Women in the private sector in Latin America and the Caribbean[1]

Basic Definitions

Countries surveyed in 2010 and how they are grouped for analysis:

In 2010, Enterprise Surveys (ES) interviewed 12,855 enterprises in 30 Latin American and Caribbean countries. In addition in 2009, 1,802 firms were interviewed in Brazil also following the standard ES global methodology.

For analytical purposes, the 31 countries are categorized into 3 groups:

Small Caribbean countries: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Suriname, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

Medium-size countries: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Uruguay, and Trinidad and Tobago

Large countries: Argentina, Brazil, Chile, Colombia, Mexico, Peru, and República Bolivariana de Venezuela.

Two waves of Enterprise Surveys, 2006 and 2010:

Fifteen countries were surveyed in 2006 using the ES global methodology: Argentina, Bolivia, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and República Bolivariana de Venezuela. In total, 10,930 firms were interviewed in 2006, of which 3,535 were re-interviewed in 2010.

Reference periods of the survey data:

The information collected in the surveys refers to characteristics of the firm at the moment of the survey (2006, 2010 and 2009 for Brazil) or to the last completed fiscal year (2005, 2009, and 2007, respectively). In addition, sales, employment, and labor productivity annual growth rates are calculated comparing data from the last complete fiscal year of each survey and recall data. Consequently, growth rates refer to the period 2002-05 for the 2006 surveys, 2004-07 for the 2009 Brazil survey, and 2007-09 for the 2010 surveys.

Creating the conditions to unlock women's skills and expand their opportunities in the labor market is essential to boosting shared prosperity and to promoting women's economic empowerment. Yet women's productive potential is largely underutilized; women's participation in the labor market, earnings, and quality of employment all lag behind those of men. The private sector plays a critical role in fostering economic opportunities for women, accounting for about 66 percent of formal employment in emerging and developing countries (IFC, 2013). Thus, knowing the extent to which women in Latin America and the Caribbean (LAC) are participating in private sector economic activity, both as employers and employees, and how firms run or owned by women perform, provides valuable insight for policies aimed at strengthening development and expanding women's economic opportunity.

Several studies suggest important gender gaps in the private sector. Firms owned by women tend to be concentrated in labor-intensive sectors such as retail and other type of services rather than in capital-intensive manufacturing (Klapper and Parker 2010; Amin and Islam 2014). Evidence also suggests that women-run and women-owned firms are smaller, have lower employment growth, and face a more burdensome business climate (Amin 2014; Aterido, Beck, and Iacovone 2011; Bruhn 2009; Sabarwal and Terrell 2008). The Enterprise Surveys (ES) provide information on the characteristics of private-sector firms that are women-owned, women-run, or in which women are employees, on how such firms perform compared to their men-owned or men-run counterparts, and on how such firms experience the business environment.

The Enterprise Surveys (ES) define women-owned firms as sole proprietorships owned by women[2]; women-run firms are defined as firms in which the top manager is a female; and women workers are defined as female permanent full-time employees. The Enterprise Surveys also provide information on whether a firm has one or more female owners, but they do not specify the percentage of female ownership. Since this measure does not indicate the extent of female ownership—firms in which women are the main shareholders are classified in the same group as firms in which women are minority shareholders—this alternative metric is not considered here.

LAC countries compare well on female participation in the private sector as employers and as employees

Female participation in the private sector, in particular the percentage of firms run by a female manager, is low around the world. The Latin America and the Caribbean region is no exception. Only one in five firms in LAC is run by a female manager. LAC fares well, however, when compared to other regions. The percentage of women-run firms in LAC, at 21 percent, is higher than in Eastern Europe and Central Asia, Sub-Saharan Africa, and South Asia, and lower only than in East Asia and the Pacific (Figure 1).

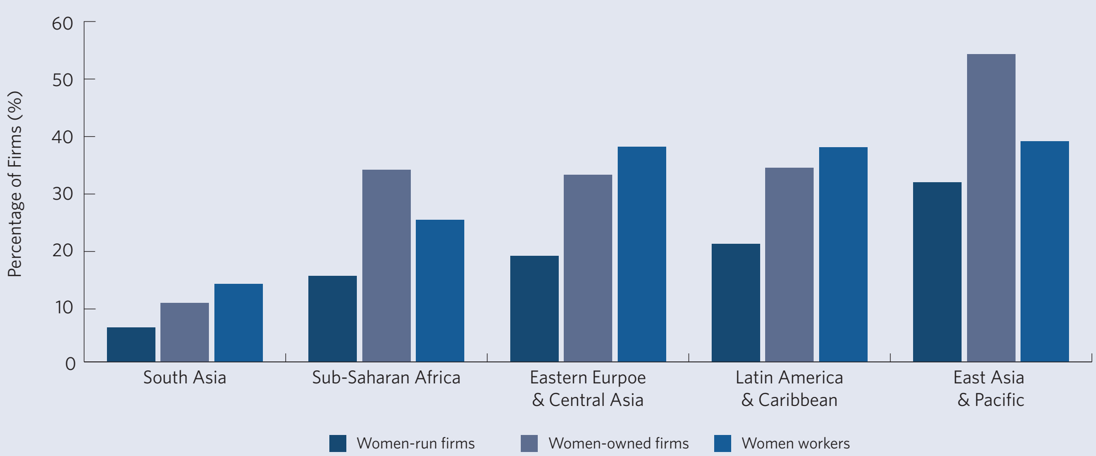
The Latin America and the Caribbean region also compares well in the percentage of female-owned firms and female participation in the workforce. In LAC 34 percent of firms are women-owned and 38 percent of the workforce is composed of female permanent full-time workers. These figures are surpassed only in the East Asia and Pacific region.

Despite an overall increase in female labor force participation rates in the Latin American and Caribbean region in recent years, the share of women-owned firms in the private sector did not rise between 2006 and 2010. On average, for the 13 countries for which data are available in 2006 and 2010, the share of women-owned firms decreased slightly from 32 percent in 2006 to 30 percent in 2010. On the contrary, and in line with the general positive trend, the percentage of female workers increased from 31 percent to 34 percent.

Women-run firms and women-owned firms are more common in the small Caribbean economies and more concentrated in the retail sector

Overall, the percentage of women-run firms and, to a lesser extent, women-owned firms, is significantly higher in smaller countries, whether measured by total GDP or total population. These gender-based differences remain after taking into account the possibility that small and large countries may have different types of firms in terms of sector of activity, firm size, and trade intensity. The share of women-run firms ranges from an average of 15 percent in large economies to 24 percent in the small Caribbean economies (Figure 2). The same pattern is seen among women-owned firms, which account for 30 percent of all firms in the large economies and 38 percent in the small Caribbean countries.

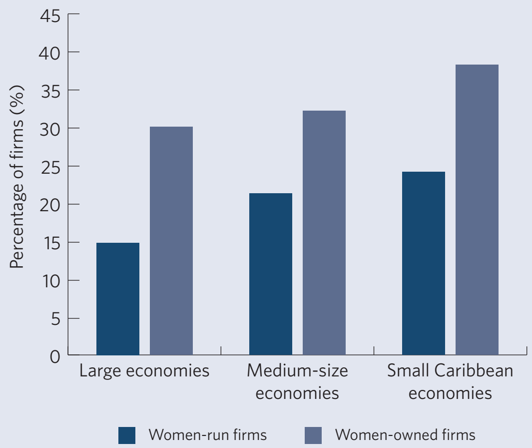
FIGURE 1 **FEMALE PARTICIPATION IN THE PRIVATE SECTOR IS LOW IN DEVELOPING REGIONS, BUT FIRMS IN LAC COMPARE WELL TO OTHER EMERGING AND DEVELOPING REGIONS**



Source: Enterprise Surveys.

FIGURE 2

SMALL CARIBBEAN ECONOMIES HAVE A HIGHER PERCENTAGE OF WOMEN-RUN AND WOMEN-OWNED FIRMS



Source: Enterprise Surveys.

In terms of sector of activity, across the LAC region a higher percentage of women-run firms is in retail than in other services and manufacturing. In the small Caribbean countries, however, women-run firms are as common in the retail sector as they are in other services (Figure 3). The prevalence of female-firms in retail is confirmed also when it comes to women-owned firms, with no difference between small Caribbean countries and the rest of economies in the LAC region.

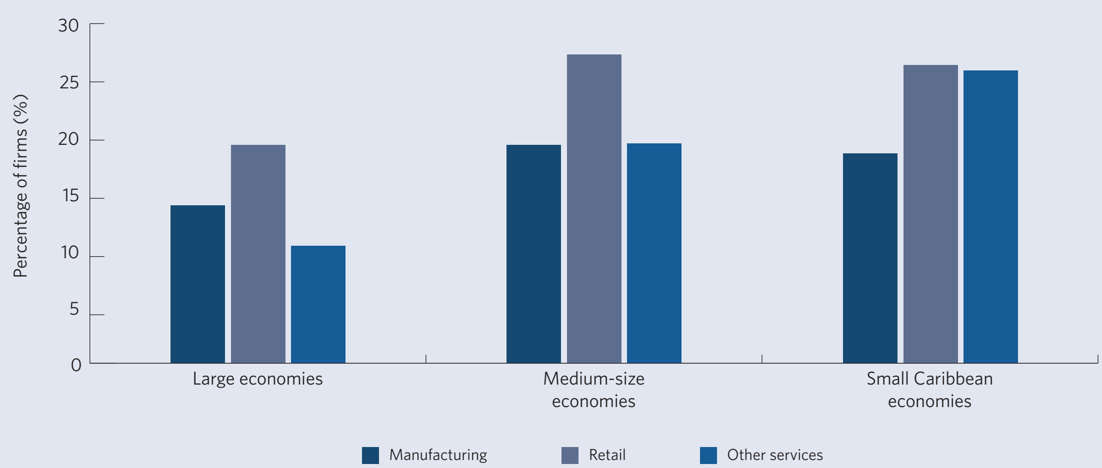
Women-run firms are smaller than men-run firms, but women-owned firms are not

Women-run firms are smaller than men-run firms in all sectors, where size is measured by the number of permanent full-time employees working at the firm in 2010[3]. Men-run firms are about three times as large as women-run firms in retail and about twice as large in other services and manufacturing. The smaller size of women-run firms is more evident in large LAC economies, where men-run firms are more than three times as large as women-run firms. This difference decreases in medium-size economies and, even more in the small Caribbean countries.

Women-run firms are also smaller when total annual sales are used to classify firm size. Overall, firms run by men have 1.3 times the annual sales of women-run firms. The greatest difference is in the manufacturing sector, where men-run firms have sales eleven times higher than women-run firms. The difference is notably smaller in other services, in which men-run firms have 1.6 times the annual sales of women-run firms (Figure 4). In the retail sector, on the contrary, women-run firms have slightly higher total annual sales. The gender gap in annual sales is consistent across all three groups of countries in LAC—large, medium-size, and small Caribbean economies.

FIGURE 3

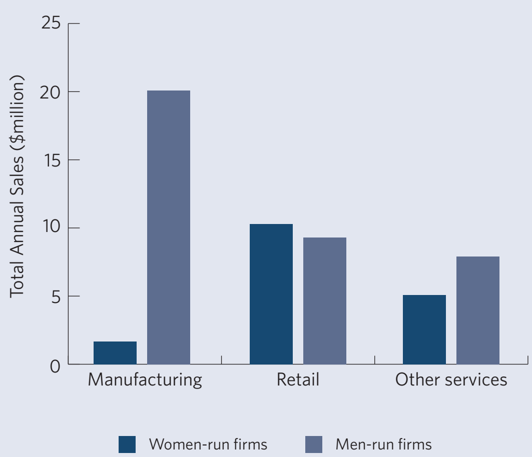
MORE WOMEN-RUN FIRMS IN LAC ARE IN RETAIL THAN IN OTHER SERVICES AND MANUFACTURING



Source: Enterprise Surveys.

In contrast, women-owned firms are roughly the same size as firms owned by men, regardless of whether size is measured by the number of full-time permanent employees or total annual sales. The size homogeneity may be driven by the fact that most sole proprietorships are small firms with 5 to 19 employees.

FIGURE 4 **THE DIFFERENCE IN SIZE BETWEEN WOMEN-RUN AND MEN-RUN FIRMS IS LOWER IN RETAIL AND OTHER SERVICES**



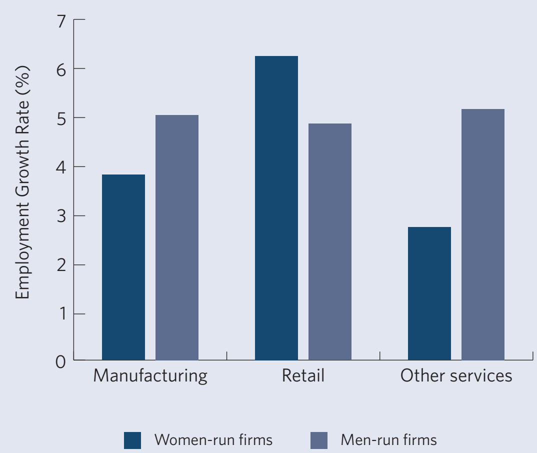
Source: Enterprise Surveys.

Women-run firms in the retail sector perform as well as—or better than—men-run firms

On average, labor productivity, defined as annual sales per employee, is lower among women-run firms than those run by men, with $28,689 and $33,206 median values respectively. However, this difference in labor productivity is significant only when it comes to manufacturing firms, with $20,370 for women-run firms vs. $30,889 for men-run firms. There is no significant difference when it comes to the retail sector and other services. By country groupings, female-run firms show lower labor productivity than male-run firms to a roughly similar magnitude among large Latin American countries, medium-size countries and the small Caribbean countries. When it comes to ownership, on the contrary, labor productivity is not significantly different between men-owned and women-owned firms.

Similarly, employment growth in women-run firms in LAC is lower than in firms run by men. This difference is driven by the manufacturing and other services sectors: in manufacturing, women-run firms created jobs at an annual rate of 3.8 percent per year vs. 5 percent by men-run firms; in other services, at 2.7 percent per year vs. 5.2 percent. In the retail sector, however, women-run firms experience higher employment growth rates. The difference in employment growth rates between women- and men-run firms is seen only in medium-size countries and large Latin American countries, however. In the small Caribbean countries, employment growth is slightly higher among women-run firms (Figure 5). Measured by employment growth, women-owned firms in the LAC region grew slightly faster than firms run by men.

FIGURE 5 **IN THE RETAIL SECTOR WOMEN-RUN FIRMS CREATE JOBS AT A SLIGHTLY HIGHER RATE THAN MEN-RUN FIRMS**



Source: Enterprise Surveys.

The Enterprise Surveys also shed light on whether aspects of the business environment affect firms differently depending on the gender of their manager or owner. Women-run firms in medium-size and large Latin American countries report the business environment to be more burdensome on certain issues. This is less the case in small Caribbean countries, however. For example, the percentage of senior management time spent dealing with regulations is higher for women-run firms in medium-size and large Latin American countries, but not in small Caribbean countries. Similarly, while there is no difference by gender for small and medium-size firms, the percentage of large firms inspected by tax officials in 2010 was much higher for women-run firms (75 percent compared with 65 percent), a result driven by the small Caribbean countries and the medium-size Latin American countries.

Women-run and women-owned firms have more informal links, particularly in medium-size and large Latin American countries. In medium-size and large Latin American countries, the percentage of sales paid in cash vs. sales on credit is much higher for women-run firms than for firms run by men.

Women employees are more common in women-run and women-owned firms and in the small Caribbean countries

Female workers account for an average of 38 percent of the labor force in LAC. However, the share of female full-time permanent employees in the total workforce varies significantly with the gender of the owner or manager. The share is higher in women-run firms than in men-run firms (50 percent and 35 percent), and in women-owned firms than in men-owned firms (46 percent and 33 percent). This difference holds for manufacturing, retail, and other services and for small, medium and large firms. By country grouping, women employees are also more common in the small Caribbean countries, where the share of female full-time workers is 43 percent of the labor force compared with 36 percent in medium-size Latin American countries and 33 percent in the large countries.

Female participation in the labor force is also higher among retail and other service firms than in manufacturing, with no systematic differences by firm size. In manufacturing firms, women are more likely to work as non-production workers than as production workers. The percentage of production and non-production workers by gender is about the same in large countries and medium-size countries[4]. Across the region, labor productivity is lower for firms with higher female participation in the workforce, but this effect is driven by large firms.

Identifying the extent of female participation in the private sector as owners, managers, and workers, and the types of firms most favorable to women's inclusion, is critical toward bridging the gender gap and promoting shared prosperity. Understanding the problems facing women working as employers or employees in the private sector is also important for policy purposes. The results of the Enterprise Surveys show that while LAC compares well with the rest of the world, gender parity is still far from a reality. The retail sector appears to be more favorable to women, so policies aimed at developing this sector will also contribute to greater gender parity. Similarly, if female managers hire more female workers, as the results seem to suggest, policies aimed at increasing female participation in management are likely to increase the share of female workers in the labor force. However, female workers are concentrated in firms with low labor productivity, which suggests the need for skills development for women.

Endnotes

1. Lead authors Silvia Muzi and Mohammad Amin with the collaboration of the LAC report team.

2. Sole proprietorships account for 31 percent of firms in LAC. Accordingly, some caution is needed in interpreting the results on ownership because the sample of sole proprietorships is not representative of a country's private sector. In particular, compared with other firms, sole proprietorships are smaller in terms of employment and annual sales. Still, looking at this dimension of ownership makes clearer comparisons based on gender.

3 These results hold under the more comprehensive indicator of size that includes permanent and temporary workers.

4 Data on the percentage of female production and nonproduction workers is not available for the small Caribbean countries.

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An Enterprise Survey is a firm-level survey of a representative sample of an economy's private sector. The surveys cover a broad range of business environment topics including access to finance, competition, corruption, crime, gender, infrastructure, innovation, labor, performance measures, and trade. The World Bank has collected this data from face-to-face interviews with top managers and business owners in over 130,000 companies in more than 135 economies. Firm-level data and summary indicators are available on the website.

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