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### **WOMEN, INFORMAL EMPLOYMENT, AND SOCIAL PROTECTION IN LATIN AMERICA**

**Armando Barrientos  
IDPM, University of Manchester**

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Further details: Institute for Development Policy and Management  
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External Affairs Office  
Harold Hankins Building, Precinct Centre,  
Oxford Road, Manchester M13 9QH, UK  
Tel: +44-161 275 2814  
Email: [idpm@man.ac.uk](mailto:idpm@man.ac.uk) Web: <http://idpm.man.ac.uk>

# **WOMEN, INFORMAL EMPLOYMENT, AND SOCIAL PROTECTION IN LATIN AMERICA**

## *Abstract*

The paper presents an overview of the situation of women in informal employment in Latin America and their access to social protection, and examines key public policy issues in extending social protection to this group. Informal employment has risen in Latin America in the last two decades. This is a product of economic crises, labour market liberalisation, and welfare reforms. There is an important gender dimension to informality. Women are over-represented in informal employment, and they are also over-represented in lower paid and precarious occupational groups within informal employment. As social protection entitlements in the region are largely dependent on employment status, women in informal employment are often excluded from formal social protection programmes. Reform of labour market institutions and social protection programmes is needed to extend social protection to this group. Integrated policy interventions aimed at supporting women's life course decisions could have an important effect in reducing their over-representation in informal employment.

## **INTRODUCTION<sup>1</sup>**

There has been an important gender dimension to the growth of informal employment in Latin America in the 1980s and 1990s. In terms of average earnings, conditions of work, and income security, informal employment includes a higher proportion of low quality jobs than formal employment. Women are over-represented in informal employment. They are also more likely than men to be found in lower paid and precarious jobs within informal employment. To a large extent, entitlements to social protection in Latin America are acquired through market production, and specifically through formal employment. Women in informal employment face significantly higher levels of economic vulnerability, with adverse consequences for their welfare and that of their households. This is the subject of this paper. It provides an overview of women in informal employment in Latin America, examines their access to social protection, and considers public policy issues in extending social protection to these workers.

Informal employment has risen in Latin America in the last two decades, and now accounts for one in two workers in the region (ILO, 2000). The rise in informal employment began with the acute economic crisis felt throughout the region in the early 1980s leading to a sharp contraction of output, unstable growth and rising unemployment and inflation (Edwards, 1995). Informal employment has continued to rise with further crises in the 1990s and with the structural adjustment and economic liberalisation policies which followed.<sup>2</sup> A recent ILO report stated that 6 out of every 10 jobs created in the 1990s in Latin America were informal jobs.

Women's activity rates in Latin America have been rising since the 1960s, and more rapidly in the 1980s and 1990s (Arriagada, 1997; ILO, 1999b). The regional activity rate of women aged 15-64 in the urban sector is currently 44 percent. Explanations for the rise in women's activity rates include secular trends associated with lower fertility rates, growth of service employment, and access to education; and an acceleration of the trend in the 1980s and 1990s due to structural adjustment and sharp decline in male pay (León, 2000). Women's unemployment rates are higher than men's, in the context of high and persistent unemployment in the 1990s. There is a large and persistent gender earnings gap in Latin America, on average around 40 percentage points (ILO, 1999b), and women's employment is concentrated in the tertiary sector (Psacharopoulos and Tzannatos, 1992).

The rise in informality, and the over-representation of women in informal employment, underlines the need to consider how to extend social protection to this group of workers. Before recent welfare reforms in the 1990s, formal social protection in Latin America was based mainly on social insurance for selected groups of workers, and employment protection regulations. A feature of formal social protection is that entitlements depend on participation in market production and more specifically in formal employment. Universal income maintenance programmes, common in developed countries, are rare in Latin America. In the 1990s, a number of countries have implemented reform of social insurance provision. Social insurance funds have been consolidated and replaced, wholly or partially, by individual saving plans. Reforms to labour market institutions have weakened employment protection. Against this background, extending social protection to women in informal employment is a pressing policy issue.

The paper is organised as follows. Section Two provides an overview of women in informal employment in Latin America, including regional trends and cross-country differences. Section Three considers access to social protection by women in informal employment. Section Four considers public policy issues in extending social protection to women in informal employment. A final Section concludes.

## **WOMEN IN INFORMAL EMPLOYMENT IN LATIN AMERICA**

### **Informality of What? Sector, Economy, or Employment**

In this paper, informality is considered in the context of employment. Informality is here defined by the extent to which workers concentrate economic risk.<sup>3</sup> In the context of Latin America, rising informality is a product of changes in the employment relationship, and of labour market liberalisation and welfare reform, all of which have the effect of transferring and concentrating economic risk onto workers. As far as dependent employment is concerned, informality is associated with changes in the employment relationship which shift to workers the risks associated with variations in product demand and labour market adjustment. These include the rise in the incidence of employment without contract, the rise in fixed term and temporary employment, and in sub-contracting and other flexible forms of employment (Ypeij, 1998). Rising informality is also associated with reduction in employer provided social protection arising from welfare reforms. In terms of self-employment, informality is associated with the

exclusion of the self-employed from formal social protection programmes, and their vulnerability to changes in product demand. An approximate measure of the extent of informality is the proportion of the labour force not contributing to formal social protection programmes.

This approach to informality is in contrast to conceptualisations of informality as a sector, or as an economy. Despite its common currency, there is a marked lack of consensus on the definition and measurement of informality.<sup>4</sup> Initial conceptualisation of informality focused on defining an 'informal sector' (Thomas, 1992). Noting the high incidence of unemployment among rural migrants, who made a precarious living by engaging in a range of largely unregulated economic activities, it defined an 'informal sector' by reference to a 'formal' or 'modern' sector. The 'informal sector' was characterised by ease of entry, family ownership, labour intensive small-scale production, and competitive product markets. The *Regional Employment Programme for Latin America and the Caribbean* (PREALC) extended this approach to Latin America (Mezzer, 1989). It argued that informality applied to enterprises or productive units, which emerged as a result of the inability of the modern sector to absorb the available labour supply. Workers excluded from modern sector employment find themselves forced to generate their own employment in the informal sector. A measure of the size of the informal sector used by PREALC is the combined share of self-employment and microenterprise employment in the labour force (Mezzer, 1989).

Porters, Castells and Benton's (1989) approach to conceptualising informality focuses on the incidence of state regulation.<sup>5</sup> In their view, the informal economy is made up of economic activities which, due to the absence of state regulation, are ruled by the logic of unrestrained market competition. This is what identifies these activities as a different 'economy'. In line with this view, an appropriate measure of the informal economy would be the share of employment operating outside tax or labour regulations (employment protection, social protection, hygiene and safety at work, etc.)

Focusing instead on informality in employment addresses some issues raised by recent economic change in the region, and has a number of advantages in the context of developing a gendered approach to social protection for informal workers.

The view that informality represents surplus labour is at odds with current labour market conditions (Leiva and Agacino, 1994; Levenson and Maloney, 1998; Maloney, 1998a; Wilson, 1998a). Changes in labour market institutions have produced a relaxation in the rules applying to the employment relationship across industries and occupations. Temporary or fixed term employment, for example, is common in both private and public sectors, and in large and small employers. The rising informality in Latin America has as much to do with the absence of regulation as with the decline in rewards to formal employment associated with structural adjustment and global competition. The 'employment relationship informals' are not surplus labour, and are in fact a very heterogeneous group as regards productivity and labour intensity in production (Maloney, 1998a, b; Weller, 1998a). Increasingly, informal employment in Latin America overlaps with 'flexible labour', 'secondary employment', or 'precarious labour' concepts used in developed countries (Amadeo and Horton, 1997), and which have a strong gender dimension.

Defining informality as a sector, or an economy, suggests a separation of formal and informal production and employment. In fact, an important feature of the emerging structure of Latin American economies after economic reform is the extent to which formal and informal employment are integrated (Portes, Castells et al. 1989; Wilson, 1998b). The postulated separation between an 'informal' and a 'modern' sector at the root of the original view of informality is no longer representative of most Latin American economies.<sup>6</sup> It may also be harmful in providing support for the exclusion of a large proportion of the labour force from social protection, and for diluting corporate and government responsibility for welfare provision, as indicated in Lund and Srivinas (2000). It further reinforces women's labour market disadvantage.

The approach to informality adopted in the paper encourages a different view of the relative significance of structural and agency factors in informal employment. There is growing evidence from studies on earnings differentials (Marcoullier, Ruiz de Castilla et al. 1997), and sectoral mobility (Maloney, 1998a), to the effect that informality can be fruitfully studied as the outcome of an, albeit imperfect, worker-job matching process. Given the decline in the rewards to formal employment, informal employment may be a more rewarding option for a significant section of the labour force. Workers without formal educational qualifications, for example, may be at a

disadvantage in formal employment. To the extent that formal employment undervalues the productivity potential of some workers, due to gender or age discrimination for example, informal employment may be a better option for women and older workers (Barrientos, 1999). Focusing on informality in the context of employment gives a wider role to agency factors, which will prove a more helpful context in which to examine gender issues, and opens a wider policy agenda in extending social protection to these workers.

### Size and Composition of Urban Informal Employment in LA

There are two measures of informal employment commonly used. The first measure, used by the ILO, referred to as the *ILO measure* hereafter, defines informal employment as including workers in microenterprises (5 employees or less), the self-employed (excluding professionals), workers in domestic employment,<sup>7</sup> and family workers (unwaged). The second measure defines informal employment as including those workers not covered by social insurance programmes or labour market regulations, referred to as *uncovered measure* hereafter. This can be operationalised, in descending order of strictness, by counting the number of dependent workers legally entitled to affiliate to social insurance programmes, or those currently affiliated to social insurance programmes, or those actually contributing to social insurance programmes. Unless stated, the *uncovered measure* below will refer to the latter.<sup>8</sup>

A snapshot of the situation in 1998 is given in Table 1 below.<sup>9</sup>

**Table 1. Urban informal employment in Latin America, 1998 (1990 figures in brackets)**

	Men		Women		Total	
ILO measure <sup>1</sup>	45	(41.2)	52	(49.2)	47.9	(44.4)
of which:						
self-employed	24.9	(22.8)	24.4	(24.4)	24.7	(23.4)
microenterprise	19.6	(17.9)	11.6	(10.7)	16.3	(15.2)
domestic	0.6	(0.5)	16.0	(14.1)	6.9	(5.7)
Uncovered measure <sup>2</sup> (excludes self-employed)	36.8	(31.6)	39.7	(34.9)	38.4	(33.4)
ILO measure <sup>1</sup> excluding self-employed	20.1	(18.4)	27.6	(24.8)	23.2	(21)



Uncovered measure plus self-employed <sup>3</sup>	52.5 (47.2)	54.4 (50.8)	53.7 (48.9)
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Data Source: ILO (1999b) based on household survey and official data.

<sup>1</sup> Includes workers in enterprises with 5 workers or less, the self-employed, and domestic work, as a proportion of the total labour force. Figures are weighted average of 12 countries.

<sup>2</sup> Share of employees not contributing to social insurance programmes. Figures are weighted average of 10 countries.

<sup>3</sup> Uncovered measure recalculated as a proportion of the total labour force plus the self-employed

A key point shown on Table 1 is that, compared to men, women are over-represented in informal employment. This applies whether the ILO measure or the uncovered measure is used. Looking at the ILO measure first, the decomposition of informal employment shows that the over-representation of women is in the main due to the high incidence of domestic work among women compared to men. Women are under-represented in microenterprise employment. In so far as the figures do not include unwaged family work, with a high incidence of women, these understate women's over-representation in informal employment.

Leaving aside the self-employed, the two measures of informal employment produce roughly similar results for women, but significantly different figures for men.<sup>10</sup> Taking the measured share of employees not contributing to social insurance, and adding the self-employed, who are largely uncovered, puts the overall share of informal employment at 52.5 percent for men and 54.4 percent for women.

### **Trends in the Size and Composition of Informal Employment**

There is general consensus that informal employment has risen significantly in Latin America in the 1980s and 1990s (Turnham, Salomé et al. 1990; Charmes, 1992; Weller, 1998b). Both Mezzera (1989) and Charmes (1992) measure informal employment in the period between 1950 and 1980 using data from National Censuses. They find that urban informal employment remained more or less stable throughout this period. Mezzera (1989) estimates informal employment (microenterprise and self-employment) at around 20 percent of the employed urban labour force, and he further estimates that domestic employment declined from 10.2 percent of total urban employment in 1950 to 9.5 percent in 1970, and 8.4 in 1980. Roughly, an

ILO measure of informal employment would have been at around 30 percent for the period 1950-1980.<sup>11</sup> The figures after the 1980s show a step increase. In the period from 1990 to 1998, the share of informal employment increased from 44.4 percent to 47.9 percent according to the ILO measure, and from 34.4 percent to 38.4 percent according to the uncovered measure (excluding the self-employed) (ILO, 1999b).

Decomposing the ILO measure for the period 1990 to 1998 in Table 1 shows that the growth of informal employment applies to all components: self-employment, microenterprise employment, and domestic work. When further decomposed by gender the figures show that the share of women's employment in microenterprise remained stagnant from 1990 to 1998, while the share of male employment in this sector rose. They also show that the rise in the share in domestic work was far more pronounced for women than for men.

### **Cross-Country Comparisons of the Size of Informal Employment**

The shares of women workers in informal employment according to the ILO measure in 1998 for selected Latin America countries are shown in Figure 1. The informal employment share of female employment ranges from 42.3 percent in Panama to 64.6 percent in Peru. It is larger in countries with a larger indigenous population (Bolivia, Ecuador and Peru)<sup>12</sup>, but otherwise similar across countries. Notably, the level of economic development does not appear to be correlated with the share of informal employment among women.

Decomposing informal employment shows that the incidence of self-employment is larger in countries with a larger indigenous population, and this accounts for their larger informal share of employment. Women's employment in microenterprise is the smallest component of informal employment in most countries except Chile, Colombia, Costa Rica and Peru. There are large variations in the share of informal employment in domestic work, from 4.7 percent in Colombia to 21.4 percent in Brazil.

Figure 1. ILO measure of the female urban informal sector for selected countries in Latin America, and its component groups in 1998

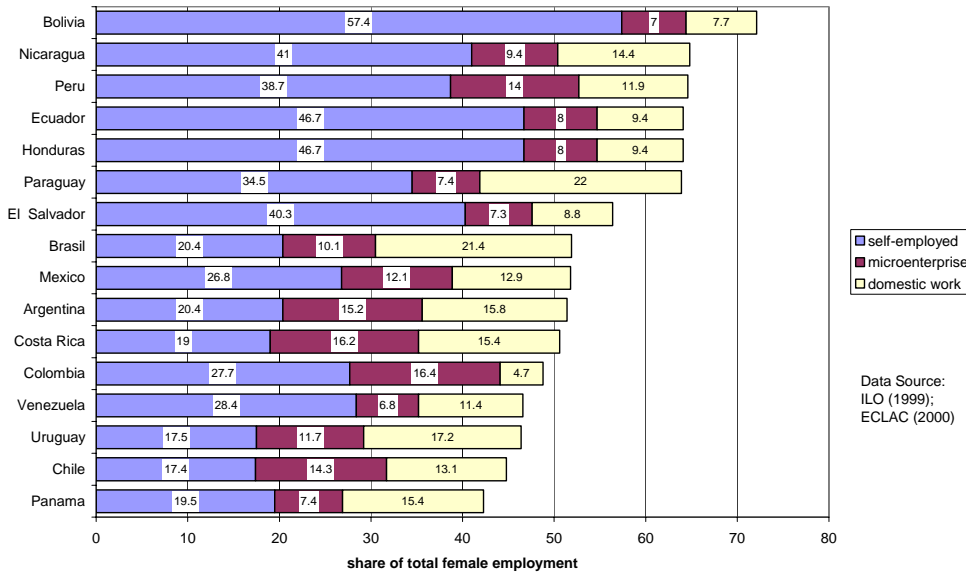
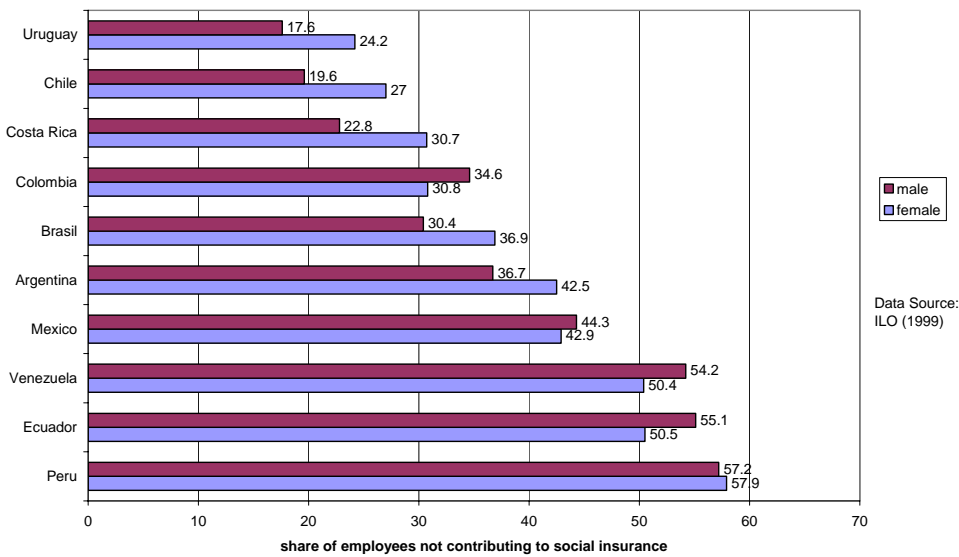


Figure 2 shows the uncovered measure of men's and women's employment for selected countries in Latin America in 1998. The share of informal employment for women ranges from 24.2 percent in Uruguay to 57.9 percent in Peru. This measure of informality naturally reflects the development of social insurance institutions, and, through these, the level of economic development of the countries involved. The gender differences in the share of informal employment are small, although women's informal employment shares are significantly higher than men's in countries with a more developed social insurance system such as Uruguay, Chile, Costa Rica, and Argentina. It is important to keep in mind that self-employed workers are not included in this measure.

Figure 2. Male and Female urban informal sector in Latin America in 1999, measured as the share of employees not contributing to social insurance



## Component Groups in Women's Informal Employment

As informal employment is heterogeneous, this section has some brief points on each of the component groups of informal employment.

### *Self-employed*

The self-employed are themselves a very heterogeneous group, but a common factor is that they are often excluded from formal social protection institutions and programmes. Self-employment as a proportion of the labour force is around a quarter, and almost identical for men and women. There is an important gender difference in the quality of self-employment. Women's self-employment is of lower quality as reflected in lower pay and occupation concentration in services, and commerce.

The self-employed are on average older than dependent employees. There is an association existing between the incidence of self-employment and education, on the one hand, and life-course factors, on the other. Multivariate analysis of earnings show that education is less important as a predictor of self-employed earnings, and that returns to education are lower for the self-employed (Gindling, 1991; Funkhouser, 1996; Marcoullier, Ruiz de Castilla et al.

1997).<sup>13</sup> These findings suggest that there is a link existing between access to education and self-employment. Another important factor regarding self-employment in Latin America relates to life-course changes in labour market activity. Studies have shown that the share of self-employment in total employment increases rapidly for older workers, both men and women. Self-employment can be a means of postponing exit from the labour market for older workers, or a specific transition mode (Barrientos, 2000). These may be due to the presence of labour market discrimination against older workers which pushes older workers into self-employment, or to an age-related decline in the rewards to formal employment which pulls older workers into self-employment. The accumulation of human, physical, and financial capital over the life course is also an important factor explaining the rise in the share of self-employment with age.

The gender gap in self-employed earnings and occupational distribution is also connected to the constraints on access to credit faced by women. Lycette and White (1989) discuss the constraint operating specifically on women's access to credit. Women in Latin America experience important constraints in accessing credit from formal financial institutions. They find it difficult to take loans in their own names, administrative requirements are especially burdensome due to the absence of independent taxation and legal status, and they receive smaller loans than men.

### **Microenterprise Employment**

Microenterprise jobs are considered better quality jobs within informal employment, because of the higher average pay associated with this sector. Women are under-represented in this sector compared to men, and the extent of their under-representation increased in the 1990s.

Whereas roughly one in five men can be found in microenterprises, only one in ten women work in this sector. The under-representation of women in microenterprise employment arises because of their occupational concentration on services (Berger and Buvinic, 1989).

### ***Domestic work***

The incidence of domestic work among women is very high. In 1998, domestic work accounted for 16 percent of women's employment in Latin America. The share of domestic work increased significantly in the 1990s, accounting for 22 percent of all new jobs created in the decade (ILO, 1999b). The profile of female domestic workers shows they are younger, have fewer years of

schooling and are more likely to be single, than the average woman in employment (Arriagada, 1997). Domestic work constitutes an important labour market entry employment for women without educational qualifications. Domestic work is largely unprotected, due to the fragmented and personal nature of employment. Domestic workers are largely non-unionised, but Arriagada (1997) noted the establishment of the 'Confederación de Trabajadoras del Hogar en América Latina y el Caribe', a region wide network of domestic workers.

It is an interesting issue whether the rise in domestic work in Latin America is mainly a consequence of the rise in women's activity rates, or a response to household need. Rising activity rates among women generate a demand for market household services, which could explain the rise in domestic work. Another factor is population ageing generating demand for long term care for the elderly. These are demand-side explanations for the rise in domestic work. On the other hand, there is evidence that domestic work is a response to household economic need, in many cases associated with the decline in male pay. This is a supply side explanation for the rise in domestic work. The longer run trends, and associated policy issues, in domestic employment will be different in the two cases. If the rise in domestic work is mainly the result of demand-side pull, earnings in domestic work, and working conditions, ought to show a relative improvement. To the extent that unskilled domestic workers enable more skilled women to work in, it also produces unskilled-skilled labour complementarities and contributes to economic growth. On the other hand, to the extent that domestic employment is simply a factor of household economic need, and is deployed as cheap surplus labour assisting wealthy inactive women, the impact on growth is minimal.

### ***Unwaged family workers***

Women make up the majority of unwaged family workers, and are an important group in Latin America. ILO data on women's unwaged family workers as a proportion of the urban labour force show large variation from country to country, with a mean for the region at around 10 percent.<sup>14</sup> In the early 1990s, the share of unwaged family workers in the female labour force was 16.5 percent for Mexico (1995), 10.2 percent in Brasil (1990), 15.1 percent in Bolivia (1995), 8.8 percent in Peru (1995) , 8.3 percent in El Salvador (1995); but 5 percent in Colombia (1995) and 2.5 percent in Venezuela (1995). Unwaged family workers' employment is

precarious. These workers are largely unprotected by formal social protection programmes and institutions.

### **Earnings and Earnings Differentials in Informal Employment**

The level of earnings of informal workers is an important indicator of income adequacy and therefore of the risk of poverty faced by these workers. Figure 3 below provides information on average earnings of women workers in formal and informal employment for selected countries in Latin America as multiples of the national poverty line.<sup>15</sup> These provide evidence on income adequacy. Notwithstanding country differences, a hierarchy of earnings for different groups can be observed in the Figure. Women employed in medium and large enterprises have the highest average earnings, followed by women in microenterprises, self-employment, and finally domestic work. Average earnings for all women in paid work and for women in medium and large enterprises are roughly similar.

Women's average earnings in domestic work are just above the poverty line for most countries, and at or below it for six countries. Only in Chile and Costa Rica are average earnings in domestic work above twice the poverty line. The average earnings of women self-employed vary significantly across countries, but tend to be low in the less developed countries of the region, at around 1.5 of the poverty line. With very few exceptions (self-employed in Chile and Venezuela), informal employment attracts much lower average earnings than employment in formal employment.

{Figure 3 about here}

Another interesting issue is the presence of a formal-informal earnings gap, and a gender earnings gap, and the interaction of these two. The presence of a gender earnings gap within informal employment provides information as to the relative quality of women's informal employment. Table 2 below shows the gender earnings gap for workers in formal and informal employment for 1990 and 1998. The figures in the first panel of Table 2 show, for each employment category, the average earnings of women as a percentage of the average earnings of men. The gender earnings gap is lowest for domestic work, at 26 percent in 1998, most probably explained by the very small numbers of men in this employment group. The gender

earnings gap is also lower for workers in formal employment, and in microenterprises (it is 29 percent in both). It is largest for self-employed workers, as the earnings of women are less than half of those of men. Over time, the trend is for the gender earnings gap to decline, although this is likely to be as much a factor of the decline in male pay. Table 2 also shows the formal-informal earnings gap among women. In 1990, the gap is 70 percent for domestic workers, just over 50 percent for the self-employed, and 27 percent for microenterprise employment. These indicate a large earnings premium for workers in formal employment. If anything, the formal-informal earnings gap increases by 1998.

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**Table 2. Formal and informal gender earnings gap for Latin America 1990 and 1998**

Average women's earnings as a percentage of men's earnings						
	All	Formal	Informal	Microenterprise	Self-employed	Domestic
1990	60	71	46	65	48	65.5
1998	64	71	52	71	49	74
Average women's earnings as a percentage of women in formal employment						
	All	Formal	Informal	Microenterprise	Self-employed	Domestic
1990	76	100	49	73	48.5	30
1998	76	100	48	69	42	32

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Data Source: ECLAC (1999b); Figures are a weighted average for 12 countries accounting for 91 percent of the labour force in Latin America

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Both the gross gender earnings gap, and the gross formal-informal gap in earnings, can have a number of explanations. Differentials in earnings may be simply a reflection of underlying differentials in productivity arising from differences in worker or job characteristics. If women in informal employment have lower levels of education or work experience, or are concentrated in low productivity jobs, their earnings would be lower than women in formal employment or men. A number of studies have attempted to control for differences in worker and job characteristics, and their findings provide evidence on gender, and formal-informal, earnings gaps, net of observed differences in workers or jobs. Funkhouser (1996) uses household data for a number



of Central America countries to provide estimates of the gender earnings gap in formal and informal employment. He finds that the gender earnings gap net of differences in worker and regional characteristics is much larger in informal than in formal employment. In formal employment the net gender gap is in the range of 10 to 16 percent for Guatemala, El Salvador, Honduras, and Costa Rica, and 33 percent for Nicaragua. By contrast, the net gender earnings gap in informal employment ranges between 26 and 56 percent for these countries. Marcoullier et al. (1997) estimate separate earnings equations for men and women in formal and informal employment using data from household surveys for Peru, Mexico, and El Salvador, and they are able to control for worker, industry, and regional characteristics. They find that these differences explain between one half and two thirds of women's gross formal-informal employment gap for Peru and El Salvador. This implies a net formal employment premium in these two countries. Interestingly, the gross positive formal employment premium among women workers in Mexico becomes a net informal employment premium once differences in worker, industry, and regional characteristics are controlled for.

Three important conclusions follow from this. Firstly, the earnings of women in informal employment are low relative to those of women in formal employment, and also relative to the poverty line. This is especially the case in domestic work. Secondly, there is a large gender earnings gap in informal employment, which is pronounced for the self-employed, although less pronounced for workers in microenterprises. The gender earnings gap is greater in informal employment than in formal employment. Thirdly, the formal-informal earnings gap remains for most countries after controlling for differences in worker, industry, and regional characteristics, although this may not be uniformly the case across the region. The gross formal-informal employment earnings differential overstates the formal employment earnings premium as it fails to account for systematic differences in worker and job characteristics.

## **WOMEN IN INFORMAL EMPLOYMENT AND SOCIAL PROTECTION**

Concern with the scope and effectiveness of social policy in developing countries against the background of globalisation has encouraged renewed interest in social protection. Social protection is increasingly understood in a wider sense to include all public interventions taken in response to unacceptable levels of poverty, vulnerability, and risk. It includes the provision of basic services and infrastructure, social insurance and market insurance, social assistance

programmes, as well as labour market regulations and labour standards (World Bank 2001, ILO 2001). Social insurance and employment protection are the two main components of formal social protection in Latin America (Barrientos, 2002). Compared to developed nations, non-contributory social protection or social assistance programmes are very rare in Latin America. Most countries in the region have strong employment protection legislation including legal restrictions on the grounds of termination, minimum length of termination notice, and severance compensation. This is the nearest equivalent to income support programmes in developed countries, but it applies only to workers in formal employment. The Section will therefore focus on social insurance, which had expanded to cover a range of contingencies before extensive reform in the 1990s, and alternative social protection instruments such as individual saving accounts, non-contributory programmes, and labour standards.

### **Social Insurance**

Social insurance funds developed from the early decades of the 20<sup>th</sup> century in the more advanced countries of Latin America (Mesa-Lago, 1991). In line with European social insurance programmes, workers and their employers are required to make payroll contributions into a fund, which is used to pay benefits for specified contingencies. Initially the contingencies covered included sickness, funeral expenses, and widows' benefits, but later (in the 1960s and 1970s mainly) expanded to cover old age and service pensions, preventative and curative healthcare expenses, family benefits, unemployment or severance benefits, and housing credit. Social insurance funds developed piecemeal for specific groups of workers, resulting in considerable diversity of contributions and entitlements.

A feature of social insurance in Latin America is that participation is normally restricted to formal workers only. In many countries informal workers, and especially the self-employed and the unwaged, are explicitly excluded. In other countries, participation in social insurance by these groups is voluntary, but administrative procedures and restricted entitlements discourage voluntary participation by workers with irregular employment and low pay.

Exclusion of these workers is common in social insurance programmes elsewhere. Atkinson (1995) explains the emergence of social insurance in Britain as a response to rising economic risks associated with urban industrial employment. Compared to rural employment, urban

industrial employment was discrete, with workers being either in work or unemployed, and provided few opportunities for older workers. Social insurance ameliorated these risks through support for the unemployed and old age pensions. To be sustainable and effective, social insurance required some measure of homogeneity in the pattern of risks affecting workers, and transparency in worker's behavioural responses to insurance. Social insurance therefore developed for workers in specific trades or regions, and excluded high-risk workers. This also explains, according to Atkinson, why pension schemes developed faster and further than unemployment insurance.

This perspective on the development of social insurance applies well to the situation in Latin America. Social insurance funds developed for specific groups of workers, and pension schemes quickly became the largest component of social insurance. The exclusion of informal workers from social insurance in Latin America can be explained in the context of its sustainability requirements. Social insurance works imperfectly where risks are heterogeneous, and where the behavioural response of workers to insurance is opaque. There are, in addition, administrative reasons commonly put forward to justify exclusion of informal workers from social insurance. These are associated with the difficulties in calculating contributions and entitlements, but also with the irregular nature of their employment and earnings, and their vulnerability to unemployment. As noted, these apply with greater force to women informal workers.

Argentina was the only country in Latin America with a social insurance fund dedicated to self-employed workers, the *Caja de Autonomos*. Self-employed workers were required to contribute to this fund according to defined categories of economic activity. Entitlements were awarded in terms of the contribution category of the self-employed. The majority of the self-employed worked in services, followed by manufacturing (Lopez and Monza, 1995). The social insurance fund produced a surplus in the 1950s and 1960s, but from the 1970s onwards it developed large deficits. The financial imbalances were due to evasion, as only one in two self-employed contributed to the fund, a rapid expansion of retirement awards in the 1970s associated with government decision to grant retirement pension to groups by exception, and softer entitlement requirements (Schulthess and Demarco, 1993).<sup>1</sup> The *Caja de Autonomos* was consolidated with other social insurance funds at the time of pension reform in 1994. The experience with

inclusion of self-employed workers in Argentina confirms the inherent limitations of stratified social insurance programmes in incorporating informal workers.

The pattern of exclusion of women workers in informal employment applies to most areas of social insurance: maternity programmes, severance compensation, unemployment insurance, work related injury compensation, and disability pensions. Table 3 below provides summary information. With few exceptions, the main core elements of formal social protection are missing for all informal workers in Latin America (See BOX ONE *Core elements of social protection in Latin America*).

The pattern of exclusion of women informal workers from formal social insurance can be observed most clearly in the context of maternity employment protection and benefit provision, as these apply exclusively to women. Table 4 below shows social insurance's legal coverage, exclusions, and entitlements related to maternity. As the Table shows, most countries explicitly exclude some group of women informal workers. Only Colombia and Costa Rica extend maternity protection to all residents, while Chile covers all those in employment. Exclusion of domestic, agricultural and family workers is common. Many countries exclude the self-employed (8 countries), some include the self-employed (7 countries) or offer coverage by voluntary affiliation (3 countries). This information refers to legal coverage, but administrative requirements may in practice exclude women in informal employment.

Table 3. Pattern of exclusion of informal sector workers in Latin America from formal social protection programmes

Country	Legal coverage of employees (unless specifically stated self-employed are excluded)					
	maternity benefit	family allowances	work related injury or disability	disability pension	severance fund compensation	unemployment insurance
Argentina	ed	ed	ed	is-e		eps, ed, ea
Bolivia <sup>1</sup>				is-e		
Brazil	is-e	is-e	is-e	is-e		

Chile	is-e	is-e	is-e	is-e		
Colombia	is-e			ea		
Costa Rica	is-e			vs-e		
Cuba						
Dominican Republic	ed, ef		ed, eh, em			
Ecuador			insured only	ef		
El Salvador	is-e,ea,ed, ec		ec, ed			
Honduras	ec, ed, et, ef		vs-e,ea,ec,ed			
Mexico			insured only			60-64 only
Nicaragua	vs-e, vf, ed	ed	ed			
Panama	vs-e, ea, ef			vs-e,ea,ec,ef		
Paraguay	vs-e		vs-e			
Peru					eps	
Uruguay	is-e			is-e		ea, ed, eps
Venezuela	ec, eh, et		ec,eh,et	ec, eh, et		ec,ed,eh,et

Legend:

vs-e = voluntary for self-employed

is-e = includes self-employed

vf = voluntary for family workers

ea = excludes agricultural workers

ec = excludes casual workers

ed = excludes domestic workers

ef = excludes family workers

eh = excludes homeworkers

em = excludes workers in microenterprises

eps = excludes public sector workers

et = excludes temporary workers

shading means no programme in place

<sup>1</sup>. Bolivia has coverage by special programmes only

Data Source: U.S. Social Security Administration (1999); Cox Edwards (1997); Lora and Pagés (1997)

Table 4. Maternity Entitlements in Latin America (1990s)

Country	Legal coverage*	Maternity benefit contribution qualification period	Maternity benefit earnings replacement rate	Maternity benefit duration in weeks	Maternity entitlement index	Female informal employment 1998	Adjusted maternity entitlement index
Argentina	employees, except domestic workers	10	100	18	0.57	51.4	29.13
Bolivia	all workers, but special programs only	4	90	18	0.70	72.1	50.47
Brazil	employees and self-employed, special programs for public sector	0	100	24	1.00	51.9	51.90
Chile	all women workers	6	100	18	0.70	44.8	31.36
Colombia	to be extended to all residents	3	100	12	0.67	48.8	32.53

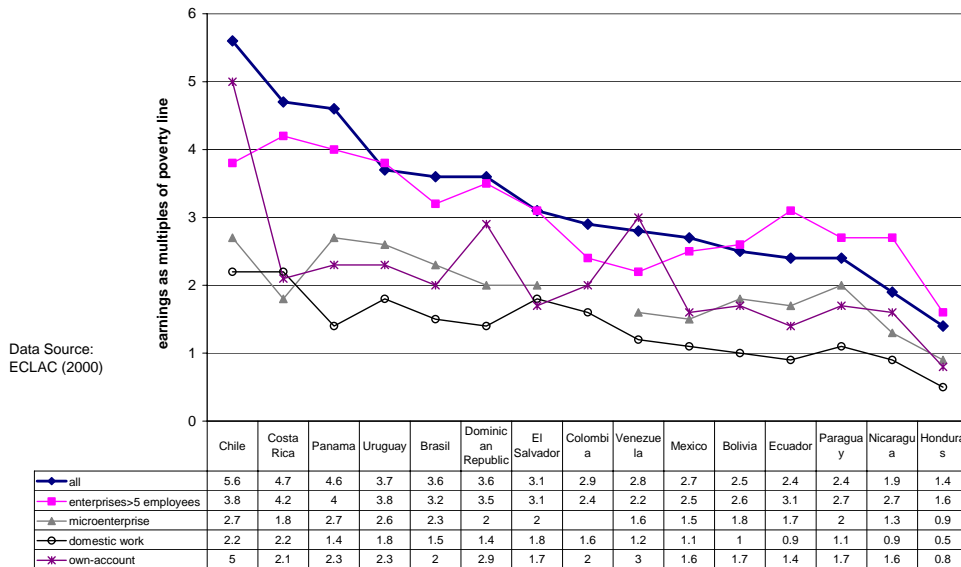
Costa Rica	employees and self-employed	6	50	24	0.50	50.7	25.35
Cuba	employees	2.5	100	18	0.82		
Dominican Republic	employees, except high earnings white collar, domestic and family workers	7.5	50	12	0.18	46	8.43
Ecuador	employees, except family workers	6	75	12	0.40	64.1	25.64
El Salvador	employees and self-employed, except agricultural, domestic and casual workers	3	75	12	0.50	56.4	28.20
Honduras	employees, except agricultural, domestic, temporary and family workers	11	66	12	0.17	64.1	11.11
Mexico	employees	7.5	100	16	0.61	51.8	31.37
Nicaragua	all employees, except domestic workers; voluntary for self employed and family workers	4	60	12	0.37	52	19.07
Panama	employees, except agricultural and family workers, voluntary for self-employed	9	100	12	0.47	42.3	19.74
Paraguay	employees, voluntary for self-employed; special programs for public sector	1.5	50	9	0.32	63.9	20.24
Peru	employees; special programs	3	100	12	0.67	64.6	43.07
Uruguay	employees, self-employed, and those receiving unemployment benefit	0	100	12	0.73	46.4	34.03
Venezuela	employees, except temporary, causal, and home workers; special programs for public sector	0	66	18	0.64	46.6	29.82

\* Legal coverage identifies workers legally entitled to participate in maternity programmes, although in most cases actual coverage will be determined by social insurance contribution requisites. Two broad categories of workers are used: employees and the self-employed (in Spanish, *asalariados* and *trabajadores por cuenta propia* respectively).

Data from US Social Security Administration (1999) Social Security Programs through the World

It is useful to consider country differentials in the generosity of entitlements. A maternity entitlement index was constructed by standardising information on the qualification period required for entitlement, the earnings replacement rate and the duration of maternity leave provided in Table 3 above.<sup>16</sup> The maternity entitlement index provides a single measure of the generosity of maternity entitlements. Figure 3 ranks countries in descending order according to the generosity of their maternity entitlements. With exceptions there is some association existing between higher values of the index and economic development. Interestingly, there is no clear association existing between women's activity rates and the generosity of maternity entitlements (as would be suggested by a demand explanation of labour market regulation).

Figure 3. Average earnings of formal and informal women workers for selected Latin American countries as multiples of national poverty lines 1997-1998



Where information on the share of women's formal employment is available, an adjusted maternity entitlement index is shown. This is computed simply by multiplying the index value by the fraction of the labour force in formal employment in each country.<sup>17</sup> The adjusted maternity entitlement index shows much less variation across countries than the unadjusted index.

Alternatives to social insurance include individual saving plans, universal basic income programmes, and labour standards (James, 1999; Standing, 1999). These are briefly discussed below with examples.

### Individual Saving as Social Protection and Informal Workers

Recent welfare reforms in the region have aimed to replace social insurance programmes with individual saving plans.<sup>18</sup> These have been introduced in pension, health insurance, unemployment insurance, and education.<sup>19</sup> Setting aside the issue of whether, in general, individual saving plans have advantages over social insurance programmes, it can be seen that for women informal workers specifically, individual saving plans have significant disadvantages (Barrientos, 1998b).<sup>20</sup> Workers with low pay and irregular employment are unlikely to be able to fully protect themselves against economic risk through saving. In the case of individual saving

unemployment insurance, for example, and assuming that contributions to the individual saving plan are set as a fraction of earnings, workers with uninterrupted employment will probably end up with a balance in their accounts well in excess of their needs.<sup>21</sup> On the other hand, workers experiencing repeated spells of unemployment will not have been in a position to make sufficient savings.

Chile has developed an employment termination programme aimed specifically at domestic workers (Barrientos, 1998a). Employers of domestic workers are required to contribute 4.11 percent of pay into a termination saving account held with any of the private pension fund managers. The balance of the account is invested in interest yielding financial assets in the same way as retirement saving accounts. In the event of the termination of employment, the domestic worker is entitled to the balance of the account. This has the main purpose of securing termination compensation for these workers, who are particularly affected by irregular employment. In addition, the programme is intended to encourage domestic workers to access the range of financial services provided by pension fund managers, including voluntary saving, and retirement saving accounts. Participation in retirement saving plans is voluntary for domestic workers in Chile, but the employment termination programme is expected to strengthen their voluntary participation.

Colombia reformed its health system in 1995, introducing health insurance providers who collect payroll contributions and fund health care expenditures. Redistributive and solidarity objectives are a feature of the new system. The health insurance system includes two regimes. The contributory regime is for formal workers, and the subsidised regime is for informal or low paid workers, and generally those not covered by the contributory regimes. The government collects solidarity contributions from formal workers and together with funds from general tax revenues, subsidises a basic health care package for those in the subsidised regime. There are for-profits or not-for-profits health insurance providers. NGOs have used government subsidies to extend coverage to informal workers. Specific case studies have been evaluated in Lund and Srivinas (2000) and in CLAISS (1999b). The evaluation shows that health insurance coverage of informal workers has expanded in Colombia, and that the plans are sustainable, but that the number of workers benefiting from these plans is small.



### **Non-Contributory Universal Social Protection for Informal Workers**

There are very few non-contributory universal programmes in Latin America due to the prominence of social insurance models of social protection.<sup>22</sup> Brazil's *Previdencia Social Rural* provides a rare example of a non-contributory pension and disability programme to the rural poor. The 1988 Constitution extended universal entitlement to basic pension benefits to the old and disabled in informal rural employment. The programme secures a monthly benefit equivalent to one minimum wage to men (over 60) and women (over 55) labourers, or in subsistence agriculture, fishing, or mining, and to their dependants in the event of the death or disability of the main beneficiary. The reform extended pension benefits to women workers especially<sup>23</sup> and in the South of Brazil 63.2 percent of beneficiaries are women. Evaluation studies have shown that the programme has had an important impact on poverty reduction among beneficiaries, but that it has also had an effect in helping beneficiary households to move from subsistence agriculture to sustainable household production (Delgado and Cardoso, 2000). It has also been found that children school enrolments have risen in households with programme beneficiaries (Carvalho, 2000). In the context of structural change and liberalisation of the agricultural sector in Brazil, the pension and disability benefit has become a key instrument supporting rural development and agricultural policy.

### **Labour Standards, Codes of Conduct and Women in Export Horticulture**

Trade liberalisation and globalisation have created the conditions for a rapid expansion of employment in export horticulture in Latin America. More broadly, there has been a rapid expansion of non-traditional exports of fruit (Chile, Mexico, Brazil), flowers (Colombia), and sea products (Chile, Peru, Ecuador). Export production in these sectors is directly inserted within supply chains to the northern countries. Women account for the majority of workers employed in these sectors, and employment is largely informal, flexible, and temporary. For example, women make up 52 percent of temporary workers in the fruit export sector in Chile (Barrientos, 1996; Barrientos, Bee et al., 1999). In some cases, the expansion of these sectors produce seasonal migration from the cities to the countryside of temporary workers, and forms of sub-contracted employment to gang masters are common. The implementation of core labour standards, and the emergence of codes of conduct imposed by northern suppliers on private producers, has led to some improvement in social protection for these workers. Regional trade agreements, Mercosur and Nafta, have reinforced these. The confluence of international labour

standards, enforcement of national labour regulations, and pressure from northern suppliers, could provide the conditions for improving basic social protection for women in export horticultural employment.

The main conclusions from this section are that women in informal employment are largely excluded from formal social protection in Latin America. Social insurance programmes have shown inherent limitations in extending social protection to informal workers. Alternatives to social insurance include individual saving plans, universal basic income programmes, and labour standards. It was shown with specific examples that these may, given appropriate design features, help in extending social protection to women in informal employment. At the same time, and in the context of current conditions in Latin America, these alternatives are limited. Individual saving plans in pensions and health in Latin America have not succeeded in extending coverage to women in informal employment, except where government subsidies and NGOs provide the necessary financial and institutional support. A universal basic income programme appears to have been successful in Brazil's rural sector, but it constitutes an isolated example in Latin America, and focuses on older groups only. International labour standards may at best extend limited social protection to some workers in some sectors. Broader, and integrated, institutional reform is needed (See BOX TWO on *The Regulatory and Institutional Environment in Latin America*). The next Section considers the main policy issues in extending social protection to women in informal employment.

## **POLICY ISSUES RELATED TO WOMEN IN INFORMAL EMPLOYMENT AND SOCIAL PROTECTION IN LATIN AMERICA**

As argued above, focusing on informality in the context of employment encourages a different view of the relative significance of structural and agency factors in informal employment. The main thrust of policy on informal employment and social protection in Latin America relied on economic development gradually reducing informal employment, and on extending credit facilities and training to microenterprise development (Mezzer, 1989).<sup>24</sup> Focusing on informality in the context of employment gives a wider, and complementary, role to agency factors. For some workers, and for women workers in particular, informal employment is triggered, for example, by:

- the need to avoid social insurance payroll taxes because earnings, net of payroll taxes, in formal employment are too low relative to subsistence levels (as shown above, this is especially the case for women in informal employment);
- or because earnings in formal employment are, in specific sectors or for specific skill levels, too low relative to informal employment earnings;
- or because earnings in formal employment fail to reward individual worker' productivity (this may be a consequence of discrimination against women in employment and pay);
- or because receipt of social insurance benefits is unlikely or uncertain (this may be a consequence of women's discontinuous employment, or of existing gender bias in benefit entitlement, or of direct exclusion from social protection programmes);
- or because workers are covered through family members (this applies to women especially).

This opens up a wider policy agenda including, in addition to economic development, reducing the costs of formal social protection, reducing earnings inequality, reducing discrimination in employment, removing exclusion in formal social protection and supporting informal social protection initiatives, and unbundling formal social protection programmes - to name the most important. These are discussed in more detail below.

### **Reforming Labour Market Institutions**

Women in informal employment share with other women workers significant discrimination in pay and employment opportunities, and, as shown in the paper, these may apply more strongly to women in informal employment (Barrientos, 1997). Eliminating gender discrimination in the labour market is an important, though longer term, policy objective (ECLAC, 2000a). A key to women's disadvantage in the labour market is the need to reconcile the responsibilities arising from the family and paid work. Labour market institutions and regulation covering women's needs in this respect need to be developed, and these should be designed to specifically include women in informal employment.

A key factor in the growth of informal employment is labour market liberalisation. Proponents of labour market liberalisation have argued that informal employment in Latin America is, in the main, a consequence of strict employment protection regulations and high non-wage labour costs. Labour market liberalisation should have been associated with a reduction in the share of

informal employment, but instead liberalisation has fuelled a growth in informality. Effective and stronger labour market institutions are needed to turn the tide of informality (Weller, 1998b). From the perspective of women in informal employment, it can be argued that the emphasis in Latin American countries on employment protection (associated with male breadwinner social protection models) is unhelpful. The emphasis of employment protection should shift towards supporting active labour market policies facilitating investment in workers' skills, and towards setting in place voice and participation mechanisms in the workplace, which alone can secure strong worker-firm attachment. Labour market policies, which facilitate women's efforts in combining work and family responsibilities, are very important. These extend beyond childcare provision, as important as this is, to cover women's financial and legal independence.

Labour market regulations are reasonably well-developed in Latin America, but their implementation is limited by the resources available to the regulators, and by the dominant influence exercised by employer groups. It is interesting that much of recent labour market reforms in Latin America have taken place without extensive change to existing legislation and regulation (Lora and Pages, 1996). The need for stronger labour market institutions in the region may be satisfied to an important extent through a stronger commitment to enforcing existing regulations.

### **Reforming Welfare Institutions**

Social insurance reform in Latin America has led to a decline in coverage and therefore a decline in social protection. In part this is due to the redesign of welfare programmes. Reliance on individualised saving as a social protection device effectively divests social protection programmes of key redistributive and insurance properties. Formal social protection programmes put the emphasis on formal (and male) workers as the key constituency. This is true of the old social insurance welfare institutions as well as the new reformed individual capitalisation institutions.

It is important to design welfare institutions that these are inclusive of informal workers. This implies a change in perspective in designing welfare institutions. From the perspective of women in informal employment, the following points have been identified in the context of pension provision, but have wider import (Barrientos, 1998a; Barrientos, 1998b):

- Eliminating gender biases in entitlements will make participation in social protection programmes more attractive. Unfortunately gender bias in programme design is common.
- Making pension saving more liquid and flexible would be a key advantage for workers with irregular employment and low pay. At present, pension saving can only be withdrawn at retirement or death. This is not very attractive to workers moving between formal and informal employment.
- Relaxing entitlement to basic pension guarantees, so that all contributions to retirement saving plans count. In Argentina, for example, minimum pension benefits are guaranteed only after workers complete 30 years of contributions. It is unlikely that women in informal employment will manage to have a long contribution record.
- Unbundling insurance coverage for contingencies may provide a better match for the social protection needs of heterogeneous informal workers. Women self-employed will be attracted to contributing to disability insurance, but are unlikely to contribute to old age pensions because they would be keener to invest in their businesses.

It is important to encourage voluntary saving as a means of ensuring social protection, but this will not be enough to secure social protection for informal workers, and especially women. Non-contributory programmes will be needed to assist vulnerable workers. There are few examples of this in Latin America, but evidence from Brazil's *Previdencia Social Rural* shows that non-contributory pension programmes well targeted on informal and vulnerable workers and their households can be sustainable, and can generate dynamic processes which reduce economic risk on a longer term basis.<sup>25</sup> A mixture of contributory programmes complemented by subsidies and institutional support by GOs and NGOs can, as the Colombian microhealth insurance case demonstrates, make inroads in extending social protection to informal workers and other vulnerable groups.

### **Women's Informal Employment and Life Course Choices**

Life course factors are very important to women's informal employment.<sup>26</sup> Informal employment is an important gateway into the labour market for younger women lacking formal educational qualifications. At the other end, informal employment is commonly used by older women as a means of avoiding age-related decline in labour market opportunities and for postponing exit from the labour market. Informal employment is a gateway out of paid employment and into

retirement. Informal employment is, in a life course context, a consequence of the household division of labour and of women's disadvantage in the labour market.

Whilst informal employment provides opportunities for women that are not available in formal employment, there are also long term adverse effects of informal employment on women earnings, income, and well being. Eliminating these adverse effects involves joined-up lifelong interventions aimed at supporting women's life cycle choices. It involves improving women's access to education, as well as the quality of education. This is particularly necessary in Latin America where large inequalities in access and provision by income status remain (Gajardo, 1999). Policies aimed at facilitating the transition from school to work for women can be effective in preventing involuntary informal employment. It also involves securing women's autonomy in old age through securing basic income in old age independent of employment status. This has been achieved in other countries by taking account of women's care-related employment gaps in the calculation of entitlements (the UK for example). As can be seen, extending social protection to women in informal employment requires supporting life cycle choices early and later in life.

### **Data Issues and Further Research**

The paper has identified a number of areas where further research is needed, as well as gaps in available data. These are as follows:

- The availability of Household Survey Data in the region has greatly facilitated research on informal employment, but cross-section data places some limitations on research. On the other hand, longitudinal studies are costly. The use of retrospective questions on economic activity and employment in cross-section Surveys (employment status a year ago, say) may provide important additional information at very marginal extra cost.
- It would be useful to examine the gender and formal-informal earnings gap across countries in the regions with the available household survey database , and to carry out sectoral analyses.
- A study of gender bias in formal social protection programmes in the region is overdue.

- The study of informal social protection, and especially microinsurance, could be advanced by the development of an inventory of such programmes in the region, and by comparative studies.
- There is a gap in attitudinal surveys of workers in informal employment regarding their perception and ranking of economic risk, demand for insurance, and strategies to reduce the impact of economic risk. These would clarify, at least, the issue of what changes are needed to make formal social protection attractive to these workers, and the issue of whether unbundling social protection would help expand coverage.

## **CONCLUSION**

It has been argued in the paper that there is a significant gender dimension to informal employment in Latin America. Women are over-represented in informal employment, and, within informal employment, women concentrate in the lower paid and more precarious jobs. Their over-representation in informal employment increases their vulnerability, as entitlement to social protection in Latin America is largely secured through formal employment.

In the paper, informality was considered in the context of employment, and was defined by the transfer and concentration of economic risk onto workers. Economic crises, labour market liberalisation and welfare reforms have contributed to the growth of informality in the region, and especially to the growth of women's informal employment. In 1998, 52 percent of women workers worked in informal employment. Self-employed accounts for just below one half of women in informal employment, domestic work for a third, and microenterprise employment for the residual. There are differences existing across countries in the region in both the share of informal employment and the relative size of the different component groups. Variations in self-employment are dominant. Average earnings of women in informal employment are lower than average earnings of women in formal employment and they are also lower than men's.

Access to social protection by women in informal employment is restricted, both by social insurance programmes design, and by the precarious nature of their employment and low pay. Social protection entitlements in the region depend largely on employment status, largely excluding workers in informal employment. This applies to the whole range of social protection

programmes. The paper argued that extending social protection to women in informal employment requires that consideration be given to reforming labour market institutions and social protection programmes. The reforms should aim to reduce women's disadvantage in the labour market, to redesign social protection programmes to include women in informal employment, and to establish non-contributory programmes where needed. It is important to develop life-long interventions supporting women's life course choices.



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**BOX ONE** (summarises paper information re headings in Lund and Srinivas (2000) Section 6.2)

## **CORE ELEMENTS OF SOCIAL PROTECTION IN LATIN AMERICA**

### **Protection against loss of income and assets**

As indicated in the paper, social protection in Latin America relies mainly on social insurance and private saving on the one hand, and employment protection on the other. There are few social assistance programmes in the region, and these apply mainly to older groups. Informal workers, and especially women, are largely excluded from private insurance which is underdeveloped in the region.

### **Health care**

Health insurance and health care in Latin America is segmented into three main groups. The wealthy largely self-insure and access health care from private providers. Workers in formal employment and their dependants are covered by social insurance, or compulsory saving, plans and access health care from public and private providers. Workers in informal employment and more generally the poor, access health care directly from public providers. This is limited in the range of interventions provided, and of low quality. Access to public health care is a particular problem for the poor, who normally live at some distance away from where providers are located.

### **Disability**

In most countries in the region, women in informal employment are excluded from disability insurance (see Table 4).

### **Maternity**

Some countries in the region extend maternity benefits and maternity employment protection to some groups of workers in informal employment, and a few have programmes with universal coverage (see Table 4).

### **Child care**

Formal provision of child care is concentrated on workers in formal employment and with higher incomes (León, 2000).

### **Death of the breadwinner**

In most countries in the region, women in informal employment are excluded from survivor insurance (see Table 4).

### **Old age**

In most countries in the region, women in informal employment are excluded from retirement plans (see Table 4).

## **Coverage against disasters**

This is largely dependent on government provision and international aid.  
BOX TWO (summarises paper information re headings in Lund and Srinivas (2000) Section 3.4)

## **REGULATORY AND INSTITUTIONAL ENVIRONMENT IN LATIN AMERICA**

### **Government**

There is very little policy aimed specifically at women in informal employment. A recent ECLAC policy document (ECLAC, 2000a) notes the work of National Women's Offices in policy advocacy on issues of special significance for women, which include support for microenterprise and training. The document reports that progress has been slow, although project development and implementation has taken place in some countries.

### **Urban planning**

No information could be accessed on whether informal employment is integrated into urban planning.

### **Labour regulation**

Labour legislation is well developed in Latin America, and adoption of international labour standards is high (Lora and Pages, 1996; Cox Edwards, 1997). Implementation and enforcement of labour regulations is limited, in the main, to formal employment, and especially to medium and large employers in the private sector, and to the public sector. Informal employment is largely outside labour regulations.

### **The gender climate**

There is increasing awareness in the region of the need to develop legislation and policies to promote gender equity, but there is also resistance to this agenda. This results from "the lack of technical and financial resources, the compartmentalised structure of social policies, the weakness of social controls and of equality- and results-oriented citizen cultures, weak social participation mechanisms, especially where women are concerned, and a political culture that is unfavourable to equality between men and women, and above all the continuing under-representation of women in the institutional spheres where decision-making takes place" (ECLAC, 2000a, p.22).

### **Participation of informal workers in policy development in social protection**

The dearth of information on this points to the fact that women in informal employment have very few avenues for participation in policy design and development regarding social protection. It is likely, though, that participation may be more common at the community or project level. This is noted in studies of microinsurance projects (CLAISS, 1999).

## **Participation of civil society organisations and interest groups**

There is very little evidence that the interests of women in informal employment are widely promoted by civil society organisations and interests groups in Latin America, although some support is provided by National Women's Organisations as indicated above, and by NGOs (Berger and Buvinic 1989). Dedicated organisations of women in informal employment have developed in some countries, although there is very little information on this.

## **Inter-country policies**

As noted in the paper, regional trade agreements, Mercosur and Nafta, incorporate some international labour standards. These are not specifically aimed at women in informal employment, but may have some implications for them.

## **International institutions**

Given the size of informal employment in Latin America, informality has been monitored by all international institutions with an interest in the region, including ECLAC, ILO, IDB, PAHO, and the World Bank. International institutions have been crucial in advocating policies needed to extend social protection in the region, but differences in approach and policy design are significant. A stronger focus on women in informal employment would be helpful.



## Notes

<sup>1</sup> I am grateful to Frances Lund and Claudia Piras for detailed comments, and to Martha Jimenez and Di Perrons for comments on an earlier version of this paper. The remaining errors are all mine.

<sup>2</sup> Some countries, including Chile, began economic liberalisation in the late 1970s and early 1980s.

<sup>3</sup> Economic risk, also commonly referred to as social risk, describes the probability that events such as unemployment, disability, or the death of the breadwinner, to mention a few, force individuals and their households to lower their standards of living (in some cases below the poverty line).

<sup>4</sup> See inter alia Thomas (1992), Moser (1994), Rakowski (1994), Portes, Castells and Benton (1989), Wilson (1998a), Berger (1989). An illuminating account of the concept of informality from a policy perspective is provided by Márquez (1994).

<sup>5</sup> Porters, Castells and Benton's (1989) define the informal economy as "a process of income generation characterised by one central feature: it is unregulated by the institutions of society" (p.12). This approach makes it difficult to identify the institutions, norms and practices governing informal employment.

<sup>6</sup> The experience of the Latin American economies in the 1980s and 1990s sets aside the view that economic growth ensures the gradual disappearance of informality (Fields 1990; Turnham, Salomé et al. 1990).

<sup>7</sup> In the PREALC measure, domestic workers are excluded because the emphasis is on the informality of productive units not people.

<sup>8</sup> More specifically, it measures the number of dependent workers with social insurance payroll contributions.

<sup>9</sup> It is important to keep in mind that the data cover urban employment only. Another issue with regard to the data is the extent to which women are less visible than men in employment statistics, and especially in informal sector employment statistics (Henriquez and Perez 1994).

<sup>10</sup> It can be speculated that this is to do with gender differences in social insurance coverage of employees. The figures are consistent with a higher proportion of men than women employed in microenterprises being covered by social insurance, or with a larger number of men than women working in medium and larger enterprises without social insurance coverage.

<sup>11</sup> Aggregate data on informal employment by sex for this period is lacking.

<sup>12</sup> Psacharopoulos and Patrinos (1994) estimate the indigenous share of population at 56.8 for Bolivia, 29.5 for Ecuador, and 40.8 for Peru, in the 1980s. They find that indigenous people have significantly lower access to schooling, and higher rates of illiteracy, and that indigenous women have lower education attainment levels and higher rates of illiteracy than indigenous males. This is explained by their socio-economic status, language barriers, and their predominantly agricultural employment.

<sup>13</sup> Smith and Metzger (1998) use data from street vendors in Mexico and argue that the estimated returns to education are in line with human capital models, but that they are overstated due to the difficulty in decomposing labour earnings and capital returns in self-employed income.

<sup>14</sup> The difficulties involved in measuring this group from household survey responses are greatest as the boundary between employment and homework is fuzzy. The ILO data referred to in the text has been taken from ILO (1999a).

<sup>15</sup> There are two data issues that need to be kept in mind here. Firstly, all studies of the distribution of earnings show this to be lognormal, with the mean being higher than the median. Secondly, data on self-employed earnings may include returns to capital (Smith and Metzger 1998).

<sup>16</sup> The index was constructed by standardising each variable as:  $x_i^j = \frac{y_i^j - y_{\min}^j}{y_{\max}^j - y_{\min}^j}$ , where x is the index

value for variable j and country i, y is the observed value in the variable. The index has a range 0 to 1. The maternity entitlement index is the simple average of the three variable indexes (Rama 1995).

<sup>17</sup> As the index values provide a relative measure (relative to the average), and the size of the formal sector is an absolute measure, the values for the adjusted index have no straightforward interpretation.

<sup>18</sup> See Folster for a discussion of the social protection based on individual saving (Folster 1999).

<sup>19</sup> Individual retirement saving accounts have been introduced in Chile, Argentina, Peru, Colombia, Uruguay, Bolivia, Mexico, El Salvador, Nicaragua and Costa Rica. Individual health insurance plans have

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been introduced in Chile, Argentina, Colombia and Mexico. Chile and Colombia have extended the financing of education through demand subsidies. Individual saving unemployment accounts have been introduced in Chile and Colombia.

<sup>20</sup> See SAEP (1999) for a study on extending pension plan coverage in Peru.

<sup>21</sup> In fact, unemployment insurance schemes usually specify a maximum balance above which workers are not required to continue saving.

<sup>22</sup> Although universal health care provision is a stated aspiration of most countries in the region.

<sup>23</sup> Prior to the reform, a lower benefit was paid to heads of households over 65, with only one benefit paid per household. Disability and survivor pensions are now paid to either female or male partners.

<sup>24</sup> An excellent discussion of how to extend social protection to informal workers can be found in Mesa-Lago (1992). It has an interesting section on policy recommendations, some of which are included here.

<sup>25</sup> Although on paper, the programme has contribution requisites, these are satisfied through an affidavit from the applicant supported by a letter from a relevant trade union.

<sup>26</sup> See Roberts (1991) for an early discussion on informal employment and the life course.