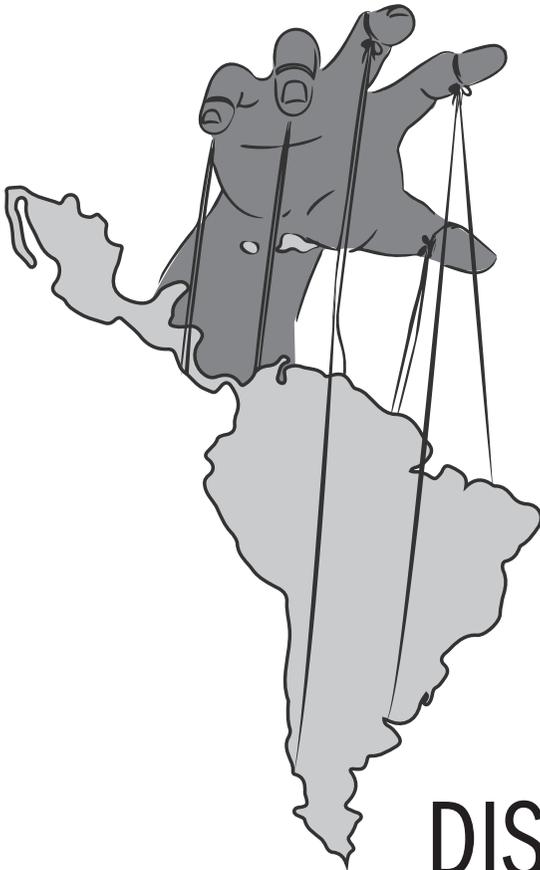


LATIN AMERICA POLICY JOURNAL

A Harvard Kennedy School Student Publication



DISRUPTIVE FORCES

VOLUME 8 - SPRING 2019



All views expressed in the Latin America Policy Journal are those of the authors or the interviewees only and do not represent the views of Harvard University, the John F. Kennedy School of Government at Harvard University, the staff of the Latin America Policy Journal, or any associates of the Journal.
All errors are authors'.

©2019 by the President and Fellows of Harvard College.
All rights reserved. Except as otherwise specified, no article or portion herein is to be reproduced or adapted to other works without the express written consent of the editors of the Latin America Policy Journal.

“Still Not There”: Low Female Labor Participation and Culture in Chile

Daniela Paz and Clara Gianola

Daniela Paz worked in the Economics Department of the University of Chile, where she led research projects related to political economy, gender biases in economics, and education. She also worked for the Espacio Publico think tank, where she helped advise the government of Chile on transparency issues. Previously, she also worked in the field and research areas of JPAL-LAC. Daniela has a Master in Applied Economics from the University of Chile and she is currently pursuing a Master in Public Administration in International Development (MPA/ID) at the Harvard Kennedy School.

Clara Gianola worked at the government of the city of Buenos Aires, where she coordinated the planning and design of strategic projects involving different government agencies, including slum urbanization programs and the development of the first Social Impact Bond of Argentina. Previously, as a consultant, she worked at CAF Development Bank of Latin America in Caracas managing the redesign of mechanisms for project analysis, and evaluation and the design of technologies for decision-making. Clara has a Bachelor's degree in Economics from the University Torcuato di Tella in Argentina and she is currently pursuing a Master in Public Administration in International Development (MPA/ID) at the Harvard Kennedy School.

ABSTRACT

Over the last 30 years the male/female labor participation gap in Chile has been consistently narrowing, but the rate has decelerated in the last five years and there is still much to understand about what can be done to further minimize the gender gap. Cultural factors such as beliefs, preferences, and social norms seem to explain part of this gap, especially in the case of married and low-educated women. Therefore, designing policy interventions to address those beliefs can have a positive impact on women's individual decisions to work and the consequent female labor participation rate. At the same time, this rate can also influence beliefs and social norms and act as a self-fulfilling prophecy.

INTRODUCTION

Gender equality is today at the top of the international agenda, as in the past decades we have seen the emergence of diverse social movements advocating for the expansion of women's rights in issues such as education, labor, violence, politics, etc. This year, the gender perspective is a cross-priority to the G20 agenda, with the goal of guaranteeing labor, digital, and financial inclusion to every woman.¹

Although in terms of labor participation the gender gap is highly significant in almost every country, Chile stands out as a middle-income country, with a strong path of development and constantly growing income for its low female labor participation rate (FLPR). In 2017, the FLPR in Chile was 57 percent, relatively low compared to the average of 63 percent in OECD countries.² The problem is more evident when comparing Chile to other countries of the region with

similar GDP per capita: despite a strong advantage in terms of education, the Chilean FLPR is behind benchmark countries such as Peru, Bolivia, and Brazil (see Figure 1).³

FEMALE LABOR PARTICIPATION IN CHILE

Fostering opportunities to include women in the labor force has potential positive economic effects on aggregate productivity⁴ and in reducing poverty and inequality.⁵ Additionally, it improves women's multidimensional welfare⁶ and has positive externalities on personal and children's health,⁷ among others.

Over the last 30 years, the male/female labor gap in Chile has been consistently narrowing, driven both by supply and demand factors, especially in the case of married women (see Figure 2). The evidence suggests that education, age, and the number of children are important explanatory variables on the supply side,⁸ while a stable macroeconomic framework and bold structural reforms, such as trade liberalization and buoyant natural-resource sectors, have fostered the demand for labor.⁹

During the last decade, the Chilean government has made several efforts towards a more equitable society by tackling the gender labor gap through several programs such as universal childcare provision, equitable private health insurance schemes, flexible work schedules, and the right to equal wages between women and men. These decisions were taken in a context of high public awareness of the need for state intervention to promote women's development and inclusion.

However, FLPR growth has decelerated in the last five years, and there is still much to understand about the factors affecting the remaining gap—mostly driven by the low level of participation of married women with low education—and what can be done to further minimize it. This

research project will seek to address the importance of cultural factors in explaining the remaining gender gap.

DETERMINANTS OF FEMALE LABOR PARTICIPATION

There are several factors affecting the FLPR, which can be grouped into four non-exclusive categories: demographics, barriers to entry in the labor market, social and human capital, and cultural factors.

Within the literature that explains how the labor supply decisions of women are made, some of the most-discussed contributors are the ones related to demographic factors such as age, year, generation/cohort effects, marital status, and having children. There is substantial evidence showing that the number of children a woman has is negatively correlated to her decision to participate in the labor force.¹⁰ It is also one of the main contributors to the lower amounts of job experience, greater career discontinuity, and shorter work hours for females, even for those holding graduate degrees.¹¹ The particularities of women that make them prone to work fewer hours and in a less continuous pattern is a clear disadvantage, in a market where most firms disproportionately reward individuals who work long hours.¹² On social and human capital factors, there is evidence that education is important to determine female labor participation,¹³ whereas on-the-job training only plays a small role.¹⁴

All these “barriers to entry” are especially relevant in the context of Chile, where the evolution of legislation focused on gender issues has been slow and tended to create the wrong incentives. In the case of childcare provision, for example, the law requires firms that employ more than 20 women to provide free childcare, creating a big bunching effect as most small and medium firms give full-time employment opportunities to only 19 women. In the case of maternity laws, although Chile guarantees 18 weeks of maternity leave,

substantially higher than the 12 weeks recommended by the International Labour Organization, some studies have shown that gender-neutral family policies might generate more equal opportunities for women in the workplace.¹⁵

THE INCIDENCE OF CULTURAL FACTORS IN WOMEN'S BEHAVIOR

Historically, most of the evidence related to women's choices in labor markets was based on mainstream economic models.¹⁶ However, recent papers emphasize how cultural factors (preferences, beliefs, and social norms) contribute to the evolution of the gender gap and how they might play a significant role toward a broader understanding of gender aspects, particularly in Chile.¹⁷

Kuziemko et al. (2018) shows that there appears to be a significant and unanticipated change in preferences in a woman who works after having a child (what they call the "Mommy effect").¹⁸ Complementarily, Bordalo et al. (2016) shows how women's biased beliefs about their own abilities contribute to differences in financial decision-making, academic performance, and career choices.¹⁹

The papers of Burzтын et al. (2018) and Pande et al. (2015) are informative on "others' beliefs," by showing how husbands' beliefs can have long-term effects on their wives' decisions.²⁰ According to Bernhardt et al. (2018), the impact of social norms on individual work behavior is likely mediated by intra-household dynamics. Therefore, characterizing how norms and beliefs vary across genders and within households can lead us to better understand how women's labor market choices are made.²¹

Additionally, Alesina et al. (2013) finds that social norms about the appropriate role of women in society regarding the historic division of labor between men and woman can have long, persistent effects.²² In a similar line, Fernandez (2007)

and Olivetti et al. (2004) show that social norms on being a "working mother," with less traditional views about the role of women, can have an important impact on their daughters.²³ More optimistic evidence shows how discussing gender roles at a "moldable but mature enough age" such as adolescence can lead to changes in beliefs and further change the predominant social performance.²⁴

These new perspectives on gender, which account for the influences of psychology and social psychology, can provide micro-foundations for why women may choose different professional paths than men.²⁵ However, little is known about what factors might lead long-standing social norms to change, or even more so, to change quickly.²⁶

CULTURAL FACTORS IN CHILE

Considering the limitations of current literature and data about this issue in Chile, a specific survey was designed and then carried out in Santiago, Chile to analyze how cultural factors affect women's decisions to work. In particular, the study tried to understand at what level women's beliefs about their own abilities and the economic returns to labor were accurate, and at the same time, how biased were their beliefs about the role of women in society and how others perceive working women.

We assume that those beliefs, coupled with individual preferences, interact and determine the decision of a woman to work, and that aggregates to a final equilibrium on the FLPR. The FLPR will in turn influence the perceived social norm regarding female labor participation, and work as a self-fulfilling prophecy in which beliefs affect actions, which again reinforces beliefs driving a suboptimal equilibrium for females.

Preliminary results show that while overall, women in Santiago do not seem to have sexist beliefs, certain groups of

women, including those who are married, have low education, or who didn't have a working mother, seem to have more sexist responses. Married women, as well as women who have children, tend to agree more with statements that having higher earnings than their husbands could be a problem, which could be limiting their desire to pursue an ambitious professional career. Secondly, women with children or low education tend to agree more with statements that indicate that men are more capable than women, such as "men are better business executives." Finally, women whose mothers work during their childhood tend to consider that work and family balance is harder, and that being a housewife is as fulfilling as working for pay (see Figure 3).

During the survey, we ran a small experiment by randomly showing a motivational video about working women who have successful careers and a family to a subset of the sample. The results are striking, as they show how a piece of information and motivation can improve women's perception of the success of other women in their communities, and in making women more prone to agree on the possibility of balancing work and family life. On the other side, showing them information about the economic returns to labor has a positive effect in updating their wage estimations by making them higher.

Finally, the survey shows women's interest in more information regarding job opportunities, as well as more government intervention to achieve gender equality in the labor market.

POLICY ALTERNATIVES

Given that cultural factors play an important role in women's labor supply decisions in Chile, changing or updating the beliefs of those women who are indifferent between working or not ("marginal women") could impact their actions, leading to changes in

social norms and finally to movements in the FLPR.

In this sense, some cultural factors are going to be "easier" to change than others, and will therefore have different policy implications. In this line, beliefs on the economic returns to labor could be easily updated by showing people statistical information. However, beliefs on the role of women in society, as well as women's preferences, are less malleable in the short run and may require interventions with results only observable in the long term. The former is reflected in the need to balance work and family life, or their professional success, when compared to men.

Taking into account that women's beliefs about their own abilities and their role in society are important constraints to female labor supply, we identified two possible concrete policy actions: (1) an informational campaign to foster the belief updating process, and (2) a change in the secondary education curriculum to incorporate gender equality discussions and re-shape the beliefs about women's professional opportunities.

The informational campaign would help to raise awareness about the most relevant beliefs affecting women's desire to participate in the labor market by providing insights about women's economic returns to labor, their capabilities, and how to manage a family-work balance. By changing women's beliefs, it will be possible to disrupt their behavior and individual actions, therefore reshaping existing social norms and practices, leading to a change in the general equilibrium for female labor participation and a shift in culture.

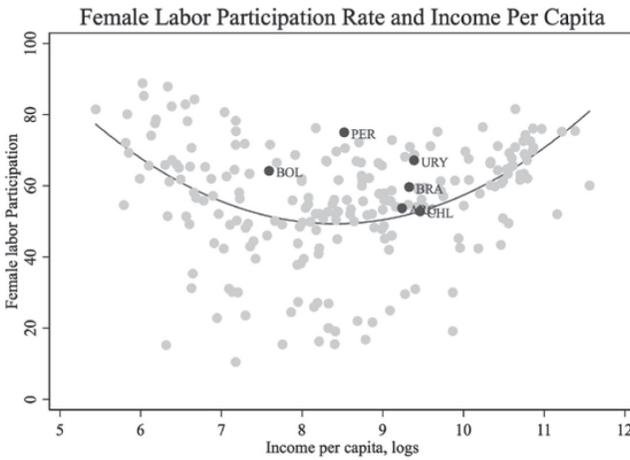
On the other hand, incorporating gender equality discussions into the secondary school curriculum of the country's public and voucher schools aims to articulate and strengthen the current educational framework by including discussion on

topics such as gender stereotypes, gender roles at home, women’s employment outside the home, and harassment. Secondary school students are in a “critical time” of life in terms of the development of core values and the formation of moral criteria: they are young enough to have malleable beliefs, but mature enough to understand them, and have enough experience to be able to reflect on issues.²⁷ As with the informational campaign, by changing young boys’ and girls’ beliefs, it will be possible to transform their behavior, also leading

to changes in social norms and therefore impacting the FLPR.

Although both options are aligned with the current political agenda, the first option is highly cost-effective, making it an appealing option for the government to pursue, while the second one requires the involvement and support of several actors within the public sector as well as external stakeholders (including teaching staff, parents, and children) to enhance its effectiveness. Both policies complement each other

Figure 1. Female Labor Participation and GDP, Chile and Others



Source: World Development Indicators, World Bank, 2017

Figure 2. The Evolution of Labor Force Participation in Santiago, Chile



Note: Own elaboration using Employment Survey for Santiago.

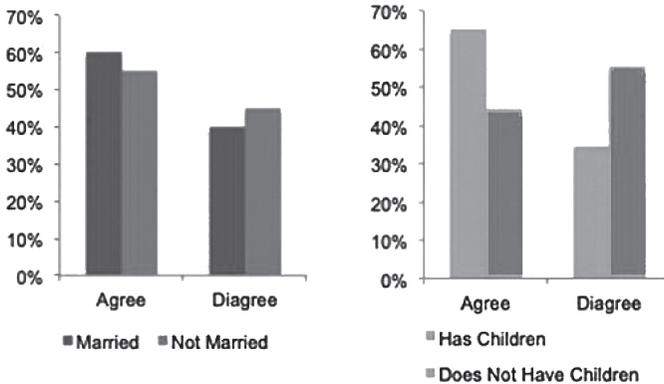
Source: Unemployment Survey, Santiago, Centro de Microdatos, Universidad de Chile.

in terms of the cultural factor that they address. The informational campaign aims to bring consciousness to the different beliefs that influence women's decisions and motivates them to rethink and update them, while school discussions have a much deeper impact on children by shaping the beliefs about the role of women in society in a critical period of life.

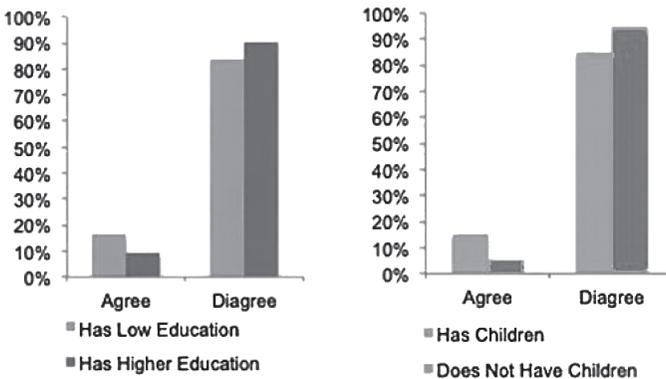
Changing beliefs is not an easy task, but changing individuals' decisions is even harder. This study has shown that simply showing information on economic returns and motivating women

to join the labor force could have an impact on both, beliefs and actions. At an aggregate level this change in actions could generate a change in the final FLPR, and therefore influence the adjustment of social norms to motivate more women to join the labor force. Given these findings, it seems that the current government interventions are not enough to close the remaining gap, and efforts should be redirected to providing women with information and motivation to work, as well as designing incentives for the demand side to adjust labor conditions to women's needs.

Figure 3. Women's Beliefs
Women earning more than their husband is a problem



Men are better business executives than women



Source: Own Survey, Santiago, Chile, 2019.

NOTES

- ¹G20 in Argentina, “Priorities,” 2018, <https://g20.argentina.gob.ar/en/g20-argentina/priorities>.
- ²World Bank Group, “World Development Indicators,” updated 24 January 2019, <https://datacatalog.worldbank.org/dataset/world-development-indicators>.
- ³Dante Contreras and Gonzalo Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile,” *Feminist Economics* 16, no. 2 (2010): 27-46.
- ⁴Quentin Wodon and Bénédicte de la Brière, *Unrealized Potential: The High Cost of Gender Inequality in Earnings* (Washington, DC: World Bank, 2018).
- ⁵Contreras and Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile.”
- ⁶Robert Jensen, “Do Labor Market Opportunities Affect Young Women’s Work and Family Decisions? Experimental Evidence from India,” *The Quarterly Journal of Economics* 127, no. 2 (2012): 753-792; Rachel Heath and Xu Tan, “Intrahousehold Bargaining, Female Autonomy, and Labor Supply: Theory and Evidence from India,” working paper, 18 July 2016; Erin Fletcher et al., “Women and Work in India: Diagnostics and a Review of Potential Policies,” Growth and Labour Markets in Low Income Countries Programme (GLM|LIC), Paper 32, 2015.
- ⁷Cristóbal Bennet, “Impact of an Extension of Maternity Leave on Mother’s Health,” working paper, Universidad de Chile; David Atkin, “Working for the Future: Female Factory Work and Child Health in Mexico,” unpublished manuscript, MIT, 2011.
- ⁸Contreras and Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile.”
- ⁹OECD, “2018 Economic Survey of Chile,” 2018, <http://www.oecd.org/eeco/surveys/economic-survey-chile.htm>.
- ¹⁰Contreras and Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile.”
- ¹¹Marianne Bertrand et al., “Dynamics of the Gender Gap for Young Professionals in the Corporate and Financial Sectors,” NBER Working Paper no. 14681, 2009.
- ¹²Claudia Goldin, “A Grand Gender Convergence: Its Last Chapter,” *American Economic Review* 104, no. 4 (2014): 1091-1119.
- ¹³Contreras and Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile.”
- ¹⁴Francine Blau and Lawrence Kahn, “The Gender Wage Gap: Extent, Trends, and Explanations,” IZA Discussion Paper no. 9656, January 2016.
- ¹⁵Heather Antecol et al., “Equal But Inequitable: Who Benefits From Gender-Neutral Tenure Clock Stopping Policies?” *American Economic Review* 108, no. 9 (2018): 2420-41; Goldin, “A Grand Gender Convergence.”
- ¹⁶Contreras and Plaza, “Cultural Factors in Women’s Labor Force Participation in Chile.”
- ¹⁷Arielle Bernhardt et al., “Male Social Status and Women’s Work,” *AEA Papers and Proceedings* 108 (2018): 363-367.
- ¹⁸Ilyana Kuziemko et al., “The Mommy Effect: Do Women Anticipate the Employment Effects of Motherhood?” NBER Working Paper no. 24740, June 2018.
- ¹⁹Pedro Bernaldo et al., “Beliefs About Gender,” NBER Working Paper no. 22972, December 2016.
- ²⁰Leonardo Bursztyn et al., “Misperceived Social Norms: Female Labor Force Participation in Saudi Arabia,” NBER Working Paper no. 24736, June 2018; Fletcher et al., “Women and Work in India.”
- ²¹Bernhardt et al., “Male Social Status and Women’s Work.”
- ²²Alberto Alesina et al., “On the Origins of Gender Roles: Women and The Plough,” *The Quarterly Journal of Economics* 128, no. 2 (2013): 469-530.
- ²³Raquel Fernandez, “Culture as Leaning: The Evolution of Female Labor Force Participation Over a Century,” NBER Working Paper no. 13373, September 2007; Raquel Fernandez et al., “Mothers and Sons: Preference Formation and Female Labor Force Dynamics,” *The Quarterly Journal of Economics* 119, no. 4 (2004): 1249-1299.
- ²⁴Diva Dhar et al., “Reshaping Adolescents’ Gender Attitudes: Evidence from a School-Based Experiment in India,” NBER Working Paper no. 25331, December 2018.
- ²⁵Marianne Bertrand, “New Perspectives on Gender,” in *Handbook of Labor Economics, Volume 4b*, eds. David Card and Orley Ashenfelter (Amsterdam: North Holland, 2010).
- ²⁶Leonardo Bursztyn et al., “From Extreme to Mainstream: How Social Norms Unravel,” NBER Working Paper no. 23415, May 2017.
- ²⁷Dhar et al., “Reshaping Adolescents’ Gender Attitudes.”