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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
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ACRONYMS AND ABBREVIATIONS

ANAMURI	National Association of Rural and Indigenous Women
BDH	*Bono de Desarrollo Humano*
BID	*Banco Interamericano de Desarrollo* (Inter-American Development Bank, IADB)
BIRF	*Banco Mundial (Banco Internacional de Reconstrucción y Fomento);* World Bank (International Bank for Reconstruction and Development, IBRD)
CASEN	Chile's National Household Survey
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*
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* (Council for Higher Education**)**
DGP	*Diagnóstico de Género de País* (Country Gender Assessment)
DITRAB	*Dirección de Trabajo – Chile* (Chilean Labor Office)
DIPRES	*Dirección de Presupuestos* – (Chilean Budget Office)
DIBAM	*Dirección de Bibliotecas, Archivos y Museos* (Division for Libraries, Archives and Museums)
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 Fund)
FOSIS	*Fondo Solidaridad e Inversión Social* (Social Development Fund)
INE	*Instituto Nacional de Estadística* (National Statistics Institute)
INDAP	*Instituto Nacional de Desarrollo Agropecuario* (Agricultural Development Institute)
INTEGRA	*Fundación INTEGRA* (INTEGRA Foundation, sociocultural area of the Presidency)
JUNJI	*Junta Nacional de Jardines Infantiles* (The National Board for Nursery Schools)
JUNAEB	*Junta Nacional de Auxilio Escolar y Becas* (The National Board for School and Scholarship Assistance)
MIDEPLAN	*Ministerio de Planemiento y Cooperación* (Ministry of Planning and Cooperation)
MIDEPLAN	*Ministerio de Planemiento y Cooperación* (Ministry of Planning and Cooperation)
NEW	Non-traditional Employment for Women (New York City)

ODM	Objetivos de Desarrollo del Milenio (Millennium Development Goals, MDG)
OIT	Organización Internacional del Trabajo (International Labour Organiazation, ILO)
PIO	Plan de Igualdad de Oportunidades entre Hombres y Mujeres (Plans for Equal Opportunities)
PMG	Programa de Mejoramiento de la Gestión
PRIO	Políticas de Igualdad de Oportunidades para la Mujer Rural
PRODEMU	Fundación PRODEMU – Escuela de la Mujer
PROCHILE	Programa de Fomento de las Exportaciones Chilenas
OMIL	Oficinas Municipales de Intermediación Laboral
OECD	Organization of Economic Co-operation and Development
SBIF	Superintendencia de Bancos e Instituciones Financieras – Chile
SENCE	Servicio Nacional de Capacitación y Empleo – Chile
SERCOTEC	Servicio de Cooperación Técnica -Ministry of Economy
SERNAM	Servicio Nacional de la Mujer
SERNAPESCA	Servicio Nacional de Pesca
PIMA	Países de Ingreso Medio Alto (Upper Middle Income Countries, UMI)
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.[1]

Through the Plan de Igualdad de Oportunidades entre Hombres y Mujeres 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 potential impacts on economic growth and poverty and income inequality reduction. 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 towards equality between women and men in opportunities (education, health), the law, and 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. 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.

The CGA focuses on gender equality in the labor markets, an area where 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

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

relevant to economic growth and poverty and inequality reduction but also because they are critical to labor market efficiency and growth.

Female labor force participation has surfaced as an important issue in Chile's current public policy debate. At nearly 39 percent, Chile registers one of the lowest rates of female labor force participation in the region, and 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 ranks 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 relevance in the public policy agenda and government program, given the new government's strong focus on addressing exclusion and inequality. Increasing low-income women's labor force participation and reducing the barriers to employment they face is seen as a sustainable way to help overcome inequality and poverty and to better distribute the benefits of development.

The Chile CGA's overall objective 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 or labor force participation. It focuses particularly on low-income women so as to address the issues of poverty and inequality as well as growth. Future research could address in greater depth differences in labor force participation by socio-economic level as well as the reality of women in rural areas and indigenous women. More analysis is needed to determine the right combination of policies to enhance opportunities for women.

Both the World Bank and the IDB look forward to continuing the fruitful 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 the process of 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. Our partnership with SERNAM could 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 for building capacity among public sector staff for mainstreaming gender into 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 those of low-income. 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 have a higher educational level, 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, female workforce contributions to economic growth have been greater than those 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 unsustainable 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."[2]

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 basic pillar of the social, human, and economic development of our country.

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

[2] 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.[3] 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 impacts on economic growth, poverty alleviation, and income inequality reduction. The concept of gender equality can be understood in terms of equality under the law, equality of opportunity, and equality of voice.[4] 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. Differentials in participation, 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 about 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.

Trends in Gender Equality in Chile's Labor Market

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[3] By 2003 the Gini coefficient for Chile was 0.57, which implies much higher levels of inequality than those of most developed countries and most countries in the LAC region. 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).

[4] World Bank (2001) and Inter-American Development Bank (2006).

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 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 serve as an opportunity to enhance Chile's economic development, and consequently, deserves 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 and remarkable increase in female labor force participation over the past twenty years, from 29 percent in 1986 to 38.8 percent in 2007. Nonetheless, even at its current level, Chile registers one of the lowest rates of women's participation in the labor market as compared to other LAC countries and UMI countries (with average rates higher than 50 percent), and also well below the rates of OECD countries (which are generally higher than 55 percent).

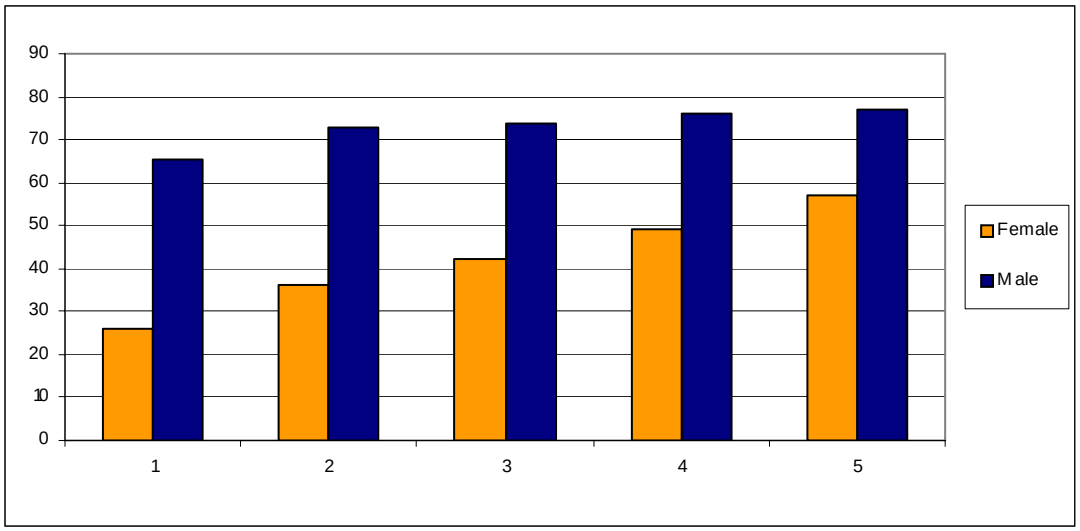
2. Current high average levels of education for both men and women in Chile would be consistent with higher female participation in the labor market.

In general, female labor force participation increases as more women have access to high quality education, allowing countries to fully profit from the skills of their working age population. Chile has one of the highest levels of education in the region and has virtually achieved parity in terms of enrollment in primary and secondary education of boys and girls. In spite of great progress in gender equality in education, Chile's current female labor force participation rate remains low. Low labor force participation and 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 Chilean low-income households.

Global trends have demonstrated a strong positive correlation between the incidence of poverty and female labor force participation, and even child labor. In fact, households in extreme poverty often require as many members of the family as possible to work as a survival strategy. Contrary to this general tendency, Chile has seen relatively lower rates of female labor force participation among low-income groups as compared to their counterparts in higher income brackets. More specifically, 26 percent of women in the lowest income quintile in Chile participates in the job market, as 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 impacton gender equity in access to social security.

Due to low female participation in the labor market 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 the labor markets in Chile, gender earnings gap, and gender segregation.

Several factors surfaced as contributing to Chilean women's low labor force participation. First of all, the 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, show a lower female labor supply because mothers serve as the principal childcare providers. Third, women have tended to work for a lesser duration of employment with the same employer and have shorter periods of continuous employment and longer

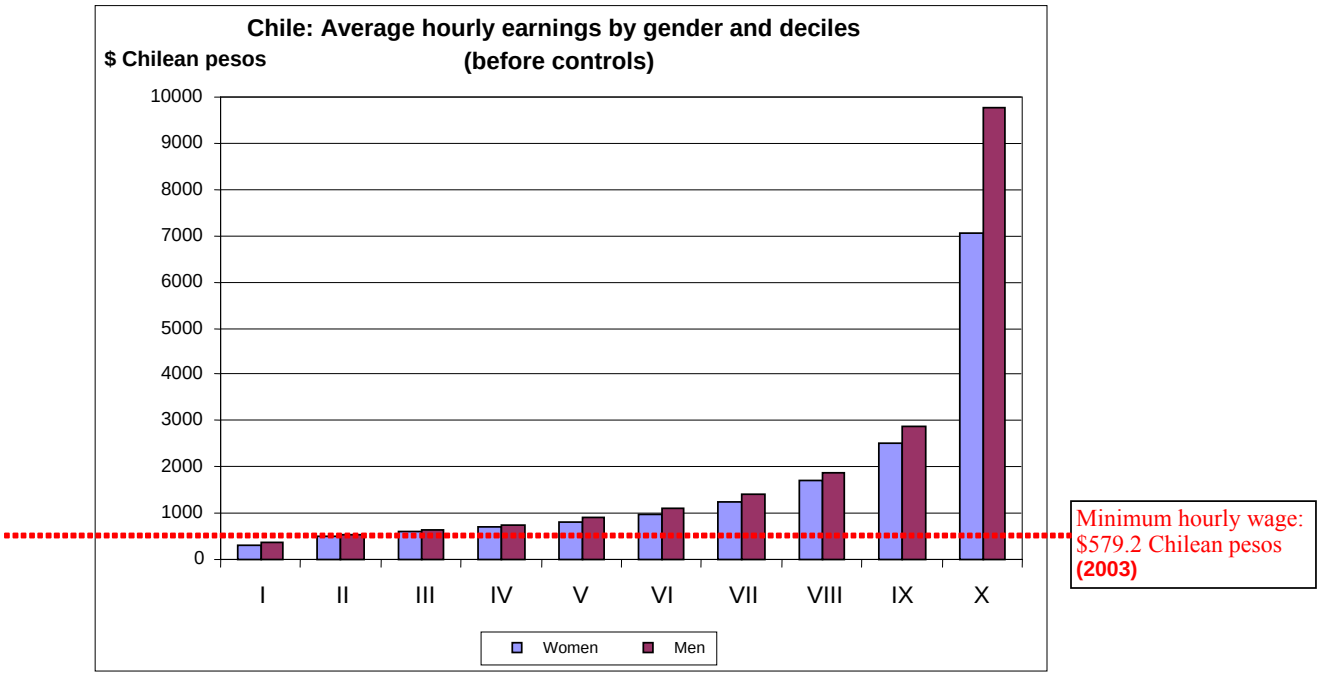
periods of inactivity and unemployment than men. Consequently, the amount of ***work experience and on-the-job training*** they have received generally has been lower than for men. Fourth, ***traditional cultural values and attitudes*** about gender roles in Chile constrain women's employment outside the home.

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

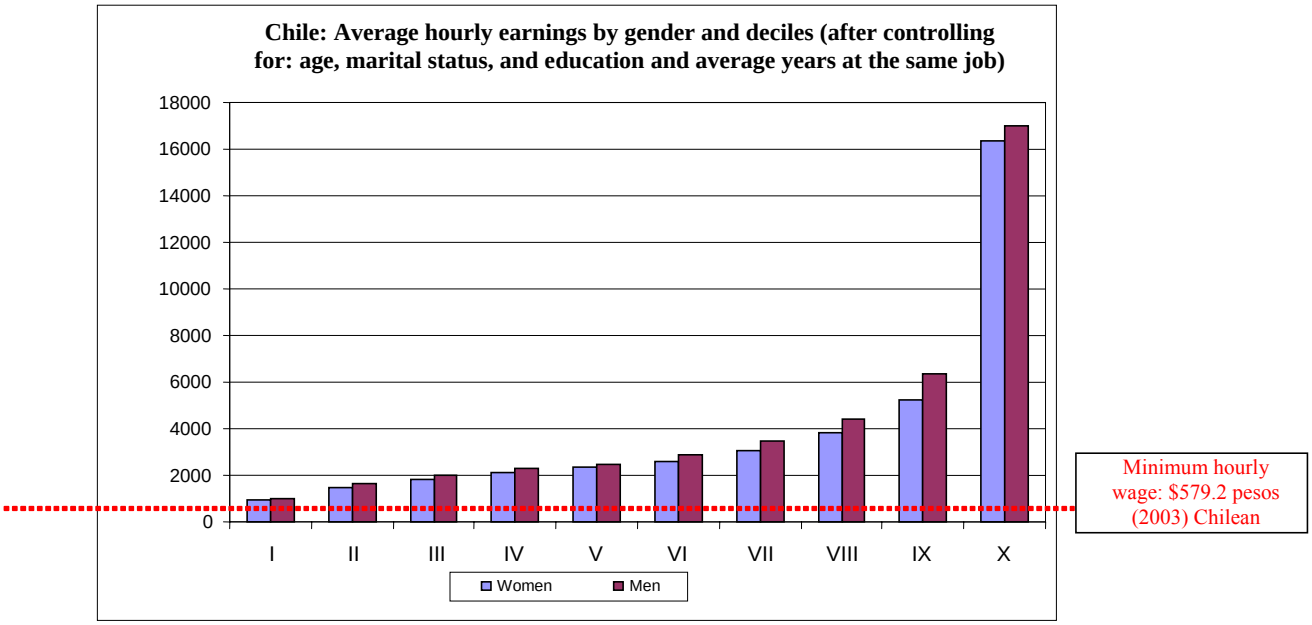
Although gender earnings gaps have diminished over the past few decades, they still remain large. In 2003, the average wage of Chilean women was approximately 67 percent that of men.

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 registers similar levels of ***occupational segregation*** as the rest of LAC. This segregation decreases the higher the educational level, as both men and women compete for technical and professional jobs. Among young workers, occupational segregation is still very high, but it is declining as more recent generations exhibit less rigid gender roles, and there is increasing gender parity in education. After controlling for job experience and occupations there is evidence of an *unexplained* gender earnings gap in high-income groups, but not for low-income groups. Unexplained gender earnings gaps in high-income groups could be due to "glass-ceiling" effects or barriers for upward mobility for women within some organizations. Other factors behind these unexplained gaps could include gender wage discrimination by employers and the preferences men and women have about job characteristics and non-wage benefits.

Relative gender earnings gap by income groups (household income deciles) — Unadjusted, 2003



Average earnings by gender for groups with matching age, marital status, education, and years at the same job—Adjusted using Matching Technique, 2003



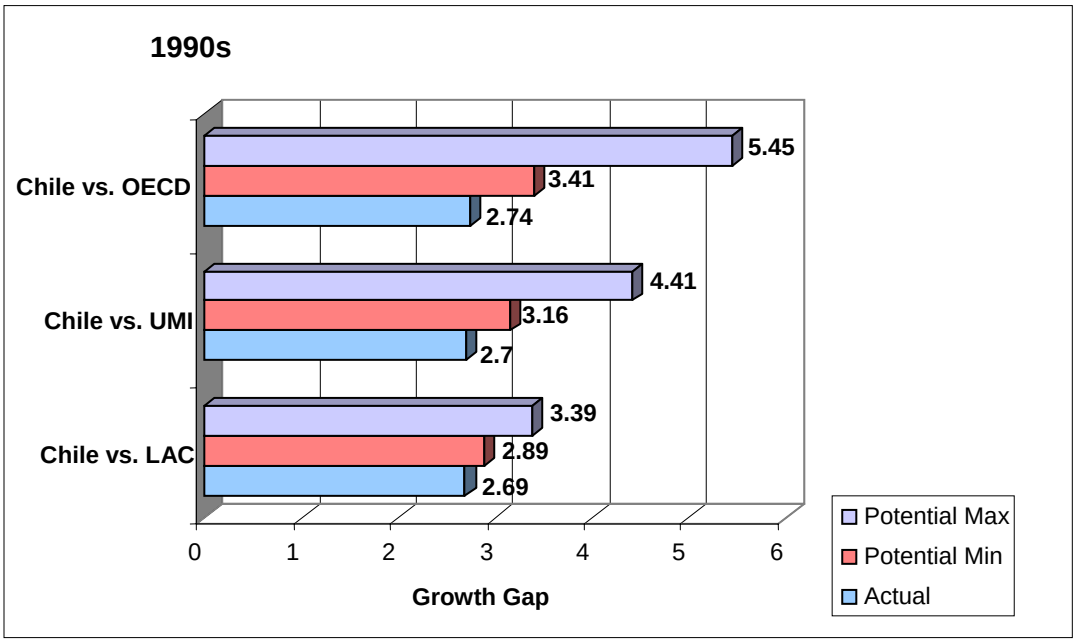
Source: CASEN 2003 and Ñopo (2006).
Note: Details in Chapter I.

3. Increases in female labor force participation could have enhanced growth and poverty reduction

Using cross-country evidence and micro data simulations for Chile, the analysis explored the potential impacts of increasing female labor force participation on economic growth, poverty alleviation, and inequality reduction.

Increases in Chile's female labor force participation rate from the current 37 percent to around 50 percent, which is the regional average and the UMI country average, could have ***increased Chile's growth advantage*** compared to the average UMI country from 2.7 percentage points to 3.2 percentage points during the 1990s. Greater participation of women in the workforce also could have ***sizable effects on poverty reduction***. Specifically, 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 could be eliminated. Nevertheless, income inequality does not seem particularly sensitive to changes in female labor 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 Labor Markets in Chile

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 relevant 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 female labor force participation and their cost to low-income households. Evaluate the effect of changes in the hours of operation and location of childcare centers on female participation. Useful international examples include the provision of public childcare services in Japan, which stimulated female labor supply,[5] and the Pilot Childcare Initiative in Ireland that provided a public response to the "child care crisis."[6]

- *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 to reduce occupational segregation by gender are linked to education and training and 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.[7]

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[5] Shimizutani and Noguchi (2004).
[6] 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
[7] Araneda, Guerra, and Rodríguez (2000).

- *Design and implement pilot training programs in nontraditional occupations for both men and women through* Chile Joven[8]. Monitoring and impact evaluation of such pilot programs would be important to successfully design and implement broader programs. Austria, Ireland, and Japan are moving towards a model of targeted interventions to groups with differentiated needs, with such programs as Austria's "Returnees Program" and Ireland's "Back to Work" programs.

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

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

- 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. The public sector is already developing good practices on gender equality in the workplace, which can be used 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.

[8] Peru Joven showed a significant impact in reducing occupational segregation.

II. FEMALE LABOR FORCE PARTICIPATION, GROWTH, AND POVERTY REDUCTION

Summary

"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)

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:

- Chile's growth performance over the last decade has been impressive, and the gender gap in female labor force participation has decreased since 1986.
- 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 lbor 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

1.1 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 higher 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 educational 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.

Figura 2.1: Female Participation in the Rural Work Force, 1990-2003

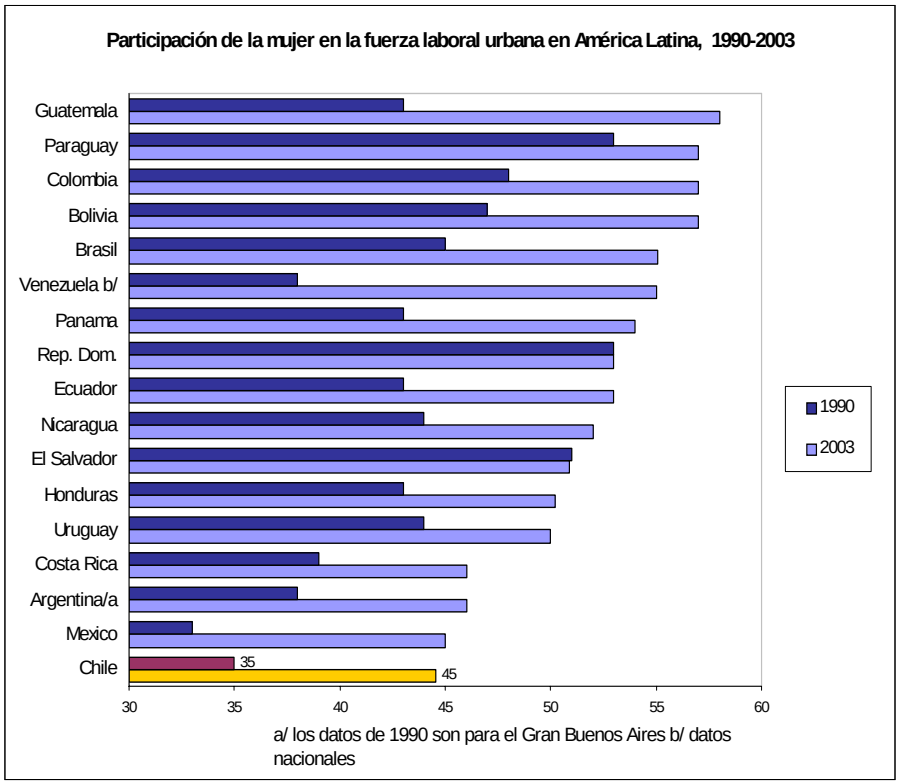
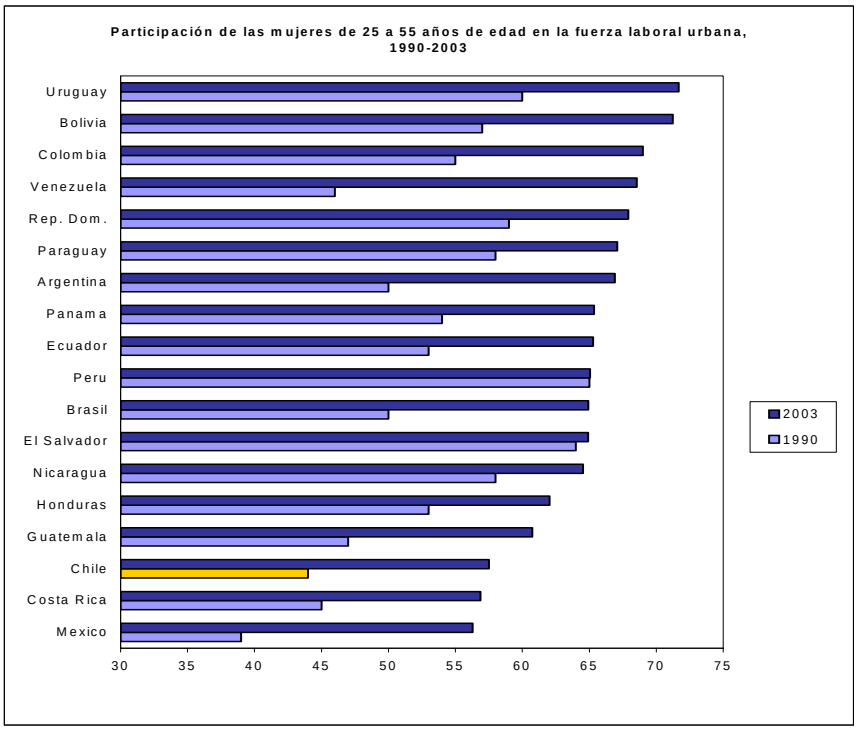


Figura 2.2: Participation of Women of a "productive age" in the Urban Work Force, 1990-2003



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.[9] 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 impact on growth, economic development usually increases women's participation in the labor force.[10]

donde operan barreras a la participación laboral de la mujer frente a otros países que sí usan todo su potencial. Por otra parte, las políticas económicas que incrementen la participación de las mujeres de *hogares pobres* en la educación y el mercado laboral puede además reducir la desigualdad y la pobreza totales.

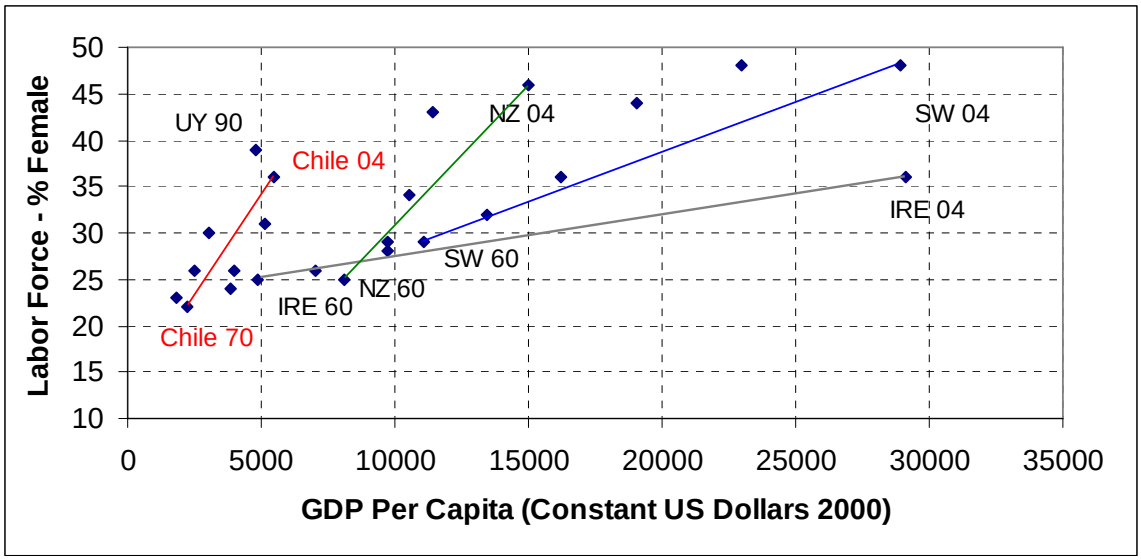
2.7 Barriers to female labor force participation may lower productivity and growth, because society is not fully using its available pool of talent. Under the assumption that talent is distributed equally between men and women, such exclusion has direct effects by lowering or restricting the quality 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.

[9] 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.

[10] 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.

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.[11]

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



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.[12] 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, households in extreme poverty propel several household members to work, even at meager wages, as a survival strategy.[13] 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

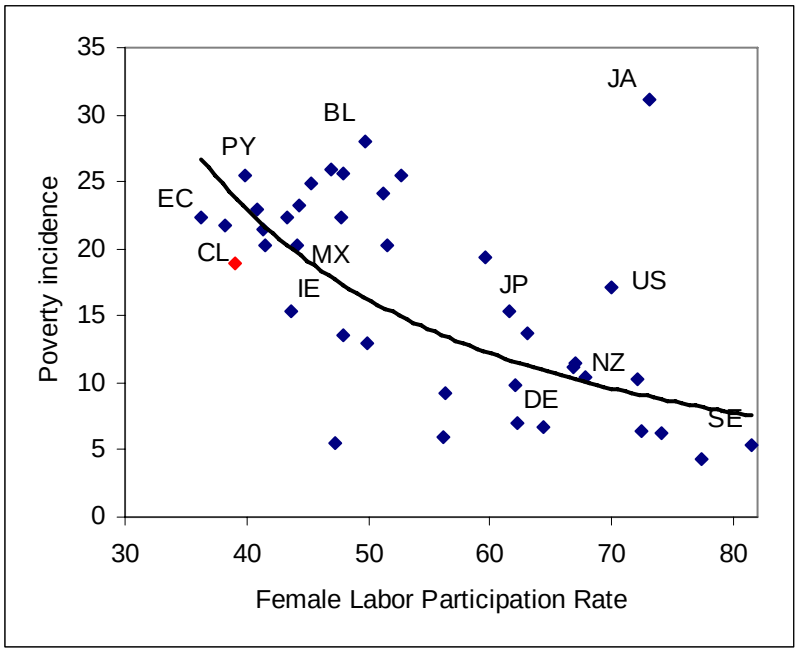
[11] See Chapter IV for some examples of child care and other policies in Ireland. See also OECD (2003).

[12] 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.

[13] See Skoufias and Parker (2006) for recent findings on the added worker effect in Mexico.

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)

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

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.[14] Similar to other LAC countries, the large 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 (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 the year 2000, by type of country

[14] 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.

	CHILE	LAC	UMI	OECD
LABOR MARKET				
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
Gender gap in female labor force participation rates (female/male labor force participation)	***0.49***	***0.53***	***0.60***	***0.76***
EDUCATION				
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
Gender gap in years of education (female/male years of education)	***0.99***	***0.98***	***0.94***	***0.92***

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)
Source: ILO and Barro and Lee (2000).

2.13 In order to provide indicative cross-country evidence about the effect of female labor force participation on growth and the potential growth impact 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 value for the first year of each decade of the gender inequality measures is 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
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 (see Table 1.2***).***[15] 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 ratio of male-to-female economic labor 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 is positive and larger than the overall effect of increasing female labor force participation. In the simulations discussed in the following paragraphs, reductions in the gender participation gap to the levels of the reference

[15] 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).

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.

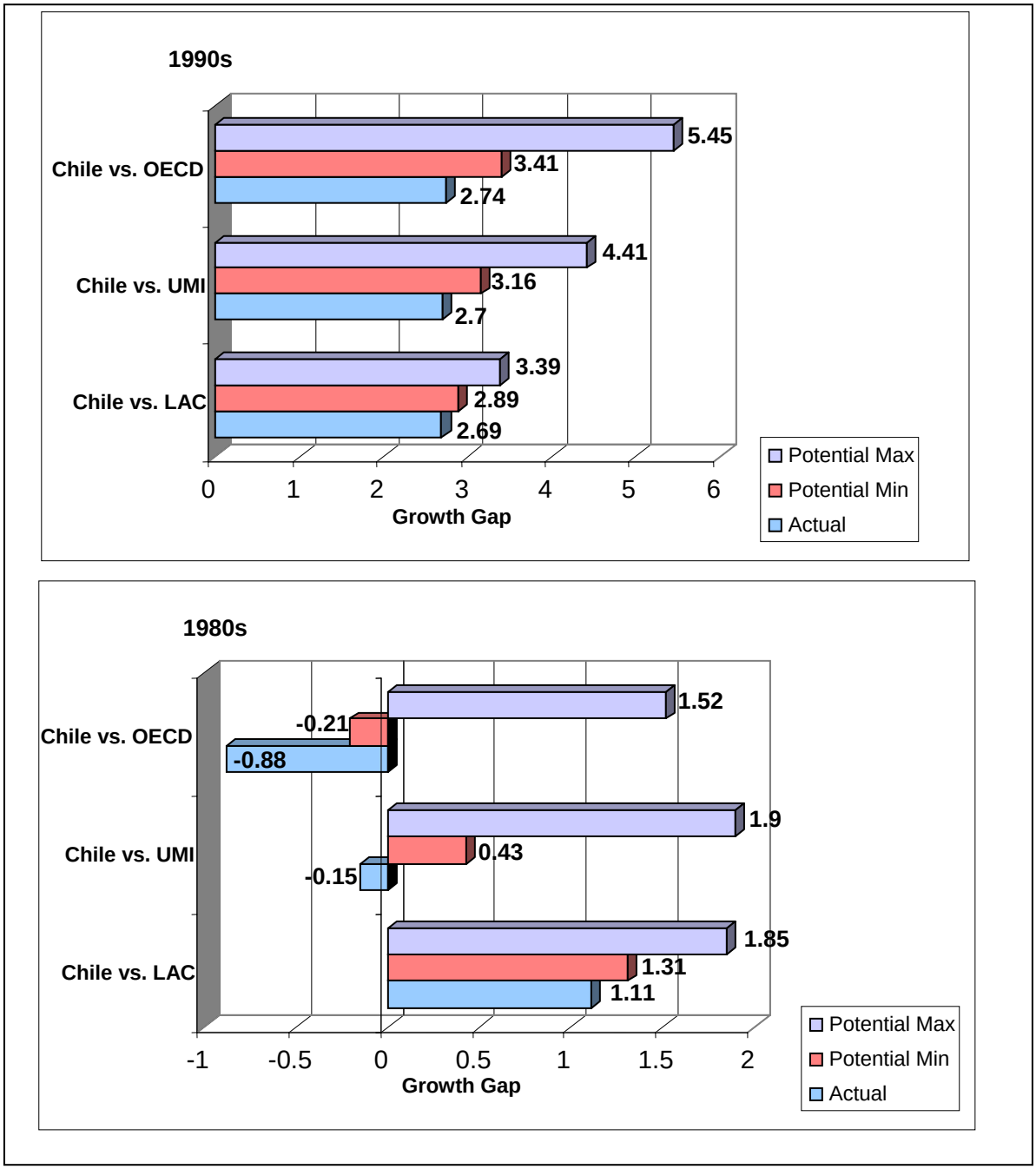
2.16 **Figure 2.5** presents the potential net impacts on economic growth gaps of increasing female labor force participation or reducing the gender gap in labor force participation in the 1980s and 1990s to the levels of each group of countries used as a reference group according to the values in Table 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 favoring 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.[16]

[16] 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

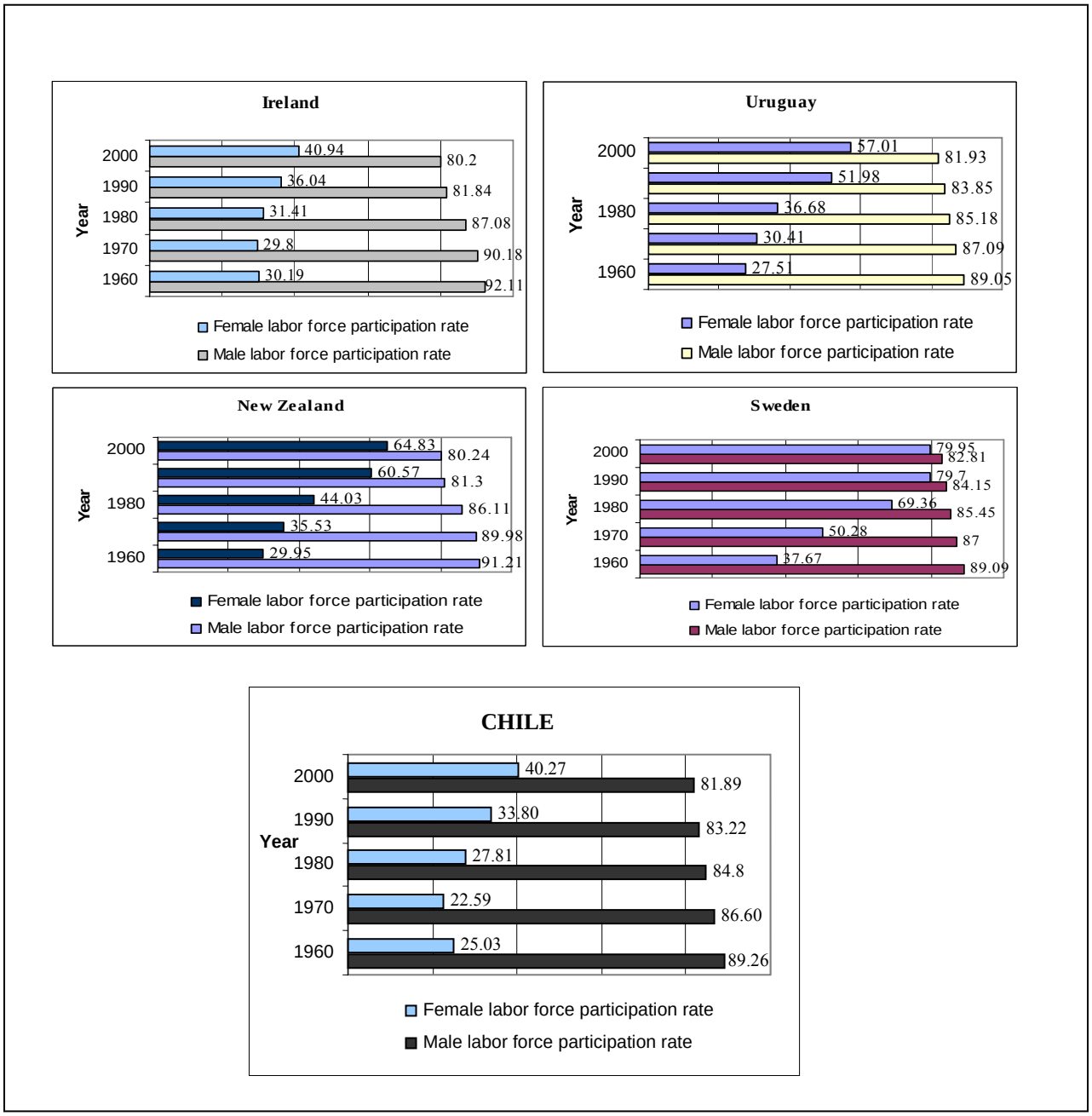
Note: Each bar represents actual or estimated growth rate differences (in percentage points) between Chile and the comparison group. Maximum potential impacts on Chile's growth gap compared to each group of countries are estimated using the upper bound coefficients (obtained from the regression using 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 iven 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 female/male 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.

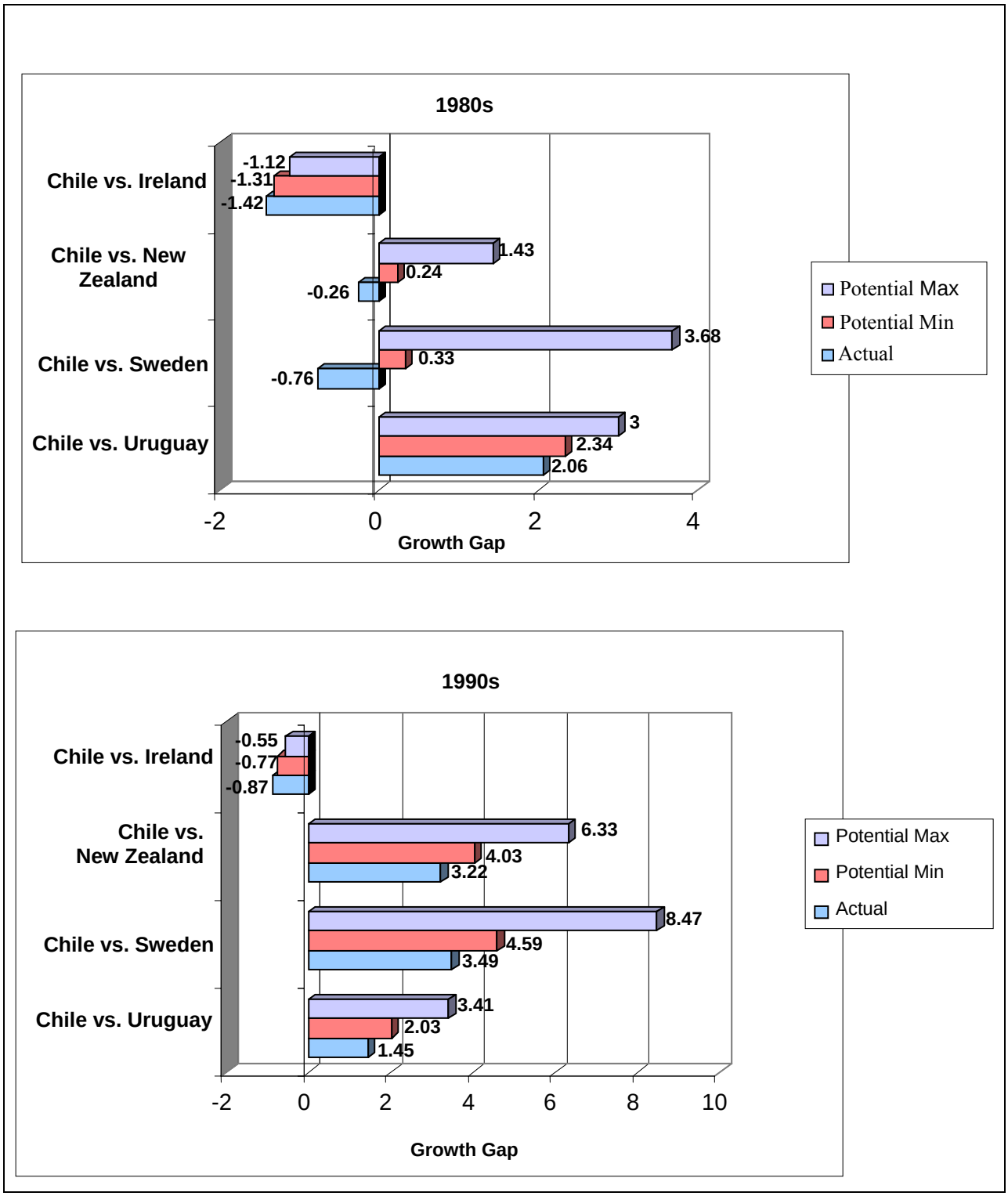
2.18 There may be important gains in GDP per capita growth rates for Chile from increasing female labor force participation, even in a highly segregated labor market. The Swedish case serves as an example of potential mechanisms. As reported in **Figure 2.6**, Sweden's female economic labor force participation 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. (**Figure 1.7**). 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.

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 1.7 - 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).

2.19 Interestingly, some of the factors that led to a gender segregated labor market in Sweden, namely the expansion of the public child care and the legal right of working part time, were also preconditions for women's high labor force participation, since the average female worker in Sweden still has to juggle work with family responsibility to a larger extent than male workers.

2.20 Given Chilean women's relatively high educational level, the positive effect from larger female labor force participation on GDP per capita growth 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 but also in the long run to a shrinking work force, 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.[17]

2.22 When considering potential gains in terms of economic growth in Chile, there is scope for economic policies and legislation that stimulate greater female labor force participation. The growth miracle of the South-east Asian economies and New Zealand was based on a highly skilled labor force consisting of both men and women. 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.

POTENTIAL IMPACTS OF INCREASING FEMALE LABOR FORCE PARTICIPATION AND REDUCING THE GENDER EARNINGS GAP IN CHILE: MICRO-SIMULATIONS EVIDENCE

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 be a factor to 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

[17] See Hellerstein and Neumark (2004) for evidence on the United States.

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).

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 poverty reduction effects and effects on average income per capita of increases in female labor force participation vary according to different assumptions regarding which households provide the largest increases of women in the labor markets. If female labor force participation is increased uniformly across household income quintiles, there could be sizable effects on both poverty reduction and mean per capita income. If female labor participation increases only in the lowest income group, effects could be largest for poverty reduction in rural areas and reduction of extreme poverty.
- Income inequality is not sensitive to changes in female labor participation or the earnings gap between male and female workers. Reducing inequality in Chile would require 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.

Box 2.1 Micro Simulations 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 job. 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.[18] 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 household (individual) income components (see, for instance, Bourguignon, Fournier and Gurgand, 2001; Bourguignon, Ferreira and Lustig, 2001). Bourguignon, Robilliard, and Robinson (2002) combined this methodology in "top-down" fashion with a Computable General Equilibrium (CGE) model for the case of Indonesia.

A second micro-simulation 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 it 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)

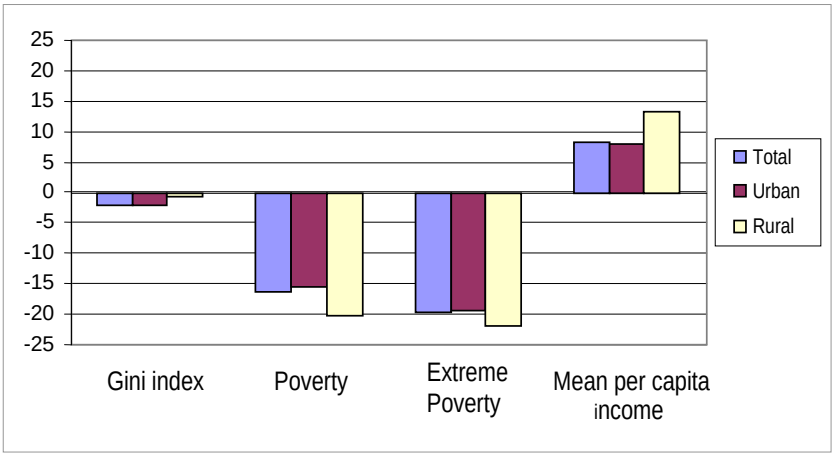
2.26 Although these simulations are only hypothetical and are based on many assumptions, including constant elasticity of labor supply and labor demand, they do show the potential impacts on poverty that would result from improving gender equality of labor opportunities in Chile. Furthermore, because 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 impacts on growth documented in the previous section.

[18] 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 micro-simulations, for instance to assess distributional effects of tax reforms, are quite common in applications in developed countries.

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.*** 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 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 income per capita, but a relatively low impact on income inequality. The increase in income per capita 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 in the high-income groups. The female labor market participation rate by income quintile in ex-ante and ex-post simulation was as follows:

Table 2.3 Female Labor Force Participation Rate by Income Quintiles

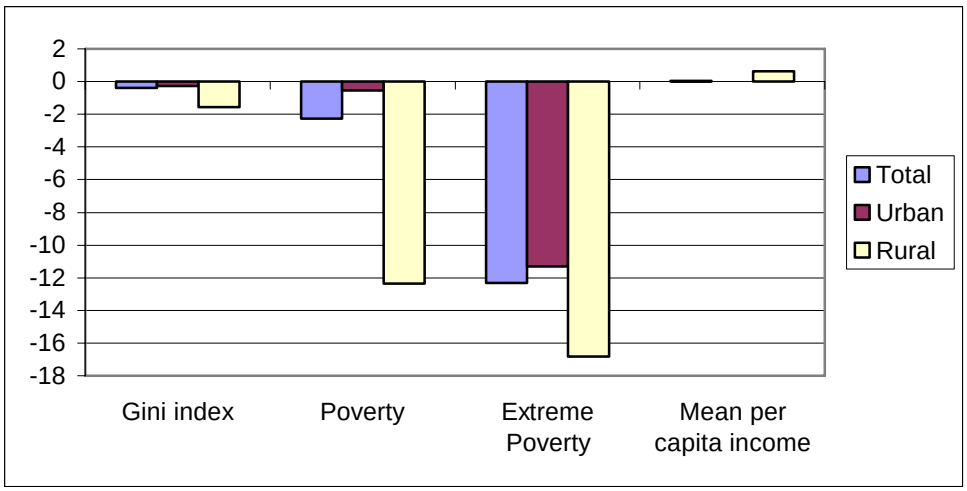
Quintile	Ex-ante	Ex-post Simulation
1	25.0%	31.3%
2	32.0%	40.0%
3	42.8%	53.5%
4	45.0%	56.3%
5	52.0%	65.0%
Total	39.4%	49.2%

Source: Own estimates using CASEN (2003).

2.29 Increasing female labor force participation in the lowest income group could help reduce extreme poverty and rural poverty. As documented in Table 2.3, the labor participation rate is disproportionately low among women in the bottom quintile in

Chile. Thus, higher labor participation for this group could have a larger impact on poverty reduction than changes in labor participation among other groups. Increasing female labor participation to 50 percent (currently 25 percent) for the bottom quintile would result in a reduction of 2 percent in poverty and 12 percent in extreme poverty (**Figure 2.9**). The effect on poverty could be impressive 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, perhaps due to current productivity levels of workers in this income group, but it has a sizable impact on poverty alleviation. 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)



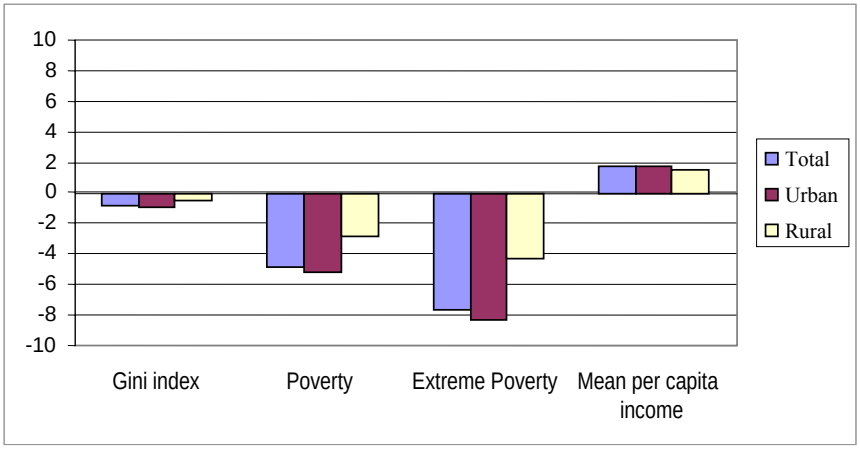
Source: Own estimates using CASEN 2003 – Monte Carlo Simulations.

Impact of Reducing the Gender Earnings Gap

2.30he second simulation explored the impact of the reducing the earnings gap between male and female workers. Results suggest that doing so also reduces poverty (**Figure 2.10**). The average earnings for women in 2003 were only 67 percent those of men. In this micro-simulation, 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 earnings gap is smaller in rural areas, primarily due to very low female labor force participation among rural women.[19] (see Chapter I).

[19] 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 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 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 ***Error! Reference source not found.****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.[20] The predicted value would thus be the benchmark case from a hypothetical OECD country with GDP per capita similar to that of Chile.

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%

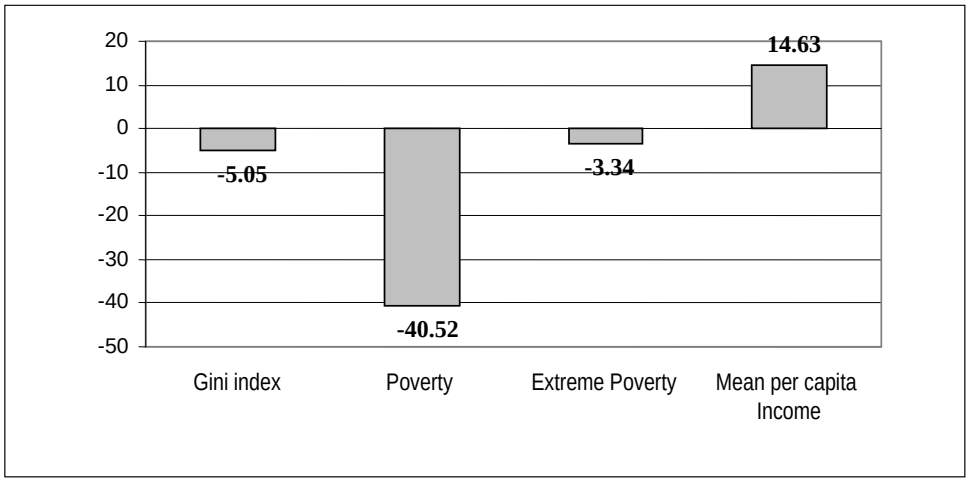
[20] Actual data is from CASEN 2003. Target status is the predicted value for Chile from a regression of OECD countries. In the regression using OECD countries and Chile data, we take labor force participation and unemployment as the left side variables and GDP per capita as the explanatory variable.

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 increasing young women's labor force participation and reducing their unemployment rate on total poverty and income per capita. While the Gini index is not very sensitive, the magnitude of the change on poverty and income per capita is larger 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 that increase female labor market participation rates over the next few years, with results similar to those found here. For example, Tokman (2006) concludes that "…as new chohorts enter their working age years more committed to working ouside the home, and whose commitment increases with age, this alone results in an expected increase of nearly 10 percent over the next 10 years in female participation in the labor market…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 age dependence 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."

I - WOMEN'S PARTICIPATION IN THE LABOR MARKETS IN CHILE

SUMMARY

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

1.2 Gender equality in the labor markets is a broad concept. Differentials in participation, 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 as the focus of this study because they are also critical to labor market efficiency and growth.

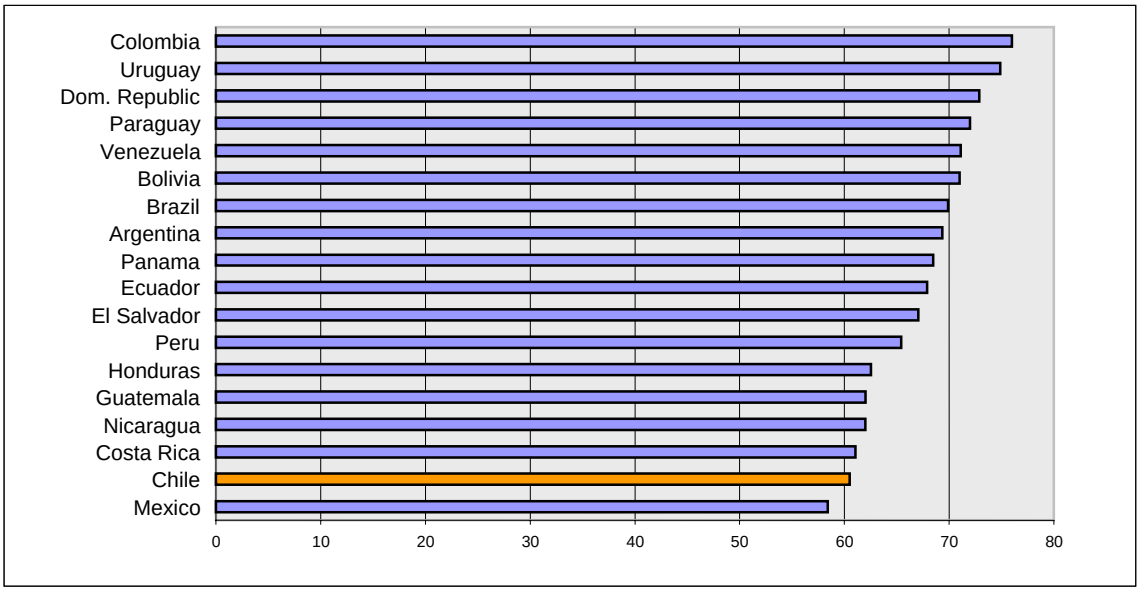
1.3 Findings can be summarized as follows:

- 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 for women in the lowest income quintile compared to 57 percent for women in the highest income quintile who are active members of the workforce.
- The following determinants are particularly important for explaining Chilean women's low labor force participation: (i) differentials 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 decreases the higher the educational level, 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 exhibit 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

Figure 1.1. Female Labor Force Participation in Latin America. 25-34 years old.



Source: ECLAC, based on tabulations of household surveys

FEMALE LABOR FORCE PARTICIPATION IN CHILE: WOMEN IN LOW-INCOME HOUSEHOLDS ARE STAYING HOME[21]

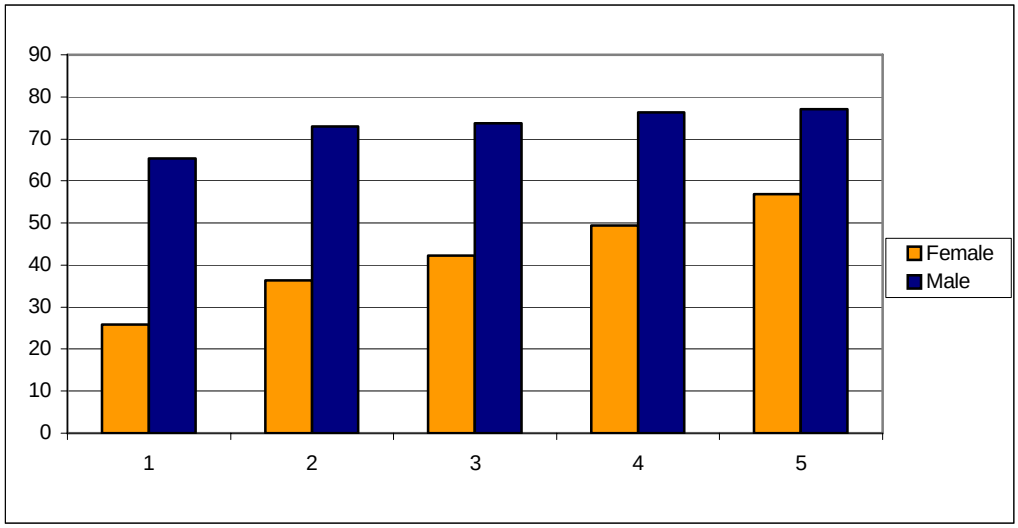
2.2 In most developing countries, female labor force participation varies according to socio-demographic characteristics, and Chile is no exception. Contrary to men, who have a relatively high and homogenous participation rate, women's activity in the labor force depends largely on their income, age, education, family composition, and geographic location. In the following pages, using data from CASEN 2003, the participation rate of different groups of women is explored to understand if the relatively low level of female labor force participation is peculiar to some groups or if it is uniformly distributed among the population.

Income Level

2.3 ***Women in low-income households in Chile are staying home.*** **Figure 2.1** 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.

Figure 2.1. Female participation rate by income quintile. Women 15-65 years old. Chile 2003.

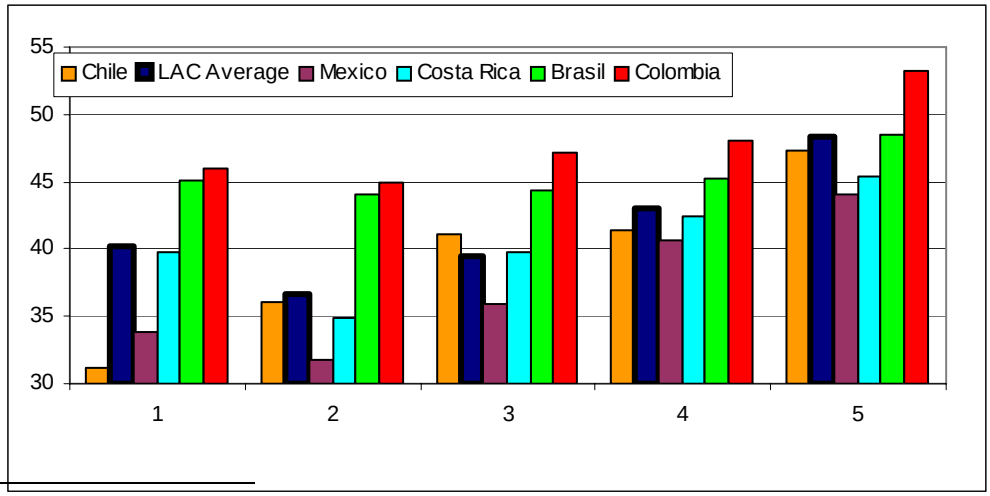
[21] This section draws on the report "Oferta Laboral Femenina y Cuidado Infantil" prepared by Elaine Acosta, Marcela Perticara and Claudio Ramos for the IDB and supervised by Carmen Albertos, of RE1/SO1 of the IDB.



Source: CASEN 2003

2.4 The positive correlation between income levels and female labor force participation is a characteristic pattern of the region. However, the difference by income level in female wage employment is extremely high in Chile compared to other Latin America countries. **Figure 2.2** shows the share of women in wage employment in the non-agricultural sector in Chile, the average for Latin America, and the rates for some individual countries by income quintiles.[22] 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 as wage earners than their regional counterparts. While the average regional gap between the top and bottom quintiles is 8 percentage points, it reaches 16 percentage points in the case of Chile. This result is similar when comparing total female labor force participation, including self-employed workers, by income group in Chile with the rest of LAC.[23]

Figure 2.2. Share of women in wage employment in the non-agricultural sector [including domestic workers] by income quintiles. Urban areas. Circa 2003.



[22] The indicator in Figure 2.2 is the one used in the MDGs, "Share of women in wage employment in the non-agricultural sector". Therefore, there is no direct correspondence with the data on participation rate presented previously. To avoid bias with the agricultural sector we used only data for urban areas.

[23] See Contreras, Puentes and Bravo (2005).

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

2.5 Women in the bottom quintile clearly face more constraints to joining the labor force. A profile of women in their "prime productive age" in Chile is presented in **Table 2.1**. 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. 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 labor force participation than women living in urban areas; especially those living in low-income rural households (see Table 2.1-Rural). Women in rural areas usually register lower labor market participation rate because they devote many hours to home-based production or agricultural production for self-consumption. However, this hypothesis cannot be formally tested in Chile due to the lack of "time- allocation" surveys.

Table 2.1 Profile of women 25-55 years old by income, Chile 2003

National

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

Caracteristics	Per capita Income Quintiles 1	2	3	4	5
Place of residence					
Rural	19%	15%	12%	7%	5%
Urban	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					
Married	71%	71%	69%	70%	70%
Single	16%	17%	20%	20%	21%
Children					
# of children less than 18 years old	2.1	1.7	1.3	1.2	1.0
# of children less than 6 years old	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

Caracteristics	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					
Married	76%	76%	73%	75%	77%
Single	17%	18%	22%	20%	19%
Children					
# of children less than 18 years old	2.1	1.6	1.2	1.0	1.2
# of children less than 2 years old	0.2	0.1	0.1	0.1	0.1
# of children > 3 and < 6 years old	0.3	0.2	0.1	0.1	0.2
# of children > 6 and < 18 years old	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 cotract	37%	56%	67%	75%	88%
% with social security benefits	34%	51%	68%	73%	88%

Urban

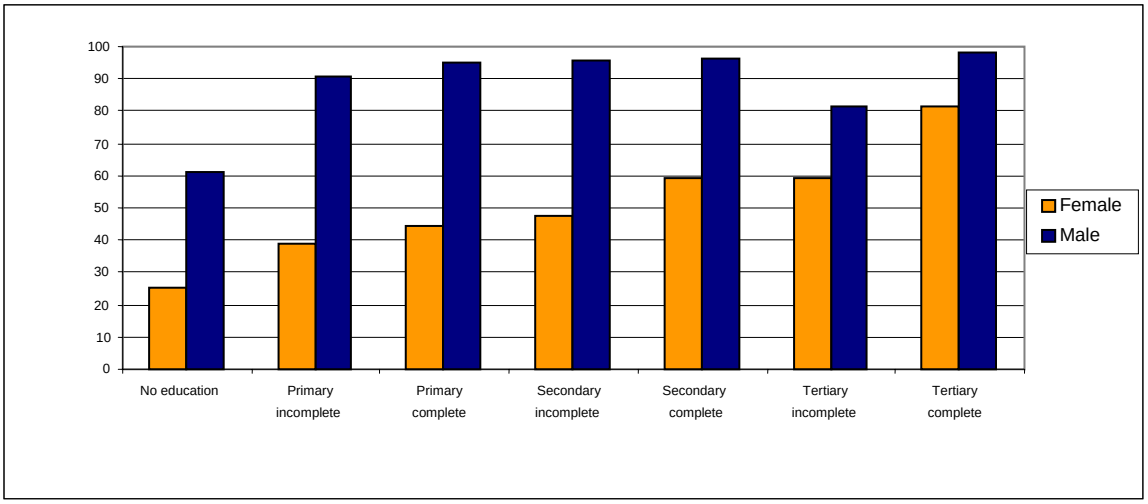
Caracteristics	Per capita Income Quintiles 1	2	3	4	5
Age	37.9	38.6	39.1	39.5	39.3
Years of Education	8.9	9.9	10.6	11.7	14.0
Marital Status					
Married	69%	70%	68%	69%	69%
Single	16%	17%	19%	20%	21%
Children					
# of children less than 18 years old	2.1	1.7	1.4	1.2	1.0
# of children less than 2 years old	0.2	0.1	0.1	0.1	0.1
# of children > 3 and < 6 years old	0.3	0.2	0.2	0.2	0.1
# of children > 6 and < 18 years old	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 cotract	45%	63%	75%	84%	89%
% with social security benefits	45%	63%	73%	84%	88%

Source: Tabulations of CASEN. Note: Quintiles are defined in base of the income of all earners in the household: "1"identifies the lowest quintile and "5" identifies the highest quintile.

Educational Attainment

2.6 **Figure 2.3** 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 are likely a reflection of 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.[24]

Figure 2.3. Labor Force Participation by Educational Attainment in Chile. 25-55 years old.



Source: CASEN 2003.

2.7 Women who are not participating in the labor force have, on average, lower average levels of schooling than those participating (see Annex 2.1) 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 the probability of participating in the labor force for women. This fact is indicative of the potential impact of expanding female labor force participation, presented in Chapter I.

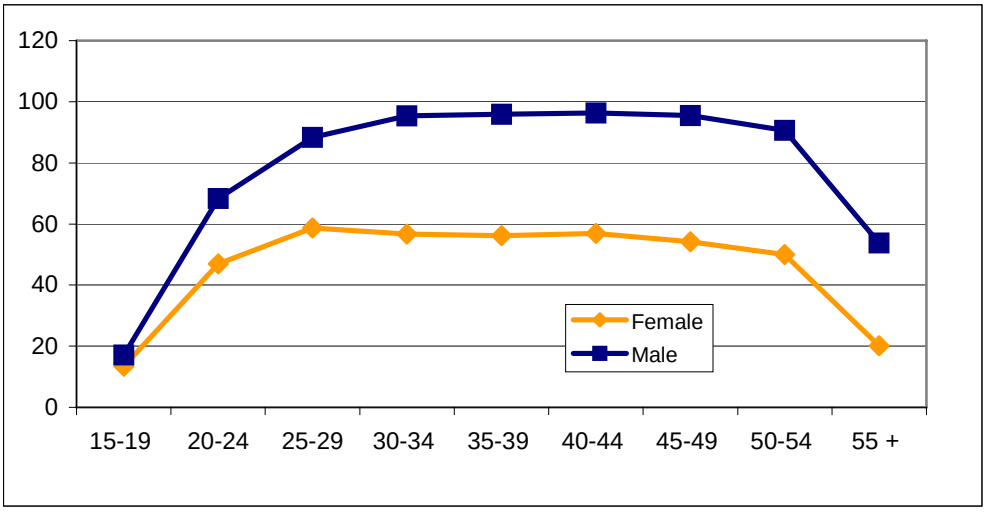
Age Group

2.8 **Figure 2.4** illustrates the participation rate profiles 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 labor market before the age of 20, since most are still studying at that age. The gender gap for the 15-19 year old group is only 3

[24] 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.

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 both profiles become almost flat until they start to decline at the age of 50. The graph reveals that many women do not participate at any age. The highest female participation occurs at 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.

Figure 2.4. Labor Force Participation by Age.



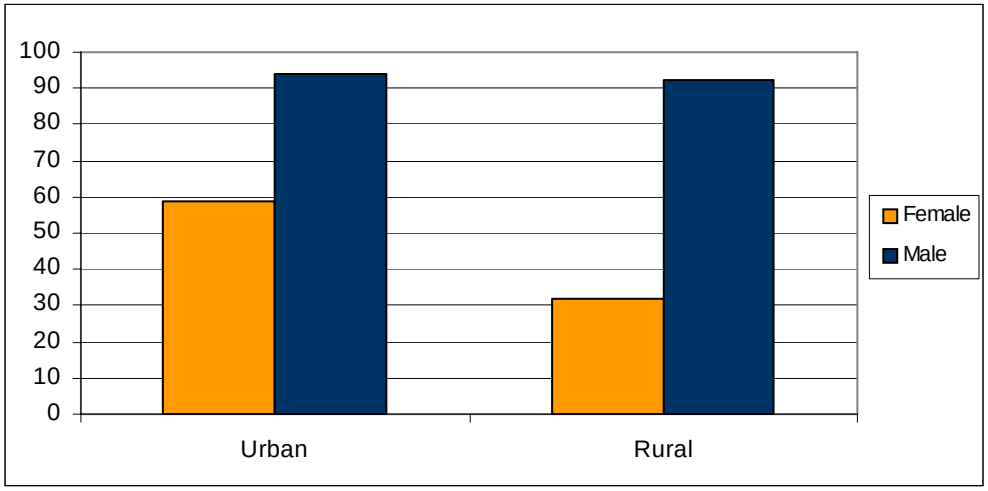
Source: CASEN 2003

Geographic Location

2.9 As in the case of education, geographic location (and regional residence) has a different effect on the participation decision of women and men. While urban men's rate is only 1 percent higher than in rural areas, the gap for women is very large, which is consistent with the information in previous sections. The difference in labor force participation rates between urban and rural females is 26 percent, making the gender gap in rural areas more severe, as seen in **Figure 2.5**. Female participation varies by region of residence as well, as seen in **Table 2.2**.[25] The highest levels of participation are found in the Metropolitan Region of Santiago with 61 percent, followed by region XI and XII. At the other extreme, in region IX and VIII the labor force participation levels are between 40 and 45 percent.

[25] Regions XI and XII are the least populated. Regions VIII and IX have large indigenous populations, and together with Region VII, rank as the regions with the lowest Human Development Index (HDI) in the country. Source: UNDP. (2005). *Las Trayectorias del Desarrollo Humano de las Comunas de Chile, 1994-2003.*

Figure 2.5. Labor Force Participation by Geographic Location. 25-55 years old.



Source: CASEN 2003

Table 2.2 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

Ethnic Origin

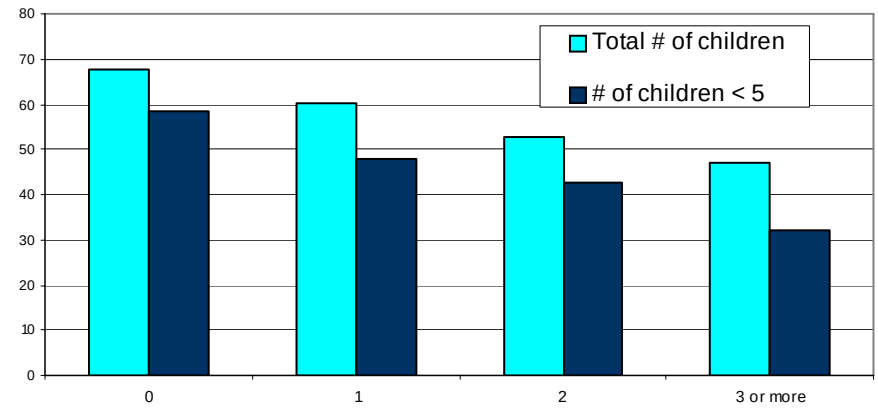
2.10 According to CASEN 2003, there is no difference in the labor force participation rates of indigenous and non-indigenous women at the national level. In urban areas, indigenous women's labor force participation rate is 5 percentage points higher than among non-indigenous women, while in rural areas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

Family Structure

2.11 The role women play in the household in terms of caring for children, the elderly and the sick, and taking care of domestic chores is also an important factor in helping to explain their participation in the labor 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 responsibilities. When analyzing female labor force participation, different variables associated with the structure of the family seem to matter, such as marital status, head of household, number and age of the children and other adult family members living in the household. For instance, **Figure 2.6** shows a significant negative relationship between the number of children in the household and the participation rate of women in Chile.[26] Clearly, women with more children are less inclined or less able to work for pay than women with no children, in particular if their children are younger than five years old.

Figure 2.6. Labor Force Participation among Women 25-55 years old, by Number of Children.



Source: CASEN 2003

Labor Force Determinants

2.12 Chapter I suggests that the Chilean economy would benefit from increases in female labor force participation. How can this goal be achieved? Labor force participation decisions are made at the household and individual level by comparing expected market wages to reservation wages. Women's reservation wage is a function of the number of children, domestic help, domestic 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 explained by the education level, experience, sector of activity, occupation, among other characteristics of the job. Gender discrimination usually also plays a role, since women will take into account the existence of unexplained wage gaps in their decision to participate in the labor force.

2.13 Given the traditional division of labor, women's participation in the labor market depends on all the traditional variables that explain earnings plus some additional ones that reflect a higher reservation wage than men. Several studies have looked at the labor force participation patterns of Chilean women trying to identify its determinants and elasticities.

2.14 ***The following determinants are particularly important in explaining Chilean women's labor force participation: (i) differentials in education and training; (ii) family structure,***

[26] Data from INE report that in 2003 the average number of children per women was 1.9.

caring for children 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 (see Table 2.3).

2.15 The importance of previous experience is documented by Perticara (2005) using a measure of years of inactivity. This, together with results regarding the strong negative correlation of participation in the workforce with having children, suggests that there might be dynamic effects at play. Women who leave the labor force to devote themselves to childrearing will face a lower probability of finding a job in the future, even after their child caring responsibilities have decreased.

2.16 Acosta, Perticara, and Ramos (2005) find that access to childcare can increase women's labor force participation significantly. Different from other Latin American countries where having young children is a more important deterrent factor than having school-age children, Chilean women face significantly lower probabilities of participating in the labor force when they have young and/or school-age children.

Table 2.3 **Determinants of Female Labor Force Participation in Chile**

Determinant Factors	Studies (by author)					
	Mizala, Romaguera and Henríquez (1999)	Contreras, Bravo & Puentes (2005)	Acosta, Perticara & Ramos (2005)	Perticara (2005)	Contreras & Plaza (2004)	Larrañaga (2005)
Educational Attainment	(+) Level of education. Women with higher education (university post secondary education) 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[27].	(+) 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.
Demographic Factors		(+) Age cohort. Young women participate more than older ones.	(+) Changes in age group composition.	(-) For women born between 1977 and 1982 the risk to choose inactivity after a birth is 135% while it is 300% for the ones born before 1947.		(+) Participation increases with age in the cohort 25-39 years old.
Family Composition	(-) 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 in participation decreases when women have no partner.
Marital Status	(-) Married women participate less than single ones.				(-) Married women have a lower tendency to actively participate 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 the others.

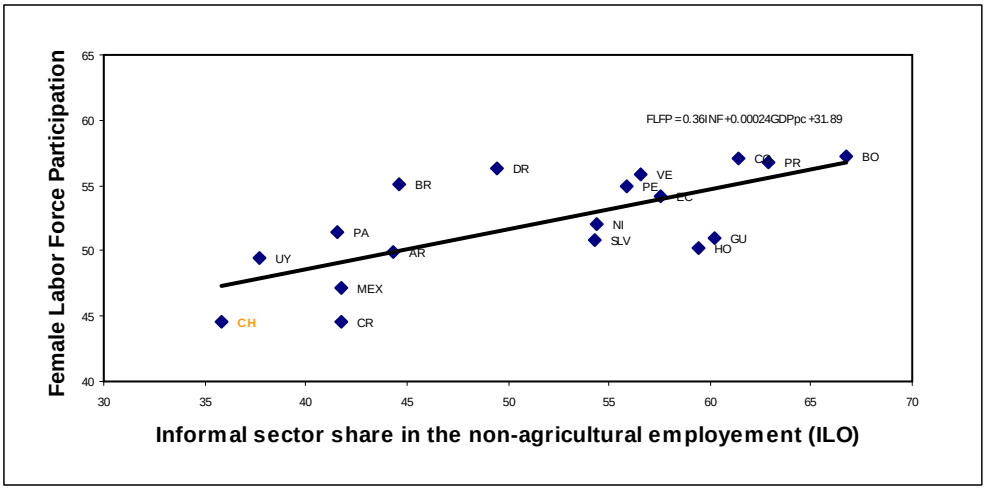
[27] The data is for women of 20 years old in 1945 and 1975. To complete secondary education 12 years of schooling are needed, while 8 years comprise primary. The percentage difference is noted between women with 7.7 years of education and women with 11.3 years of education.

Cultural factors					(-) "machista" behaviors reduce participation by of 13%[28]. (-) More conservative women have lower probability to participate in the labor market [29]	
Child Care provision			(-) 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%			
Other factors	(+) Access to electricity, water and public sewage system connection.	(+) GNP growth, female participation rate is pro-cyclical.				
Methodology& Data	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 Encuesta de Protección Social 2002 (longitudinal database) extracting a sample of individuals, modeling the risk to fall into inactivity.	Uses data of 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 between 25-45 years of age.

[28] Machismo index includes opinion on women's contribution to the household income, gender roles within the household, and responsibilities of childcare.
[29] Conservative values index includes opinions regarding marriage, children with or without a wedlock, cohabitation and divorce.

2.17 The fact that Chile has a relatively small informal sector has been hypothesized as another explanation for the low female participation rate. Many authors have argued about the role of the informal sector as source of employment for women, given the flexibility it offers in terms of schedules and location. **Figure 2.7** shows the relationship, between employment in the informal sector and women's participation rate in Latin America controlling for GDP per capita. Chile stands in the lower left corner, while Uruguay, with an informal sector of similar size, has a much higher female participation. This topic might deserve future exploration.

Figure 2.7. 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

2.18 There has been considerable debate about the role of cultural norms as a determinant of female labor force participation. Fortunately, this has been an active line of research in the last four years, and different studies arrive at the same conclusion: cultural values and gender roles bear significance as an explanation of the low participation of Chilean women. **Box 2.1** highlights the main findings of two relevant studies on the 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 2.8** 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 2.1 Cultural norms and female labor force participation in Chile

An opinion survey named "Mujer y Trabajo, Familia y Valores" was conducted in 2002, 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 participation decision. 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

Contreras and Plaza (2004) makes use of the same survey to 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 remunerated work, domestic work and childrearing, and a *conservative values* index, which reflects attitudes towards marriage, cohabitation and divorce. Cultural norms regarding *machismo* vary widely by age and education: younger and more educated groups have lower levels of the index. The conservative values index does not have a clear pattern by education. Including both indexes in a traditional female participation model (controlling for education, age, number of young children, non-labor income and marital status) they find that *Machismo* reduces female participation by 13 percent and more conservative values lowers it by 10 percent. Both cultural norms together outweigh the positive impact of human capital, which increases participation by 9 percent. Their findings corroborate previous literature and help explain the puzzle of low participation and high levels of education of Chilean women.

2.19 Observing how women's time is distributed helps to acknowledge the share that gender roles play in the distribution of paid and unpaid work for women and men, and to see how balanced this distribution is within the household. Bolivia, Ecuador, Mexico, Nicaragua, Uruguay, Dominican Republic, and Guatemala have implemented time surveys in order to get a clearer picture of the use of time by women and men. The results showed that 97 percent of women over 12 years of age in Bolivia are participating in domestic tasks. The other countries studied reflect similar rates: 91 percent of women in Guatemala, 84 percent in Nicaragua, 92 percent in Ecuador, and 96 percent in Mexico. This accounts for six hours every day, while men use less than three hours of their time for household tasks. Uruguay's survey (2003) showed that women use two-thirds of their time (67%) for domestic work and family care, while men only dedicate 31 percent of their time to the similar tasks. Considering paid and unpaid work in families with at least one child less than 18 years of age, women work on average a total of 62.5 hours a week, 17 hours more than men. The presence of children increases a woman's time burden by 16 hours a week if she is participating in the labor market and by 23 hours if she is not working outside the house. Men living with a partner tend to work less than men living on their own, saving 26 hours a week of domestic work that are transferred to women.

2.20 Another hypothesis about the low participation rate of low-income women highlights the extensive coverage of poverty alleviation programs offered by the Chilean state. The impact of this poverty alleviation transfers on labor force participation needs to be further investigated.[30] The following are four important subsidies, according to their amount and coverage: PASIS, which is for the elderly and people with disabilities; the Unique Family Subsidy (SUF), which is based on the number of children per household; a water subsidy; and other family benefits. The transfer provided by Chile Solidario is relatively small, equivalent to $17 for the first six months and decreases to $6 after the first 18 months. Over 60 percent of households in the lowest and second lowest quintiles receive assistance from one of the main monetary subsidies. The sum of all these monetary subsidies accounts for 60 percent of the total income of households in the lowest decile, and almost 40 percent in the second decile.[31] This share of resources may be acting as a disincentive to female participation in the poorest households, particularly among male-headed households, where women's work would provide a secondary income.[32] Being enrolled in Chile Solidario also may have an impact on women's time allocation in order to satisfy the program's registration requirements and conditions.

EMPLOYMENT AND OCCUPATIONAL SEGREGATION BY GENDER: A WOMAN'S JOB OR A MAN'S JOB?

2.21 This section summarizes current employment trends in Chile by gender, including a brief description of unemployment and informality trends, top occupations, and economic activity. The results of occupational segregation by gender for different age and education groups also are presented.

2.22 In Chapter I, both the cross-country analysis and micro-simulations implied that increases in female labor force participation would be beneficial. These results incorporated labor demand behavior as the models are in reduced form and capture the interaction between labor supply and demand. 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) is 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 employees (supply side).

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[30] See Government of Chile –MIDEPLAN (2004) for a report on Chile Solidario and its gender impact. A large percentage of beneficiaries are not active in the labor force or declare having "other activities" different from studying, working or household work.

[31] Santibañez, C. (2006).

[32] Data from CASEN show a decrease in time of 3.6% in the participation rate of women 25-55 years old in the lowest quintile from 2000 to 2003. However, analysis by MIDEPLAN of the labor trajectory of Chile Solidario's beneficiaries report that 17% of its beneficiaries in 2003 were "dueñas de casa" in 2000, compared to 12% at the national level.

Unemployment in Chile: The Perils of Youth and Gender Bias

2.23 ***Unemployment rates have been higher for females throughout the period and particularly among urban women living in low-income households (33.7% in the year 2000***) as presented in **Figure 2.9**.[33] Although rural women experience lower unemployment rates than urban women, they 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 vulnerable groups also can lead, in turn, to lower female labor force participation, as job seekers could get discouraged.[34]

2.24 **Figure 2.9** shows that women's unemployment fluctuates more drastically than men's unemployment as a result of the economic cycle. Unemployment duration is also higher for women. ILO (2004) finds that the average time to find a job for unemployed women in 2002 was 30.6 weeks, whereas for men it was 25.3 weeks. These unemployment patterns by gender may be the result of cyclical variations of 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.

2.25 Women have registered a higher level of unemployment in all regions throughout the last decade, although in general, unemployment is higher in regions that register high levels of poverty.[35] **Annex – A 2.2** summarizes some economic characteristics of Chile's regions.

Figure 2.9. Annual Unemployment Rate for Men and Women- Chile

[33] ILO (2004) provides unemployment rates by sex and household income quintile using data from MIDEPLAN and CASEN survey 2000.
[34] 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).
[35] ILO (2004)

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

2.26 **Youth unemployment also has been a concern in Chile since the 1990s, and it increased tremendously after 1999**, as **Figure 2.9** shows. In spite of recent decreases, more than 15 percent of young men and more than 20 percent of young women were unemployed in 2005. Youth unemployment in Chile is the result of demographic transition that has increased total labor force participation as the population is aging; lack of opportunities in the more dynamic sectors for new entrants; and labor market rigidities protecting those who have jobs against new entrants. Another important potential determinant of youth unemployment is labor regulations that impose high firing costs. Chile is addressing youth unemployment using several policies, including a youth training program called Chile Joven[36], which has been a model for other Latin American countries due to its impact and innovative design.[37]

2.27 Regarding the impact of legislation, Pages and Montenegro (2003) find that ***job security provisions are not gender neutral***; rather, they reduce employment opportunities for women while increasing those for men. Higher rotation among women may explain why job security provisions affect young women less than young men, and can also explain 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

2.28 ***Microenterprises in Chile, including the self-employed, employ the largest percentage of workers, especially in the case of women*** (**Figure 2.10**). Microenterprises can offer more flexible work arrangements than medium and large firms; hence, they usually offer job opportunities suited to the needs of female workers and youth. Policies to promote entrepreneurship and productivity enhancement of microenterprises have been attempted in many LAC countries as an option 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.[38] 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 II - A 2.3). More analysis is needed to determine the right combination of policies to enhance opportunities for women in this sector.

2.29 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-paying jobs, while for some self-employed workers and microentrepreneurs informality is not an impediment to high earnings. In this section, an operational definition of informality is

[36] ILO (2005) and Pages and Montenegro (2003).
[37] See chapter on policy options for more information on the results of Chile Joven.
[38] CASEN 2003 and Superintendencia de Bancos e Instituciones Financieras – Chile (SBIF).

used that is consistent with a legalistic definition, where informal workers are those without social security or without a formal contract with their employer.[39]

2.30 Sabatini and Wormald (2004) use a similar definition and conclude that informality has increased between 1990 and 2000 in Chile (using CASEN data).[40] The percentage of workers without a contract increased from 14.2 percent to 21.6 percent, and the percentage of workers not covered by social security increased from 30.4 percent to 34.7 percent during that period. In spite of these increases, informality is still lower than in most Latin American countries (IDB, 2004). Sabatini and Wormald also conclude that informality rates in Chile vary across economic activity. Commerce registers rates that are close to 49.4 percent and personal services register rates around 33.1 percent. Both sectors show recent increases in the percentage of informal workers. On the other hand, construction and the financial sector register 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 old workers (65+).

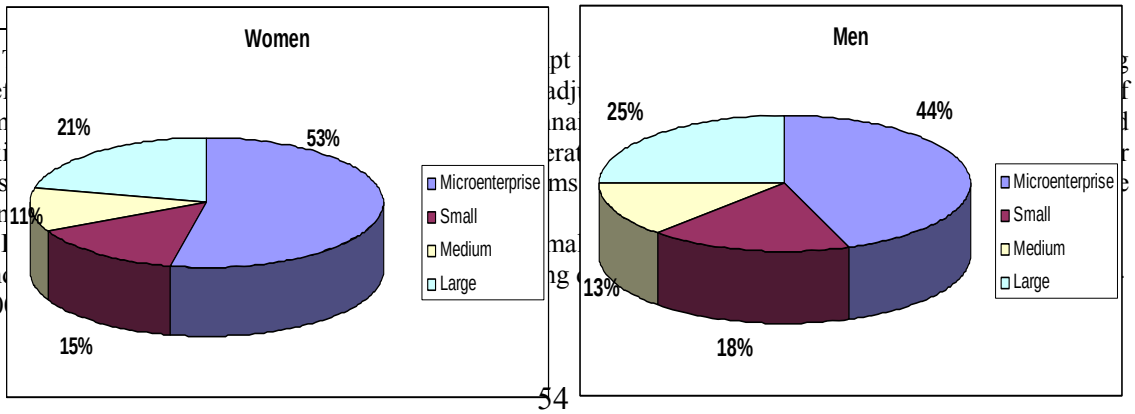
2.31 ***Almost one-third of female workers and about one-fourth of male workers are employed in the informal sector*** in Chile as shown in Table 2.4. Both female and male informal workers are concentrated in the microenterprise sector (Table 2.5). In urban areas, 50.3 percent of all informal workers 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. Most female and male informal workers are in the 41-50 age-group and register only slightly lower levels of educational attainment. Thus, policies aimed at improving the productivity and credit access of both female- and male-owned microenterprises could boost employment and earnings for an important group of workers. Annex A2.3 also points to the fact that most women who are microentrepreneurs concentrate in retail commerce and register lower earnings than their male counterparts.

Table 2.4 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
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.

Figure 2.10. Firm Size and Employment by Gender



Source: Own calculations- CASEN 2003

Table 2.5 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

2.32 In most countries in LAC and the world, women and men tend to concentrate in different occupations.[41] Gender differentials in occupational distribution reflect partly worker choice and partly employers' selection of productivity-related individual qualities. Differentials 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 2.2 details the potential negative implications of occupational segregation by sex.

Box 2.2 Implications of Occupational composition by Sex

[41] Inter-American Development Bank (2004) (Women at Work).

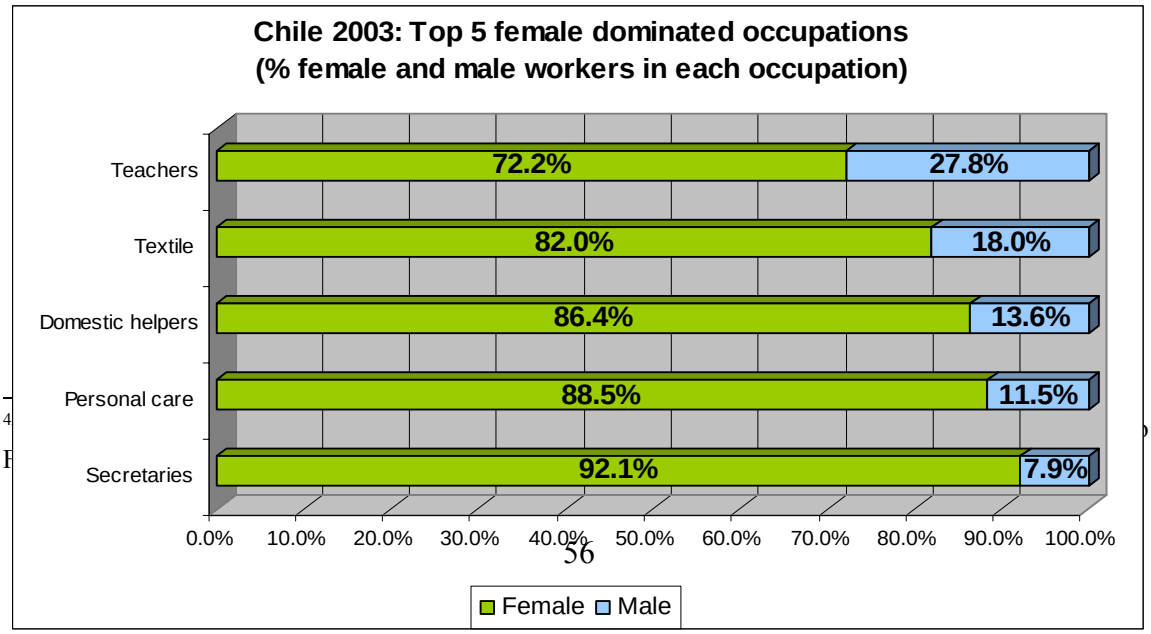
High levels of occupational segregation by sex may have important welfare implications for women and men as well as for labor markets' efficiency, by:

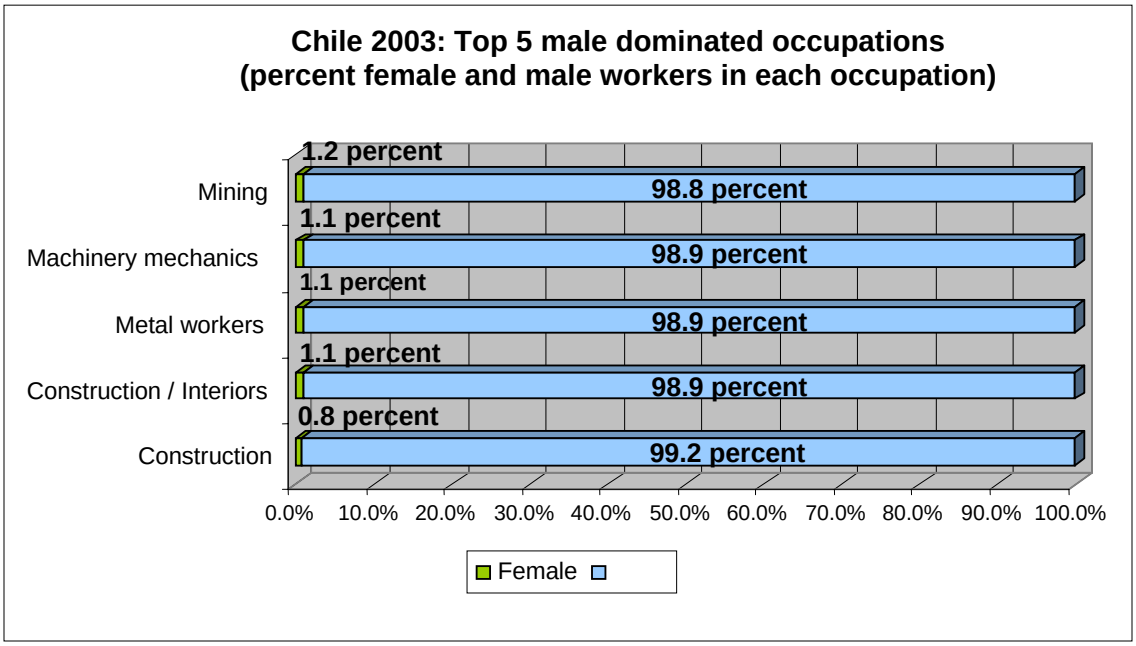
- contributing to lack of mobility in the labor market, since women are effectively excluded from "male" occupations, and men are effectively excluded from "female" occupations. Lack of mobility affects the labor market's capacity to adjust to aggregate shocks and changes in trade patterns. It also may imply 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.
- affecting 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.
- limiting labor market opportunities for women which could, in turn, reduce female labor force participation.
- having an impact 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.
- contributing to perpetuating gender stereotypes concerning appropriate roles for women, as well as gender earnings differentials.[1]

[1] See Preston (1999), Jacobs and Lim (1992), Tzannatos (1999) and Anker (1998).

2.33 In Chile, 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 Labor Ministry and SERNAM.[42] How segregated is occupational distribution in Chile? **Figure 2.10** provides a quick view of occupational composition in the top female and male dominated occupations. These occupations also show extremely high segregation according to traditional gender roles. The top five female-dominated occupations concentrate around 49.6 percent of the total number of women workers, and the top five male-dominated occupations concentrate only around 23.6 percent of the total number of male workers.

Figure 2.11. Occupational Composition by Gender in Chile





Source: Own estimations- CASEN 2003

2.34 ***Women workers tend to be concentrated in a few occupations*** (Table 2.6): 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 the risks and opens up more opportunities for employment in different occupations and sectors.

Table 2.6 Top Five Occupations for Women and For Men

Top Five Occupations Where Women Work	No. of Workers	% Workers
Domestic and related helpers, cleaners and launderers	419796	24.67
Shop, stall and market salespersons and demonstrators	199206	11.71
Secretaries and keyboard-operating clerks	174375	10.25
Managers of small enterprises	148036	8.70
Primary and pre-primary education teaching professionals	97378	5.72
Top Five Occupations Where Men Work		
Motor vehicle drivers	314,368	12.6
Agricultural, fishery and related labourers	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.

2.35 In order to use an overall measure of occupational segregation by gender that allows comparisons with other countries, the Duncan Index (or Dissimilarity Index) is calculated using 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. [43] It should be noted that the level of occupational sex segregation observed is related to how disaggregated is the occupational classification - the more disaggregated the occupational data, the closer the categories get to specific job types. More disaggregated data leads to greater observed levels of occupational segregation. For example, Anker (1998) found that the Duncan Index for several developed and developing countries (except for Latin America) rises from about 37 percent when based on typical one-digit non-agricultural data to about 58 percent when based on typical two-digit non-agricultural data and to about 64 percent when based on typical three-digit non-agricultural data.

2.36 The Duncan Index for Chile is calculated using Standard International Labor Organization's Classification and CASEN 2003 at one, two, and three digits. Results in **Table 2.7** for Chile are consistent with Anker (1998), although the Duncan Index falls to 43 percent, slightly lower than the level found by Anker (1998), when considering only non-agricultural occupations.

[43] $D = [\sum |Mi - Fi|]*100/2$
Mi = percent of all men workers employed in an occupation
Fi= percent of all women workers employed in an occupation

Table 2.7 Duncan Index for Chile for All Occupations and Workers

Chile - Overall	ID
1 digit	0.35
2 digits	0.47
3 digits	0.56

Source: Own calculations based on CASEN (2003)

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

2.38 ***Three-digit Duncan Index results imply similar levels of occupational segregation as other LAC countries, as 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 2.8**). 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 exhibit less rigid gender roles and there is increasing gender parity in education. In fact, Chile's Duncan Index declines for younger workers (**Table 2.8**), although occupational segregation for young workers is still very high at more 53.3 percent.

Table 2.8 Occupational Categories – Duncan Index

Duncan Index -- Three Digit Occupational Categories –Chile 2003	Duncan Index
OVERALL	56.3%
URBAN	55.1%
RURAL	50.0%
By educational level	
No formal education	64.0%
Primary	68.1%
Secondary	56.5%
Post secondary	45.6%
By Age Groups	
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

2.39 Current 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, a vulnerable group, in terms of lack of social protection and workplace regulations, such as domestic servants, is predominantly female (Table 2.9). Box 2.3 describes the case of seasonal agricultural workers (*Temporeras*) in Chile as an example of the perils of occupational segregation by gender.

Table 2.9 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

Box 2.3 Temporeras - Women's Seasonal Workers in Agricultural Exports

The development of the modern agricultural production sector in Chile led to new agricultural employment for women as temporary workers in the packing plants during the harvest season. This situation provided employment opportunities for rural women, stimulated other women to enter the labor force as summer agricultural workers, and provided new opportunities for migrant rural-urban women living on the outskirts of the cities and for the urban population of other regions of the country (Jarvis 2004, Dirección del Trabajo 2005, SERNAM 2006).

Although precise figures are not available,[44] the Labor Direction of the Labor Ministry estimates that there are about 500,000 temporary agricultural workers, of which at least 50 percent are women who work under different conditions than male temporary agricultural workers.

Temporeras work in packing, production, and exportation of fruits, flowers, seeds, and

[44] There are difficulties in estimating the number of temporary agricultural workers because of the seasonal character of the work and the consequent mobility of workers from one place to another or their migration from the city to the countryside for a few months to work. In 1999, an extra module of INE's Employment Survey found that 873,514 women had worked for a period during the previous year, with 20 percent of them in agriculture, accounting for 174,793 women workers that year.

vegetables mostly concentrated 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, 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 as an informal agreement with the employer, and they earn less than the minimal wage in most cases. A significant number have been in the activity for over 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 pension coverage and use the medical assistance available to extremely poor people. Their schooling reaches an average of 6.8 years, although the ones working in agro-exports have ten years of schooling on average, 16 percent are illiterate and 24 percent have unfinished primary education. Their poverty levels are higher than those of the total labor force (31.2 percent between rural workers and 55.3 percent for urban ones).

Temporary and part-time jobs within agricultural packinghouses and fields are considered to have highly exploitative working conditions including, long working hours (over ten hours a day); lack of hygienic conditions; inadequate working and lodging facilities; and exposure to toxic chemicals.

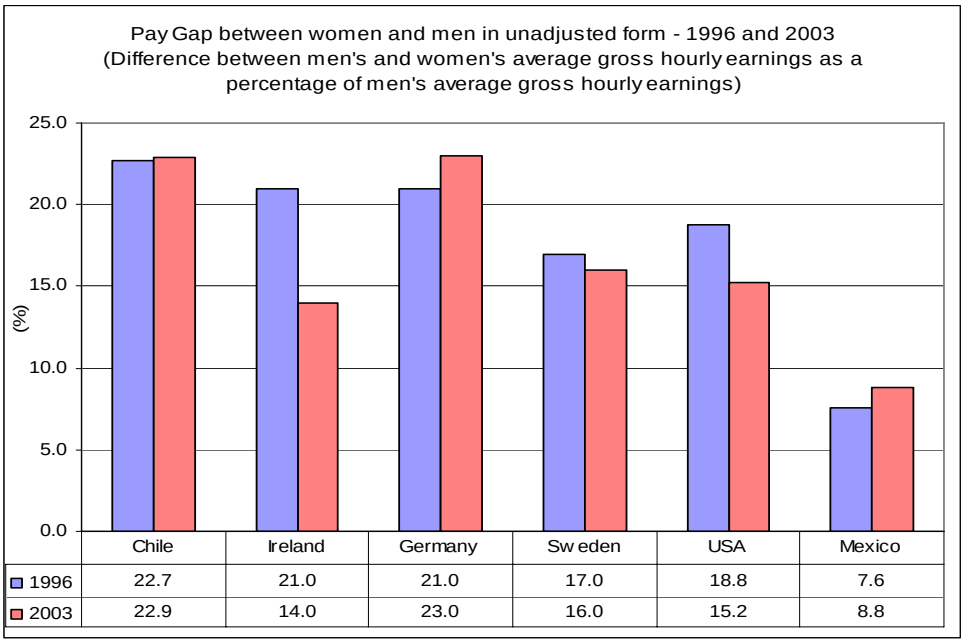
GENDER EARNINGS GAP: EQUAL PAY FOR EQUAL WORK?

2.40 Eliminating the current 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, according to simulation results presented in Chapter I. 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, IDB, 1999, and IDB, 2004). In Chile, gender earnings gaps declined in the 1990s, only to increase slightly during the 2000s. In this section, evidence is summarized on the size of the gender earnings gap in Chile and its determinants are discussed.

Size of the Gender Earnings Gap

2.41 In 2003, Chilean women earned approximately 23 percent less on average than men. Chile's gender earnings gap is similar to that of other countries in LAC, except for Mexico **(Figure 2.12)**; higher than the gender earnings gap in the United States, Sweden, and Ireland; and similar to that of Germany.

Figure 2.12. Comparison Average Gender Earnings Gap – Unadjusted -1996 and 2003



	Chile	Ireland	Germany	Sweden	USA	Mexico
1996	22.7	21.0	21.0	17.0	18.8	7.6
2003	22.9	14.0	23.0	16.0	15.2	8.8

Difference between men's and women's average gross hourly earnings as a percentage of men's average gross hourly earnings
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 Specific Experience[45]

2.42 As noted in the previous paragraphs, the observed average gender earnings gap favors men.[46] S***pecific 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 differentials between male and female entrepreneurs.***

2.43 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 earnings (**Table 2.10**).

[45] 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.
[46] In a study of employment and wage disparities in Japan, Abe (2005) found that even controlling for the productivity difference between men and women identified by employers, it is difficult to explain based on economic reasons why the effect on wages of age and tenure varies for men and women.

Table 2.10 Explaining the Gender Earnings Gap in Chile- Literature Summary

Author	Methodology	Results
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 of Universidad de Chile for Greater Santiago 1966-1996	The unexplained earnings gap by gender decreased since the 60s until the 80s, but this trend was reverted in the 90s. The unexplained earnings gap is mainly the result of the *under-payment of females* 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 *increases* from 10% to 40% as they move from the lower part to the *upper part* 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 drastically for those years for which it is possible to control for *specific experience*. Unexplained gaps are *higher at the medium-high percentiles of the earnings distribution,* among those with higher education, managers, and part-time workers. Evidence of a glass-ceiling effect.

2.44 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 2.10**). Authors find that both total gross and unexplained

gender earnings gaps in Chile are higher for more educated women living in mid to high income households.

2.45 ***Workers living in high income households have the largest gender gap in earnings.*** The first graph in **Figure 2.13** shows average earnings by gender and household income in 2003. This result is markedly different from other Latin American countries where the broadest gender gaps in earnings are found among workers in low-income households, generally working in the informal sector.[47]

2.46 ***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).

2.47 The importance of measuring experience to estimate accurately the unexplained portion of the gender earnings gap has been highlighted by Altonji and Blank (1999) in their literature review about race and gender in the labor market. 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 raw earnings gap, and as much as 30 percent of the portion of the gap is explained by differences in the timing of and returns to experience. Because young men and women are generally not continuously employed, inferences about gender earnings differentials depend on the ability to accurately measure cumulative work experience and when the work took place.

2.48 Ñopo (2006) found that ***the earnings gap is reduced considerably once a control for job tenure and specific experience is included (number of years at the same job), especially for low-income groups (*****Figure 2.14)**.[48] Using a one-on-one matching technique to construct 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. Once differences in average earnings are estimated, 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.).

2.49 Each potential determinant of the gender earnings gap has different policy implications and may be more relevant in an urban or a rural context.[49] More research is needed to determine whether these unexplained differentials are due to productivity differentials, employment discrimination, earnings discrimination, lack of opportunities

[47] In Chile during 2003, about 24% of female workers had earnings below the legal minimum wage, compared to 19.8% of male workers (based on CASEN 2003).

[48] 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.

[49] Gender earning gaps vary in magnitude by region with Tarapaca and Antofagasta registering the broadest gaps. Determinants may also vary significantly by region, given the predominant economic activities and occupational distribution in each region.

for promotion for women (glass-ceiling effect), or occupational segregation. The effect of the number of children on women's earnings is also not clear.[50]

2.50 ***The reason for the difference in pay between "women's jobs" and "men's jobs" should be the subject of further research***.[51] As discussed in the previous section, Chile has very high levels of occupational segregation by gender. Contreras et al. (2004) and 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 (or men) are, on average, lower-paying than jobs dominated by men (or women), occupational segregation is an important determinant of the gender earnings gap.[52] In Chile, domestic helpers, the top female-dominated occupation, is also a low-pay occupation. Agricultural, fishery, and related work, a male-dominated occupation, is the lowest paying job. Moreover, some occupations, for instance managers of small enterprises, register 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.[53]

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[50] 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).

[51] 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).

[52] Lewis (1996) finds that the decrease in occupational segregation by gender accounts for about 31% of the reduction of the gender earnings gap.

[53] Random hiring simulations and wage gap decompositions such as those by Deutsch, Morrison, Piras, and Ñopo (2004) could be informative for Chile.

Figure 2.13. Relative gender earnings gap by income groups (household income deciles) –Unadjusted and Adjusted using Matching Technique 2003

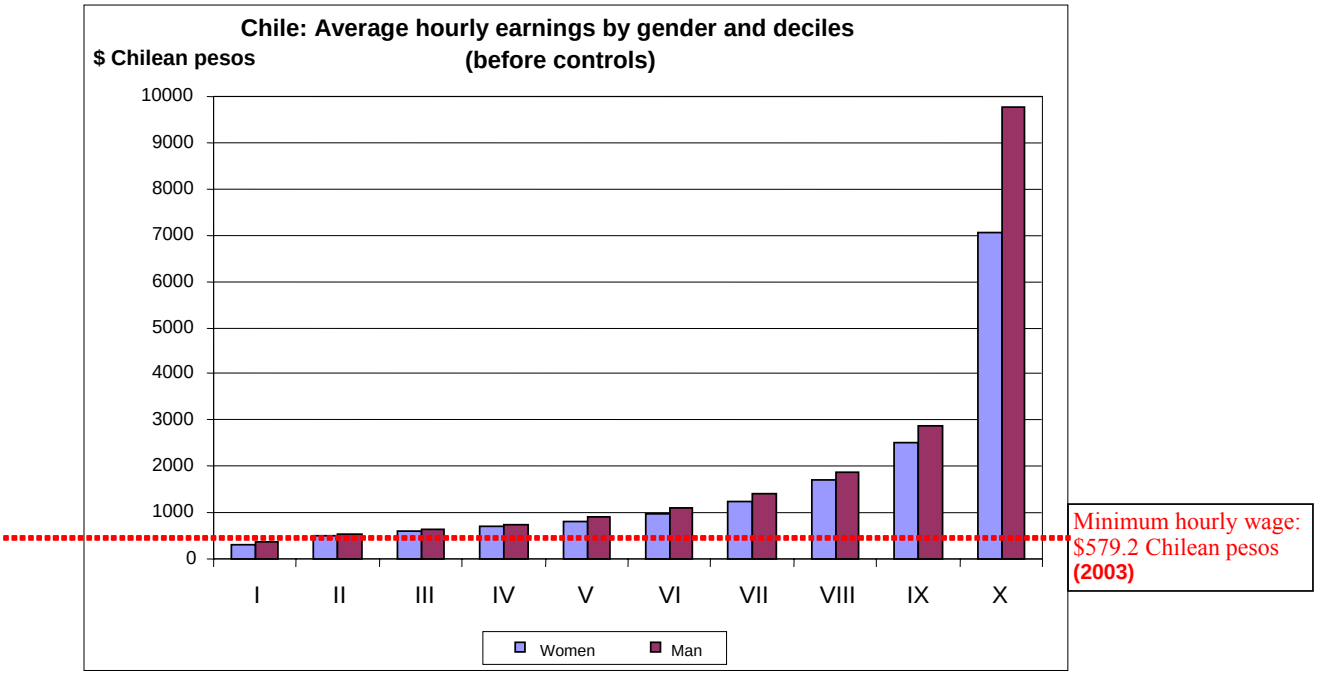
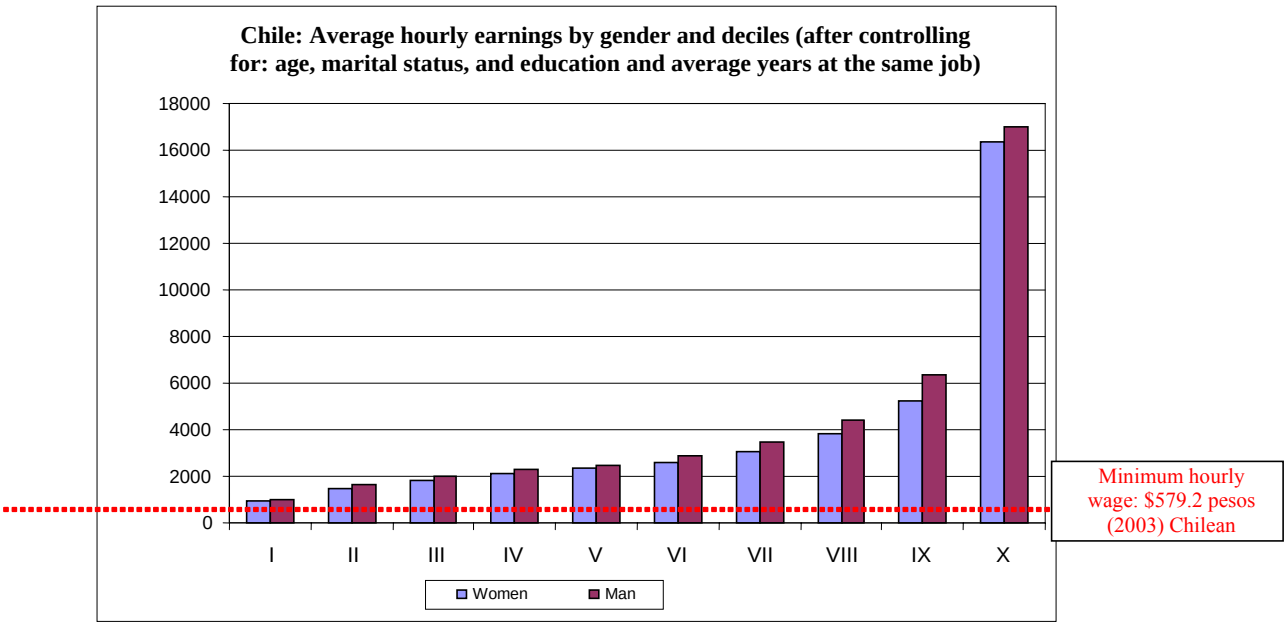


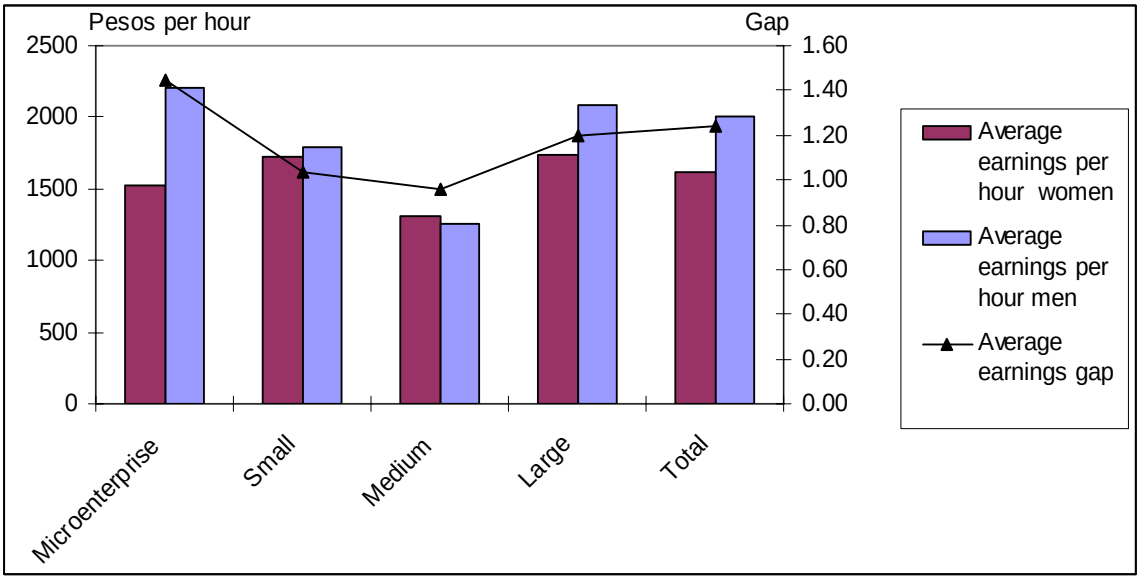
Figure 2.14. Average earnings by gender for groups with matching age, marital status, education, and years at the same job



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.

2.51 ***A differentiated 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 2.15**, due in large part to earnings differences between male and female managers **(Annex II- A 2.3**), which may result from gender differentials in access to credit, assets, or innovative technologies. [54] They also could be due to occupational segregation within the microenterprise sector. The widest gender gaps are in retail commerce and services microenterprises **(Annex II- A 2.3**).[55]

Figure 2.15. Firm Size and the Gender Earnings Gap in Chile



Source: Own estimates based on CASEN 2003 .

2.52 ***Differentials 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 concentrate in the microenterprise sector **(Annex II – A 2.3).** Other observable characteristics of male and female business owners or self-employed workers, such as education, are very similar.

Employment quality

2.53 As discussed at the beginning of this chapter, gender equality in the labor markets is a broad concept. Differentials 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. Other more normative dimensions of

[54] Access to microcredit and other financial services for female entrepreneurs is on the rise in Chile (see next Chapter and Herrera, 2003).

[55] 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.

gender equality in the labor market include issues of employment quality. 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 2.4**.

Box 2.4 Employment Quality: Chile's National Index of Employment Quality for Men and Women

The Ministry of Labor and Social Protection, the Universidad de 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.[56] The index will summarize indicators for both men and women in the following 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 work 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 the period 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 those exhibited by men 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, implies that a large number of women are not covered by the system.
- Around 16 percent of both women and men received training in 2000, with a slight difference favoring women.
- 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: Ministry of Labor and Social Protection Chile- Labor Observatory –http://www.mintrab.cl
ILO Chile - http://www.oitchile.cl/pub_deploy.php?cat=emp

[56] 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.

2.54 The issue of social security and women has become increasingly important due to the increasing labor market participation of women, their increasing participation in the pension market 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.

2.55 IDB (2005) compares contribution patterns among wage employees, for whom participation is compulsory, with contribution patterns among self-employed workers, for whom participation is often 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 where the pay-as-you-go system holds. 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 balances, which are in many cases higher than the pension they can get through their own contributions, they have a smaller incentive to contribute relative to that of married men.

2.56 Rofman and Lucchetti (2006) present estimations 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.[57] However, for the case of Chile, for all indicators, women always have lower coverage than men. Chile appears as the country with the second highest coverage in Latin America (around 60-80 percent). Additionally, 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 important 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.

2.57 Arenas de Mesa, Behrman and Bravo (2004) analyze selected reform issues related to social security coverage and the density and continuity of contributions to the social security system. The results lead to a better understanding of the participation determinants and the distributional aspects of the Chilean system. Running regressions

[57] 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.

for the probability of making social security contributions using repeated cross-section CASEN surveys, they found that, once there are multivariate controls, men are more likely to make contributions than women. 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.

CHAPTER III - GENDER MAINSTREAMING IN PUBLIC POLICY AND INSTITUTIONS--CHILE'S MODEL

Abstract

3.1 **Chile has made remarkable progress developing public institutions, policies, and mechanisms for the promotion of women and gender equality in the last 15 years**. Chile's experience mainstreaming gender in the public sector is indeed one of the most innovative and ambitious in Latin America, which could serve as a model for other middle income countries. This chapter describes the institutional structures and mechanisms that shape Chile's Institutional Framework for Gender Equality, which in turn could support the implementation of the policy options presented in Chapter IV of this report. It highlights the strengths of Chile's model and identifies some of the remaining challenges to successfully formulate and implement policies to reduce gender inequalities, including those in the labor market. The chapter aims to assess the success of Chile's current framework for gender equality to: (i) institutionalize gender in the policy and planning of the government; and (ii) provide an enabling environment for the implementation of policies to redress gender inequalities, with a particular focus on the labor market.

3.2 The chapter's main findings are as follows:

- Chile's institutional framework for gender equality has been shaped by the recognition of gender equality as a matter of public policy; the ability to create strategic partnerships across public sector institutions; and innovation in the creation of institutional mechanisms to advance gender equality.
- The gender-based performance reward system for public service (Management Improvement Program) is a key element of Chile's model which, if properly utilized, could have great potential to institutionalize gender in the planning of the public sector in a sustained way.
- Chile's institutional framework also provides an enabling environment for the implementation of policies to reduce gender inequalities nationally and in the labor market in particular. The experience of several institutions in the labor, rural, economic, and education sectors in addressing gender issues in their programs has set the stage for the implementation of measures to increase female participation in the labor force, like those proposed in this report.
- Despite impressive investment in building institutional capacity, there is room to improve the systemic functioning of Chile's model and to increase its effectiveness by, for example, strengthening its links to the budget formulation process.
- The National Service for Women (SERNAM) can become a crucial partner in the implementation of cross-sectoral policies to improve female participation in the labor market, by coordinating and integrating the work of different institutions in different sectors to improve gender outcomes in the labor market.

CHILE'S INSTITUTIONAL FRAMEWORK FOR GENDER EQUALITY

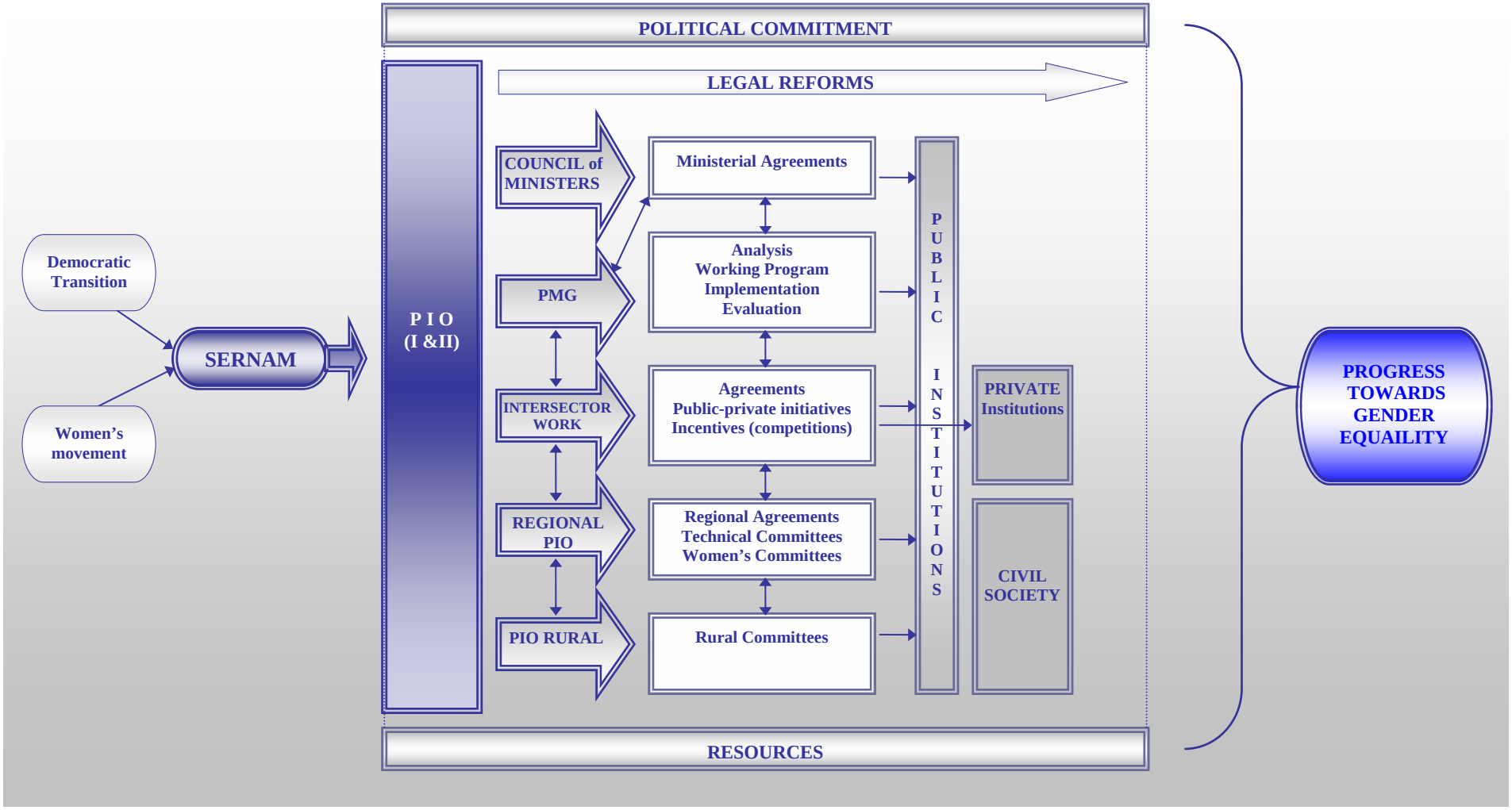
3.3 **Chile's Institutional Framework for Gender Equality is the outcome of a dynamic process shaped by different factors along the way**. Following the creation of the National Service for Women (SERNAM) during the democratic transition, the initial stage of development of the model was guided by the first Equal Opportunities Plan (1994-1999), which established the overall strategy for gender equality nationally. At the same time, parallel institutions, such as Regional Councils and Technical Committees were created and piloted for implementing the plan at the decentralized level. The period encompassed by the Second Equal Opportunities Plan (2000-2010) is one of maturity of the system. The government commitment to gender equality facilitated rapid change at the institutional level through the creation of institutions such as the Cabinet for Gender Equality and the adoption of the Ministerial Agreements as specific mechanisms to link overall gender goals to specific sector targets. With a decade of experience and an enabling national and international environment, 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 3.1** describes the framework for gender equality. This section analyzes the role of the different institutions and mechanisms in the model.

National Service for Women – SERNAM

3.4 **The National Service for Women, 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 into consideration women's interests in the process of planning, budgeting, analysis, design and implementation of policies and programs. Within the institutional setting for gender equality in Chile, SERNAM is in charge of establishing priorities for gender action through the elaboration of Equal Opportunities Plans; leading the process of strategic planning for the implementation of the plans; coordinating the different gender mainstreaming mechanisms/institutions; and taking the lead in the process of inter-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[58].

[58] 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.

Figure 3.1 Chile's Institutional Framework for Gender Equality



3.5 **By international standards SERNAM is a relatively strong national women's machinery.** International evidence points to lack of strong mandate, conflicting role, lack of autonomy, under funding, and lack of intellectual capacity as factors limiting the effectiveness of institutional mechanisms for gender mainstreaming across the world[59]. SERNAM is an example of relatively strong institution by many of these standards. It has a clear mandate and while not a fully fledged Ministry, SERNAM's head has ministerial status and is a member of the Cabinet. This, together with the political support enjoyed by the government improves considerably its capacity to ***influence*** inter-sector ***policy dialogue*** with line ministries. Also, its role, focused on ***mainstreaming gender in sector ministries***, with a limited mandate for project implementation is another of SERNAM's strengths, facilitating outreach and impact of its actions. ***Budgetary independence*** plays to the advantage of the institution as well. However, its ***human resource structure,*** comprising a low proportion of permanent staff (just 10 percent of the 270 total staff force) and lack of specialized personnel,[60] constrains the capacity of the institution. And, drastic ***reorganizations*** following changes of administration have debilitated the institution in the past leading to the discontinuation of important lines of work.

The Equal Opportunities Plan

3.6 **The Equal Opportunities Plan 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 plans set the government's priority areas in gender and define the long term goals for gender equality as well as strategies to achieve them. The evaluation of the First Equal Opportunities Plan in 1999 concluded that the plan was an important step towards including a gender perspective in public policies and integrating gender priorities in the overall governmental program. The plan facilitated the 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 inequalities through public policies and the overall action of the state. The evaluation concluded as well that the work around the Equal Opportunities Plan contributed to strengthen SERNAM as a valid partner in policy making at the central and regional level[61].

3.7 **The mid-term evaluation of the Second Equal Opportunities Plan suggests that the plan has strengthened the process of institutionalization of gender in the action of the state.** By making "gender mainstreaming in public policies" one of its priority areas of action, the plan has boosted the institutionalization of gender in the public sector. The sixth area of action of the plan aims to: (i) strengthening inter-institutional coordination to address gender inequalities; (ii) promoting a gender approach in the regional and local administration as well as in Chile's international relations; and (iii) facilitating the participation of women in the process of public policy formulation. The evaluation highlights impressive advances in mainstreaming gender in

[59] Byrne, B., and Koch Laier, J., 1996, National Machineries for Women in Development, Bridge report No 38. Sussex: Bridge.
[60] 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.
[61] 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.

the public sector due to institutional development in the period coinciding with the first phase of the implementation of the plan - 2000 to 2005[62].

The Council of Ministers for Gender Equality

3.8 **Since 2000, the Council of Ministries for Gender Equality oversees the implementation of gender policy making in Chile, and in particular the implementation of the Equal Opportunities Plan.** In 2000, President Lagos created the Council of Ministers for Gender Equality/Cabinet for Gender Equality to monitor the implementation of the Equal Opportunities Plan. The Council/Cabinet, that meets twice a year, includes 9 out of the 17 Ministers in Chile, including Presidency, Economy, Planning, Health, Education, Justice, Homeland (Interior), Labor and Social Security, and SERNAM. The Council promoted the creation of Ministerial Agreements in 2002.

Ministerial Agreements

3.9 **Ministerial Agreements were established as an instrument to help Ministries prepare gender sensitive policies and deliver gender aware public services.** The Agreements are documents in which each Ministry establishes gender related goals for its sector every year (see examples in **Box 3.1**). By 2004, 16 (out of 17) ministries had established 85 Ministerial Agreements. SERNAM monitors and evaluates the ministries work to comply with Ministerial Agreement every year and presents the results of the evaluation to the president and regional governors in the Public Accountability Report on Gender every year. (see Annex – A3.2)

Box 3.1. Examples of Ministerial Agreements

2005 Ministerial Agreement of the Ministry of **Infrastructure**

- Implement rules and procedures which allow a gender perspective in the services and products of the ministry in such a way that women participate on an equal basis in the economic and productive development of the country, with a view to fight poverty.

2004 Ministerial Agreement of the Ministry of **Presidency**

- Ensure that the preparation of legal projects includes gender analysis;
- Guarantee non-discrimination of women within the State.

2004 Ministerial Agreement of the Ministry of **Health**

- Guarantee the participation of women and women's organization in the participative and decision making instances in the health sector;
- Make constant use of gender analysis in the sanitary planning and decision-making process;
- Ensure a gender perspective in the legal reforms in the health sector;
- Adopt a rights based approach to sexual and reproductive health services.

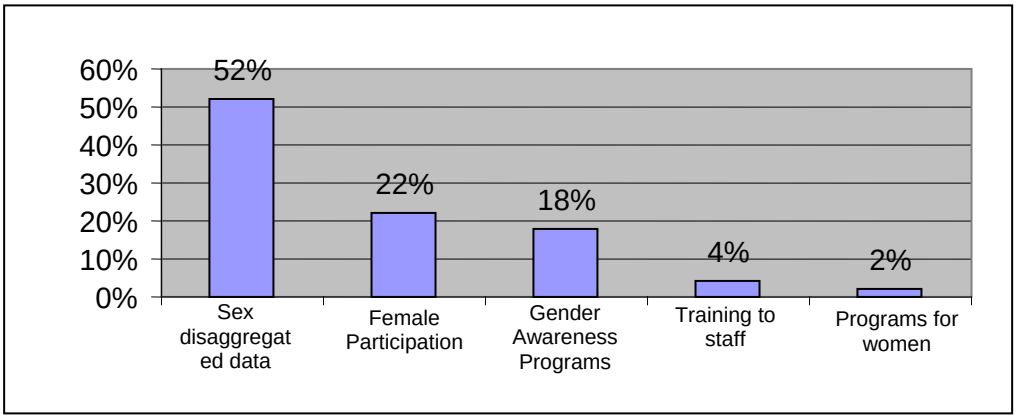
2004 Ministerial Agreement of the Ministry of **Justice**

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

[62] 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.

3.10 **In practice however, the potential of Ministerial Agreements to become instruments of strategic planning is yet to be realized.** The evaluation of the Second Equal Opportunities Plan concludes that three years after their creation, Ministerial Agreements have not become the guiding instrument for gender policy that they were expected to become[63]. While they could be important instruments for gender strategic planning by establishing overall gender objectives for the sector, in practice, Ministerial Agreements have just focused on technical issues to improve the capacity of the sector to address gender issues. With few exceptions, Ministerial Agreements focus on identifying specific gender actions to implement, rather than establishing overarching gender goals for the sector. Many agreements call for collecting sex-disaggregated information, increasing women beneficiaries' participation, integrating gender sensitive criteria in the programs/projects, providing gender training for public officials, and targeting programs to women (**see Figure 3.2**)[64]. While in the short term this facilitates a quick-start and rapid progress addressing gender issues, in the medium and long term, however, each ministry will need strategic goals which provide a response to the gender inequalities in their sector and can serve as overall guidance for the work of the different services. Otherwise, there is a risk of implementing a series of disconnected actions which do not address the relevant gender issues in the sector.

Figure 3.2 – Focus of Ministerial Agreements



Source: SERNAM, 2005.
Note: Data correspond to the period 2002-2004.

Management Improvement Program

3.11 **Creating the incentives for the delivery of gender-aware services through the Management Improvement Program is the last step of the model to mainstream gender in the public sector.** Through the integration of gender criteria into the Management Improvement System, Chile's performance based reward system for the 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 3.2**). Most of the services affected by the Management Improvement Program (90 percent of the 178 services) adopted criteria on gender to evaluate their performance

[63] Ibid.
[64] The data for this review come from an internal unpublished summary by SERNAM for the period 2002 to 2004.

in 2002. There is a high degree of compliance with the gender criteria with only 3 out of 157 services failing to validate their gender components of the MIP in 2004.[65]

3.12 **While it is still early to assess its impact, the integration of gender considerations in the MIP has large potential to fully institutionalize 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 high-coverage and sustainable strategy to integrate gender considerations in public services. In 2005, 97 percent of the services participating in the MIP were in the third and fourth phase of the four stage process towards delivering gender aware services envisioned by the MIP (**see Box 3.2**)[66]. Almost all the services had identified relevant gender issues in their respective area of work (phase 1); had designed plans to address them (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 the operational mechanisms of the public sector to address gender issues.

Box 3.2. Integrating Gender In the Management Improvement Program

Chile's performance based public sector system. In 1998 Chile started implementing the Management Improvement Program 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) client orientation; (iii) territory management; (iv) financial management; and (v) planning and management control. 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 of compliance with the targets.

Integrating Gender targets. Following an agreement between the Ministry of Finance and the National Service for Women in 2001, 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 the process of delivering gender aware services, consisting of: first, carrying out an assessment to identify products/services in which a gender focus would be advisable and identify how to make such products/services gender sensitive; second, designing an action plan to deliver gender sensitive services according to the findings of the assessment; third, delivering gender sensitive services and implementing gender sensitive management information systems; and fourth, setting up a monitoring and evaluation mechanism and process.

Results - The system of rewards and penalties has been instrumental in creating interest for achieving gender targets. A serious process of internal revision of mechanisms and strategies to address gender in their service delivery took place in those departments whose salary premium was not renewed due to their lack of compliance with the gender target. For example, in the INDAP – National Institute for Technology, the staff association promoted an internal audit to analyze causes of the failure. The implementation of the audit's recommendations led to the department's success in achieving the 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 technical support on gender by SERNAM to the Ministries; and iii) involving management throughout the process.

Source: Elaborated from World Bank, 2006, Mainstreaming Gender in the Public Sector: Chile's Equal Opportunities Plan, unpublished report; Guerrero Caviedes, Transversalizando la Perspectiva de Género mediante

[65] 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.

[66] 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.

Instrumentos de Gestión de Control: el Caso del Programa de Mejoramiento de la Gestión – Sistema Equidad de Género, Febrero, 2006, Instituto de Desarrollo Social. Washington DC, Interamerican Development Bank; and, Requisitos Técnicos y Medios de Verificación: Programa de Mejoramiento de la Gestión 2006. Santiago: Dirección de Presupuestos del Ministerio de Hacienda de Chile.

3.13 **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 of implementation which will have to be reviewed if the potential of a gender aware MIP is to be realized.** Preliminary evidence points to services committing to feasible, easy-to-achieve targets which may have limited impact in the final delivery of the services. Other problems in the implementation of the MIP refer to the lack of integration between the process of designing the gender component of the MIP and the operations of the program in general[67]. The design of the gender aspects of the MIP is often carried out by staff which is not fully engaged in the overall planning process of the service, with limited involvement from middle and high management. This and other problems of implementation should be reviewed to assess whether the integration of gender in the MIP is really producing meaningful changes in the final products of each service and contributing to reducing key gender inequalities in the services' respective sectors.

Decentralized Mechanisms for Gender Equality

3.14 **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/Cabinet of Gender Equality, the ***Regional Councils for Equal Opportunities***, headed by the regional governor and comprising all regional secretaries, 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*** comprised of public officials from different regional government institutions involved in regional planning and execution. ***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.

FACTORS CONTRIBUTING TO THE DEVELOPMENT OF CHILE'S MODEL

3.15 **Overall**, **Chile has achieved substantial progress institutionalizing gender in government policy and planning in the last decade.** An evaluation of Chile's institutional model carried out in 1994 stated that "attention to gender issues in departments and Ministries other than SERNAM was primarily a result of individuals' commitment to these issues as opposed to institutional mechanisms"[68]. Since then however, the effort of the government has led to major achievements institutionalizing a gender approach in public sector planning and management as well as in final public service delivery. In particular, as a result of the integration of gender into the Management Improvement Program, the public sector is in the process of

[67] 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.

[68] Pollack, 1994 quoted in Byrne, B., and Koch Laier, J., 1996, National Machineries for Women in Development, Bridge report No 38. Sussex: Bridge.

integrating gender as a variable in the analysis and planning of its actions. An important proportion of departments now collect, analyze and integrate to their planning process sex-disaggregated information, and most public institutions have gender targets as part of their sector action program. (see Annex A3.1)

3.16 **Several factors have contributed to the development of Chile's model**. One of the enabling conditions for the institutional development for gender equality in Chile has been high ***political support for gender equality***. Gender equality has figured high in the agenda of the government since the transition to democracy as evidenced by the creation of SERNAM, the Cabinet for Gender Equality, Ministerial Agreements and the integration of gender in the MIP. The recognition by the public sector highest level 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 provided legitimacy to the process. The creation of ***strategic partnerships*** with actors across the public sector has also played a role in the development of specific parts of the model and has been a constant element along the way. That of SERNAM and 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 been essential to lubricate the model and ensure its adequate functioning[69]. Finally, the development of the model would have not been possible without a ***willingness to innovate*** and engage in a real process of ***institutional engineering*** to create new institutional mechanisms to advance gender equality.

CHALLENGES TO CHILE'S MODEL FOR GENDER EQUALITY

3.17 **The main challenges to Chile's model are how to consolidate the model, fine-tune it, and ensure its sustainability.** In the coming years, Chile needs to consolidate its model for gender equality, assess its impact, fine tune and better articulate its different elements, and put in place mechanisms to ensure the sustainability of such an institutional investment. The key challenges to the model are discussed next.

Fine tuning the Model

3.18 **The first challenge is to make the model work as such, by improving the articulation of its different parts.** Chile's model is the result of the creation of different institutional mechanisms for different purposes in different periods of time. In principle, its current design could allow for a gradual move from overall gender commitments (those in the Equal Opportunities Plan) to more specific gender sector objectives (those in Ministerial Agreements) to the implementation of specific policies and programs by the different services/departments (through the Management Improvement Program). This is an important strength of the model as international evidence is plagued with examples of sound policies which are not followed through with action plans nor directly linked to resource allocations with specified targets and time frames[70]. However, in order to fully realize the potential of the model to translate general gender

[69] 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.

[70] Byrne, B., and Koch Laier, J., 1996, National Machineries for Women in Development, Bridge report No 38. Sussex: Bridge.

policy commitment into gender aware programs and services on the ground, there are several aspects that need to be fine tuned.

3.19 **Redefining the role and relationship between Ministerial Agreements and the Management Improvement Program so that they will complement (rather than duplicate) each other, is an essential part of improving the model.** As Ministerial Agreements currently focus on specific actions, rather than strategic objectives (see section two of this chapter), their role and that or the Management Improvement Program is to a certain extent redundant. Agreements should be instruments for strategic sector planning on gender, i.e., setting priorities and overall guidelines for the sector, while the MIP should be an instrument for management with a gender focus, thus facilitating the process of delivery of public services in the different departments. The role and scope of both instruments should be clarified and support provided to the Ministries in how to define/design them. SERNAM might consider making a proposal to the Council for Gender Equality so that the role of Ministerial Agreements is redefined as elements of strategic planning. In addition, coordination mechanisms should be established within the different Ministries so that both instruments achieve a better integration and Ministerial Agreements can be used as a reference framework for the design of specific gender targets as part of the MIP.

3.20 **Addressing problems of implementation in the Management Improvement Program is another important element to improve the functioning of the model.** The scope of the task of integrating gender in the MIP may pose challenges to the institutions involved in its implementation – services in line Ministries as well as SERNAM. The experience of the first four years of operation of the program is however encouraging with most of the services engaged in the four-stage process towards delivering gender aware products. However, following this first experimental period, it would be important to carry out an evaluation of the MIP in order to address problems of implementation which might be hindering the long term impact of the program (see section two of this chapter for details).

Consolidating the Model

3.21 **Building SERNAM's long term capacity to respond to the demands arising from the operation of the model is an important aspect of the strategy to consolidate it.** Demand for SERNAM's services and technical support has grown considerably with the mandate to integrate gender in the Management Improvement Program. However, the lack of corresponding increase in its budget has challenged the institution's capacity. This problem will probably become more serious in the future as demands over SERNAM's time are likely to increase as the model develops, and should be addressed through an ***adequate human resource strategy,*** i.e., investing in specialized staff, and through subsequent budget allocations. Similarly, SERNAM needs to persist in the dialogue and ***inter-sector work with line Ministries*** and public institutions, and build its capacity to do so. This is an important part of SERNAM role as coordinator and engine of the institutional framework essential for the sustainability of the model.

3.22 **Building on the strengths of the Management Improvement Program is another strategy to consolidate Chile's model**. Integrating gender in a program such as the MIP is a high impact strategy to institutionalize gender in the operations of the public sector for two reasons. First, because its large coverage, the program encompass virtually all the services of the public

sector, offers a platform to integrate gender into the whole of the public sector. And second, because of the nature of the program, central to the public sector reform strategy, which ensures its long term sustainability, and that of any gender mainstreaming strategy linked to it. It is therefore essential to capitalize on the strengths of the MIP and keep the scope and coverage of the gender component broad, rather than trying to narrow it down to selected services within the public sector.

3.23 **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 timely to evaluate the impact of the current gender mainstreaming model. The available evidence points to Chile's model as an international best practice in gender mainstreaming in institutions in terms of innovation and potential impacts. This needs to be corroborated through a thorough analysis of the impact of the model in achieving final outcomes, i.e., contributing to reduce specific gender inequalities in Chile. Also, in order to regularly produce information on which to reassess the model and improve it, 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 in the analysis.

3.24 **Finally, Chile's current institutional framework could be further consolidated by strengthening its links to the budget formulation process**. New initiatives in several countries aim at mainstreaming gender in the process of budget formulation. Achieving a correspondence between gender goals and national budget allocations in Chile involves making explicit the connection between MIP, Ministerial Agreements and the process of budget formulation. A first connection between the gender-related goals and effective allocation of resources was made through the Management Improvement Program and its salary premium mechanism, but the process of aligning budget allocations to gender priorities has not been fully realized yet. A better utilization of the Ministerial Agreements and the Management Improvement Program 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 formulation 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.

CHILE'S INSTITUTIONAL FRAMEWORK: AN ENABLING ENVIRONMENT FOR IMPROVING GENDER OUTCOMES IN THE LABOR MARKET

3.25 **Chile's institutional setting offers an enabling environment for the implementation of policies to reduce gender inequality 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 the different services which comprise them have started implementing gender specific actions in the context of their Management Improvement Program. Substantial progress has been achieved in certain areas, particularly improving the labor conditions of certain groups of female workers. This section describes the institutions available in these key sectors which can support the policy recommendations of this report. It provides as well examples of the work done towards reducing gender inequalities in the areas of labor market and economic empowerment.

Labor

3.26 **Chile's labor sector has already institutions with experience integrating gender issues in labor market policies and programs.** The main institutional actors in the sector which may be involved in the implementation of policies to enhance women's economic participation are the ***Department of Labor*** "Dirección de Trabajo" (DITRAB) of the Ministry of Labor; the ***National Service for Training and Employment*** (SENCE), and the ***Committee on Equal Opportunities – Labor Sector*** (Mesa Igualdad de Oportunidades – Sector Trabajo).

- **The *Department of Labor* is the sector institution with the largest experience integrating gender issues in labor policies, and a strategic partner for the implementation of policies to reduce gender inequalities in the sector.** Since 1994, the DITRAB has developed a number of activities to integrate a gender perspective in labor programs. Initially, DITRAB provided gender training to employees, carried out gender based research, monitored labor conditions, and implemented campaigns on women's labor rights. More recently, the Department's focus has shifted to improving working mechanisms with regional departments, and to developing an internal Plan for Equal Opportunities for its employees. DITRAB's work in the past has led to important changes in the areas of sexual harassment, maternity leave, discrimination and quality of employment for women. Given its experience and central role in the labor sector, DITRAB would be a strategic partner in the implementation of most policy options proposed in this report.
- **The *Committee on Equal Opportunities – Labor Sector* can be a strategic ally for the implementation of cross-sector policies in the labor market.** The Committee is an inter-ministerial forum to improve women's participation in the labor force, created in 2003 by the Council of Ministers for Equal Opportunities. It comprises representatives from all the institutions working on labor market issues in different sectors. Since its creation, its work has focused on training and research. Its cross-sectoral nature can facilitate the implementation of several of the measures proposed in this report, specially those involving inter-sector work like the promotion of female entrepreneurship.

- **The experience of the National Service for Training and Employment applying gender to its work is limited, but the institution remains a key actor to support to specific aspects of the proposed reforms.** In particular, it would be an important partner to achieve the objectives of reducing discontinuity of women's work experience through the design of appropriate long-life learning strategies; and of reducing gender segregation by facilitating training in non-traditional areas for men and women.

3.27 **Ministerial Agreements and the Management Improvement Program have set the stage for future work on gender in the labor market.** The Ministerial Agreement of the Ministry of Labor established gender targets for: (i) promoting the incorporation of women in the labor force while ensuring that working conditions meet the necessary quality standards; and (ii) integrating a gender perspective in the activities implemented by various services and institutions regarding information, analysis, monitoring and legislation. These objectives are consistent with, and offer an adequate reference framework for the policy objectives supported by the analysis of inequalities in the labor market in this document, namely increasing female labor force participation of low income groups and reduce gender segregation in the labor market. Additionally, the Management Improvement Program of the eight services of the sector has established targets to produce sex-disaggregated data, promote legislative changes, and provide training on gender related issues. The sector's work addressing gender issues in labor programs has prepared the ground for the implementation of targeted measures to increase female participation in the labor force.

Economic Promotion

3.28 **While the sector has already considerable experience mainstreaming gender in its work, progress in addressing gender issues in programs varies across sector institutions.** Institutions which have successfully integrated gender issues in their programs in the past include: the Sub-Secretary of Economy, the National Institute on Statistics, SERCOTEC (Servicio de Cooperación Técnica), and the Bilateral Agreement between the Department for Cooperatives and SERNAM. Other sector's institutions which have been less successful in addressing gender issues include the Committee for the Analysis of Instruments for Productive Promotion (Mesa de Coordinación para el Análisis de los Instrumentos de Fomento Productivo), and the Chilean Economic Development Agency (CORFO). Among all sector institutions, SERCOTEC, with responsibilities in the area of micro-enterprise promotion; CORFO, responsible for facilitating credit through private financial intermediaries; and the Bilateral Agreement, established to increase women's participation in the various industrial sectors through the cooperative model, would be important pieces of the strategy to promote women's entrepreneurship through access to credit and business development.

3.29 **The objectives of the Ministry of Economy of increasing women's access to productive inputs, and identifying gender specific needs of entrepreneurs, are important elements of the strategy set forth in this report to increase female entrepreneurship.** The gender objectives for the sector as per the 2004 Ministerial Agreement of the Ministry of Economy are: (i) to increase women's participation in the programs and instruments and identify women's needs in the productive sector, and (b) to include gender as a category of analysis in the information systems of the Ministry, including in the evaluation systems. Both, increasing women's participation in the programs of the sector - namely credit and business development

services, and identifying gender specific needs of entrepreneurs will be essential to increase female entrepreneurship. In addition, the actions undertaken by the nine services of the Economy sector under the MIP, which call for collecting and analyzing sex-disaggregated information and supporting women entrepreneurs, will prepare the ground for the implementation of policies to improve women's economic participation. **Box 3.3** provides examples of gender related measures in the Labor and Economic sectors.

Box 3.3 Examples of Gender Related Measures in the Labor and Economic Sectors
• Implementation of awareness raising campaigns about women's participation in the labor market and their labor rights for (i) women in general and for (ii) temporary workers and women working in the domestic service • Changes in labor legislation to improve childcare conditions for working women • Law on Sexual Harassment • Establishment of the Public-Private coordination committee to improve labor conditions of temporary agricultural workers (in collaboration with SERNAM) • Creation of a National Award of Best Practices in Gender Equality in the workplace (in collaboration with SERNAM) • Provision of scholarships for women to participate in on- the-job training at the National Training Service • Gender training for public officers to identify key partners for developing gender sensitive work and policy changes to improve labor conditions

Rural Sector

3.30 **Existing institutions and mechanisms in the rural sector can facilitate the implementation of employment generation policies in rural areas.** These institutions include the *Ministerial Advisory Commission for Equal Opportunities*; the *Network of Rural Women* (red mujer rural); *the Rural Women Standing Committee* (Mesa Mujer Rural); and *the National Agrarian Institute* – INDAP. These institutions can support different aspects of the implementation of the policies proposed in chapter four, namely those aiming at increasing female participation among low income households and promoting female entrepreneurship in rural areas. The Ministerial Advisory Commission can coordinate the actions of the eight services of the sector on gender making more effective the implementation of policies. The network of rural women could be revitalized and used as a participation forum and/or a mechanism to deliver specific services to rural women – such as information, business support, training, etc. The Rural Women Standing Committee, which comprises SERNAM, INDAP and civil society, can facilitate coordination among institutions in the sector and become a forum for the discussion of policies. The National Agrarian Institute has a long experience working with women and, as credit and training provider in rural areas, it could become a key partner in promoting entrepreneurship in rural areas.

Box 3.4 Examples of Gender Related Measures in the Rural Sector
• Improving working conditions of temporary agricultural workers, the majority of whom are women, by: (i) creating 211 childcare centers - reaching 13,000 children; (ii) establishing agreements on the use and commerce of pesticides, and (iii) creating a training program for the prevention of risk associated to the use of pesticides; • Development of an index on the quality of employment in the temporary agrarian sector with a gender perspective; • Increasing female access to micro-credits from 18.5 percent in 2003 to 20.1 percent in 2004; • Increasing female 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 under the Management Improvement Program; and • Establishment of a gender training sensitization program as part of global capacity building for professional, consultants, and employees - with information pamphlets for staff as well as for women users.

3.31 **The objective of the Ministry of Agriculture of guaranteeing women's access to productive programs is an important element of the strategy to increase women's entrepreneurship in rural areas as proposed in this report.** Gender objectives for the rural sector as established in the 2004-2006 Ministerial Agreement consist of: (i) guaranteeing women's access to productive programs and projects, and (ii) integrating gender as a variable in the information systems and statistics for the Ministry and its services/institutions. Guaranteeing women's access to productive programs is an important factor in improving women's entrepreneurship and increasing their participation in the labor market in rural areas. In addition, the work of the services on gender is preparing the ground for an efficient implementation of measures to reactivate women's economic participation in rural areas. The most noteworthy actions of the services/institutions of the sector in the area of gender include: establishing targets for the collection of sex disaggregated information; including a gender perspective in studies and analyses of the sector; creating public-private partnership to promote specific gender goals, and improving female participation in the different programs of the Ministry. **Box 3.4** provides examples of gender related actions in the rural sector. (see Annex - A3.3)

Education

3.32 **Several institutions in the education sector, with experience working on gender, will be essential for the implementation of policies to reduce gender segregation in the labor market and increase female employment.** Institutions with experience working on gender issues in the education sector include: (i) the High Council for Education, which has developed sex-disaggregated statistics, included gender in relevant publications, and worked strategically to include gender issues in higher education; (ii) the National Board for Childcare (JUNJI), which has collaborated with SERNAM since 1999 on a project to include a gender perspective in pre-school and childcare education; and (iii) the Commission on Scientific and Technological Research (CONICYT) which has started to produce sex-disaggregated information on researchers and conducted two seminars on how to make the sector more gender sensitive; and the National Council for Academic Support and Scholarships (JUNAEB), which has experience using positive discrimination measures to increase access of low income girls to scholarships. JUNJI and

JUNAEB could be important partners in the process of reforming childcare services (JUNJI), and providing incentives for reducing gender segregation in the education system (JUNAEB), as proposed in the report.

3.33 **In 2005, the Ministry of Education committed to providing equal opportunities and eliminating gender based discrimination in the education system.** This commitment's specific objectives include (i) promoting low-income women's access to literacy, (ii) avoiding school abandonment by adolescent mothers, (iii) incorporating a gender perspective in education materials and curriculum; (iv) incorporating a gender perspective in the adult education curriculum program, (v) promoting the sexual education in school curriculum; and (vi) integrating a gender perspective in the proposal for intercultural and bilingual education. The overarching objective of eliminating gender based discrimination in the education system; and the more specific objective of removing gender discrimination from the curriculum, fully support the policies presented in this report to reduce gender segregation in the labor market.

SERNAM

3.34 **The partnership between SERNAM, the private sector, and several public institutions in different sectors has proven effective in addressing gender issues in the labor market.** As a result of the collaboration between SERNAM, the private sector, and the labor sector institutions, substantial progress has been made in improving the conditions of temporary agricultural workers, most of whom are women. SERNAM's leadership of the ***Public-private Partnership for Temporary Agricultural Workers*** has been instrumental in improving working conditions for this group of workers. The Committee includes entrepreneurial associations, associations of temporary workers, ministries (health, labor and agriculture), and several other public services. Another example of successful collaboration across sectors is SERNAM's creation of a ***National Award on Best Practice on Gender Equality in the Workplace*** for private sector enterprises. Finally, as part of Chile's Solidario Program, SERNAM has implemented a component to train women under the Female Labor Qualification - Programa de Habilitación Laboral para Mujeres del Chile Solidario. SERNAM is in an excellent position – given its mandate, role and way of functioning, to work effectively across sectors coordinating different actors around the solution of specific gender problems.

CONCLUSIONS

3.35 **Chile's experience mainstreaming gender in the public sector is one of the most innovative and ambitious processes in Latin America which could be imitated in other countries.** In the last two decades, Chile has seriously invested politically and institutionally to mainstream gender in the operations of the public sector through the creation of specific institutional mechanisms[71]. The combination of innovation and political commitment to gender equality has defined a path of impressive institutional development to improve gender equality through public action.

3.36 **There is nevertheless room for improving the functioning of Chile's institutional model for gender equality by fine tuning certain aspects and consolidating others**. Problems

[71] World Bank, 2006, Mainstreaming Gender in the Public Sector: Chile's Equal Opportunities Plan, unpublished report.

of implementation need to be addressed in certain parts of the model, namely Ministerial Agreements and the Management Improvement System. Similarly, there is an urgent need to articulate the different parts of the model to achieve a systemic operation where the different elements complement each other rather than duplicate their functions. An evaluation of the impact of the existing setting for equal opportunities, including the review of implementation aspects of the model can serve to fine tune it and make it more effective in reducing gender inequalities through public action.

3.37 **SERNAM's role under the new administration will be crucial to the success and sustainability of Chile's effort to improve gender equality.** SERNAM is currently in a process of internal reform to respond to the priorities of the recently elected administration. In the short term, SERNAM new priorities are: the creation of a gender aware code of conduct for the public sector; the preparation of a law to guarantee access to childcare for working mothers; the reform of the electoral law; and prevention and attention to domestic violence. Supporting initiatives like the MIP and further strengthening overall mechanisms for gender mainstreaming must be another important priority action for the institution.

3.38 **Chile's institutional setting offers an enabling environment for the implementation of policies to reduce gender inequalities in the labor market, in which SERNAM and other institutions have an important role to play.** The experience of several institutions in the labor, rural, economic, and education sectors addressing gender issues in their programs has set the stage for the implementation of measures to increase female participation in the labor force like those proposed in this report. In addition, the analysis in this chapter concludes that the value added of SERNAM within the institutional setting for equal opportunities, lays in working across sectors coordinating different actors around the solution of specific gender problems. Many of the actions aiming at improving women's participation in the labor force in general, and those proposed later in this report, have a cross cutting nature and require of the engagement of several sectors. SERNAM can play a key role coordinating and integrating the work of different institutions in different sectors to improve gender outcomes in the labor market.

CHAPTER IV - POLICY OPTIONS TO IMPROVE GENDER EQUALITY IN THE LABOR MARKETS IN CHILE:

Abstract

4.1 This chapter identifies priority policy objectives, offers policy options, and suggests key elements for success in Chile. 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 feasible policy options reflects the Chilean institutional context discussed above, 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.

4.2 Two main policy objectives are proposed as priorities:

1. Increasing female labor force participation, especially for low-income households, and reducing discontinuity in women's work experience. Findings of the report point towards the following policy options:

- Adapt current childcare expansion policies to the needs of women workers, especially those in low-income households. A key element for success in Chile is through the monitoring and evaluation of 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; and
- Design of new training and life-long learning programs, or modify existing ones, to facilitate women's entry in the labor markets, their more continuous presence in the workforce, and return after childbirth/child rearing years. Assessment of the relevance and coverage of current training and job intermediation programs for non-working women in low-income households can facilitate achievement of this objective.

2. Increasing occupational choice by gender and reducing the gender earnings gaps. Policy options to reduce occupational segregation by gender are linked to education and training:

- 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 education and labor market demand linkages using information collected by the job intermediation system;
- Reduce gender stereotypes and segregation in existing training programs; and
- Design and implement pilot programs in training in non-traditional occupations for both men and women. Monitoring and evaluation of such pilot

programs would be essential to effectively design and implement broader programs.

4.3 Evidence from Chile and international experience points towards two possible additional intermediate objectives that help achieve the previously mentioned priority objectives and improve gender equality in the labor markets.

1. Enhancing the capacity of the private and public sector to promote gender equality. The following policy options are discussed:

- Continue efforts to improve labor regulation in the areas of maternity leave, childcare and flexible work schedules. Such improvements require working with existing and new public-private partnerships, enhancing workers' participation, and allowing for variations to fit the needs of workers and employers in specific sectors; and
- Transform current prizes for companies showing good practices in gender equality into a full-fledged certification model. The public sector already is developing good practices in gender equality in the workplace that can be used to train and certify management and staff in private firms.

2. Promoting women's entrepreneurship, especially in booming and high productivity sectors. Policy options include to:

- Promote access to financing for both male and female entrepreneurs in small and micro enterprises through a combination of the following initiatives: scaling up current programs in the Banco Estado; creating incentives for private banks to tap the small business market; and creating incentives for the entry of specialized private microfinance providers; and
- Expand access to business networks, business development services, and technology for women entrepreneurs. New public-private partnerships, including local government, businesses, and civil society organizations, can support these efforts.

INCREASING FEMALE LABOR FORCE PARTICIPATION, ESPECIALLY FOR LOW-INCOME HOUSEHOLDS, AND REDUCING DISCONTINUITY IN WOMEN'S WORK EXPERIENCE.

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

4.5 As discussed in Chapter II, expanding childcare options could increase their participation in the labor force in Chile. According to a national opinion survey in Chile (**Box 4.1**), childcare, training on specific skills, and gender roles are very important factors that constrain women's participation in the workforce. In this section, policy options are discussed to expand childcare options, as well as options to provide training and life-long learning with a gender perspective.

Box 4.1 What do Chileans say about gender roles?
In 2001, SERNAM conducted a national opinion survey to document the perceptions of the population regarding the situation of women in the labor market. The results revealed that opinions are not homogenous; they depend on demographic characteristics such as gender, age, socio-economic group, and educational level. Among women, opinions also vary according to their position in terms of household headship, the presence of children and their age, 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 most important for women who are out of the labor force and 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 of higher socio-economic levels also highlighted the cost to firms, or the perceived cost, of hiring women is higher than for men. The survey by SERNAM included a question listing five factors that could ease the incorporation of women to remunerated work. A remarkable finding is that all respondents, independent of their gender, education, age or socio-economic level, consider a good education and adequate training as the most important factor for facilitating women's employment. Again, all groups interviewed a very important element by The second most important factor promote women's participation identified by all respondents is access to childcare facilities, which is consistent with the problems identified earlier. Gender roles, worded as "having the support and incentive of the husband", was the third factor in importance to facilitate women's participation. Forty-four percent of low-income women and 33 percent of low-income men acknowledged the significance of this aspect. The option of "employment that would allow to work at home" had the same percentage (44%) among poor women and even higher responses (61%) among poor men, consistent with the view that women have household responsibilities that hinder their participation outside of the home. Source: SERNAM- Study commissioned to the Economics Department of Universidad de Chile and Centro de Estudios Públicos (CEP)

4.6 In order to demonstrate women's contribution to development and promote their participation in the labor market, in October 2003 SERNAM launched a communications campaign titled "Mujer y Trabajo: Chile Necesita Fuerza de Mujer," or "Women and Work: Chile Needs the Force of Women." The campaign included promotion and information of working women's rights (information leaflets, web page, etc.); recognition of gender equality good practices in the private sector (prize for best practices); and a public awareness campaign with signs and posters on buses and in public places. Given the importance of cultural factors in women's participation decision, particularly among low-income households, SERNAM may benefit from conducting an assessment of the impact of the first campaign and launching a second one to promote more equitable gender roles within the family.

Expanding Childcare Options while Considering the Needs of Working Women

4.7 Expanding public provision of affordable childcare and pre-school education has been identified as a policy priority by the new Bachelet administration in Chile.[72] 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

[72] The new Minister of SERNAM announced the commitment to provide childcare to 20,000 additional children. President Bachelet formed a Childhood Commission to accelerate progress in early childhood education.

percent.[73] Childcare coverage (for children 0-3 years old) is less than 13 percent.[74] 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. The CASEN survey inquiries about the reasons for not sending a child to school found clear responses 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.[75] This trend is coherent with women's rising labor force participation in recent years.

4.8 Most programs in Chile have centered on education and early childhood development, putting less emphasis on the needs of parents, and particularly those of working mothers. The challenge will be to incorporate the needs and concerns of working mothers in project design, location of childcare centers, and hours of operation. The objectives of expanding high quality childcare to improve early childhood education could complement that of increasing female labor force participation. However, there can be significant trade-offs between both objectives. Some high quality early childhood education programs demand a great deal of attention and time from mothers, as well as schedules that are incompatible with those of mothers working full time.

4.9 Developed countries, such as Ireland, Austria, and Japan, have been stepping up their efforts to increase childcare coverage, driven in part by female labor supply considerations, rather than only by child development. 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).

4.10 The appropriate mix of childcare provision by public centers and private centers varies by country context and target population. In Ireland (**Box 4.2**), 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. There also were tax incentives 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 (see OECD 2003).

4.11 In the case of Austria, the predominant policy is 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.

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[73] UNICEF, 2004

[74] 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).

[75] The options given to the question have changed over the years limiting comparability over the years.

Box 4.2 Childcare, Child Income Support, and Female Labor Force Participation in Ireland

Ireland and Chile are characterized by their economic dynamism. Ireland shares common traits with Chile in terms of the relatively low levels of female labor force participation at the beginning of the 1990s, as well as similar female labor force participation determinants (including cultural factors). 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 quality and affordable childcare was clear from social surveys and studies. 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.

The previous policy has been combined with fiscal incentives for families with children, such as tax reforms, tax benefits, or child income support. Child benefits include additional benefits to help pay for childcare costs for each child under six. Low-income families have been particularly sensitive to such fiscal incentives.

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

4.12 Expansion of public provision and recent reforms allowing for the entry of some certified private providers have had a measurable impact on female labor supply in Japan (**Box 4.3**). 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 an income-tested parental fee.

Box 4.3 Provision of Childcare and Female Labor Supply in Japan

An increase in female labor force participation is indispensable to maintain sustainable economic growth in Japan, whose population is experiencing rapid aging and a decline in fertility. The provision of public childcare services has been cited as one of the key factors 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. Empirical results demonstrate that female labor supply increases when parents' payments for children are reduced, and when the mother's wage rate increases. Female labor supply is stimulated by the provision of childcare leave, flexible or short working hours, and childcare in the workplace.

A larger proportion of women in the workforce is observed among females with higher wage rates, and thus higher productivity, and sufficient provision of childcare services is an effective instrument to increase the labor supply of female workers. Moreover, price policy for childcare and welfare policy for the workplace are also significant aspects that impact female labor supply.

Source: Shimizutani and Noguchi (2004)

4.13 In the United States, public interventions to expand childcare supply have focused on using public programs to build a highly qualified childcare workforce. Childcare providers trained with public resources work mostly for private childcare providers. This policy could lead to good results in Chile given the importance of improving the quality of privately-provided childcare services and the expansion of the public supply of childcare. [76]

4.14 The responsibility of women to care for dependents is not limited to young children under the age of six, but continues throughout the life cycle. Mothers usually are in charge of taking

[76] See IWPR, 2003.

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-aged children restricts women's participation in the labor market. A recent evaluation commissioned by the Ministry of Education revealed that one of the main effects of the JEC on the family has been increasing the opportunities of mothers to work.[77] The transition to the JEC has not yet been fully implemented, with some schools still operating under a shorter schedule. In addition, even when full coverage of JEC is achieved, there will still be a difference between the school schedule and the typical work schedule.

4.15 Women--a wife or daughter, another female relative or a female friend--tend to care for the elderly, the sick, and the disabled. These fundamental social functions, performed mostly privately by women, represent competing demands on women's time. In particular, the time commitments associated with the care for the elderly will increase as the demographic transition of Chile progresses. In order to promote the economic participation of women and simultaneously address the needs for care of different groups of society, there is a need for public policies to consider options that recognize the value of care provision.[78] Alternatives might require coordination among different actors such as education institutions, health providers, municipalities, NGOs in the community, and the family. The provision of these services could bring new job opportunities for women.

Policy Options for Expanding Childcare Options while Considering the Needs of Working Women in Chile

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

4.17 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 workers is needed. Specifically, paying special attention to details like hours of operation and location of childcare centers is important, as is to link childcare public programs to job training and retraining of mothers.

4.18 As a result of legislation, Chile also has a large number of workplace child care centers.[79] As explained in the section that follows on regulation, this policy is having a negative impact on women's employment. The policy would be more neutral on employment if childcare centers at

[77] 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

[78] The current government of Chile is already moving in this direction, since the President announced that it plans to create a subsidy for those that take care of the disabled.

[79] Chile's labor law requires that establishments employing 20 women or more have to provide or subsidize a day care for their children.

the workplace were co-financed by employers, all workers (male and female), and the government.

4.19 A key factor for success is 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 (as childcare centers professionals).

Training, Lifelong Learning, and Job Intermediation Services with a Gender Perspective

4.20 Over the years, Chile has developed valuable experiences on job training and labor intermediation programs. During the 1990s, when the Chilean economy experienced extremely 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-employment programs were put in place to strengthen the potential for employment of the most vulnerable workers, including women,[80] youth, the disabled, workers from declining sectors, under new employment modalities and in small, medium and microenterprises.[81]

4.21 The variety of programs has evolved over time, along with an increasing sophistication in the methodologies used to evaluate them. The importance given to the rigorous evaluation of the training programs has allowed the government to assess their efficacy and use the results of the impact evaluations in the programs' second phases or in the design of new ones. **Box 4.4** presents two examples of the differential impact of training programs on women and men.

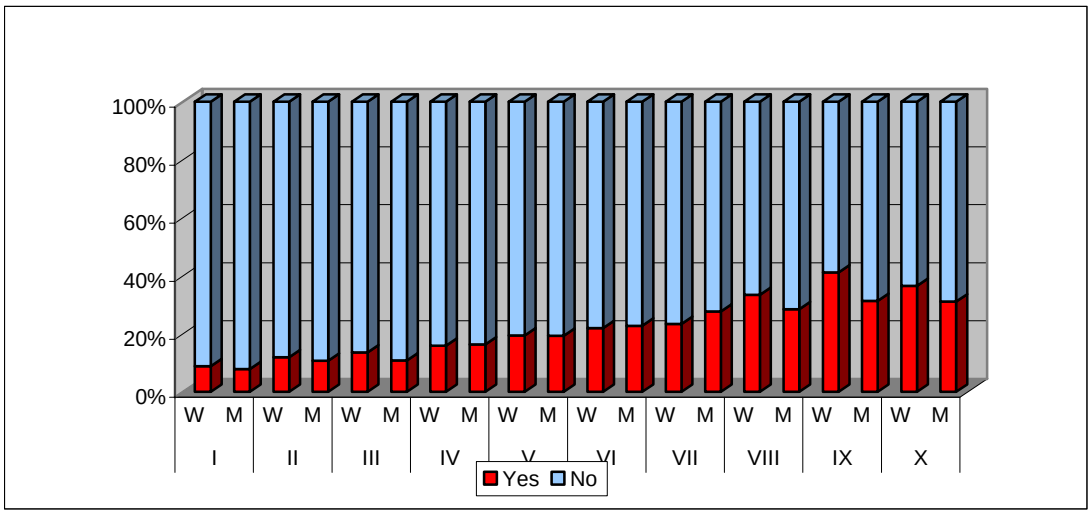
Box 4.4 Impact evaluations of training programs with a gender perspective.
An impact evaluation of Chile Joven, using a propensity score matching methodology, revealed important and significant impacts on the three dimensions studied - labor income, probability of being employed, and probability of formal 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.[82] Important elements to improve gender equality were not evaluated, however, including the effect of the program on occupational segregation by gender. There was also some concern about the effectiveness of the agreements between Chile Joven and the INTEGRA Foundation related to childcare services offered to the children of the young beneficiaries.[83] A 1999 impact evaluation of the System of Tax Exemptions found a significant impact of the training on the earnings of unskilled workers. This finding highlights that workers with lower 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.

[80] Two programs that were targeted specifically to women were "Programa Mujeres Jefas de Hogar" and "Programa de capacitación laboral orientado al trabajador independiente para mujeres de escasos recursos".
[81] For a detailed account of the different labor market programs and their evaluations see García-Huidobro (2002).
[82] Aedo, C. and M. Pizarro. "Rentabilidad económica del programa de capacitación laboral de jóvenes Chile Joven".
[83] CINTERFOR boletín – "Chile Joven: una experiencia pionera revisada". No 139-140, Abril-Setiembre, 1997.

Who is receiving training and how is it provided?

4.22 Data from CASEN 2003 shows that 21 percent of employed workers received job training during the previous year. As Figure 4.1 shows, there are no big differences between the coverage of women and men. Disaggregating by gender, the figure is 22 percent for women and 20 percent for men.[84] The main concern is the regressive pattern of training coverage by income. As seen in Figure 4.1, workers in the highest income deciles receive significantly more job training than low income workers. These results could be explained partly by the higher proportion of informal workers in the lower deciles, with limited access to training, and the percentage of high-income workers that can afford to pay their own training.

Figure 4.1. Coverage of Training by income decile and Gender



Source: Own calculations based on CASEN 2003.

4.23 The vast majority of workers have access to training through their employer, which is a good indication that workers are being trained in areas relevant to the needs of the private sector.[85] According to CASEN 2003, three out of four employed workers that received training did so through their employer, 14 percent through government social programs, and 9 percent paid out-of-pocket.

4.24 A lower percentage of women workers have access to training through their employer, compared to male workers. As Figure 4.2 shows, while 79 percent of men receive training through their employer, only 67 percent of women workers have access to such training. A higher percentage of women than men receive training through public social programs[86] (19% vs 11%, respectively), and by paying the cost by themselves (11% vs. 8%, respectively). Data from Servicio Nacional de Capacitación y Empleo (SENCE) supports this finding. The main mechanism for job training is the tax exemption system, where only 33 percent of the

[84] Only a small percentage of workers answered the questions in the CASEN questionnaire regarding training.

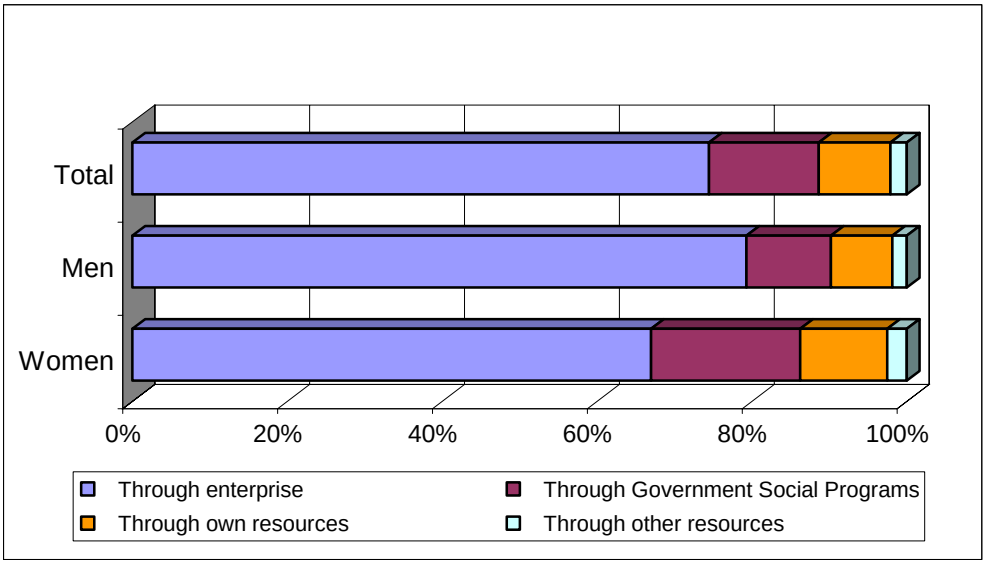
[85] It is important to clarify that receiving training through a company does not necessarily mean that the training is privately financed. The System of Tax Exemptions is a subsidy given to the employers to promote investments in training of their workforce.

[86] There are two programs under this category: the National Scholarship Program (Programa Nacional de Becas) and the National Program of Youth Training (Programa Especial de Capacitación de Jóvenes).

beneficiaries are women. Unskilled women in informal sector jobs are not being served by this mechanism.

4.25 The reasons for the lower percentage of women receiving training from their employers deserve future research, but are probably related to the higher participation of women in the informal sector, the segregation of women in sectors that offer less training, and the characteristics of the supply of training (schedules, location) that are incompatible with women's family responsibilities.

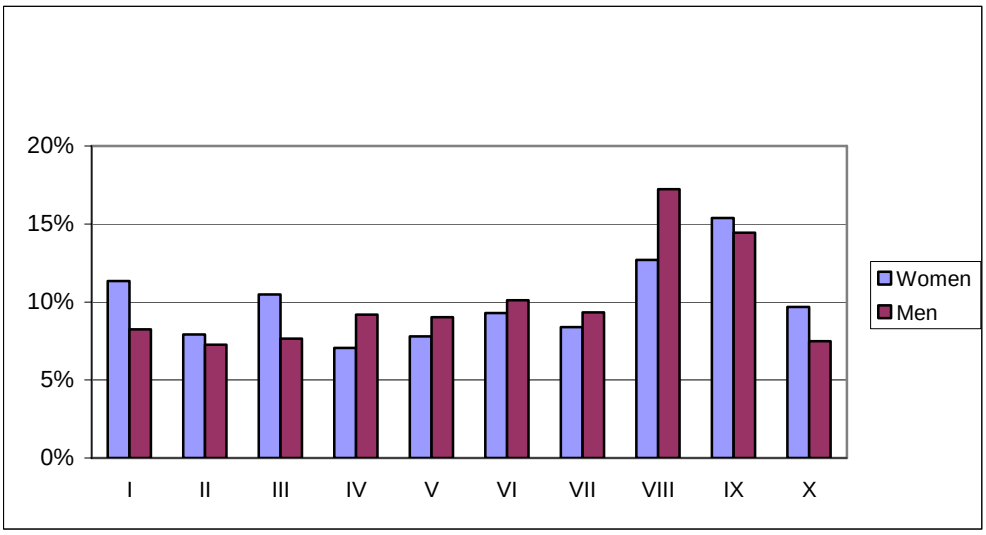
Figure 4.2. Access to training by Gender, Chile 2003



Source: Own calculations based on CASEN 2003.

4.26 The distribution of beneficiaries of training through government social programs reveals that an important share of the trained workers is from the highest income deciles. **Figure 4.3** shows that over 38 percent of the recipients of training through social programs belong to the top three income deciles. To increase the productivity and employment conditions of the lower-income workers, the government could better target its training resources more towards such workers.

Figure 4.3. Training through Government Social Programs by Gender and Income deciles



Source: Own calculations based on CASEN 2003.

Current labor training programs and international experiences addressing the needs of women

4.27 According to target population and type of training, Chile's labor training programs are targeted towards: a) the unemployed or workers at risk of becoming unemployed; b) adult active population; and c) young workers involved in the transition from school to work. Labor training policies consider these three types of beneficiaries through the following mechanisms: a) System of tax exemptions (*Sistema de Franquicia Tributaria*) for employed workers; b) social training programs targeted to the unemployed and vulnerable groups; and c) other general programs, such as the *Chile Califica* Program.

4.28 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. Within Chile Solidario, a labor program for young women by SERNAM (*Programa de Habilitación Laboral para Mujeres Jóvenes* -SERNAM), and labor training for women by PRODEMU also may be reaching these groups. The characteristics of these programs are summarized in **Table 4.1**. More specific targeting and focus on the needs of working mothers is needed, including access to training while on maternity leave. The experience of Ireland and Austria provides interesting, even if expensive, policy options in this regard (**see Box 4.5**).

Table 4.1 Main Characteristics Training Programs Chile

Training Program	Type of Projects	Coverage	Benefits	Institution in charge
The System of Tax Exemptions (*Sistema de Franquicia Tributaria*)	Labor training in general abilities.	The employed workers as well as trainees and workers not related to enterprises.	Tax exemptions for each participating firm. This will allow financing up to 1% of the firm' annual labor cost.	SENCE
The National Scholarship Program (*Programa Nacional de Becas*)	Training for wage-earners and self-employed workers.	The unemployed with low labor training and economic resources.	Labor training scholarships and labor experience. .	SENCE
Female labor Program for Beneficiaries of Chile Solidario Program (*Programa de Habilitación Laboral para Mujeres del Chile Solidario*)	Labor training for women and individual consultancy for labor projects.	Women beneficiaries of Chile Solidario	Labor training	SERNAM
Chile Califica Program	To increase the literacy, schooling and training levels, especially for poor population.	All population, especially from the poorest sectors.	To develop a permanent training supply.	Ministries of Education, Economics, and Labor and Social Prevision.
Training Fund for Self-employed Workers and Micro enterprises.	General labor training.	Self-employed workers or micro entrepreneurs with annual labor cost below 45 Monthly Tributary Unit (*UTM*)	Free training courses for beneficiaries.	SENCE
Chile Joven	Youth training	Individuals aged 16-24 who are not enrolled in formal schooling	Internships and training	SENCE, FOSIS, Ministry of Labor & Social Prevision

Source: "Chile: Superando la Crisis Mejorando el Empleo. Políticas de mercado de trabajo 2000-2005". International Labor Organization (2006).

Box 4.5 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 jobseekers towards a model of targeted interventions to groups with differentiated needs.

Austria's "Returnees Program" was specifically designed for non-working parents (mostly mothers), and provides additional support to all job seeking parents regardless of their beneficiary status from 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 skill obsolescence and 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 or unemployment insurance to beneficiaries from other programs (including child benefits) to go back to work has been a major pillar of all "back to work" programs, including those affecting non-working parents. Childcare arrangements are usually a big concern for job seeking parents. Two innovative experiences provide both job-matching and care-matching services - the Community Employment Scheme and Northside Partnership. An interesting experience to improve non-working mothers' access to information is the Irish Gateway for Women launched in 2002.

Single parents face specific barriers to enter 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 for single parents to work part-time until their child is two and a half years old.

Source: OECD (2003).

4.29 A different approach to enhance employment and continuous skills formation for women is to take advantage of current efforts of gender mainstreaming in job intermediation services, as described in the previous chapter. **Box 4.6** summarizes available intermediation services in Chile, their achievements and challenges.

Box 4.6 Gender Mainstreaming in Job Intermediation Services in Chile

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

One of the resources available through the OMIL is the National Employment Bank (Bolsa Nacional de Empleo. 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 about the universe of registered people looking for a job, as well as firms and vacancies. In the future, the system will also include private intermediation services. This online service is only available through the OMILs. SENCE also administrates an intermediation service through the web called *Infoempleo*, which has free access to people looking for a job and firms that want to register vacancies.

A 1999 assessment showed that at that time the OMILs 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, variable organizational structures, and human and economic resources.

A guide to labor information and orientation with a gender perspective was developed for the use of these offices, containing steps to follow in the process of orientation of women in order to contribute to informed decision-making processes in relation to their occupational aspirations; provide information on labor market characteristics (traditional and non-traditional employments for women), requirements and sectors; and analyze

with the beneficiary the training offers open to them, emphasizing emergent sectors and use of technology in order to break segmentation.

The Puente Program (part of Chile Solidario) also offers a job placement service for its beneficiaries in order to insert them into the formal labor market. In the case of women, the program tries to give preference to workplaces with childcare services.

Sources: www.bolsadeempleo.cl
Chanamé, Cesar (1999) El sistema de intermediación laboral y los servicios públicos de empleo en Chile; Diagnóstico evaluación y propuesta para mejorar su gestión. Estudio de Caso n. 40 Universidad de Chile. Departamento de Ingeniería Industrial; Guía de Información y Orientación Laboral con Perspectiva de Género para Funcionarios/as de Oficinas Municipales de Información Laboral.
www.sence.cl/textos/omil/GUIA%20ORIENTACION%20GENERO%20OMIL.pdf

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, sick, the elderly and the disabled).
- Create incentives (scholarships) for women to receive training in non-female dominated occupations.
- Determine which groups of women should be targeted to increase their probability of entering and reduce their chances of dropping out of the labor force.
- Design a demand subsidy for job training for specific targeted groups of low-income women, namely informal workers, head of households, and inactive workers.
- Evaluate the relevance and impact of current training and job intermediation projects on labor supply and working conditions of non-working women in low-income households.

INCREASING OCCUPATIONAL CHOICE BY GENDER AND REDUCING THE GENDER EARNINGS GAPS

4.30 In addition to potential efficiency and equity consequences of occupational segregation mentioned in Chapter II, occupational segregation can have an impact on the gender earnings gap. There is no empirical evidence for Chile 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 choose female-dominated occupations voluntarily. This is an area that should be the subject of future research.

4.31 There is no consensus regarding the impact of occupational segregation on earnings. IDB (2004) includes a chapter on occupational segregation with evidence from Costa Rica, Ecuador, and Uruguay in the early, mid and late 1990s. The study looked at the gender earning gaps, decomposing the effects of human capital endowments, occupational segregation and unexplained differences. 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 certainly 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 occupation. 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, industries establishments, and occupations within establishments accounts for a sizable fraction of the gender earnings gap.

4.32 In Chapter II, 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), also cited in Chapter II, suggests that specific experience has a larger impact on the gender earnings gap than occupational segregation, but the impact of being employed in certain occupations on the gender earnings gap is sizable. Additionally, labor mobility across occupations is essential to expand opportunities in the labor market for women and the accumulation of specific experience.

4.33 Reducing occupational segregation by gender starts with interventions in the education system. Children absorb gender stereotypes in occupations at an early age, both at home and in the classroom. In Chile, education reforms have included revising textbooks' content to eliminate gender stereotypes in occupations.[87] It is also important to emphasize gender equality in occupational choice in secondary and tertiary education. Special internship programs placing young men and women in non-traditional occupations could be helpful and could be implemented through the Chile Joven program.

4.34 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.[88] In the case of Chile, training and lifelong learning programs could emphasize gender equality in terms of 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 Pro Joven in Peru have had documented impacts in reducing occupational segregation by gender.[89] More research is needed to determine the impact of Chile Joven on occupational segregation by gender.

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

- Improve education and labor market demand linkages using information collected by the job intermediation system;
- Reduce gender stereotypes and segregation in existing training programs; and,

[87] The Chilean Ministry of Education produced a manual (Araneda, Guerra, and Rodríguez (2000)) to avoid gender stereotypes in the classroom and promote gender equality in primary and secondary education. The manual includes recommendations for textbooks, use of language and images in the classroom.
[88] ICRW (2001).
[89] 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.

- Design and implement pilot training programs in non-traditional occupations for both men and women. Monitoring and impact evaluations of such pilot programs would be essential to successfully design and implement broader programs.

ENHANCING THE CAPACITY OF THE PRIVATE AND PUBLIC SECTOR TO PROMOTE GENDER EQUALITY

4.36 As documented in Chapter III, 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 gender mainstreaming mechanisms. Yet, there is room for improvement in gender equality in labor market outcomes through further changes in regulation and strengthening partnerships with the private sector.

Options for Improvements in Current Legislation

4.37 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 of policy makers to reconcile workers' protection needs with the flexibility needed for an open and growing economy.[90] In spite of recent reforms and tripartite agreements, some regulations may still have unintended consequences on employment, especially for women. Montenegro and Pages (2003) analyze the impact of different labor regulations on employment spanning the period 1960-1998. The authors conclude that employment security provisions and the minimum wage reduce employment rates for youth and unskilled workers, especially if they are female.

4.38 Some adjustments to existing regulations in labor legislation could contribute to creating a more leveled playing field for men and women in the labor markets. More research and systematic impact evaluations are needed to understand the employment and earnings impact of regulations that are specific to women, or affect men and women differently. With this caveat, the following paragraphs present policy options on different types of labor regulations in Chile that may have a differentiated impact on men and women workers, including regulations on maternity protection, childcare, work week and flexible schedules. At the conclusion of this section two seemingly successful cases of changes in regulations and policies are presented that have contributed towards creating a better work environment for women, namely the recent sexual harassment law and the case of the *Temporeras* (agricultural seasonal workers).

4.39 Compared to other LAC countries, Chile already has a generous maternity leave regime, both in terms of duration, percentage of earnings received, and financing mechanisms. According to the Executive Opinion Survey conducted by the World Economic Forum, which captures the perceptions of business leaders worldwide, Chile ranks near the bottom of the list (101 from 104 countries) regarding the impact of maternity laws on the hiring of women, meaning that business people in Chile consider that maternity laws are a hindrance to hiring women. However, when compared to most European countries, Chile's maternity leave legislation is not overly protective (**see Table 4.2**). Lessons learned about the impact of maternity leave legislation in LAC can be summarized as follows (World Bank, 2003):

[90] For a detailed description of Chile's labor market regulation during the period 1975-2000 see Mizala and Romaguera (2001).

- Effects on women's earnings: the duration of paid maternity leave matters. Paid leave of up to three months has no effect on earnings, while paid leave of more than three months has a negative impact on women's earnings.
- Effects on women's employment: in general, maternity benefits increase women's wage rate and working hours.

4.40 In order to minimize negative impacts of maternity leave regulations on female earnings and employment, most countries in LAC, including Chile, finance the cost of maternity leave through their social security system. The principle behind this financing mechanism is that maternity leave is a public good benefiting society as a whole.[91] Even when social security pays for the direct costs of maternity leave, however, there are indirect costs that are borne by the employer, such as the cost of replacing the worker on maternity leave during her absence.

4.41 Increased flexibility in the way workers make use of maternity leave benefits could increase women's reentry into the labor force after having a child, without imposing additional costs on the private sector. The current legislation in Chile is very strict about the amount of time for pre and post maternity leave that women can have, and the wage benefits they receive. Most countries in LAC allow women workers to decide how to use their maternity leave weeks. In general, European countries 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; in Italy and Spain mothers can extend their leave through a proportional reduction in the wage they receive over the longer leave.

4.42 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 subsidize their costs. By linking the benefit of childcare to the number of women workers, firms have incentives to limit the amount of women they employ beyond the required number to avoid the extra costs. Studies about this issue in Chile have documented significant numbers of firms with 19 female workers. Changes in childcare legislation could go in different directions, but any regulation on the role of the private sector related to childcare should be gender neutral, requiring firms to offer the benefits to all workers, both female and male. Childcare is a responsibility of both parents, and the legislation must recognize this.

[91] 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.

Table 4.2 : Maternity benefits for Latin American and European countries, 2004

	Group	Country	Weeks of maternity leave	Wage Benefits (%)	Who pays
Latin America	Group I: High Benefits	Cuba	52	100	SS
		Chile	**18**	**100 with limit**	**SS**
		Venezuela	18	100	SS
		Brazil, Costa Rica	17	100	SS and 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, Perticara and Ramos (2005) . Note: SS: Social Security System.

4.43 Chile is one of the few countries in LAC that provides a child illness leave benefit in its labor regulation, summarized in **Annex A4.1**. While child illness leave is a very important benefit that allows women to care for the needs of small children and reduces the stress of mothers in the workplace, the current wording of the regulation could have a negative effect on the employment prospects of women. By offering the benefit to mothers, and only in exceptional circumstances to fathers, it becomes an additional indirect cost of employing women vs. men. Furthermore, the current regulation fails to recognize an equal level of responsibility of fathers 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, irrespective of their gender; recognizing the needs and rights of mothers and fathers as care providers; and letting couples decide who will take care of a sick child.

4.44 Chile had one of the most strictly regulated work weeks in LAC. Although some changes have already taken place, regulations on the work week could allow for more flexibility following the steps of the 2001 reform. **Annex IV - A4.1** summarizes current regulations and aspects that could be modified to ease women's labor force participation. Specifically, worker and employer should be able to have flexible agreements about the way to distribute the work day and the lunch break. Common flexible work arrangements in many developed countries include flex time, reduced hours, compressed work week, banking of hours, telework/telecommuting, and job sharing. Flexible work arrangements can be particularly valuable for women with small children or other dependants, such as elderly, disabled or sick relatives.

4.45 Policy options to improve labor regulations go beyond changes in the labor law and include building partnerships among local governments, civil society, unions, and employers. 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 4.7**.

Box 4.7 How the *Temporeras* (agricultural seasonal workers) Improved their Working Conditions

Temporeras started organizing themselves informally because of the many barriers to formal unionization in order to find specific solutions for their needs. They also joined the Comisión Nacional Campesina (the 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 women representatives. Their conclusions and demands were sent to the SERNAM and the President, which led to the creation of the Public-Private Committee on Temporary Agrarian Employment, including entrepreneurial associations, associations of temporary workers, ministries (women, health, labor and agriculture), and several public services.

Community initiatives by women workers also have had a visible impact, even if they are not always successful. A childcare program in Talagante began with a small group of women agro-export workers who had few childcare options. To ensure long-term financial support, participants attempted to promote a tripartite support system among the local union, the state, and owners of packing firms in the region. The government financed the project and replicated it in eight sites throughout Chile. Today, there is a childcare system in most of the municipalities where these women work.

Changes made in the working conditions of Temporeras include:

- Changes to the Labor Code in 1993 (Law 19,250) giving legal recognition to temporary workers in agriculture. Included in Code 3 are new articles with specific norms to be applied regarding contract, working conditions, transportation to and from work,, lodging and food provision for workers, among others.
- Changes to Decree 594 of the Health Ministry regarding hygiene of working places, toxic pesticides

storage, location of toilet facilities, and others.

- 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 on the use and commercialization of fertilizers and pesticides, and public awareness campaigns and training courses for temporary workers and their employers on the risks associated with them. It was included as part of the compulsory syllabus of the training courses for agricultural workers provided by the National Service of Training and Employment.
- Creation of a network of about 210 day care centers, by SERNAM, JUNJI, JUNAEB, INTEGRA and PRODEMU, for children of temporeras in 89 municipalities, caring for children between 2 and 12 years of age, for up to 12 hours a day.
- Provision of 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 for temporeras by SENCE.
- Program "Trato hecho, contrato firmado" to promote signing of formal contracts.
- Creation of the Temporary Agricultural Work Observatory, in 2003, to measure a set of indicators regarding the work conditions of temporeras.

Source: SERNAM

Key Elements for Success in Improving Labor Regulations towards Gender Equality in Chile

- Promote potential productivity gains from anti-discrimination practices;
- Study the potential impacts of regulation changes on labor costs for male and female workers;
- Aim to keep constant or reduce indirect hiring costs for female employees;
- Promote fact-based fine-tuning on the specifics of regulation changes using information from existing and new opinion polls and qualitative studies on the needs of working women;
- Allow for different regulations and norms by occupation and sector;
- Conduct systematic impact evaluations of recent legislation changes; and
- Monitor implementation of recently passed legislation against sexual harassment in the workplace.

Certification Model in Gender Equality in the Workplace for Private Firms

4.46 While Chile has already started to promote best practices in gender equality in the workplace in the public sector, challenges remain to incorporate the private sector. SERNAM already has started working with the private sector to implement an award for firms showing good practices in gender equality. This initiative could be enriched and given more depth following some of the features of an innovative certification program recently piloted in Mexico (**Box 4.8**). In Chile, a certification program would need to advertise the benefits of certification, in terms of corporate image and talent recruitment, as well as take into consideration specific needs of firms.

Box 4.8 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. *Certifier Selection:* 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 some NGOs. The process comprises the following stages:

    i. Information and diagnosis 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

An initial assessment of the certification model points towards the following lessons learned:

- Large firms expressed a strong interest 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, far 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

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

4.47 Chile has a platform of programs to promote entrepreneurship and women's entrepreneurship in particular. In addition to SERNAM's programs, there are four public agencies working to promote women's entrepreneurship as a result of the PMG:

- 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, certification for international standards, and partnership practices. This program does not contemplate actions on gender equality except for generating sex-disaggregated data. 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 and micro enterprises in order to foster their insertion in the international economy. Interpac is a program to encourage exports of small agricultural producers to insert them into foreign markets under sustainable and

competitive conditions. An evaluation conducted on the framework of their PMG showed that in both programs, although having no specific gender bias, no more than 20 percent of the participants were women. Actions towards increasing the participation of women in these programs need to be undertaken.

- INDAP (Instituto Nacional de Desarrollo Agropecuario), which focuses on small scale farming, has integrated a concern for women farmers in its actions, showing considerable results. It is also part of the Coordination Committee for Rural Women. Among its actions are to:
  - Promote women's access to small credits, increasing from 18.5 percent in 2003 to 20.1 percent in 2004;
  - Create a network of Gender Focal Points in all its regional offices that meet on a regular basis to coordinate its actions;
  - Implement a gender training sensitization program for its employees and produce information pamphlets for internal and women beneficiaries;
  - Increase the number of women accessing technical assistance; and
  - Increase the number of credits given to women. Today, they represent 20 percent of their clients.

4.48 Another interesting experience in Chile, although not rigorously evaluated is that of the Service for Technical Cooperation (SERCOTEC) summarized in **Box 4.9**.

Box 4.9 Current Initiatives and Options to Promote Women's Entrepreneurship The Case of SERCOTEC

SERCOTEC's (Servicio de Cooperación Técnica -Ministry of Economy) mission is to support and promote micro and small enterprises' competitiveness and managerial capacity. SERCOTEC recently included a gender perspective in its operations, considering gender training for its managers,[92] and committed to focus 25 percent of their support actions to female microentrepreneurs. During 2004, two of its promotion programs focused on women, namely the RedSERCOTEC program and the Access to Credit Program.

SERCOTEC is implementing the following programs, in coordination with SERNAM:

- Promotion of female small and micro entrepreneurship using marketing strategies (Chile Emprende Program);
- Support to participants of the Proempresaria program in certain regions;
- Technical support provision to microentrepreneurs in the north of Chile;
- "Fuerza de Mujer" award to Region VIII to recognize women in microentrepreneurship, business, arts and other areas. All winners receive a monetary prize and a scholarship for SERCOTEC's capacity building program; and,
- "Seed" capital program for the creation of a microenterprise or the expansion of an existing activity.

Source: DIPRES (2004) CORFO, Balance de Gestión Integral 2004, and SERNAM

4.49 Access to finance for micro enterprises and small enterprises is expanding in Chile, although only three banks (Banco Estado, Bandesarrollo and Banefe) offer specialized services to

the microenterprise sector.[93] These banks constitute about 11 percent of the Chilean banking system. It is important to mention that Banco Estado and Bandesarrollo are State-owned banks.[94]

4.50 According to Herrera (2003), typical applicants to micro credit in Chile have a slightly higher probability of being women. More than 50 percent of micro enterprise customers are women and, as in other countries, women are better in terms of repayment than men. Herrera (2003) also concludes that credit activity is concentrated towards micro enterprises in commerce and services (more than 60 percent).

4.51 Instead of direct provision of microcredit and other financial services for micro and small businesses, other countries have established *guarantee programs* to address the issue of the lack of collateral in the micro and small business 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.[95] 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, because women have less access to business networks. In fact, in Spain only a small minority of entrepreneurs benefiting from mutual guarantee societies are women.[96]

4.52 It can be argued that expanding women's access to business networks is almost as important as access to technologies, technical capacity, and financial services. **Box 4.10** summarizes information about the impact of women's business networks in developing countries.

Box 4.10 Women and Business Networks: More than Business

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

Although it is well known that access to financial services is important for businesswomen 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 socio-cultural norms: Although this is not true the Chilean case, in some countries, cultural and social imperatives discourage women from mixing freely with men, especially men outside of their families. A women's only business association in this case makes ready sense, helping women to make connections and generating cross-selling opportunities. Business organizations are often also a natural vehicle from which to

[93] 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.

[94] 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.

[95] Tolosa and Borrel (2005) and Garcia and Crespo (2005). For more information see http://www.ipyme.org

[96] Garcia and Crespo (2005).

lobby for a more business-friendly environment for women in general.

- Formal connections and support: Participation in a formal business organization facilitates sharing of market information, helps members identify business opportunities, generates cross-referrals, and serves as a support mechanism for individual entrepreneurs who might otherwise feel isolated.Among various and different best practice solutions for networking, the case of United States, Nepal, and South Africa are particularly noteworthy. In the case of 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 for sale. 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 took the initiative to launch a women's entrepreneur 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 enterprises; (ii) a national vehicle for bringing the country's women entrepreneurs together; and (iii) business skills training programs, including information on accessing financing.

At the global level, there are a number of organizations to 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.

Policy Options for Promoting Women's Entrepreneurship in Chile

- 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 and microenterprises through a combination of the following: scaling up current programs in Blanco Estado; creating incentives for private banks to tap the small business market; and creating incentives for the entry of specialized private microfinance providers; and,
- 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.

4.53 Chile's auspicious 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.

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