment rates and a closing gender gap in education. In the last decade, gender gaps in education have closed and even reversed in many countries in Latin America and girls now have higher enrollment rates in secondary and tertiary education than boys.

The expanded contribution of pension income and an increase in women's life expectancy have also been important factors to increased labor income among women. Argentina, Chile, Brazil, Panama and Costa Rica have introduced non-contributory pension programs (paid by the government but not the employer or the employee) for both men and women. Also, women continue to live longer than men, which enables them to profit more from pensions.

The growing role of female income also bodes well for future generations. In most LAC countries compulsory and subsidized education, and therefore

real opportunity for all children to attend regularly, has been limited to those between six and 15 years old. But rates of pre-school and upper secondary enrollment have been rising, closely linked to higher rates of household dependency on female income. In Brazil, for example, it was between 7 and 14 percent more likely for children in households dependent upon female labor income to be enrolled in preschool and secondary school, respectively, compared to those households dependent on male labor income or transfers.

Despite the impressive role in LAC's poverty reduction played by the growth of women's economic contribution, several key challenges remain which both affect women and potentially undermine poverty reduction. These include: labor market segmentation, wage gaps, and agency, the latter understood as the ability to make choices and to transform them into desired outcomes.

Particularly in top professions, compensation for women and men appears to remain unequal, with women in Chile, Brazil, Mexico and Peru facing a large and widening gap that is especially evident in high-ranking occupations. In Brazil, for example, women remain overwhelmingly represented in low-productivity sectors, with only small increases in the share of females employed as professionals and as clerks, despite having high levels of human capital. At the same time, there is data that indicates that this occupational segregation gap is changing, with access to top positions becoming easier for women, and female professionals and top officials being younger than their male counterparts.

"Agency" is an essential ingredient if women in Latin America want to take full advantage of their improved educational levels and expanded economic opportunities. While agency itself is difficult to

measure, manifestations of limited agency – such as high levels of gender based violence or teenage pregnancy – can provide important insight on this phenomena. Both of these social phenomena tend to be high in Latin America, which suggests that agency may be relatively low in the region, preventing women from taking full advantage of their human development assets and economic opportunities in the labor market and beyond.

The small but seemingly growing number of households in the region in which women are the only breadwinners (17 percent overall; 19 percent in urban areas) face the highest risk of poverty. Even as the expanded role of women in the workforce helps dual-income households escape poverty and cope with economic shocks, those urban households with children and a female economic head are a third more likely to be extremely poor, compared to those headed by a male (20 percent to 15 percent).

Unprecedented improvements in poverty and inequality reduction in Latin America and the Caribbean have been undergirded by the role women have played in those processes. Yet in order for such progress to continue, still-persistent barriers to women require innovative and creative policies and programs.

The report suggests focusing public policy on three priorities: expanding female labor market opportunities; improving female agency which — while important in its own right — has important potential benefits for equality of economic opportunities and assets, and supporting the growing number of poor single female-headed households. Along with these suggested policy priorities, strong monitoring and evaluation systems should be included to every extent possible.

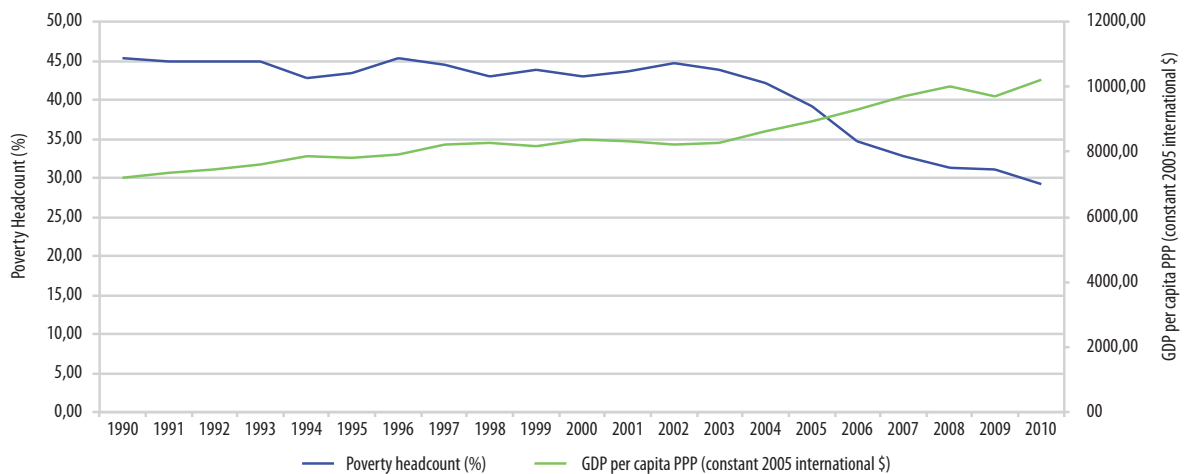
The study ends with a look at the Gender Impact Evaluation Initiative, launched by the World Bank's LAC Poverty, Gender and Equity unit to increase understanding of what works to promote greater gender equity. This new effort seeks to address critical gaps in knowledge about policies and interventions for women's equality of assets, economic opportunities, and agency. The Initiative will be key to helping carry out suggested policy priorities.

Introduction

The new millennium ushered in an important turning point in Latin America and the Caribbean. Around 2002/03, growth accelerated sharply and the pace of poverty and inequality reduction hastened to reach historic lows by the end of the first decade. Between 2003 and 2010, poverty fell unequivocally, dropping to 29 and 15 percent for moderate and extreme poverty, respectively (Figure 1). Unlike in previous crises,

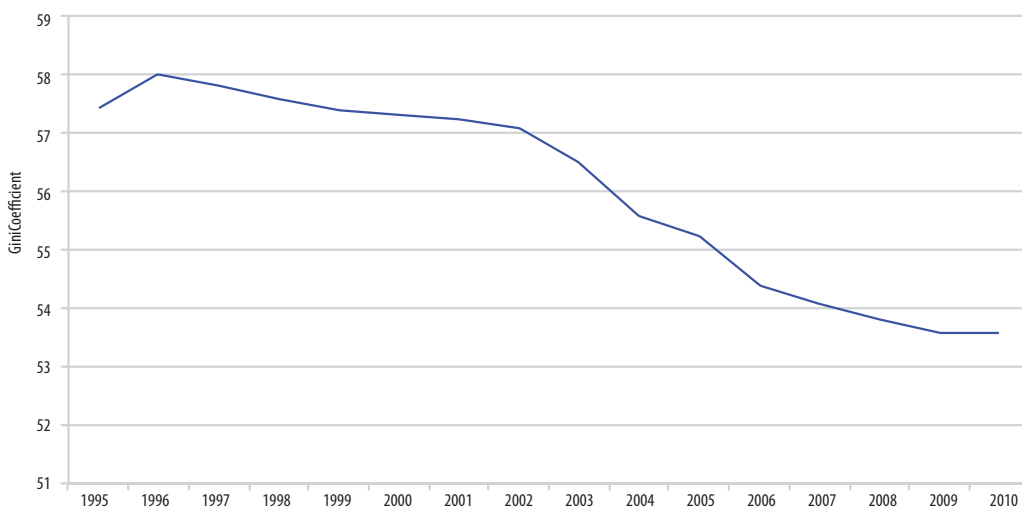
poverty continued falling in 2009, suggesting that the region was resilient to the global economic shock, despite a 4 percent economic contraction in the region's GDP (World Bank, 2011a). The overall positive impact of growth on poverty during the 2000s was accelerated by the sustained decline in inequality that started in the mid-1990s. Between 2000 and 2010, the Gini index for the region fell from a peak of 0.57, to reach 0.54 in 2010 (Figure 2).

Figure 1. ☎ 2002 is a watershed year for growth and poverty reduction in LAC (circa 1990-circa 2010)



Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank).

Figure 2. Inequality reduction accelerates in 2003 Gini (circa 1995-circa 2010)

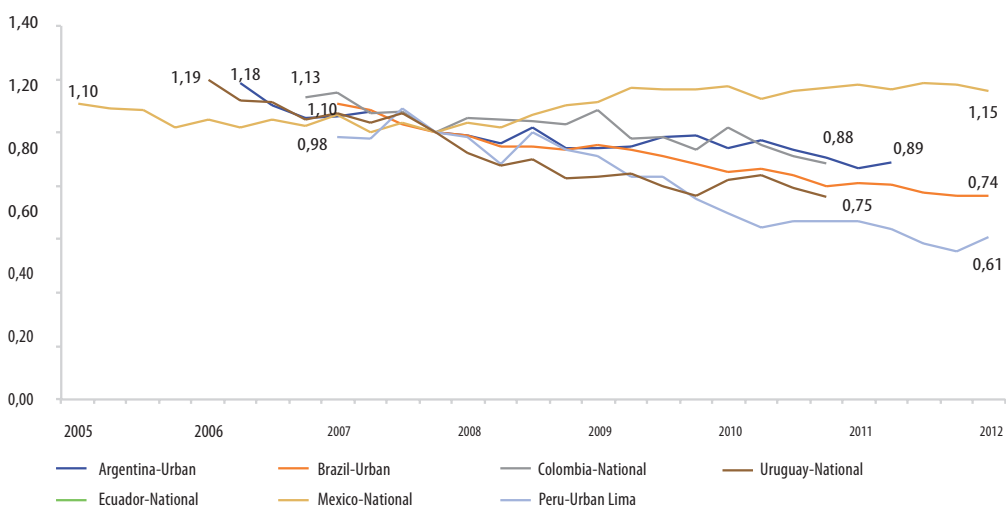


Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Gini computed with zeros.

Poverty reduction in LAC will likely continue through 2011, although the global slowdown may significantly constrain poverty reduction in 2012. The Labor Income Poverty Index (LIPI) monitors households that cannot obtain the basic food basket with their labor income, thereby acting as a leading indicator of poverty trends¹. In three out of the four

countries with data, the LIPI continued declining in 2011 (Brazil, Peru and Ecuador), while it remained at the post-crisis high in Mexico. While the data for 2012 remains very preliminary, the LIPI stagnated in Brazil for the first quarter and saw a small uptick in Peru (although the latter could also reflect the seasonality which characterizes Peru).

Figure 3. Falling Labor Income Poverty Indices suggest poverty reduction continues through 2011



Source: Author's calculations, LACLAC data, 2011 (CEDLAS and the World Bank).

1 For a more detailed explanation of the LIPI methodology please see World Bank (2010).

Yet, despite these historic achievements, there remains important terrain to be covered to address the persistent high rates of poverty and inequality in Latin America and the Caribbean. More than one in four people are poor and more than one in 10 cannot meet their basic food needs, with this number even higher amongst children (World Bank, 2011b). Moreover, the region still is the most unequal in the world. The most equal country in LAC (i.e. Uruguay) is still more unequal than the most unequal country of the OECD (i.e. Portugal).

Understanding the structural forces behind the gains of the last decade can help crystallize the policy agenda ahead necessary to promote further progress in Latin America and the Caribbean. Much has been said about the role of expanded safety nets, improved educational outcomes, macro-stability and relatively high rates of growth as key contributors behind the positive social outcomes of the 2000s (López- Calva and Lustig, 2010; Gasparini and Lustig, 2011; Azevedo et al., 2012a). However, the role of women and their expanded contributions to the economy during this period have been less explored².

This brief takes advantage of the harmonized household data from SEDLAC to document the contribution of women to reducing poverty and inequality in Latin America and the Caribbean (LAC).³ It also explores key drivers behind their expanded role and, perhaps most importantly, highlights several key constraints that could limit their contributions going forward, before concluding with some policy priorities. Section 1 examines the contribution of women to poverty and inequality reduction in LAC over the last decade, while Section 2 looks at the main drivers behind these contributions. Section 3 explores the main challenges that prevent women from expanding even further their economic contributions, and finally it concludes with the overview of some policy priorities.

2 One notable exception is the work of Chioda et al (2011), "Work and Family: Latin American and the Caribbean Women in Search of a New Balance." The report highlights the tremendous expansion of female labor force participation in LAC since 1980 and highlights the increasingly complex challenges women face in balancing work and family and the need for job opportunities with increased flexibility.

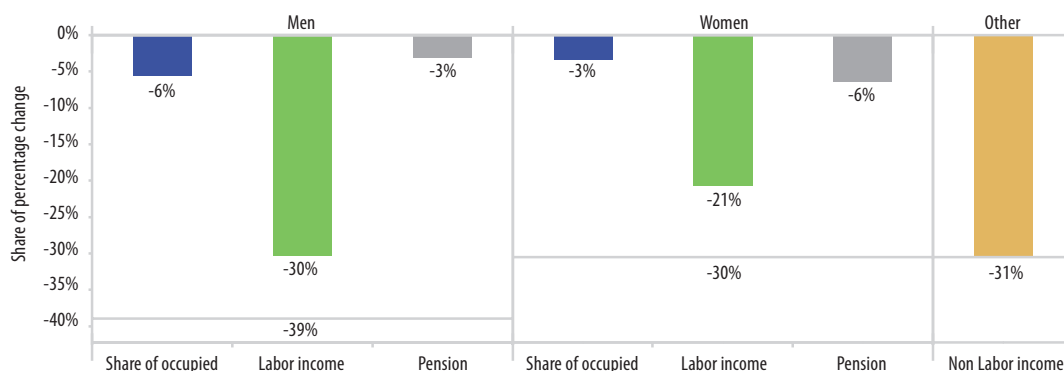
3 See Table A1 in the Appendix.

1. A good decade for women, a good decade for LAC

Women made a crucial contribution to both extreme and moderate poverty reduction between 2000 and 2010. The growth in female income accounted for 30 percent of extreme poverty reduction, against 39 percent for that of men (Figure 4). Holding all else constant in the labor market, if female income had remained the same during this period, extreme poverty in Latin America and the Caribbean would instead be 30 percent higher

in 2010. Most of the gain in female income reflects increased labor earnings, but expanded access to pensions and increased labor force participation were also contributing factors. In addition, approximately one third (31 percent) of the poverty reduction was from non-labor income (e.g. public and private transfers), which cannot be attributed to any specific gender within the household.⁴

Figure 4. Female income contributed 30% to extreme poverty reduction (2000-2010, \$2.5 USD/PPP)⁵



Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank). Note: Poverty defined by Headcount ratio at \$ 2.5 USD/PPP. Please see footnote 4 for a brief explanation of the methodology used.

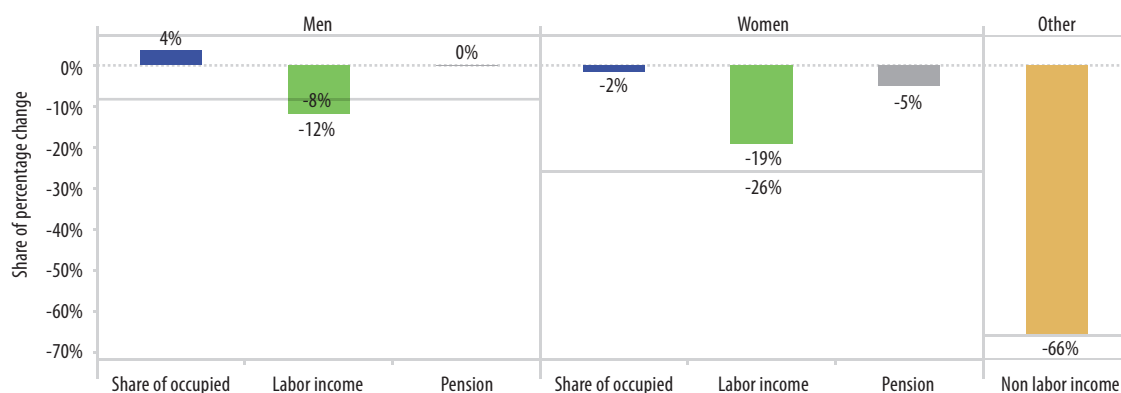
⁴ Similar results have been found for moderate poverty reduction. See Figure A2 in the Appendix.

⁵ Methodological note. In order to decompose the contribution of each factor to changes in poverty and inequality between 2000 and 2010, we follow a variation of the accounting structure proposed by Barros et al (2006). This approach

Female income was especially critical in reducing the strains on the poorest of the poor, along with public and private transfers. Female labor market income was more than twice as effective as male labor market income in reducing the severity of poverty (Figure 5). Higher returns from the labor market, more than higher participation rates, were accountable for reducing the distance of the very poor (both men and

women) from the poverty line. In the case of males, there is some evidence that the very poorest were exiting the labor market. Not surprisingly, non-labor income, including public transfers and remittances, played the most important role in calming the severity of poverty, as it accounted for more than half of the decline.

Figure 5. Female income was particularly effective in reducing the severity of poverty along with transfers (2000-2010, \$2.5 USD/PPP)



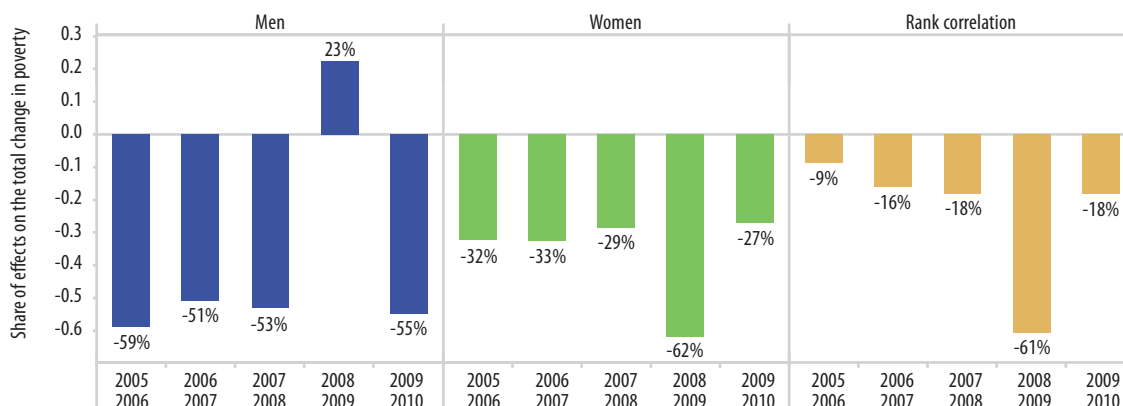
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank). Note: The indicator used to measure the severity of poverty is the squared poverty-gap ratio (FGT2, defining the poverty line at \$2.5).

During the 2009 crisis, female participation in the labor market was crucial for compensating for the decline in male labor income. Despite the fact that male labor income was the most important in pushing households out of poverty during the last decade, it was also the most vulnerable to the crisis (Figure 6). Meanwhile, females remained active in the labor market during the crisis and were able to

help compensate for the fall in male labor income, contributing to half of the poverty reduction that occurred in 2009. The other half was from households with both male and female labor market income. These trends underscore the importance of female labor market income for coping with shocks, and the added vulnerability of households relying on male income exclusively.

generates entire counterfactual distributions that help quantify the contributions to observed distributional changes that are accounted for by changes in labor and non-labor income for males and females, as well as the component of non-labor income that cannot be assigned to any particular gender in the household. In contrast with much of the literature, we perform the decompositions following every possible decomposition path, thus reporting robust Shapely-Shorrocks values for each component following the work of Azevedo et al (2012b).

Figure 6. ☞ Men in the labor market were more vulnerable to the crisis than women (2005-2010, \$2.5 USD/PPP)

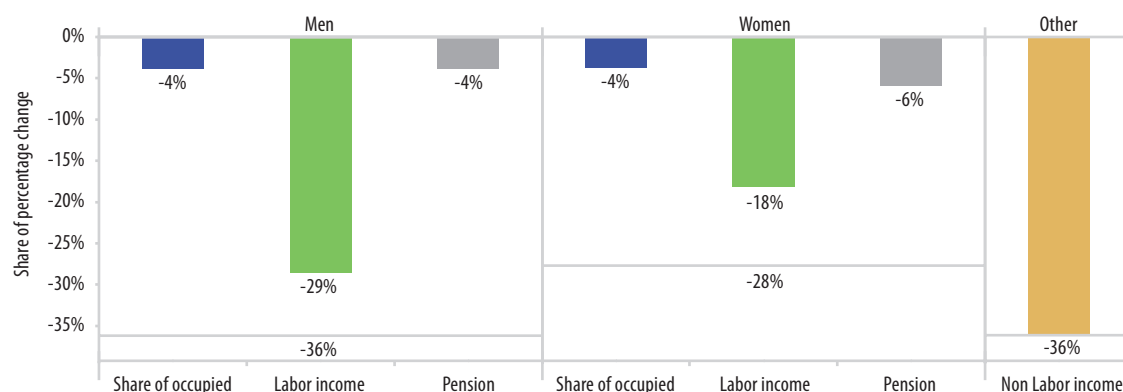


Source: World Bank (2011a). Note: The nine countries are Argentina, Brazil, Costa Rica, Ecuador, Honduras, Paraguay, Peru, the Dominican Republic and Uruguay. Data for Brazil, Costa Rica and Honduras are from 2009 but inflated using national accounts to represent 2010 levels. Poverty is calculated using only labor income in this exercise. Fournier (2001) decomposition⁶.

While male labor income and pensions each contributed more than a third of the inequality reduction, female labor income was a critical factor behind the sharp decline in inequality experienced in LAC, accounting for 28 percent of the reduction (Figure 7). While transfers and pensions together explain almost half (46 percent)

of the decline in inequality in the 2000s, labor market income (both male and female) was the principal driver of the decline. For both men and women, higher returns to labor were more important than increased labor force participation in promoting a more equal distribution of income.

Figure 7. ☞ Female earnings contribute almost one third of inequality reduction in LAC (2000-2010)



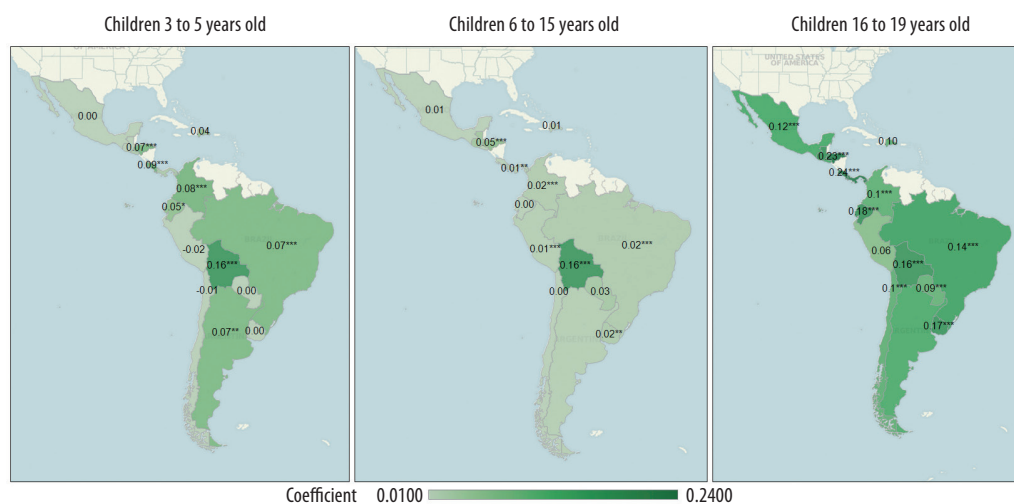
Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Please see footnote 5 for a brief explanation of the methodology used.

⁶ Fournier (2001) decomposition of poverty by factor components: changes in poverty due to changes in labor income, changes in non-labor income, and changes in the rank correlation between the income sources. Since there is no way to consider a variation of the marginal distribution of a specific income source, keeping constant both the marginal distribution of other sources and the correlation between sources, Fournier uses an alternative approach that looks at rank correlation. In this approach, one can do simulations that are based on totally non-parametric

The growing importance of female income may also yield greater poverty reduction for the next generation. Higher rates of household dependency on female income are associated with higher rates of school enrollment, particularly for pre-school and upper secondary school – where traditionally enrollment rates have been lowest in the region. (In most LAC countries, education is compulsory and subsidized between six and 15 years old). Households where women contribute more than 75 percent of total income have enrollment rates for preschool and high school that are about 1 to 25

percent higher than similar households dependent upon male labor income (Figure 8). For instance, in Brazil children in households dependent on female labor market income were 7 and 14 percent more likely to be enrolled in preschool and secondary school, respectively, than in households more dependent on male labor income or transfers. These estimates control for income per capita, the share of pensions and transfers in household income, the size of household, and the existence of single parent households.

Figure 8. 📶 Households highly dependent on female income are associated with better school enrollment rates (2010)



Source: Author's calculations using SEDLAC data, 2011 (CEDLAS and the World Bank)

computations since they only use the rank structure of various income sources. In addition, this method presents the major advantage of allowing for a distinction between changes in the correlation between income sources and changes in the marginal distribution of income sources, without using an ad hoc sharing rule for the correlation effect between sources.

2. What is behind the growing contribution of women?

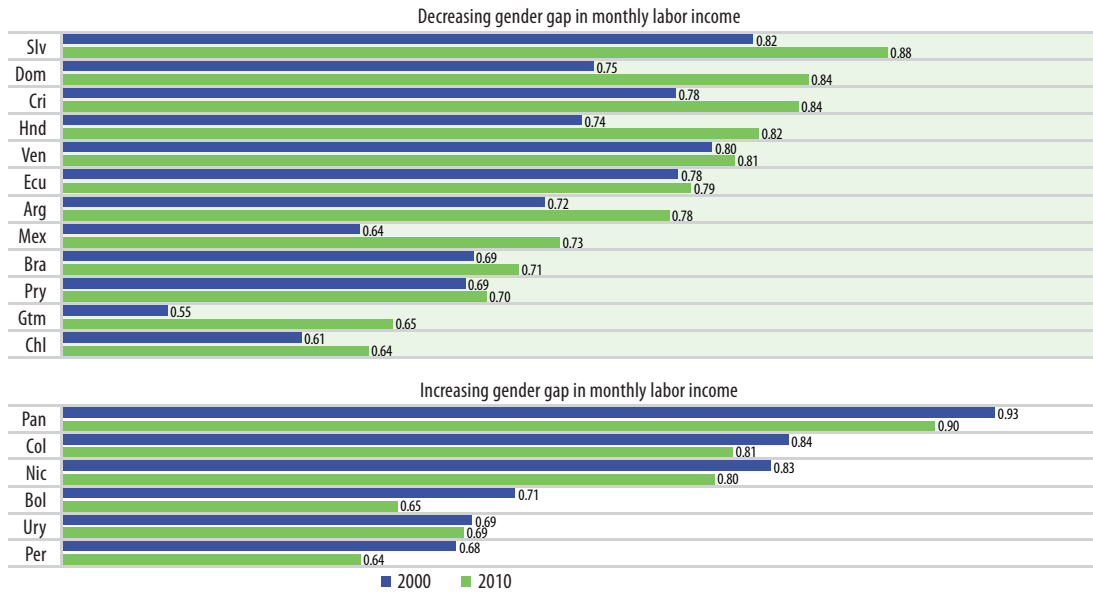
The contributions of female income to poverty and inequality reduction in LAC in the 2000s reflects the growth in their labor market earnings compared to men (Figure 9), and higher participation rates (Figure 10), particularly among poorer women, as well as the introduction of non-contributory pension programs for women, especially in Southern Cone countries.

The gross earnings gap between men and women has declined significantly during the 2000s, reflecting higher participation rates, especially among older females, and a gradual convergence of male and female returns to experience. This trend is fairly widespread across LAC, as the gap declined in 12 countries with comparable data and rose in six countries. Nonetheless, gross female labor income remains less than that of males, at around 60-90 percent. The gap is greatest and growing in Bolivia and Peru and, while declining, remains significant in Chile and Guatemala (Figure 9).

Unpacking the increase in female labor earnings reveals that rising participation rates were important, especially for low-income women. In LAC, female labor market participation rates surged by 15 percent over the last decade, while that of men only increased by 2 percent (Figure 10). Nevertheless this change has been heterogeneous. In countries such as Costa Rica and Panama, more than 25 percent more women worked in 2010 than in 2000, while in El Salvador the increase was less than 5 percent. Honduras is the only country where the female employment rate actually declined, while male participation rates declined in four countries (Ecuador, Mexico, Dominican Republic and Costa Rica). Despite the general trend towards higher female labor market participation, it remains significantly below male participation rates in LAC and OECD countries. In 2010, in LAC about 46 percent of women aged between 15 and 64 participated in the labor market, against 76 percent of men. In OECD countries, the participation of women in the work force exceeds LAC's by about 10 percentage points.⁷

7 <http://stats.oecd.org/>

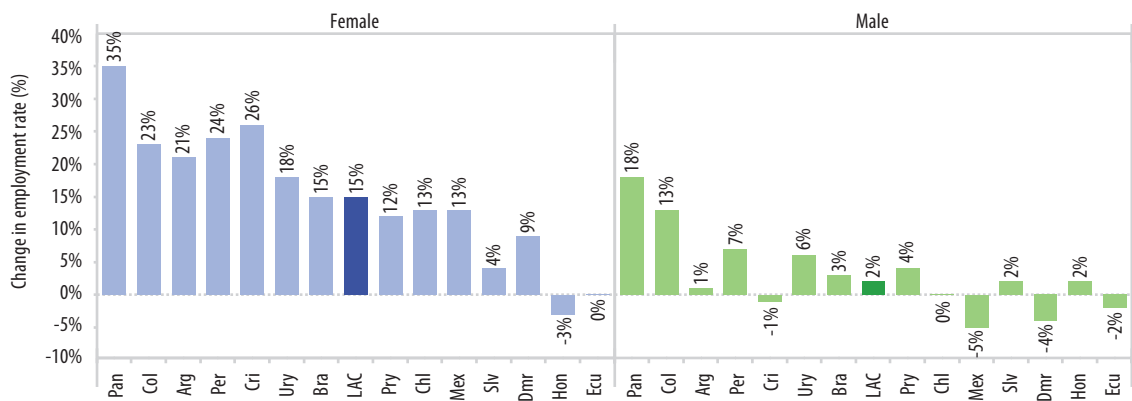
Figure 9. The gross gap in labor market earnings between men and women fell in most LAC countries (aged 15-64) (2000, 2010)



Source: SEDLAC (CEDLAS and The World Bank)

Note: The ratio is computed dividing the female monthly labor income by the male monthly labor income in both years. The monthly labor income is expressed in nominal Local Currency Unity (LCU). Argentina (28 main cities, 2000; EPHC, 2010); Bolivia (National, 2000; 2008); Brazil (New PNAD 2001, 2009); Chile (2000, 2009); Colombia (ECH National 2001; GEIH-National 2010); Costa Rica (2000, 2010); Dominican Republic (ENFT 2000, 2010); Ecuador (ENEMDU, 2003, 2010); El Salvador (2000, 2010); Guatemala (ENCOVI, 2000; 2006); Honduras (EPHPM 2001, 2009); Mexico (2000, 2010); Nicaragua (2001, 2005); Panama (2001, 2010); Paraguay (2000, 2010); Peru (ENAH0, 2000, 2010); Uruguay (only urban 2000, 2010); Venezuela (2000, 2007).

Figure 10. Rising female labor force employment rates (aged 15-64) (2000 to 2010)

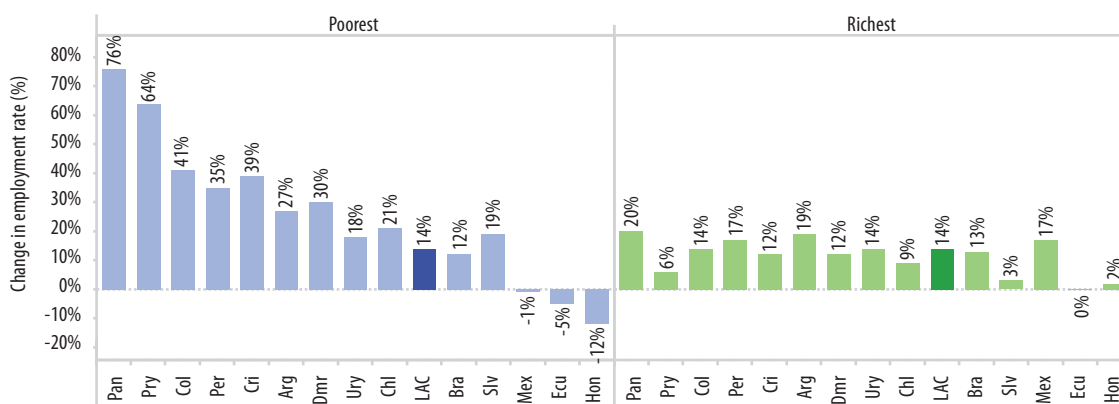


Source: Azevedo, et al. (2012a). Female labor market participation rates are the share of women from 15 to 64 who declare a positive income in the household survey.

The increase in female labor force participation rates has been sharpest among low-income women, helping to explain the contribution of female labor earnings to the decline in extreme poverty as well as the severity of poverty (Figure 11). Comparing the increase in labor market participation between women from the bottom and top quintile in LAC reveals that low-income women are entering the labor force at a much higher rate than wealthier women. This trend is particularly marked in Panama, Paraguay, Costa Rica, Peru and Colombia.

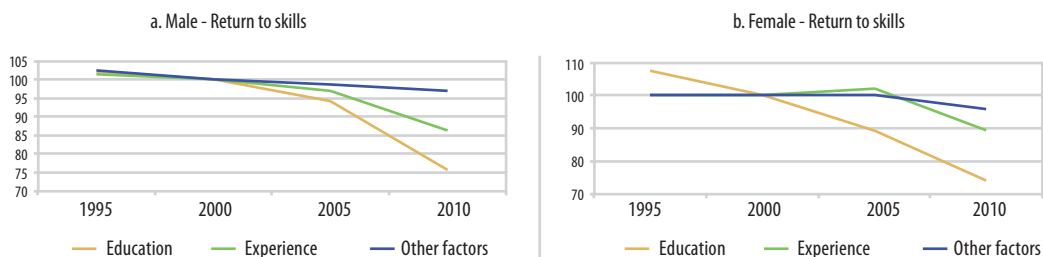
Overall, returns to education and experience in the labor market fell for both men and women in the 2000s (Figure 12). However, while both male and female returns to education declined, the deterioration occurred earlier and more sharply for women than for males. The more rapid reduction in returns to education for females might be explained by more educated women, relative to men, joining the labor markets in the region. This could undermine incentives for continued high female investment in human capital and erode their relative gains in the labor market.

Figure 11. More low-income women were entering the labor force compared to high-income women (change in employment rates for women aged 15-64) (2000 to 2010)



Source: Azevedo et al. (2012a). Note: Poorest: bottom 20 percent of income distribution; richest top 20 percent of income distribution

Figure 12. The returns of experience in the LAC labor markets are more favorable to females than males.

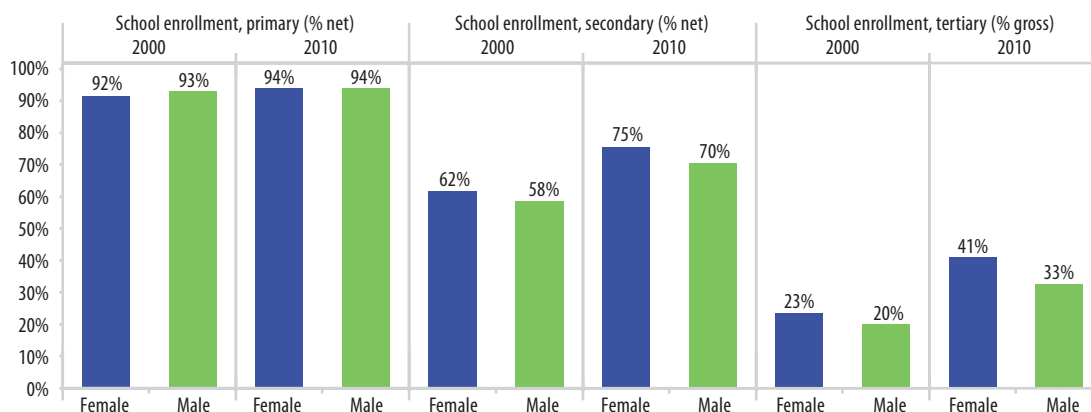


Source: Azevedo et al (2011). Index 2000 = 100.

The increase of female labor income and female labor market participation is likely linked to higher enrollment rates and the closing gender gap in education. In the last decade, gender gaps in education have closed and even reversed in many

countries. Almost all LAC countries closed their gender gaps in primary education. Secondary education and tertiary education have not only reached gender parity but have reversed it, as girls now significantly outnumber boys (Figure 13).

Figure 13. Enrollment rates increased for both males and females, although females still have higher enrollment in secondary and tertiary education in LAC (2000, 2010)

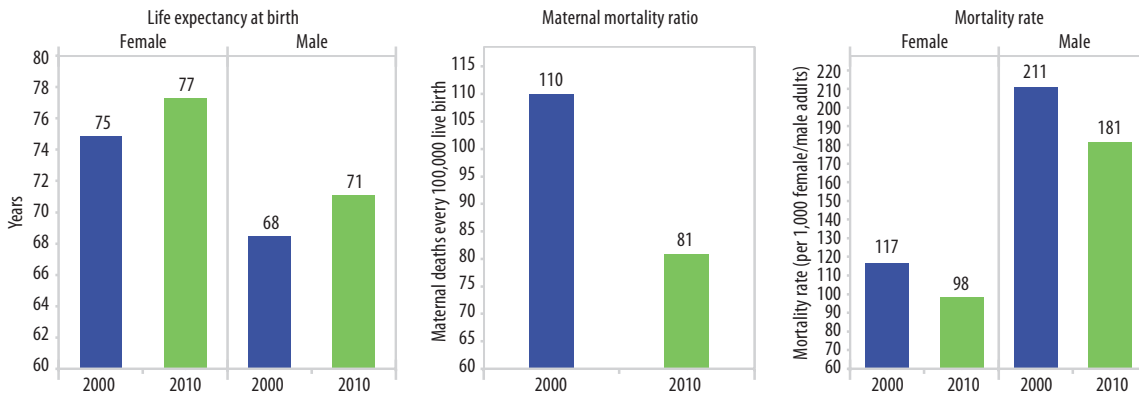


Source: World Development Indicators (WDI). Note: the values reported for 2010 are an average of 2009 and 2010 indicators. Primary (secondary) Net enrollment rate is the ratio of children of the official primary (secondary) school age who are enrolled in primary (secondary) school to the total population of the official primary (secondary) school age. School enrollment gross: is the total enrollment in tertiary education, regardless of age, expressed as a percentage of the population of official tertiary education age.

Another important factor behind the increase in female labor income reflects the expanded contribution of pension income. The latter is due, in large part, to the introduction of non-contributory pensions for women, as well as an increase in female life expectancy. Argentina, Chile, Brazil, Panama and Costa Rica have introduced non-contributory pension programs for both men and women. There were gains in life expectancy and reductions in the mortality rate for both men and women in the 2000s (Figure 14). Nonetheless, women continue to live

longer than men, which enables them to profit more from pensions. On average, women live two years longer than they did 10 years ago and they live, on average, six years longer than men. The increasing life expectancy for women has been, in part, driven by a decline of maternal mortality. However, the rate at which LAC maternal mortality has declined is less than planned and this is one of the Millennium Development Goals (MDGs) where the region is lagging (UNDP, 2011).

Figure 14. Both men and women experienced important gains in life expectancy and reductions in mortality rates in LAC (2000, 2010)



Source: World Development Indicators (WDI). Note: Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Maternal mortality ratio is the number of women who die during pregnancy and childbirth, per 100,000 live births. The data are estimated with a regression model using information on fertility, birth attendants, and HIV prevalence. Adult mortality rate is computed as the probability of a 15-year-old dying before reaching age 60 (every 1,000 female/male adults), if subject to current age-specific mortality rates between those ages.

There is also some evidence suggesting that labor force income increased significantly for minorities –both men and women– in the 2000s, which would also be a driving factor behind the decline in extreme poverty in the region. In the case of Brazil, there is clear evidence that labor market income from female, and especially male, ethnic minorities contributed to the country’s poverty reduction

in 2000s (Box 1). The expanded role of minority labor income may reflect improved access to labor markets; higher rates of human development assets (mainly education but also health); the introduction of minimum wages and pensions; and perhaps also less discrimination in the job market, although this remains to be explored.

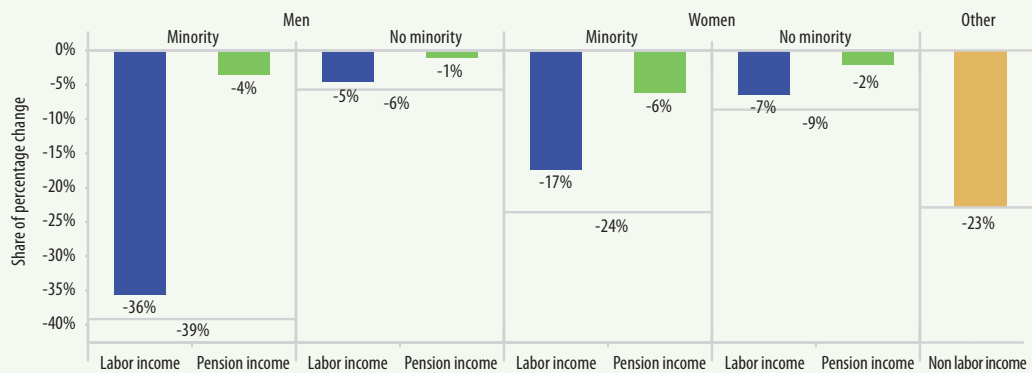
Box 1. Ethnic minorities have been a key force behind the reduction of poverty in Brazil

In the last decade, the contribution of ethnic minorities⁸ to labor earnings in Brazil has been substantial. The reduction in extreme poverty due to male minority income has been more than 6.5 times the contribution of male income from non-minority groups. Among women, minorities contributed 2.5 times compared to non-minority women (Figure 15). The expansion of minimum wages is likely to have played an important role behind the change in labor earnings for minority workers and their ability to contribute to poverty reduction.

Male labor market income amongst minority groups was significantly more important in pushing down poverty, contributing almost double the amount of poverty reduction compared to female labor market income from minorities. In contrast, in comparing the contribution of men and women of non-minority groups – the share of poverty reduction from female income was greater than for males.

8 In this exercise we consider “white,” which represent about 45 percent of the population, as the non-minority group and the rest of population as the minority group.

Figure 15. Men and Women ethnic minorities' contribution to poverty reduction in Brazil (2000-2010)



Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Please see footnote 5 for a brief explanation of the methodology used.

3. Emerging vulnerabilities and persistent challenges

The growth in the economic contribution of women to poverty reduction in LAC during the last decade was impressive; however, there remain several important challenges labor market segmentation, wage gaps, and agency, which affect women and potentially undermine the rate of poverty reduction in the region.

Despite having higher levels of human capital, female workers are more likely to be in low productive sectors than their male counterparts. Although data from Brazil suggests that the presence of women in some top occupations is increasing slightly, women are still overwhelmingly represented in low-productivity sectors. In Brazil, there have been small increases in the share of women employed as professionals (from 6 percent to 10 percent) and as clerks (from 10 to 13 percent), but the share of women in services has remained constant and is more than double the share of men in that sector (Figure 16).

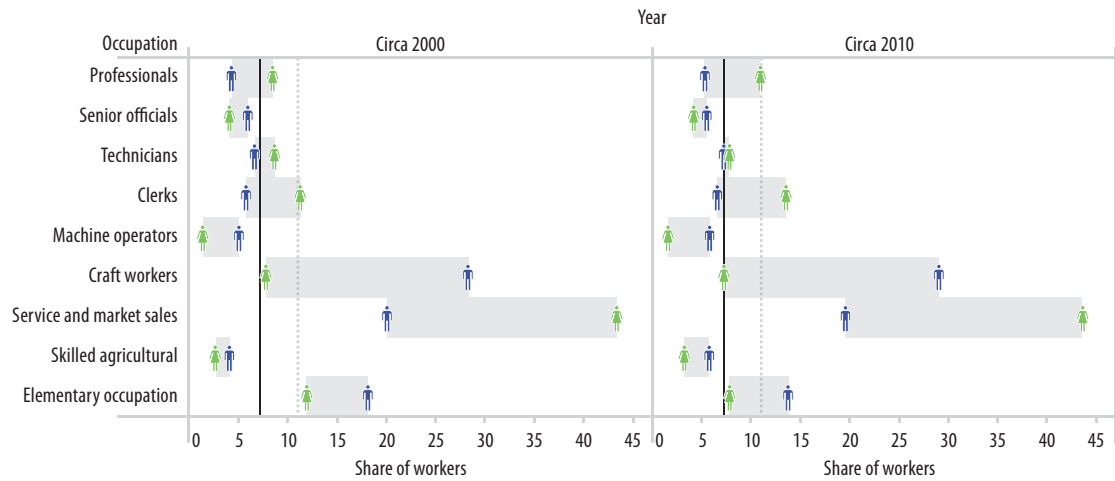
Despite the presence of occupational segregation in Brazil, there is some preliminary evidence that the access to top positions may be becoming easier for women. While women in Brazil still need more education to reach top jobs, this characteristic is eroding, as the educational gap between men and women in top professions is growing smaller (Figure 17). In Brazil, women senior officials, technicians, and clerks tend to have more education than their male counterparts, although this difference has declined in the 2000s. Moreover, there is even some evidence that women professionals and top officials are younger than their male counterparts (Figure A8 in the Appendix).

There is some evidence that women and men may not be compensated on par, especially in top professions. After controlling for education, age and proportion of workers in each occupation between 2000 and 2010, there is evidence of a large and persistent wage gap for women in Chile, Brazil, Mexico and Peru that is especially marked for top-paid professions (Figure 18).^{9,10}

9 All results are population weighted. Median labor income are from pooled data of the Household Survey for four countries (Brazil, Chile, Mexico, Peru) in 2000 and 2010.

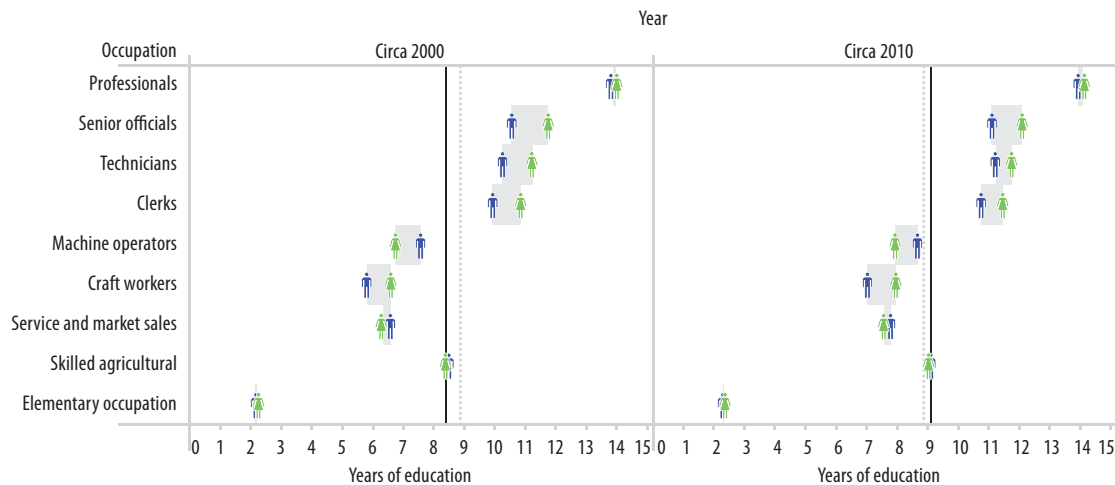
10 Examining the ratio of median labor income between males and females with no controls shows a decline in the wage gap over time (Figure 9). However, when controlling for education, age and proportion of workers by occupation,

Figure 16. Percentage of women and men in each occupation in Brazil



Source: Author's calculation. Data: Household Survey Data (Brazil) in 2000 and 2010. Note: The red line is the median value of the parameter considering all occupations together in the country considered. The dotted grey line is the median value of the parameter considering all occupations and all countries together (Brazil, Chile, Mexico, Peru). The occupations are ranked by median labor income, from the top-paid to the bottom-paid occupations.

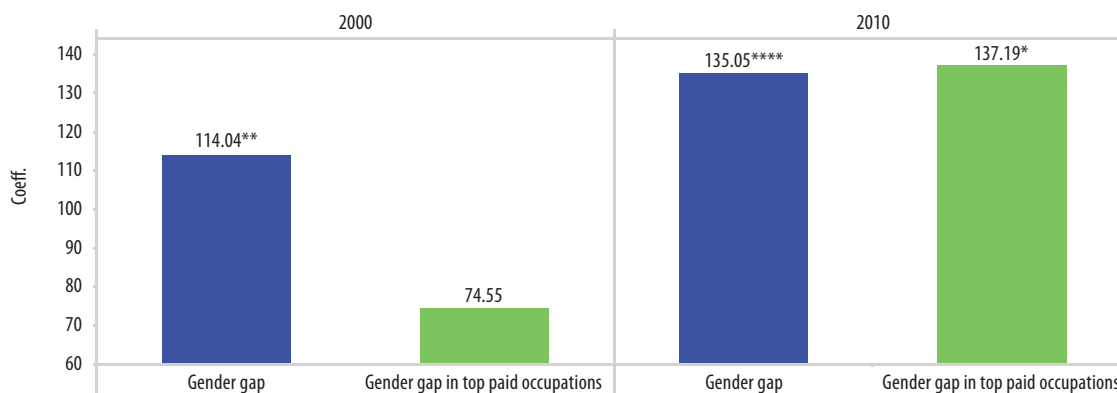
Figure 17. The Gender gap in years of education by occupation in Brazil is declining for some top professions



Source: Author's calculation. Data: Household survey data (Brazil) in 2000 and 2010. Note: The red line is the median value of the parameter considering all occupations together in the country considered. The dotted grey line is the median value of the parameter considering all occupations and all countries together (Brazil, Chile, Mexico, Peru). The occupations are ranked by median labor income, from the top-paid to the bottom-paid occupations.

the gap has increased in the last decade. These results differ from Hoyos and Ñopo (2010), as they analyze different time periods (2000-2010 in this report, compared to 1992-2007 in Hoyos and Nopo) and the country coverage is different.

Figure 18. Rising gender gaps, especially for top paid occupations (2000, 2010)



Source: Author's calculation. Data: SEDLAC data (Brazil, Chile, Mexico, Peru) in 2000 and 2010. Note: The results reported refer to OLS estimation of the median labor income, pulling together data from the four countries. The "gender gap" bar indicates the value of the estimated coefficient of the variable gender (1=Men) and the bar labeled "gender gap in top paid occupations" shows the value of the estimated coefficient for the interaction of the variable gender and a dummy equal to 1 for the three top-paid occupations (Professionals, Senior Officials and Technicians).

Wage gaps and the concentration of females in certain sectors likely reflect a variety of factors.

These may include: differential employment choices and patterns (as women more often than men are less engaged in the work force when they marry and/or have children, and as women may select to work in sectors more conducive to flexible and/or part-time schedules); as well as unequal *de facto* or *de jure* opportunities for men and women in the labor market. Influencing both of these factors is the concept of agency, which is "the ability to make choices and to transform these choices into desired outcomes" (WDR, 2012).¹¹

"Agency" is an essential ingredient if women in Latin America want to take advantage of their expanded assets and economic opportunities to make choices consistent with their aspirations and desires. In a joint research paper, Macours and Vakis

(2009) provide empirical evidence of the positive effect of increased aspirations on investment behavior and income. In their randomized experiment, women whose aspirations increased through communication with successful and motivated female leaders were more likely to make higher human capital investments and have higher incomes.

While agency itself is difficult to measure, manifestations of limited agency –such as high levels of gender-based violence or teenage pregnancy– can provide important insight on these social phenomena. Both of these tend to be high in LAC, which suggests that agency may be relatively low in the region, preventing women from taking full advantage of their human development assets and economic opportunities in the labor market and beyond (Box 2).

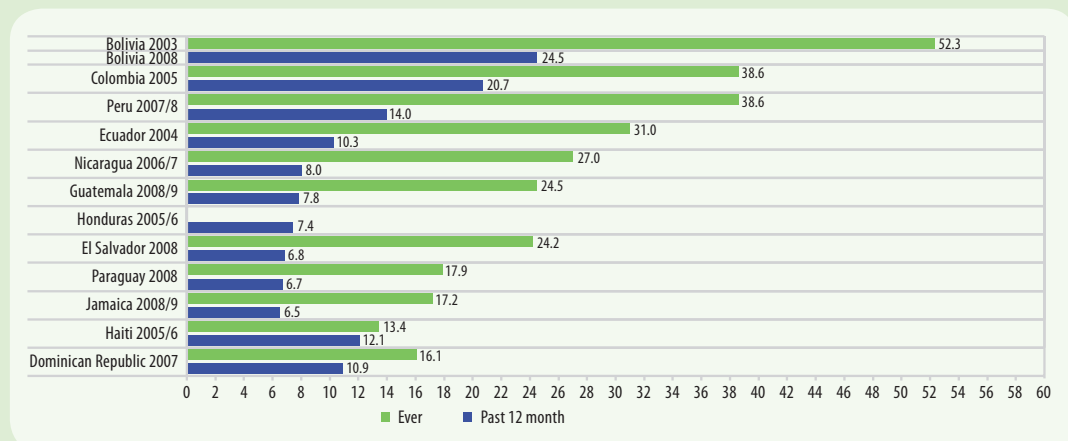
11 The WDR 2012 identifies five expressions of agency for women, namely: control over resources, freedom of movement, decision-making power in the family, freedom from the risk of violence, and ability to have a voice in society and influence policy.

Box 2. Gender Based Violence and Teen Pregnancy – manifestations of low agency

GENDER-BASED VIOLENCE

Gender-based violence affects a substantial proportion of women in the region. Collecting accurate information of gender violence is difficult given the sensitive nature of the topic and lack of clarity for women in defining what constitutes violence by their partners. However, a forthcoming publication by PAHO and the CDC (Bott et al.) suggests that there is significant gender-based violence in LAC and that it may have long-term structural effects. The percentage of women across 12 countries who reported that their partners beat or physically abused them at some point in their lives varies, from 13 percent in Haiti to overall half of women in Bolivia; while between 7 to 24 percent of women in LAC reported that their partners beat or otherwise physically abused them in the past 12 months preceding the survey (Figure 19).

Figure 19. Physical partner violence against women, ever and in the past 12 months

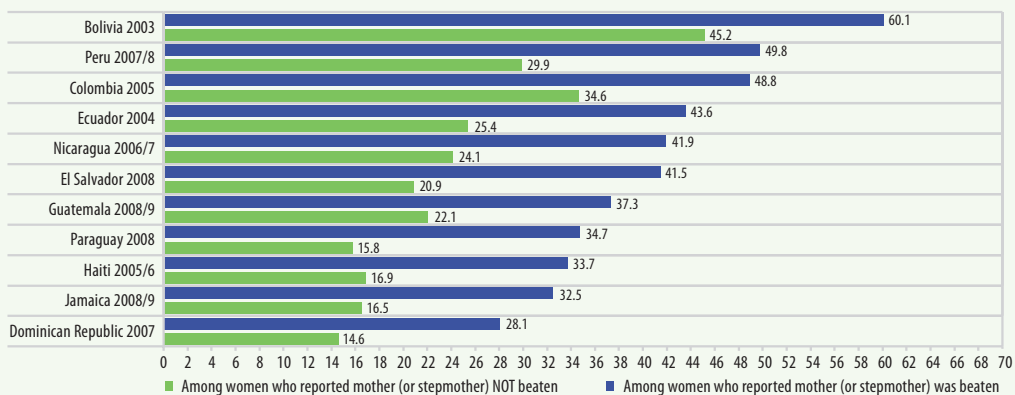


Source: Bott S, Guedes A, Goodwin M, Mendoza J (forthcoming) *Violence against women in Latin America and the Caribbean: A comparative analysis of population-based data from 12 countries*. Washington DC: Pan American Health Organization and the Centers for Disease Control and Prevention. Note: Considering the most recent partner only. Data: DHS and RHS surveys, various years. Women who have not had a partner are excluded.

Gender-based violence appears to have inter-generational implications, affecting the agency and voice of the next generation as well. In the same study, the reported prevalence of physical and sexual violence from an intimate partner is higher among women who reported that their mother was beaten, compared with women whose mother suffered no domestic violence (Figure 20). Gender-based violence also seems to be a fairly widespread accepted norm: The percentage of women who consider wife-beating to be acceptable ranges from 3 percent in Jamaica to 38 percent in Ecuador (Annex A9).¹²

12 Those who support beating gave one of the following actions as an acceptable reason: (i) neglects children or housework, (ii) goes out without telling him, (iii) refuses sex, (iv) argues or disagrees with husband, (v) burns the food, (vi) raises a suspicion of being unfaithful, (vii) asks husband if he is unfaithful, or (viii) disobeys husband.

Figure 20. Intergenerational trap: Prevalence of partner violence, by history of abuse against mother

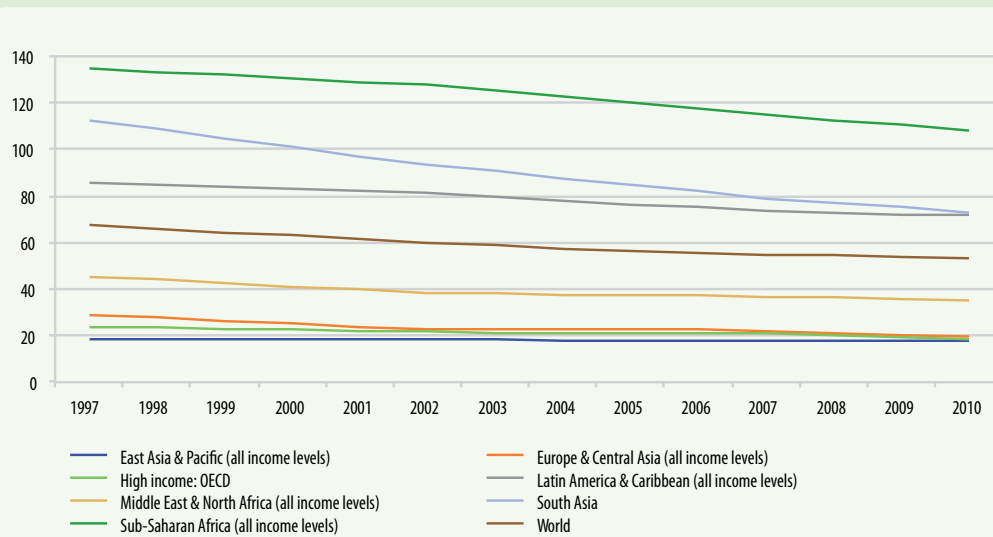


Source: Bott S, Guedes A, Goodwin M, Mendoza J (forthcoming) *Violence against women in Latin America and the Caribbean: A comparative analysis of population-based data from 12 countries*. Washington DC: Pan American Health Organization and the Centers for Disease Control and Prevention. Data: DHS and RHS surveys, various years.

TEENAGE PREGNANCY

High rates of teenage pregnancy represent another manifestation of low agency. LAC has the third highest teenage pregnancy rate in the world, almost tied for second place with South Asia. Moreover, the rate is declining slower than in other regions (Azevedo, Lopez-Calva et al. forthcoming). Despite the fact that the region has improved health and education outcomes significantly over the last two decades, addressing teen pregnancy and early childbearing remains a challenge for many countries. Middle-income countries such as Chile and Brazil have achieved impressive gains in a number of health indicators, including maternal and child mortality and chronic malnutrition, but have been much less successful in stemming teen pregnancy.

Figure 21. Adolescent fertility has declined more slowly in LAC than SSA and SA (1997-2010)



Source: World Bank (forthcoming) *Teenage Fertility Decisions, Poverty and Economic Achievement in Latin America and the Caribbean*. Washington, DC

Teenage pregnancy is associated with high levels of poverty with important implications on the economic and human development outcomes for the mothers and even their children. A forthcoming World Bank Regional study on teenage pregnancy in LAC finds that it is associated with high levels of poverty, rural residence, limited aspirations, growing up on a single parent household, and being born to a teen parent. There is also some evidence linking teen mothers to lower rates of secondary school completion and post-secondary education. In terms of the children born to teen mothers, the evidence suggests any negative nutritional and educational impacts of being born to a teen mother are negligible over the medium-term; however, they do face a higher risk of deviant behavior when they become adolescents themselves, including higher rates of sexual activity. In addition, there is evidence of higher health risks and maternal mortality rates for adolescent pregnancy, particularly those for under-18 years of age, as the reproductive system has not yet reached full maturity before that age. (2007 UNICEF/ECLAC Study).

While in general the expanded engagement of females in the workforce has helped dual income households exit poverty and cope with shocks, there is a growing vulnerable group of women who are single economic heads of households (Box 3). In a small but seemingly growing share of households, women are the only breadwinners and face the highest risks of poverty. In 2000, 16 percent of the households had only female labor market income while, in 2010, this share had grown to 17 percent – with the largest

increase in urban areas (from 17 to 19 percent of the households) (Figure A12). In households with children in urban areas, a female economic head of household faces a 20 percent likelihood of being extremely poor, compared to 15 percent for a male economic-headed household (Figure 23). It is important to note that male single-headed households (where all the labor earnings are from men) are also more vulnerable to poverty, although less so than female single-headed households.

Female single-headed households may also be under stress given the smaller number of male adults in the household and higher dependency ratios than male-headed households. [Figure 24](#) shows that the dependency ratio for male single-headed households in urban areas is around 0.55 per adult, compared to almost 0.7 for female single-headed households. In households where females contribute all the labor

income, they tend to be the only adults and have a much higher dependency ratio to support. In contrast, in the traditional home where males contribute all the labor income, more than 50 percent of the adults tend to be females, who can help with family chores, care giving and the provision of other non-monetary support.

Box 3. Towards an Economic definition of head of household

Using the traditional definition of headship, most households are headed by males, even when females contribute 80 percent of household income. On average, between 80 and 55 percent of households in rural and urban areas, respectively, are considered headed by males ([Figure 22](#)). In this brief, a new concept of “head of household” is introduced using “economic headship” based on two well-defined steps: First, calculating the share of total household income earned by the female; and second, identifying the male or female “head” as the person earning more than 50 percent of household income. Furthermore, a female (male) single-headed household is a household where all income is generated by the female (male) household’s members. Having control over the household’s resources (i.e., contributing more than 50 percent of total household income), gives the economic head greater bargaining power to make his or her preferences prevail over others.

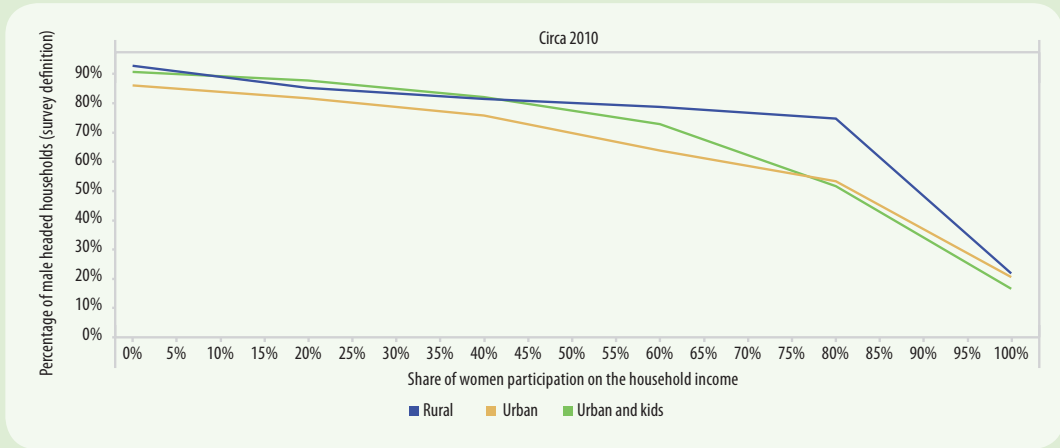
Using this definition of headship, 17 percent of the households in LAC are single-headed female households, where women provide all of the labor earnings, up from 16 percent in 2000.

The traditional definition of headship. The United Nations defines the “head of household” as “that person who is acknowledged as such by other members”.¹³ The UN’s Demographic Household Survey interviewer’s manual indicates that: “...the person who is identified as the head of the household has to be someone who usually lives in the household. This person may be acknowledged as the head on the basis of age (older), sex (generally, but not necessarily, male), economic status (main provider), or some other reason. It is up to the respondent to define who heads the household”.¹⁴ Although interview manuals for household surveys may explicitly define “household head,” as stated above, wives often may report their migrant husbands as “heads” even though they are not currently residing in the household.

13 *United Nations Principles and Recommendations for Population and Housing Censuses*, Sales No. E.98.XVII.8 New York, 1998 Paragraph 1.324

14 ICF Macro. 2009. Demographic and Health Survey Interviewer’s Manual. Measure DHS Basic Documentation No. 2. Calverton, Maryland, U.S.A.: ICF Macro

Figure 22. Comparing the traditional definition of male headship to economic headship (2010)



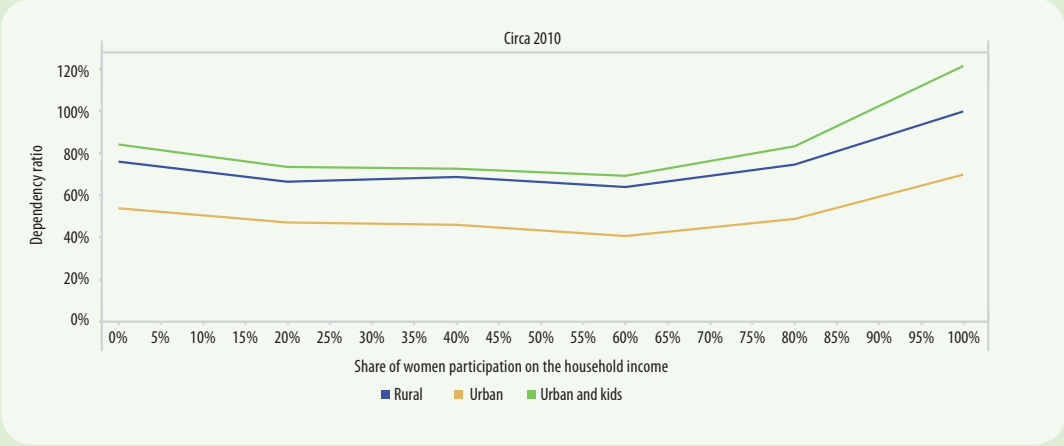
Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Note: See Figure A12 for the percentage of household in each category of share of woman participation.

Figure 23. Who is the breadwinner? Household's headship and extreme poverty reduction (2000-2010, \$2.5 USD/PPP)



Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Note: Extreme poverty headcount is computed considering only labor income (poverty line \$2.5 USD/PPP).

Figure 24. Economic household's headship and dependency ratio (2010)



Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Note: The dependency ratio is equal to the number of individuals aged below 15 or above 64 divided by the number of individuals aged 15 to 64, expressed as a percentage.

Final Remarks and policy considerations

In the last decade, Latin American and Caribbean countries have experienced unprecedented improvements in terms of poverty and inequality reduction. As highlighted in this report, women have played a crucial role in this process. If female labor market participation had remained constant over the last decade, poverty reduction would have been 30 percent lower and the Gini inequality index 28 percent higher. In terms of human development endowments, educational outcomes have dramatically improved (WDR, 2012). In most LAC countries, girls have been achieving gender parity in primary school enrollment and even outperforming boys at the secondary and tertiary level. Increasing investments in human capital together with the decline of fertility and the later age of marriage have contributed to increased women's participation in the labor market, as participation rates grew 15 percent from 2000 to 2010.

Yet, there remain persistent barriers for women to expand their economic contribution, which require innovative and creative policies and programs in order that they be addressed. Several suggestions for policy priorities that emerge from the discussion in this brief are summarized below. The focus should

be on: (i) direct and indirect policies to expand female labor market opportunities (increasing labor force participation as well as reducing the wage gap and segmentation in the labor market); (ii) improving female agency, which is expected to be important in its own right, and also to have important potential benefits for equality of economic opportunities and assets; and, (iii) supporting families of the growing number of poor single female-headed households. To the extent possible, interventions should be accompanied by strong monitoring and evaluation systems to better identify what works, and under what circumstances, for promoting gender equality.

Labor market policies have traditionally focused on expanding vocational and skills training for women as well as providing job intermediation services to help women to engage in non-traditional jobs and find better employment opportunities. Several of these programs are summarized below. A recent review by the World Bank (2012) suggests that training and job intermediation programs are most effective when combined with interventions designed to expand female empowerment and agency, such as soft-skills training, interactions with female leaders and community.¹⁵

15 World Bank, (forthcoming in 2012), "Women's Economic Empowerment in Latin America and the Caribbean: Lessons Learned from the World Bank's Gender Action Plan".

- Training programs, in the traditional and non-traditional sectors, and often covering both soft and hard skills. For example, programs in the Dominican Republic provide training through private sector employers, while in Chile, *Chile Califica*, has established public-sector providers of vocational training. In Haiti, the *Adolescent Girls Initiative* is procuring training to young women through a variety of NGOs. In Argentina, low-income women are provided with subsidies for professional training and certification in certain skills.¹⁶
- Job intermediation programs, helping women find higher quality employment. For example, in Chile, female job seekers are provided with matching services to find employers, along with access to networks and information on job opportunities via *Chile Califica*. In Argentina, a gender pilot engaged seven gender-sensitized municipal employment offices to help them link women job searchers to employment opportunities.

Improving access to childcare and flexible work options offers another avenue to expand female labor market opportunities. Evidence presented in the “Work and Family” report (Chioda et al., 2011) suggests that access to child care and flexible work options can raise female labor force participation and more generally expand their opportunities in the labor market. Evidence from Brazil, where the Municipality of Rio de Janeiro offered free day care to poor and vulnerable mothers, indicates that day care can improve the intensive margin of participation (how many hours worked or sorting into higher productivity jobs), more than encouraging women to

enter the workforce.¹⁷ The availability of flexible work alternatives may facilitate women in balancing their “new identity” in the labor market with traditional responsibilities within the households. These options may not only have significant positive effects on access to the formal labor markets, but also may expand the capacity of women to aspire to, and have control over, their life, blending work and family demands.

Policy makers should not ignore ‘**the other half of gender**’.¹⁸ Addressing the roles of men and boys in gender roles and stereotypes is an important investment in gender equality. *Instituto Promundo, Brazil* has undertaken interesting work in this area.¹⁹ While women have increasingly entered the labor force, time-use surveys show that men still do not sufficiently participate in domestic and care work. The results are a double burden for women. One option for policy makers is to increase men’s participation in child care and housework through parental leave policies and the promotion of joint parenting. Governments should consider introducing targeted risk management programs and assistance programs to this vulnerable group.

There is no one set of policies to promote agency but it will be important to start treating “agency” like any other assets (such as good health or access to credit) that can be nurtured and developed through good policies and programs. Clearly policies to address gender-based violence (both prevention and treatment) and teenage pregnancy are important. However, agency-enhancing interventions can be integrated into a wide variety of traditional interventions, which will not only improve the effectiveness of these policies but also have a broader impact on development outcomes. Smart

16 For more information World Bank (forthcoming in 2012), “Women’s Economic Empowerment in Latin America and the Caribbean: Lessons Learned from the World Bank’s Gender Action Plan.”

17 Ricardo Paes de Barros, Pedro Olinto, Trine Lunde, Mirela Carvalho (2011) “The Impact of Access to Free Childcare on Women’s Labor Market Outcomes: Evidence from a Randomized Trial in Low-income Neighborhoods of Rio de Janeiro. 2011 World Bank Economists’ Forum.”

18 Bannon, Ian and Correia, Maria (Editors), 2006: “The other half of gender,” The World Bank.

19 <http://www.promundo.org.br/en/>

policies will complement traditional interventions with agency-targeted components. An example of smart policy is the Nicaraguan *Atención a Crisis* pilot combined a traditional CCT to increase the asset base and risk management capacity of rural poor households exposed to weather risk (droughts). Its activities aimed at improving health, education and nutrition outcomes. While all beneficiary women received the cash transfers, one-third of them received an additional scholarship to send one household member to a vocational training course. Another third received a business grant and technical assistance for productive investments in livestock or non-agricultural activities. The evaluation found that when women increased their aspirations through social interaction and communication with successful and motivated female leaders, they were more likely to make higher human capital investments. In fact, women who received the productive grant and worked in non-agricultural self-employment increased their incomes by an additional 100 percent (on top of the gain from the program intervention) when they were in a setting where all leaders around them had also received the productive grant.²⁰

Given the non-negligible increase in female single-headed households, particularly in urban areas where they can be one out of every five households, it is important to design programs to support these vulnerable households. To date, there have been relatively few programs targeted to this group. Options for consideration include: conditional cash transfer programs for children of single-headed female households, quality day-care and after-school programs, mentoring for children of working mothers, nutritional and educational support, and youth groups.

Finally, it is important to expand the knowledge base of what works to promote greater gender equity. The LAC Poverty, Gender and Equity unit is launching a **Gender Impact Evaluation Initiative**, with the main objective the filling of critical knowledge gaps around policies and interventions for equality of assets, economic opportunities and agency. The evaluations will identify key policies and initial conditions in order to distinguish what works and what does not (and for whom) in order to achieve improvements in gender equity.

20 Macours, Karen and Vakis, Renos, 2009. "Changing households' investments and aspirations through social interactions : evidence from a randomized transfer program," Policy Research Working Paper Series 5137, The World Bank

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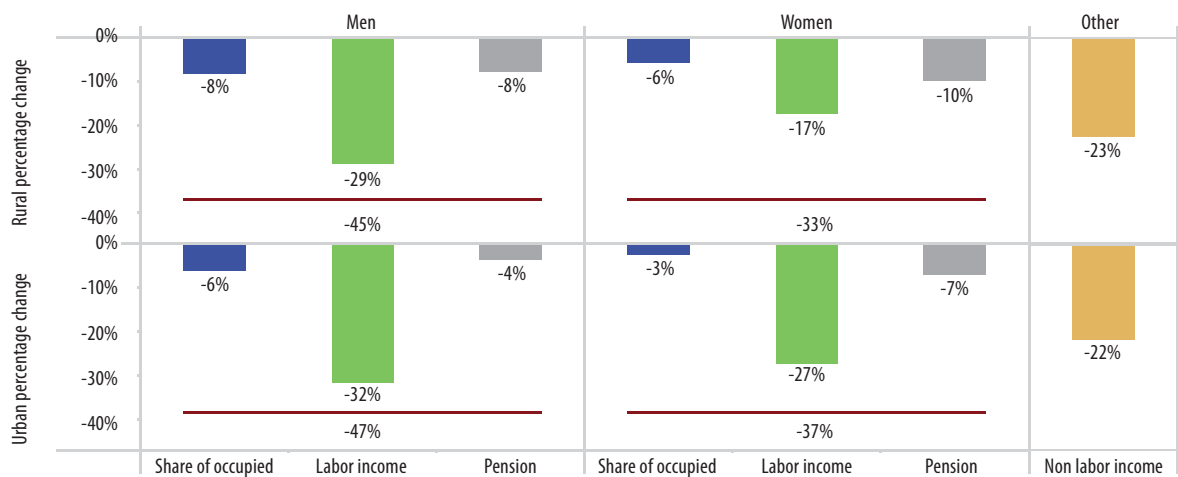
Annex

Table A1. Survey by country and years.

Relevant information on the Socio-Economic Database for Latin America and the Caribbean (SEDLAC)					
Country	Name of survey	Acronym	Coverage	Circa 2000	Circa 2010
Argentina	Encuesta Permanente de Hogares-Continua	EPH-C	Urban-31 cities	2000	2010
Bolivia	Encuesta Continua de Hogares- MECOVI	ECH	Urban	2000	2008
Brazil	Pesquisa Nacional por Amostra de Domicilios	PNAD	National	2001	2009
Chile	Encuesta de Caracterización Socioeconómica Nacional	CASEN	National	2000	2009
Colombia	Gran Encuesta Integrada de Hogares	GEIH	National	2002	2010
Costa Rica	Encuesta de Hogares de Propósitos Múltiples	EHPM	National	2000	2008
Dominican Republic	Encuesta Nacional de Fuerza de Trabajo	ENFT	National	2000	2010
Ecuador	Encuesta de Empleo, Desempleo y Subempleo	ENEMDU	National	2003	2010
El Salvador	Encuesta de Hogares de Propósitos Múltiples	EHPM	National	2000	2010
Guatemala	Encuesta Nacional de Condiciones de Vida	ENCOVI	National	2000	2011

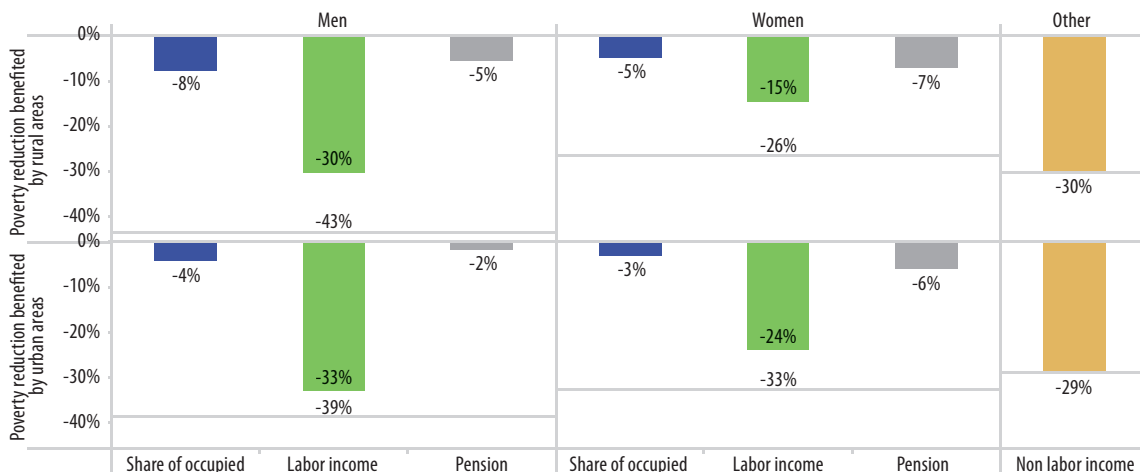
Relevant information on the Socio-Economic Database for Latin America and the Caribbean (SEDLAC)					
Country	Name of survey	Acronym	Coverage	Circa 2000	Circa 2010
Honduras	Encuesta Permanente de Hogares de Propósitos Múltiples	EPHPM	National	1999	2009
Mexico	Encuesta Nacional de Ingresos y Gastos de los Hogares	ENIGH	National	2000	2010
Panama	Encuesta de Hogares	EH	National	2001	2010
Paraguay	Encuesta Permanente de Hogares	EPH	National	1999	2010
Peru	Encuesta Nacional de Hogares	ENAHO	National	2002	2010
Uruguay	Encuesta Continua de Hogares	ECH	Urban	2000	2010
LAC average				2000.4	2009.6

Figure A1. Compare women's contribution to poverty reduction in rural and urban areas (2000-2010, \$4 USD/PPP).



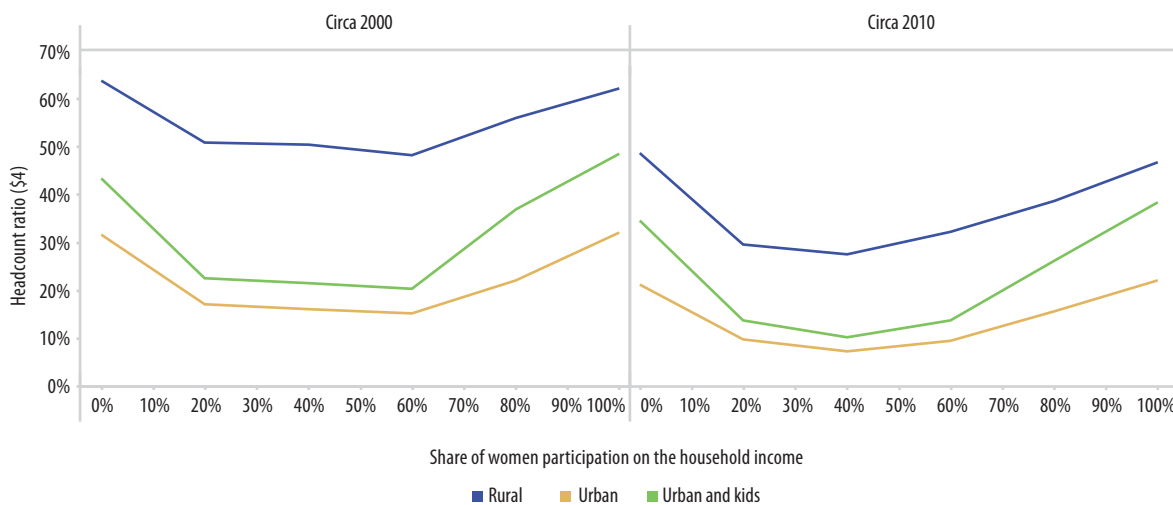
Source: Author's calculations, SEDLAC data, 2011 (CEDLAS and the World Bank). Note: Poverty defined by Headcount ratio at \$ 4 USD/PPP. Please see footnote 4 for a brief explanation of the methodology used.

Figure A2. Labor income was more important in LAC's Growing Urban Areas than in Rural Areas (2000-2010, \$2.5 USD/PPP).



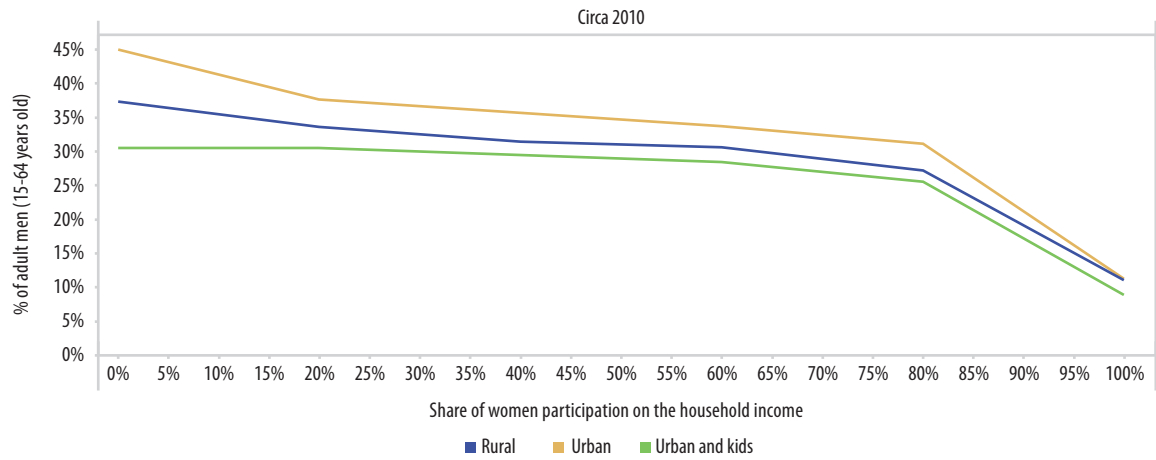
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank). Please see footnote 5 for a brief explanation of the methodology used.

Figure A3. Household's headship and moderate poverty reduction (2000-2010, \$4 USD/PPP) (urban, rural, urban with kids)



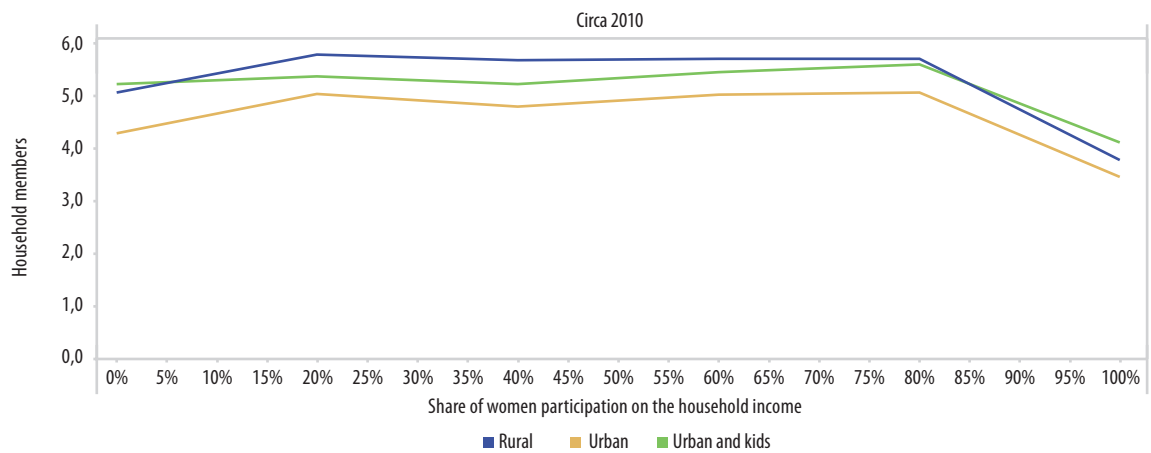
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A4. Percentage of male adults by economic household's headship in LAC (2010)



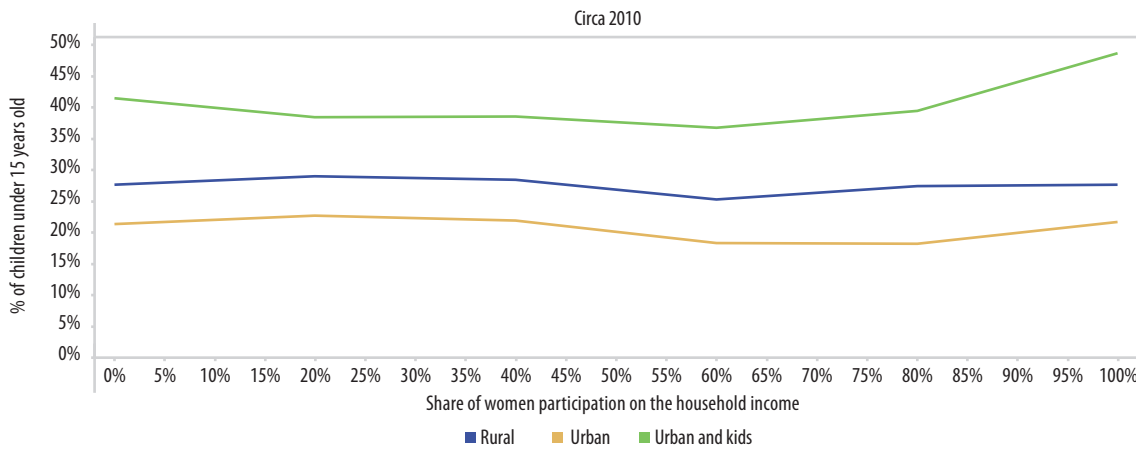
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A5. Household's size by economic household's headship in LAC (2010) (urban, rural, urban with kids)



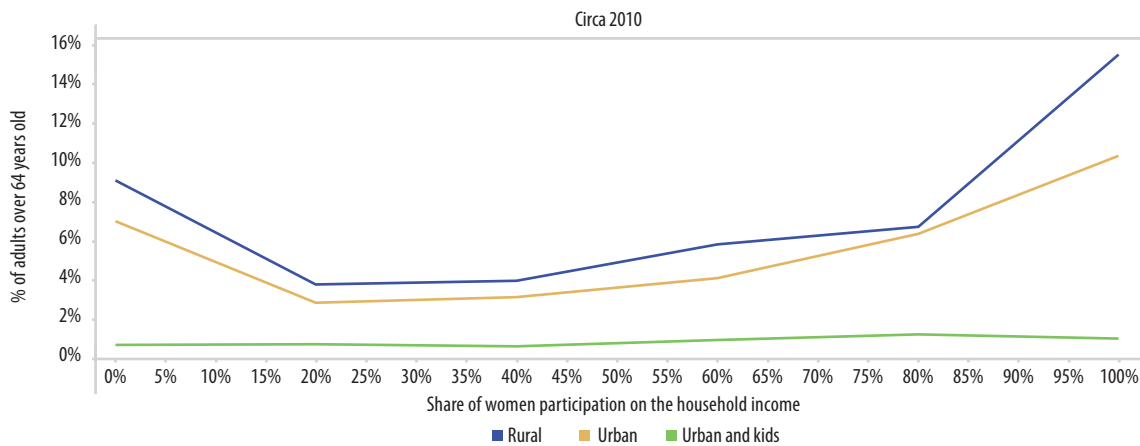
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A6. Percentage of children (under 15) by economic household's headship in LAC (2010) (urban, rural, urban with kids)



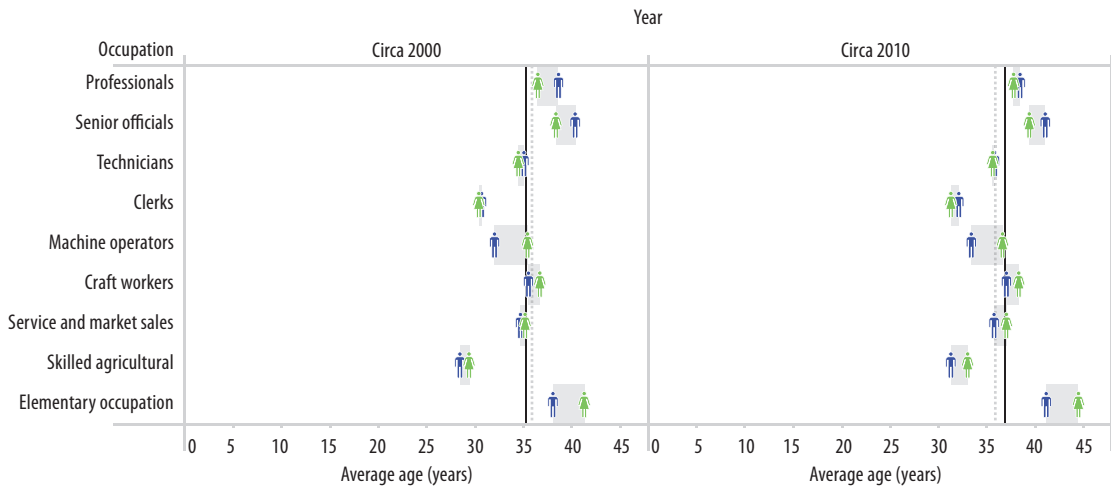
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A7. Percentage of elderly (over 64) by economic household's headship in LAC (2010) (urban, rural, urban with kids)



Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

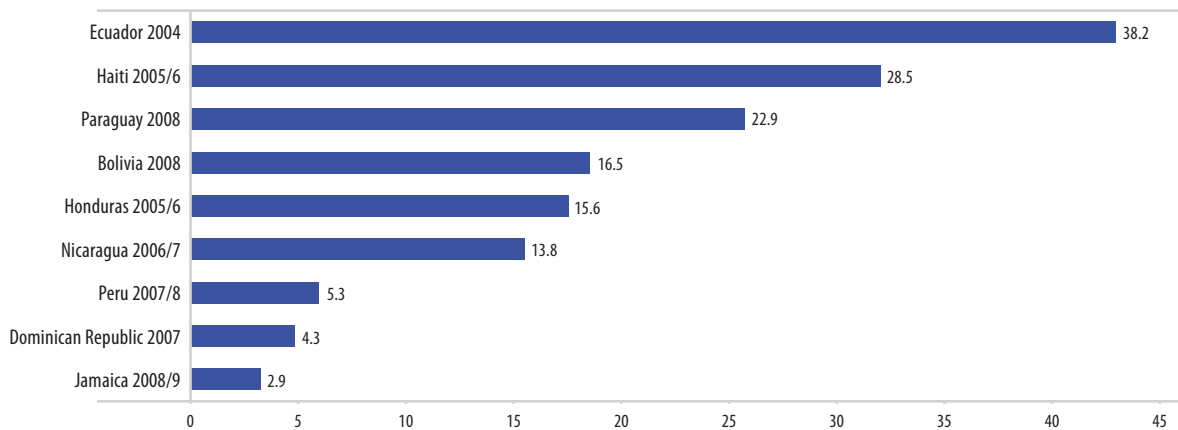
Figure A8. Gender gap in average age in each by occupation in Brazil



Source: Author's calculation. Data: Household survey data (Brazil) in 2000 and 2010

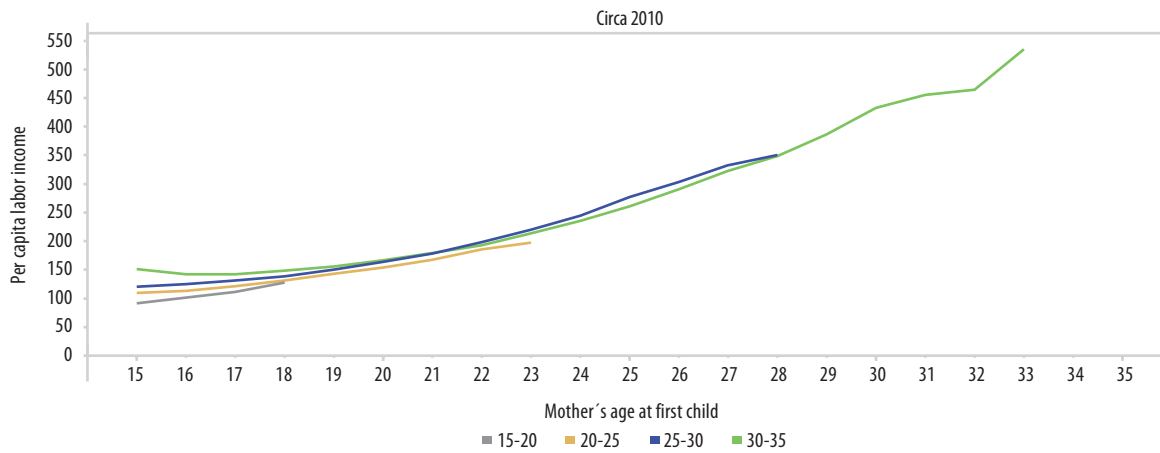
Note: The red line is the median value of the parameter considering all occupation together in the country considered. The dotted grey line is the median value of the parameter considering all occupation and all countries together (Brazil, Chile, Mexico, Peru). The occupations are ranked by median labor income, from the top paid to the bottom paid occupation.

Figure A9. Acceptability of wife-beating (percentage of women who said that wife-beating is justified for at least one reason)



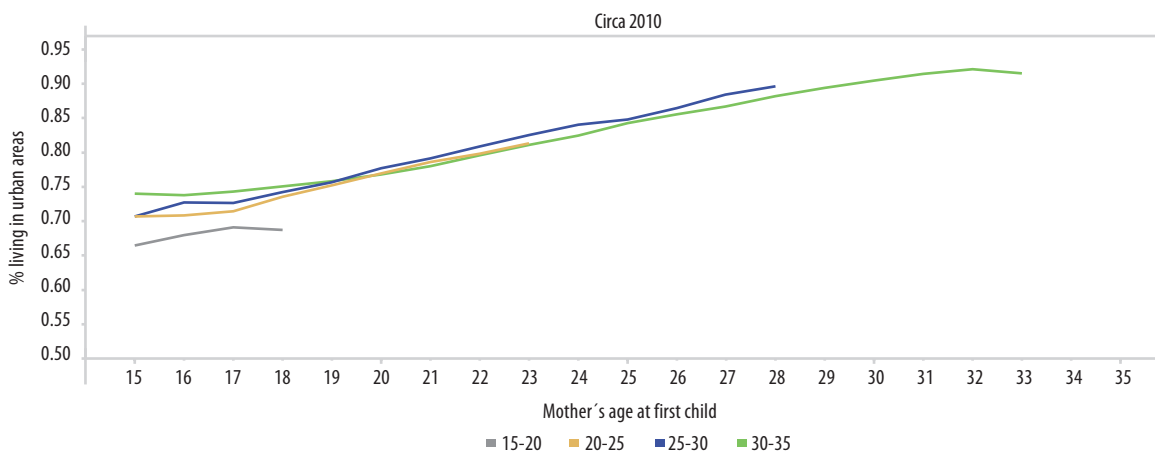
Source: Bott S, Guedes A, Goodwin M, Mendoza J (forthcoming) Violence against women in Latin America and the Caribbean: A comparative analysis of population-based data from 12 countries. Washington DC: Pan American Health Organization and the Centers for Disease Control and Prevention. Data: DHS and RHS surveys, various years.

Figure A10. 📶 Mother's age at first birth and labor income (by mother's birth cohort)



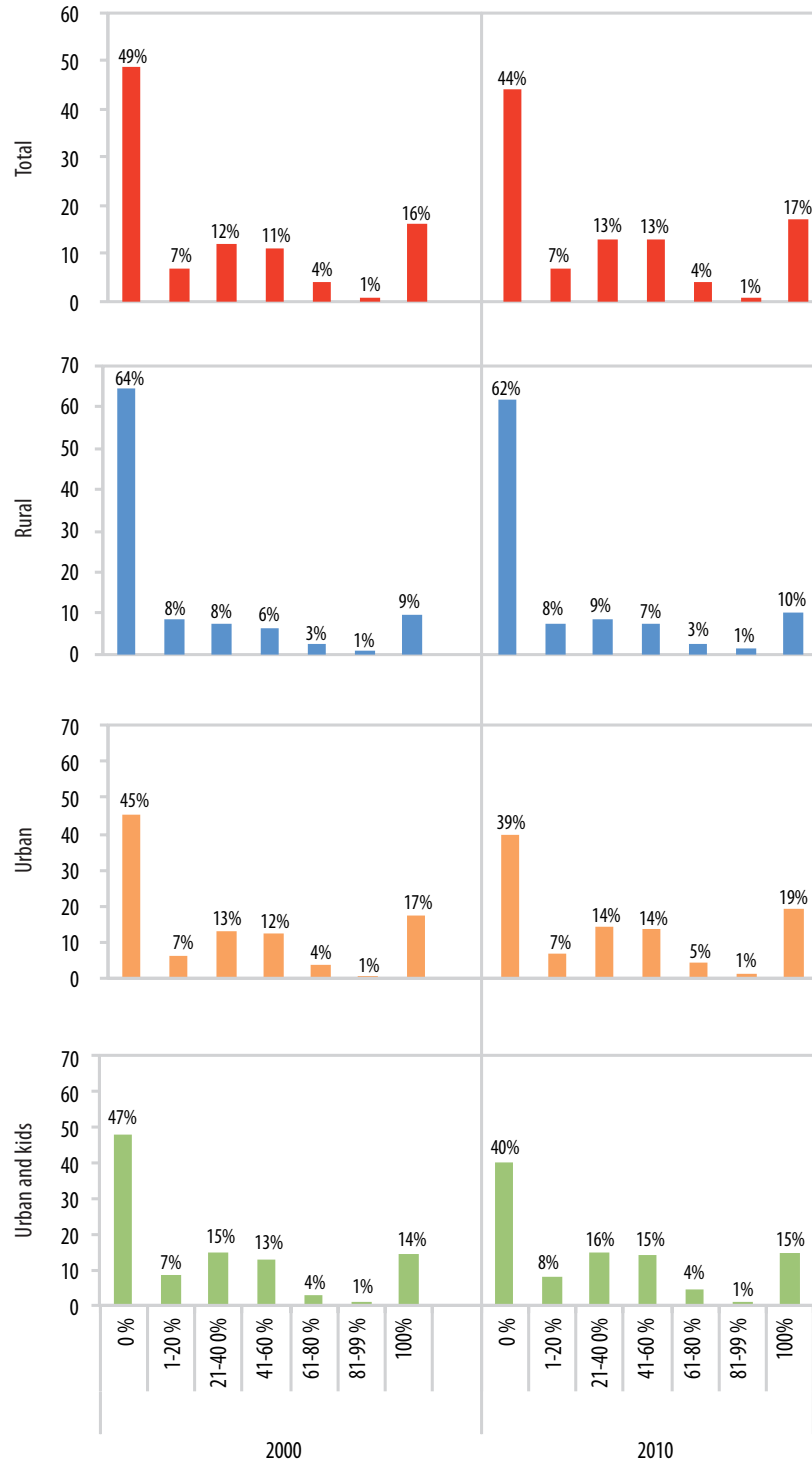
Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A11. 📶 Where do teen mothers live (by mother's birth cohort)



Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank)

Figure A12. Percentage of household in each category of share of woman participation in the household income – Circa 2000 and 2010.



Source: Author's calculations SEDLAC data, 2011 (CEDLAS and the World Bank).



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