

## Eliminating Gender Inequalities Reduces Poverty. How?

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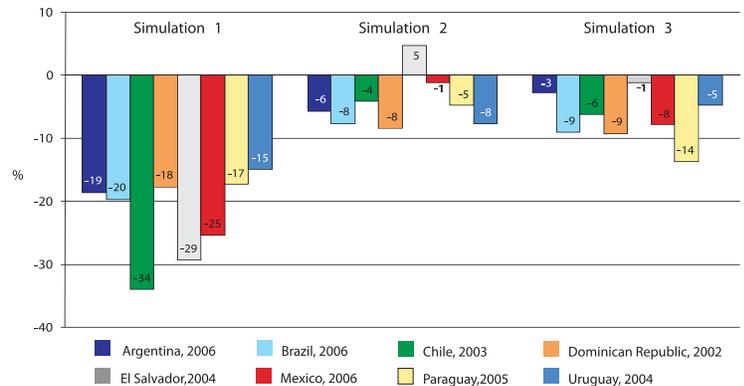
**There are many ways** in which gender inequalities are present in society. Those inequalities, like any other, are intrinsically unfair and should be fought against. In this One Pager, we show how gender inequalities in the labour market determine poverty levels. We answer the following question: which aspect of gender inequalities should be considered priority in the design of public policies that seek to reduce gender inequalities and poverty?

In order to understand the link between poverty and gender inequalities in Latin America, we look closely at eight countries: Argentina, Brazil, Chile, the Dominican Republic, El Salvador, Mexico, Paraguay and Uruguay. Three aspects of gender inequalities in the labour market are apparent in these countries. First, women have a markedly lower rate of economic activity than men. Second, rates of female informality and unemployment are usually higher than those for men. Third, women receive lower hourly remuneration. It could be argued that these observed inequalities are not produced by the labour market, and that they simply reflect differences in characteristics or endowments, such as education. In these countries, however, we find no gender gap in characteristics. Even controlling for characteristics, we find that women have a lower probability of participating in the labour market, a lower probability of being formal workers, and lower hourly wage remuneration.

To investigate the relationship between gender inequalities and poverty, we simulate counterfactual scenarios in which gender inequalities would be reduced. Their impacts on poverty levels are then estimated. In the first scenario, women and men with equal characteristics have the same probability of being economically active. In the second, women and men with similar characteristics have the same probability of being unemployed, formal workers or informal workers. In the third, women and men receive the same hourly remuneration for their characteristics.

The simulations are constructed independently and in a *ceteris paribus* context. This methodology is essentially a partial equilibrium exercise and, as such, it must be considered with some caveats. The results presented here do not consider all possible consequences regarding the simulations, and thus they do not represent a general equilibrium in the economies under study. Nevertheless, the results do correspond to a rough estimate of the possible costs of gender inequalities. Moreover, they do make possible an assessment of the relative importance of each aspect of gender inequalities in terms of how they affect poverty levels.

### Impact on Poverty Levels



Source: Authors' calculations based on household surveys.

The figure presents the change in the poverty incidence that would happen in each scenario. The reduction of all three aspects of gender inequalities in the labour market would help reduce poverty. Moreover, the main aspect of gender inequalities to be fought against is the comparatively low rate of economic activity among women. First, if female participation or the labour force increases (simulation 1), the potential reduction of the incidence of poverty would be greatest in Chile (34 per cent) and least in Uruguay (15 per cent). Second, the potential decline in poverty that could be achieved by equalizing women's and men's probabilities of being unemployed, formal workers or informal workers (simulation 2) would not be higher than 8 per cent. It is interesting, however, to observe the effects in El Salvador. Since men have a higher unemployment rate, equalizing the probabilities increases the poverty level. This is a unique result in our simulation. Third, poverty declines by up to 14 per cent when female and male hourly remuneration is levelled (simulation 3).

Though it is important to eliminate others aspects of gender inequalities, we find that promoting women's participation in the labour market is the aspect with the greatest potential to promote pro-poor growth. Hence improving women's (particularly poor women's) access to the labour market is an essential element of public policies. Since caring for children increases the probability of women being economically inactive, one important means of increasing female participation might be to provide childcare facilities, especially to poor women.

### References:

Costa, J., E. Silva and F. Vaz (2008). "The Role of Gender Inequalities in Explaining Income Growth, Poverty and Inequality: Evidence from Latin American Countries", *IPC Working Paper* (forthcoming).