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HIGH TIME TO CLOSE THE GENDER GAP: A CALL TO ACTION FOR LATIN AMERICAN AND CARIBBEAN POLICYMAKERS

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INTRODUCTION

When women thrive, societies thrive. Empowering women's economic opportunities will help optimize the use of societies' productive resources and promote economic growth, household welfare, and intergenerational wealth transfer.¹

The COVID-19 pandemic has hit women particularly hard, deepening gender disparities in Latin America and the Caribbean (LAC) and worldwide. Closing these disparities requires urgent attention from governments. Particularly needed are policies and programs to empower women to gain equal opportunities to employment and career advancement, and enable women to start their own businesses, thrive in the digitizing regional economy, engage in trade, and build and manage wealth.

THE IMPACT OF COVID-19 ON WOMEN

The COVID-19 crisis hit LAC women much harder than men. In particular, LAC women have experienced a dramatic reversal in the past decade's growth in female labor participation. Women's unemployment rate is now at 22% in the region, with women in Chile, Peru, and Brazil hit hardest.²

One reason for the heavy toll on women is that the pandemic created new household responsibilities for women to care for children and the elderly, which deviated women's focus from their careers and businesses. Even before the crisis, women in LAC spent about four hours a day on unpaid work, compared to about two and a half hours for men, and did more than three-quarters of societies' unpaid care work.³

Another reason COVID-19 affected women in particular is that women are disproportionately represented in sectors that were hardest hit:

- Around the world, women make up majorities of services workers and retail workers, sectors undermined by the crisis, around the world.⁴ In the LAC region, almost 40% of working women are employed in sectors most affected by the crisis, such as accommodation, restaurants, and retail.⁵
- In LAC, about 11% of working women are employed as domestic workers. In the second quarter of 2020, employment levels in paid domestic work fell by significant double digits in Brazil, Chile, Colombia, Costa Rica, Mexico, and Paraguay.⁶
- Women workers and business owners in sectors impacted by the demand and supply shocks resulting from Covid, such as electronics and automotive sectors, experienced churn and cash flow challenges.⁷
- In sectors that boomed in the crisis, such as healthcare, women are underpaid compared to their male peers. While women make up about three-quarters of LAC health workers, their pay is 24% lower than that of men.⁸ Women also make up the majority of part-time and contract healthcare workers, who are generally low-pay or unpaid.⁹
- Women represent 54% of workers in the informal sector in LAC, where they lack protection from labor laws and receive no social benefits.¹⁰



Still another reason LAC women were hard-hit by the crisis is that women-owned businesses are already more vulnerable – and proved to be even more so during the pandemic. In LAC, small and medium enterprises (SMEs) led by women were 11% more likely to close in the face of the crisis than firms led by men.¹¹ Brazil lost some 1.3 million women-led firms to the crisis.¹²

In addition, women and women-led firms may have a harder time getting back on their feet, due to disparities in access to finance. The vast majority of venture capital is still invested in men-run businesses. Women in LAC face the largest gender funding gap in the world at more than US\$85 billion.¹³ Throughout the region, women own roughly a third of all small businesses, however about 70% of these women-led businesses do not have access to credit.¹⁴

The payoffs from addressing these challenges are huge for LAC governments: closing gender gaps in LAC labor markets could add more than US\$1 trillion in the region's growth by 2025.¹⁵ And millions of women-led firms could be re-opened and created.

HOW LAC GOVERNMENTS MUST SUPPORT WOMEN IN COVID-19 RECOVERY

Governments need to adopt five strategies to address the severe gender gaps and support women's economic empowerment in LAC:

- **Accelerate labor market reforms that target gender disparities and promote women's participation in the labor market and in full-time employment**, for example through flexible remote work and childcare for women to better manage their time, and critically, through actively promoting gender parity in businesses' leadership positions and boards.¹⁶ One good example is Chile's Gender Parity Initiative, a public-private platform that aims to integrate more women into the economy and help close gender gaps in opportunities and economic empowerment.¹⁷
- **Invest in women's and women-led firms' digital skills and ecommerce-readiness**, for women to thrive in the increasingly digitized regional and global economies. Multiple firm-level surveys suggest that women-led firms are just as likely as *comparable* male-led firms to benefit from ecommerce use in terms of new customers, higher revenues, higher margins, and export opportunities.¹⁸ Governments need to promote women's access to the Internet and devices; training program and mentorship for running a digital business; use of digital payments and cross-border logistics; and funding for digital transformation of their firms.¹⁹ There are good examples in the region of programs that do exactly this, such as Mexico's *Mujeres en la Transformación Digital* program.
- **Promote women-led firms' access to markets and an open international digital trading system**. Today, digitization can tip women-owned businesses into success and growth by expanding their reach into foreign markets. LAC governments know well how powerfully access to new markets can enable small businesses to grow and diversify their customers and suppliers and grow their sales.²⁰ Keeping domestic and foreign markets open for the free cross-border flow of goods, services, content, and data is an essential pillar in LAC government's pro-women and a pro-small business economic agenda.



- **Provide financing to women-led businesses** to quickly get off the ground and get back on their feet, such as via low-cost loans loan guarantees, tax breaks, and innovative Fintech-enabled lending and crowdfunding. All parts of the financial system need to be involved: commercial banks, microfinance institutions, digital lending platforms, and supply chain financing entities, as well as government funds. There are diverse examples of how LAC governments and businesses have funded women-led firms, such as Mexico's Mujeres RIF – Crezcamos Juntas by the Nacional Financiera (NAFIN) that offers loans to women-led firms, Start-Up Chile's "S Factory" which supports first-time women entrepreneurs, and an IFC-supported program with Brazil's Bank Itaú to lend to women-led SMEs.²¹ Financing women makes good business sense: studies show women tend to save their money at a higher rate than men, providing banks with more liquidity, and are more risk-averse, borrowing what they can afford and repaying their loans.
- **Empower women as leaders in national governments and regional bodies.** Women leaders are inherently attuned to gender issues and challenges facing women in labor markets and businesses. The LAC region has a long trajectory of powerful female officials and leaders, yet women still make up only 27 percent of Congressional representatives in LAC.²² Policies to enable women's political leadership including gender quotas have helped propel women's leadership in such countries as Argentina, Bolivia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua and Panama, and Peru; countries that implement gender parity programs and laws do twice as well as countries with lackluster implementation.²³ Governments need to commit to propelling women to leadership roles, and follow through on their commitments.

Public-private partnerships too are critical for promoting these aims. The Alliance for eTrade Development that prepared this document is an example of a public-private partnership aimed to empower women-led firms, by promoting small emerging market firms' ecommerce and trade.

Latin American and Caribbean governments have an imperative to bridge gender disparities that have tragically widened as a result of COVID-19, undermining years of progress and millions of women's careers, businesses, and economic prospects, and arresting economies' growth. There are already many good examples in the region on how to promote women in labor markets and business. LAC governments today have an opportunity to turn the crisis into an opportunity: use the pandemic as a catalyst for reforms to close LAC's gender gaps once and for all and empower women as employers, employees, business owners, and leaders in LAC societies.



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