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The Informal Economy and Women in Latin America

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Introduction

The “informal economy” throughout the world has been on the rise, especially in more recent years where developing countries have seen an accelerating amount of growth. However, a lack of statistics and extensive information exists due to the difficulties in measuring this informal economy due to precisely the fact that it is “informal” and not formally measured in governmental labor statistics and censuses. Measurement and information on this “informal economy” is further made difficult by a lack of true consensus and standard description on what defines an “informal economy.” This is due in part to the many different names it takes on such as a “hidden economy,” “shadow economy,” “clandestine economy,” “parallel economy,” “subterranean economy,” “unreported economy,” “cash economy,” and “black economy” (Vuletin 2008). In addition, “informal” activities can also take on differentiations and variations such as illegal activities with illegal motivations and ends or legal activities with legal motivations and ends but that are done outside a formal legal system and therefore, are made illegal. For this research, I will be referring to the latter when using “informal economy.” Overall, within this paper I seek to explain the phenomenon of the informal economy in Latin America and in what ways women are excluded from the formal economy and forced into the informal economy where they are highly overrepresented and how this is further troubled by disparities between men and women within the informal economy.

The Economics of Informality

In recent years there has been some consensus on important terms. The first important term to note is that of an “illegal economy” which is defined as consisting of “the income produced by those economic activities pursued in violation of legal statutes defining the scope of legitimate forms of commerce” (Vuletin 2008). The second term to note is “unreported economy,” defined as consisting of “those legal and illegal economic activities that evade fiscal rules as codified in the tax laws” (Vuletin 2008). According to an IMF accepted definition, the “informal economy” comprises “those economic activities that circumvent the costs and are excluded from the benefits and rights incorporated in the laws and administrative rules covering property relationships, commercial licensing, labor contracts, torts, financial credit and social systems” (Vuletin 2008).

A second popular definition of the “informal economy” is “a process of income-generation characterized by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated” (Vuletin 2008; Portes 1992). These “underground activities” of the informal economy can further be defined as “those that have legal ends but employ illicit means...[they] do not intrinsically have a criminal content, but must be carried out illicitly, even though they are licit and desirable activities for the country” (Gherzi 1997), which as previously stated, will be the activities generally referred to throughout this paper. These “informal

proper” (as opposed to informal criminal) activities can be further separated into informal wage employment and informal self-employment, which will be discussed later on in the paper.

Further debate concerning the informal economy exists over its relationship to the “modern” or “formal” economy. In some cases, scholars have considered the informal economy to be a temporary manifestation of the underdevelopment of economies whereby people, usually those who are poor, are performing marginal survival activities because of a lack of access to the formal economy. Therefore, with formal economy improvements, by whatever means taken, people will no longer have to “survive” by participating in the informal economy. In other cases, scholars have recognized the informal economy as representing and functioning as a permanent and integral trait of modern or formal economies that has been integrated into its lead sectors. However, either way, those people who cannot gain entry into the formal economy and are involved in the informal sector are by standard referred to as “underemployed” (Portes 1992). It is important to note when discussing an informal economy the concepts and importance of “underemployment” and “unemployment,” particularly when it comes to analyzing the informal economy in developing countries, especially in the region of Latin America. According to the International Labor Organization, “the unemployed comprise all persons above the age specified for measuring the economically active population who are without work, currently

available for work and seeking work” (Husmanns 2010). This does not include those employed persons who are seeking another different job or an additional job.

The concept of underemployment and its prevalent inclusion in the international labor force framework is a more recent occurrence due in large part to the accelerating growth in developing countries and has great relevance in these developing economies particularly in the realm of agricultural activities. According to the ILO, since many developing countries have a “ high prevalence of self employment, limited coverage of workers by unemployment insurance or social security systems and other reasons, the level of measured unemployment is consistently low” (Husmanns 2010). The ILO, in addition, states that the former has been typically explained by the fact that the majority of people can’t afford to be unemployed for any amount of time, whether short or long, so they are compelled to participate in any kind or degree of economic activity in order to survive. Because this phenomenon can’t be explained by unemployment factors alone, underemployment becomes a useful complement in assessing the informal economy.

As the ILO states, underemployment “reflects an underutilization of the productive capacity of the employed population, including underutilization which arises from a deficient economic system” and is also characterized by a willingness and availability of workers to engage in such an alternative employment situation (Husmanns 2010).

Underemployment can further be separated and viewed in mainly three ways. First, underemployment can describe the employment of higher skilled workers in lower skilled and lower waged jobs. Second, it can refer to “involuntary part-time” workers who can only find part-time work but could and would like to work full-time jobs. Thirdly, it can refer to “overstaffing” or “hidden unemployment” whereby businesses or whole economies employ workers but do not actively use them at certain times so that the workers are, in a way, not fully occupied because they are not being economically productive or economically efficient. This can be due to legal and social restrictions or rules governing firing or lay-offs or because work is highly seasonal, among other reasons. Yet despite these aforementioned situations as part of an official formal economy evaluation, it is important to recognize its greater role in analyzing the informal economy and how the fact of those involved in the informal sector versus the formal sector is not just a question of those considered formally “employed” and those considered formally “unemployed” (Husmanns 2010).

Origins of the Informal Economy in Latin America

The factors that affect employment, underemployment, and unemployment play a part in and relate to the factors that cause and drive an informal economy. While focusing on the informal economy of Latin America, overall there can be said to be three major perspectives on the causes of informality in the economic sector. The first perspective was notably developed by Paul Bairoch, and later supported by other scholars and PREALC (in English, the Regional Employment Programme for Latin America and the Caribbean) and it addresses informality in terms of excess labor supply. Bairoch used “hyper-urbanization” to refer to what happened after rural to urban migration accelerated and thus, brought masses of job seekers to urban areas. Consequently, modern industry in these urban areas were unable to absorb these new masses of job-seekers which led to what Bairoch refers to as “hyper-tertiarization” whereby those excluded from acquiring jobs created their own employment, though minimally productive, in commercial and service activities. Thus, what resulted can simply be considered supply and demand issue (Bairoch 1973).

Bairoch’s ideas were further cultivated by PREALC and other scholars. Within the labor market issue, insufficient capitalist investment in Latin America played a role in the expansion of an economy and the creation of jobs. On another note, some scholars argue that it was easier for developed countries in their industrialization period to create formal

sector jobs than it is for modern Latin America now going through their industrialization because of the differences in technology used. Capital-intensive technology now requires less jobs or more specific workers than the comparable technology used by developed countries during their industrialization period. In another way, this capital-intensive technology and its high costs limited its spread and use, significantly by small enterprises, which could use them to expand business and productivity, and thus, create more formal sector jobs (Portes 1992). Yet, it is important to note that despite these factors, urban formal employment still grew in Latin America due to economic expansion following World War II between 1950 and 1980. Nevertheless, the informal sector continued to grow and by 1980 represent 23.8 percent of the urban economically active population because even though formal urban employment grew, the urban labor force grew just as fast and consequently created another situation of excess supply of labor.

However, in spite of this unique period of economic expansion in Latin America's history, this first perspective continues to view the informal sector as countercyclical where the informal sector is "the refuge of those who could not find access to modern employment...[so] it was expected to contract with rapid growth and to expand in order to absorb the displaced during economic downturns" (Portes 1992). In this way, the informal sector is seen more as a temporary and more undesirable choice

for workers than employment in the formal economy, which it is excluded from yet is a response to.

The second perspective on the informal economy in Latin America was popularized by the Peruvian economist Hernando de Soto who extended his definition of the informal economy to say that it is not a clearly defined economic sector but rather comprises all unregulated and unsanctioned economic activities including direct subsistence production in addition to market production and trade. Rather than this informal economy originating from labor market changes and issues, this second perspective states that the informal economy originated through excessive state regulation and its laws, policies and legal barriers. Informality is thus a response to what De Soto calls the “mercantilist” Latin American state whereby an economic system is set up to increase a nation’s wealth by the government regulating much, if not all, of the nation’s commercial interests and by giving only a small elite the “privilege” of legal participation in the formal economy (Portes 1992; De Soto 1989). These dominating urban elites, fearing and disliking competition, forced and pressured rural migrants out of the mainstream economy that was created and fostered by the state. Consequently, a substantial social base for an informal economy was born (Portes 1992).

The IMF supports this approach to the extent that it designates tax burdens, inflation rates, labor rigidities (including a decline in minimum wage), and strength of the enforcement system, i.e. the government, as

causal factors of informality (Vuletin 2008). To De Soto and others who share his ideas, informal economic activity was not just a means to survive but was a sudden bursting forth of true market forces that were being suppressed by the state. In this way, “the informal entrepreneur is portrayed not as a low-productivity marginal producer, but something of an economic hero who manages to survive and even prosper despite state persecution of his activities” (Portes 1992). Eventually, these informal activities expanded and proved to provide goods and services that were more efficient and cheaper in the midst of formal economic rigidity and which began to take over these goods and services sectors.

The third perspective on the origins of the informal economy in Latin America is a structuralist approach that combines aspects of and contradicts the previous two perspectives while expanding on its own unique aspects. First, it recognizes the link between the creation of an informal economy and excess labor supply as seen in the first perspective but uses the second perspective to define it in the context of the state and its role. Second, contrary to the first perspective, structuralists see the informal economy as an integral part of rather than an excluded part from the modern, formal economy. Contrary to the second perspective, structuralists view informality as a normal aspect of the capitalism, not as a burst of market forces. However, in opposition to both the first and second perspectives, the third perspective notes that informality is seen in advanced countries, as well, not just in developing countries and is not

always associated with poverty. Instead, the informal sector is defined as “all income-earning activities that are not regulated by the state in social environments where similar activities are regulated” (Portes 1992).

The third perspective takes into account a permanent condition of excess labor supply and a historical tradition of unrestricted labor utilization that exists in Latin America to explain the informal sector as mainly caused by alternative types of labor utilization. In this context small firms try to avoid contact with the state and large firms try to avoid or find a way around state controls. This is usually done by more casual and “off-the-books” hiring and subcontracting of production and services to smaller, usually more independent, and unregulated ventures.

Consequently, modern and formal businesses are able to adapt to specific economies that have a combined excess labor supply with socially advanced but expensive regulatory codes. Thus, in contradiction to the previous two perspectives, informal workers and businesses are an active and important part of the formal economy and serve in the informal economy not as opposition or rebellious factors to a status quo but rather vital elements in modern business strategy to accumulate capital (Portes 1992). This approach goes further to say that informal activities are not always marginal survival activities and can generate a significant amount of income, sometimes more so than participation in the formal economy, which can be one reason to explain why the informal economy in Latin America has continued to exist, grow and be resilient throughout the

years. Lastly, this perspective describes the informal sector as procyclical, whereby as the formal economy increases so does the informal economy and the informal will decrease as the formal economy contracts (Portes 1992).

The Informal Economy and Women in Latin America

The informal economy comprises more than half of total non-agricultural employment in Latin America, usually around fifty-one to fifty-seven percent and less than half, but still a substantial amount of urban employment, generally to be around forty percent (Chen 2010). (See Table 1 in Appendix) However, these statistics can be higher in many specific cases, as with Paraguay and Nicaragua, which are the countries with the highest levels of informal activity in Latin America with around 65-70 percent of GDP coming from the informal economy. In addition, if agricultural informal employment was added into the statistics for Latin America (though these statistics are less available), the percent of informal employment would be significantly higher in all areas of Latin America. (See Figure 1 in Appendix)

Informal employment in Latin America has been a significant presence, especially since the 1970s, but it has expanded and transformed as time has passed and processes of globalization, neoliberalism, cross border and rural to urban migration, among many others, has taken deeper root in the region. However, these processes don't just serve to analyze the size and influence of the informal economy and ways to go about measuring it but these highly gendered processes have also revealed important links and relationships between women and the informal economy (ILO 202; Chant 2008). It is well-known and very strongly

statistically proven that women are overrepresented in the informal economy around the world with more than half of the non-agricultural female workforce being informal worldwide. This is most notably seen in developing regions where around sixty percent or the majority of the economically active women are working and participating in the informal sector, which serves as their main source of employment. Overall, the informal sector is a larger source of employment for women than men. In Latin America, the statistic is fifty-eight percent of women compared to forty-eight percent of men (Chen 2010; IDRC 2010).

Yet it is important to note that debate over what to include as female “work” and how much of their work is actually included when gathering official information significantly affects the statistics. First, it is debated whether or not to include only paid female work or both paid female work and unpaid female work, such as housework. Secondly, a lot of paid work done by women is “invisible,” especially when it is done within the home, and this “invisible remunerative work” is rarely recognized let alone included in statistics. Thus, if both these factors were better analyzed and included in research and results, it is projected that women’s informal labor employment would be substantially higher (Chen 2010).

Another important aspect to note when discussing gender in the informal economy is that within informal employment, as stated earlier in the paper, lies a differentiation between informal self-employment, usually

small or unregistered activities, and informal wage employment, characterized typically by a lack of legitimate contracts, benefits and protection and of which also includes those workers employed informally in the formal sector as previously described. However, in almost all developing countries in the non-agricultural informal sector, informal self-employment is more prominent than informal wage employment, specifically representing sixty percent in Latin America while informal wage employment represents the remaining forty percent in the region (IDRC 2010).

The majority of women in the informal sector work as either home-based workers or street vendors. Street vendors or “informal traders” represent a significant share of the employment (statistics from 50 to 90 percent!) as well as overall enterprises in the informal economy, especially since there are very few, if any, restrictions on the freedom of movement of females when it comes to work in Latin America (Chen 2010). Women who engage in this trade can usually be considered self-employed, most notably when they act as self-employed producers who sell products they create or grow such as crafts or food. The second largest informal participation for women is as home-based workers, where women represent over eighty-five percent of this type of employment. Home-based workers can further be separated into three types. The first type is “independent own account workers,” similar to how street vendors are self-employed, and the second type is “unpaid workers in family

businesses”. The third type of home-based workers is “dependent subcontract workers” who are also referred to as “homeworkers,” but not to be confused with “home-based” workers overall (ILO 2002; Chen 2010).

Yet even though women participate mostly in the aforementioned informal activities does not mean that they are removed from the formal economy and subsequently, the global economy. Female informal workers and their informal activities are significant contributors to a country’s GDP or gross domestic product. Interestingly enough, “the most invisible informal workers-homeworkers or industrial outworkers-contribute the most to global trade” mainly because they make up the majority of the workers in important export industries, i.e. “particularly those that involve simple manual tasks, labor intensive operations, simple machines, or portable technology” (Chen 2010). Therefore, women and homework have become extremely prominent in industries such as carpet making, clothing and textiles, leather and footwear, and more so recently, electronics. In Latin America, thirty to sixty percent of workers in vital industries such as textiles, garments and footwear are homeworkers (Chen 2010).

However, these differences in informal employment among women in the informal economy are less pronounced and less significant than the differences seen between women and men in the informal economy in Latin America. The first difference lies in the type of informal employment. As before stated, women in the informal economy tend to

work as street vendors or as home-based workers as well as in smaller firms, domestic service and more areas of self employment, casual and subcontract labor, and part time work. On the other hand, men in the informal economy typically tend to be employers or informal business owners as well as tend to work for larger informal businesses, in the public sector and in more full time informal work (Chen 2010; Chant 2008; Galli 2003). Even within the same business or trade there are also still disparities.

Another gender difference in the informal economy is the difference of average incomes and wages. Income and wages are lower for women in comparison to men in both the formal and informal economy but the gap is wider in the informal economy even when not considering the higher number of men in wage labor than women. This earnings gap can be described by the fact that women are overwhelmingly found more in low income work and less in high income work as well as because of the types of employment women occupy whereby the income and wages in the informal economy decline as one moves down on a scale of employer to self employed to casual wage work to sub contract work, with women tending to be in the lower paid occupations (ILO 2002; Chen 2010).

These disparities in types of employment and income and wage earnings between men and women and the overrepresentation of women versus men seen in the informal sector in Latin America reflects a set of gender differences and experiences, stereotypes and discrimination found

in society and the formal economy by women. These inequitable encounters faced by women in comparison to men acted as barriers to their entry in the formal economy beyond those general barriers or difficulties mentioned in the beginning of the paper and which thus leads to the conclusion that women have been disproportionately and unjustly forced into informality in Latin America and are more likely to be so than men.

In all of Latin America, legal provisions are in place that guarantee equal rights to all citizens and outlaw discrimination. However, not every Latin American country provides explicitly for the guarantee of equal rights and non-discrimination in terms of gender. Therefore, even if citizen and/or gender equality is legally guaranteed, it is the norm both economically and socially for women to be at a disadvantage. Generally, Latin American women (as well as most women around the world) tend to work longer hours, are paid less, are more likely to live in poverty than men, have less access to resources, and usually have higher rates of unemployment, especially in terms of underemployment, and typically have lower labor participation rates than men (OECD 2009; Hausmann 2010). These aspects are mainly due to traditional social and cultural stereotypes surrounding women and men so that even if laws and rights are in place, enforcement of these laws and rights is limited or nonexistent in actual believed and exercised societal norms and behavior. Therefore, it is important to outline general societal and cultural norms that are commonplace among most, if not all, Latin American countries.

Cultural Ideas of Gender

One general norm is that of sexism, where in all aspects of societies, both public and private, males represent the dominant gender in a very clearly outlined sexual and gender hierarchy that is rooted in a long historical history of Latin America. First, a culture of machismo exists from large influence of the European conquest of Latin America and subsequently, a long and tumultuous presence of strong dictators and presidents and strong military action. To display machismo and be “macho” is to accept and highly display and enforce the sexual and gender hierarchy that puts men above women through excessive masculinity and dominance and control of women. Alongside this development of the male identity came the cultivation of the female identity, i.e one of “marianismo,” that called for a woman to be “feminine,” passive, pure and morally sound with an important role of producing life. The characteristics of marianismo, along with machismo, also stem from a historical tradition of a strong Catholic presence in Latin America that emphasized a patriarchal system of organization and governance and modeled women after the Virgin Mary.

Analyzing the Relationship between Women and the Informal Economy

Women as inferior and weaker than men and having an explicit gender role of reproduction has led to many aspects still seen in Latin America that contribute to gender gaps in economics. The Organization for Economic Cooperation and Development or the OECD analyzes contributors to the gender gap in relation to social institutions, which is the main measurement factor and model used in this paper. (See Figure 2 in Appendix) According to this model, these social institutions are separated into family code, civil liberties, physical integrity, son preference, and ownership rights and then further separated into more specific categories. For family codes, the OECD analyzed parental authority, inheritance, early marriage of women, and polygamy acceptance and legality, the latter of which is not applicable in this case.

The results for the first family code variable, parental authority, in Latin America showed that all countries legally and officially gave equal parental authority to both the mother and the father. However, within the country profiles of the study, it is also noted that although authority is equal, women are the major caretakers and handle most or all of the child rearing activities, therefore giving them less time to enter the workforce in general or to be able to enter but not sustain working in the formal workforce where a lack of social programs makes it difficult to balance children and work. In addition, in the case of son preference, even though it is not official policy, in situations like divorce, women tend to take

female children and men tend to take the male children thus giving the male a more “employable” and profitable addition. The second aspect is inheritance practices and the results showed that there are no legal inheritance measures favoring men but that there are loopholes that mostly favor men, especially since males are usually designated, legally and informally, as heads of households and primary property owners (OECD 2009; Haussmann 2010).

Next, all countries in Latin America experience early marriages of women and as displayed in the World Economic Forum’s 2010 Gender Gap Report, early marriage is associated with lower labor participation rates. Early marriages of women prevent women from gaining outside work experience that could later help in entering the formal economy or furthered education that could bring about higher skills and thus, greater possible income and wages. Early marriages also tend to extend and enhance the reproductive period of women so that they have more children and spend more time doing unpaid domestic work. Such reproductive capacity also makes women less attractive and less reliable workers to formal employers who also, in many cases, would bear the burden of maternity leave. The second category is physical integrity of women where domestic and sexual violence against women and female genital mutilation is measured, with the latter is not applicable. OECD statistics demonstrate that all countries of Latin America experience degrees of violence against women and usually lack the necessary legislation to offset

it. Violence against women makes women less productive workers and could indicate, in some cases, stricter male dominance over women and thus, more control of and confinement of women to the home. An atmosphere of tolerable sexual violence also contributes to early and/or involuntary marriages as well as the luring of or sell of women into informal industries such as sex trafficking or prostitution (OECD 2009; Hausmann 2010).

The third category of institutions is civil liberties, separated into restrictions on freedom of movement and freedom of dress. Though freedom of dress is not very applicable, societal expectations of how a women should dress and act does exist. Latin America is also characterized by no formal restrictions on freedom of movement of women but women's traditional gender role of being tied to the home and children does prevent them from doing so and acquiring means of income beyond unpaid work in the house. Thus, this also contributes to the commonality that men are the leading migrant workers who, consequently, leave women who are then forced to fend for themselves and enter the informal economy since remittances from the male are not always enough. In addition, the WEF 2010 Gender Gap Report displays similarities between gender gaps in Latin American countries with their low marriage ages of women, heightened reproductive capacity of women, low labor participation rates of women and high disparities in income with an added dimension of very low political empowerment and exercise of civil

liberties (with all countries giving the women the right to vote much later than developed countries) in comparison to men. Thus, even with more recent trends in Latin America of narrowing the gender gap in educational attainment and literacy rates and health and survival rates, there still exists a large disparity in politics and economics that goes hand in hand in giving women equal economic opportunities and the ability to demand and protect these opportunities (OECD 2009; Hausmann 2010).

In the last category, ownership rights, women meet the most blatant form of discrimination that drives them to the informal sector. As with most of the other categories, Latin America does technically provide for the equality of its citizens and/or the equality of both genders in the three areas studied, i.e. women's access to land ownership, women's access to bank loans, and women's access to property other than land. Land ownership is still more prominent among men but women's ownership has risen in recent years. However, despite increased land ownership, women are usually granted smaller or lesser pieces of land. As for property ownership, women once again are lacking and usually "joint ownership" with a spouse is only a formality not a reality. A lack of land and property ownership also contributes to an inability to access bank loans or credit since land and property ownership is commonly used as means of collateral. In some areas, banks even utilize traditional gender roles by asking for the husband's permission for the woman to ask for a loan. In addition, if women are granted loans or credit, it is usually a

substantially smaller sum because tradition considers women to be ill suited to dealing with economic and financial matters. Due to this difficulty in accessing the means to equal economic opportunity, women either have to look towards micro credit institutions or private lenders for possible access to the formal economy or turn to the less restricted and more easily accessed informal economy, which is usually an easier option.

Case Studies

In analyzing the informal economy and women across Latin America, a gendered lens has helped find important commonalities across the region in the experiences of women and their roles in the economy, both formal and informal. However, it is important to note that although through my research all countries of Latin America had important similarities and characteristics, every country within the region is also unique and the people within it have had distinctive experiences separate from the rest of the region. In an attempt to account for these differences, I researched and analyzed the economies and the experiences of women in Chile, considered a “developed” country in the region and Nicaragua, still considered a “developing” country of the region. The purpose of choosing two different countries on two different scales of economic development allowed me to analyze whether or not the informal economy and the situation of women improves, stays the same or worsens with economic growth and with varying characteristics of “developed” states versus “developing” states. From a lack of official statistics on the informal economy, I measured the situation of women and the informal economy through the World Economic Forum gender gap country statistics and report of 2010 and through the OECD social institutions framework as used previously in this paper.

CHILE

Chile is considered one of the most developed countries in Latin America and according to the OECD, it is an “upper middle income” country. Economically, Chile has one of the largest formal economies in Latin America and the smallest informal economy in the region. Of the region’s biggest economies, Chile was the second highest ranked in bridging the gender gap, after Argentina, placing 48 overall out of 134 countries analyzed. Chile’s strength in closing the gender gap in the country lies in closing the gap in the political empowerment of women, largely resulting from advances put forward by ex-president Michelle Bachelet, as well as in equal education attainment and equal health and survival of both women and men. Yet although women hold equal literacy rates with men and have almost equal enrolment in primary, secondary and tertiary education, there are sharp disparities between women and men in the area of economic participation and opportunity (Hausman, Tyson and Zahidi, 2010).

Chile’s greatest weakness in closing their gender gap is in their extremely low participation of women in the labor force, ranking 108 out of 134 in this specific area. This low labor participation of women is also accompanied by a low level of estimated earned income and low wage equality for same work for women versus men. In addition, the female adult unemployment rate is 10% as opposed to the male counterpart of 7% and Chile rated low on the ability of women to rise to positions of

leadership in the workplace. The WEF also measured the equality of paternal versus maternal authority in the household and found the results to be .50 on a 0 to 1 scale, displaying mediocre advances for the state that also scored low on the advancement and existence of legislation punishing acts of violence against women (Hausman, Tyson and Zahidi, 2010).

The former results were confirmed when analyzing Chile with the Social Institutions and Gender index of the OECD. In the area of civil liberties, the state guarantees all civil liberties to Chilean women and there are no restrictions on their movement or dress. However, in the area of physical integrity of women, Chile still has a very common occurrence of violence against women, with urban areas having at least half of the women suffering violence from their partner. The Chilean government passed a series of laws in the nineties to extend the definitions of rape and domestic violence and importantly, removing the requirement of “good reputation” for a woman to be considered a victim of violence.

In the area of family code, the issues of physical integrity carry over. Much progress is needed in protecting Chilean women within the context of the family. As the WEF additionally supports, early marriage is common with the legal minimum age at 12 years old, though most women marry around age 25. Early pregnancies are also common, with around 1.90 births per woman and adolescent fertility rate of about 49 births per 1000 births for women aged 15 to 19. Within the family, although Chilean law states that the mother and father have equal responsibility for

the children, as the WEF and the OECD shows, parental authority is mainly held by the father. Also, divorce only became authorized in 2004 but women have rights to inherit and carry out or administer wills like men. As for the area of ownership rights, women do possess these rights and they are quite well respected around the country especially with access to land, yet they still do receive smaller plots. As for property ownership, all property other than land also belonged to the husband but as of 1994, women have the option of joint ownership. It is important to note as well for the role of women in the economy that women represent over one third of borrowers in Chile yet they face many restrictions in accessing bank loans despite having better repayment rates than men.

Interestingly, Chile has also experienced a wave of recent legislation that in seeking to protect women in the workplace and provide them with more opportunities has resulted in an adverse effect for women. Chile's intense labor laws surrounding women have been the main culprit behind obstacles to female employment that result in either women not entering any form of work or being pushed into the informal sector. The first of these laws is one that requires companies who employ twenty or more women to pay for childcare, which results in 19 or less female employees in most businesses who seek to circumvent the law with loopholes. Another rule in Chile is that no business can fire a woman earlier than two years after they became pregnant which results in the firing of women before they become pregnant, a lack of hiring women at

all or refusing to hire women of childbearing age (The Economist 2011). This is also especially due to the current maternity leave plan that requires one hundred percent of wages paid for maternity leave (Hausman, Tyson and Zahidi 2010).

Through my research I found many interesting aspects of the relationship between the formal and informal economy as it pertains to women. On one hand, the relationship between the formal and informal economy in Chile can be said to be countercyclical, unlike economic situations seen in other Latin American countries. This suggests that due to the economic growth of Chile's formal economy, the informal economy shrinks or remains about the same size. On the other hand, the informal economy can be said to not be growing purely because women tend to make up the majority of this sector in the region yet women are both barred from entering the formal as well as the informal sector. Chile is unique in that despite women being barred significantly from formal labor participation due to discrimination and gender norms and counterproductive labor laws despite equal education, the informal economy has not swelled and absorbed all these females who are significantly not entering the formal or the informal sector. This could be due in part to the growth of the formal economy and high income and wages for men, making it more unlikely that women have to enter any sector of the formal or informal economy.

Contrarily, Chile is also unique in that despite the existence of an informal economy, this sector is more professionalized than the informal sectors of other countries in the region. This results in Chile having more “own account workers” that are identified as qualified workers or professionals which, in most cases, prefer men and administers discrimination or bars women from entering most jobs in this informal sector due to a lack of qualifications (Bertranou 2007) In addition, Chilean labor statistics also show that the country has a large significant amount of workers receiving pension and retirement, showing an active labor force and a smaller informal economy that also can account for women’s absence from the labor market, formally and informally (UNDP).

NICARAGUA

Nicaragua is one of the poorest and least developed countries not only in Latin America but also in the world. According to the World Economic Forum, Nicaragua ranks 30 out of 134 countries in the Gender Gap Index of 2010 and the OECD considers the country to be a “lower middle income country.” Through the gender gap analysis, Nicaragua’s strengths lie in practically equal educational attainment by both men and women, though numbers are low for both women and men with equal literacy rates of only 78%. Nicaragua also has almost equal rates of health and survival for men and women though once again these rates are fairly low overall and are significantly behind those of Chile. In the area of political empowerment, Nicaragua also has done much to bridge the gap, ranking 19 out of 134 in these efforts (Hausman, Tyson and Zahidi 2010).

Like Chile, Nicaragua’s main weakness lies in economic participation and opportunity of women, scoring 94 out of 134 countries in closing the gap. However, unlike Chile, Nicaragua has far more women participating in the official labor force overall and still holds a large informal economy. The disparities between women and men for estimated earned income is also smaller though the incomes in general are significantly lower than those of Chile and there is more wage equality for same work. These are factors in why both women and men choose to find better fare in the informal sector. In addition, males and females are in a similar economic situation seen through equal female adult and male adult

unemployment rates yet also a more equal ability for women to rise to positions of economic leadership (Hausman, Tyson and Zahidi 2010).

In the midst of trying to close its gender gaps, Nicaragua is also experiencing a higher population growth rate, higher fertility rates for women and extremely higher adolescent fertility rate with women marrying at a younger age than in Chile, typically seen in less developed countries in Latin America and around the world. However, unlike Chile, Nicaraguan women have a much lower amount of maternity leave and on average, only 60% of wages are paid for maternity leave benefits, if these benefits are given at all. The high population growth, lower marriage age, higher fertility rates and less benefits and maternity leave are integral factors in why a greater amount of women are entering the official labor force and why that number remains steady even with the exit of this labor force and the common entering into the informal sector following child birth. Women's ability to even work in the informal labor sector also has to do with Nicaragua's more equal paternal and maternal authority figures and greater legislation concerning violence against women (Hausman, Tyson and Zahidi 2010).

When analyzing Nicaragua through the Social Institutions and Gender Index of the OECD, I found reinforcements but also contrasts with the work of the World Economic Forum. According to the 1987 Constitution of Nicaragua, all citizens have equal civil rights and gender-based discrimination is prohibited with the 2001 Penal Code criminalizing

discriminatory acts. In supporting issues with political empowerment, the OECD shows that civil liberties are a problem for Nicaraguan women through contradictory legislation. Article 31 of the Nicaraguan constitution guarantees women freedom of movement yet the 1940 Civil Code states that married women are required to live in the residence of their husband, adding to the inability of women to search and undertake better employment opportunities in the formal economy outside of their area of residence and contributing to the push of women into the informal sector. Also, although the Human Development Report of 2002 for Nicaragua stated that the country was making progress in social and cultural behavior becoming less discriminatory, domestic and sexual violence still exist and undermine women's rights, more so than the WEF accounted for in their economic statistics. It is also noted that women are the forerunners of those living in poverty in the country (OECD).

According to the index measuring the physical integrity of women, violence against women is once again seen as a major problem that not only weakens their physical integrity but limits their public life, significantly in the formal economic sector and seen in low levels of educational attainment, overall. Rape, significantly within the family, has also become very widespread in Nicaragua and although punishable by law, fear of social stigma prevents its reporting. This is especially prominent due to the fact that women are marrying earlier, with 14 to 18 years of age being allowable. In addition, the Constitution gives equal

family rights and responsibilities to men and women and allows women to inherit family properties, yet these are rarely enforced by the law (OECD).

Nicaragua's women face many dimensions that prevent them from participation in the formal economy or having more opportunity in both the formal and informal sectors of the economy. Though many social factors play an important role in this, Nicaragua is also known for strict business laws that prevent females from new economic opportunities. In the index of ownership rights, discrimination remains very common against women and even though land ownership and other property ownership occurs, they rarely have total control over property and land as they should. Furthermore, though women have no restrictions to bank loans, they are highly discriminated against and have issues borrowing money and are usually forced to use micro-credit institutions and NGOs as lenders. The lack of capacity to access loans and exercise ownership rights makes it nearly impossible to even start or carry out a formal business in the formal economy that already puts extremely high requirements for entry. These economic and legal factors contribute highly to women's marginalization in the formal sector and their push into the informal sector, either through necessity or to seek better opportunity and wages (OECD).

Case Study Conclusions

Through my analysis and comparison of Nicaragua and Chile, I found many facts that supported my research of the informal economy across Latin America. However, my research did not fulfill my expectations concerning differences by country of informal economies. Originally, I anticipated the more developed country in Latin America, Chile, to have a smaller informal economy, which it did and is especially seen by a higher annual GDP that accounts for more formal sector employment contributions. Yet, Chile surprised me in many ways that I did not anticipate. I assumed Chile would score higher in efforts to close the gender gap and in having more modern social institutions due to a smaller informal economy and its greater democratization and stability as a state. However, I found that Nicaragua, the poorer and less developed of the two countries, made far more efforts in closing its gender gap.

In addition, the informal economy in Chile was unique in that it was more professionalized and that women, in general, were not entering the formal or the informal sector. The Nicaraguan informal economy fell more nicely in line with Latin American standards of an informal economy, especially due to its population increase, gender norms, and undeveloped formal sector. Thus, I found that despite accounting for regional, geographical, economic and political differences, the fundamental characteristics of the informal economy and the situation of women in countries of Latin America are very similar and are better

analyzed when using a gendered lens and a cultural and social methodology for economics, as well.

CONCLUSION

The social institutions model used to analyze aspects of women's lives demonstrated that even as time is progressing and is accompanied by a lack of legal or formal restrictions and discrimination against women, gender is still a major factor in the actual enforcement and practice of these legalities and provisions aimed to promote equality. Thus, Latin American society is actively keeping their women underemployed or unemployed due to traditional societal stereotypes and practices that prevent the full utilization and integration of women in the formal economy and consequently, hurting the productive capacity of the economy as a whole. These barriers of entry into the formal economy for women further marginalize their situation as they are forced into the informal economy without formal economy protection and benefits and usually, further into poverty that then, in turn, affects the participation of women in the formal economy. This vicious cycle of the informal economy, women and poverty can only be reduced if Latin American societies take an integrated approach to inequality and discrimination against women by not solely focusing on the provision of "right to equality" and solely on the workplace environment so as to address the highly complex, integrated and diverse ways women experience discrimination and inequality.

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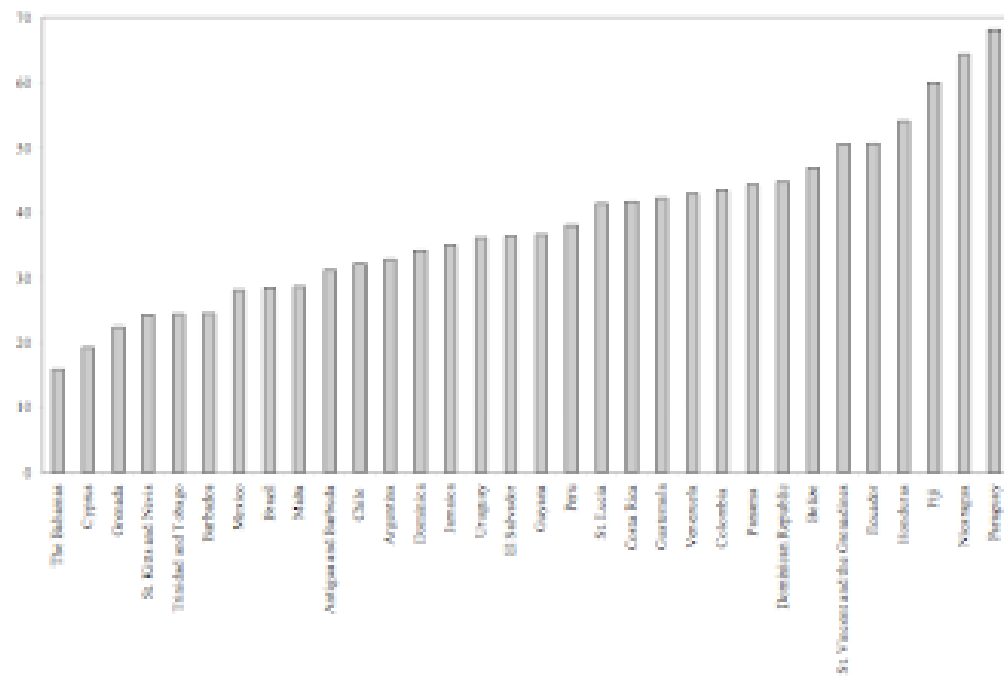
APPENDIX

Table 1: SIZE OF THE INFORMAL SECTOR

INFORMAL SECTOR AS SHARE OF	LATIN AMERICA CARRIBEAN	AFRICA	ASIA
Non-agricultural employment	57%	78%	45-85%
Urban employment	40%	61%	40-60%
New jobs	83%	93%	NA

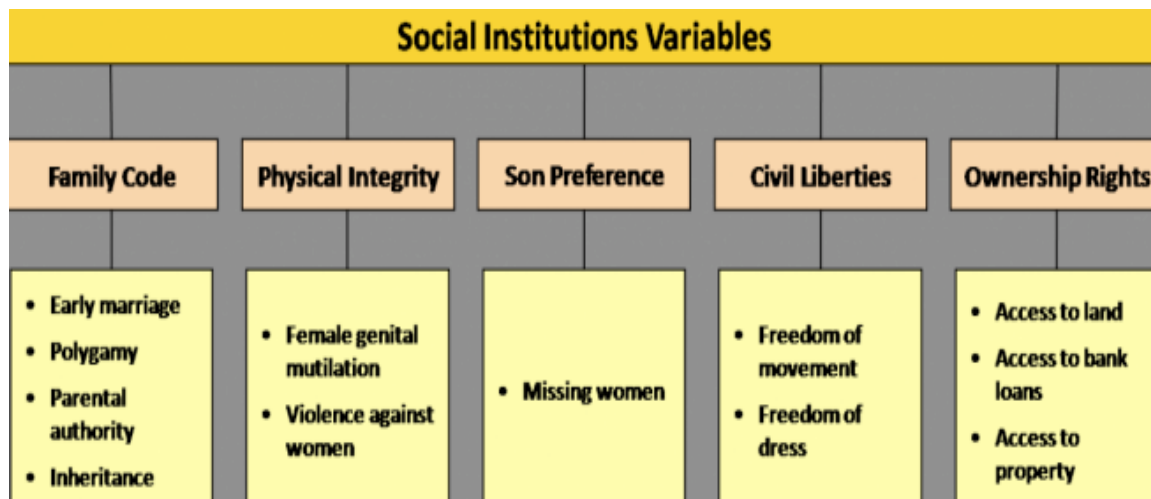
Source: Chen, 2000.

Figure 1: ESTIMATED SIZE OF THE INFORMAL ECONOMY IN LATIN AMERICA AND CARIBBEAN, EARLY 2000s



Source: Vuletin (2008)

Figure 2: SOCIAL INSTITUTIONS VARIABLES THAT AFFECT GENDER GAPS



Source: OECD Gender, Institutions, and Development Database, 2009.

Project Summary

My project addresses the issues surrounding the informal economy in Latin America specifically as it pertains to Latin American women. Though my biggest difficulty was the lack of official statistics of an informal economy, I was able to perform my research through an in depth analysis of many other documents concerning social, cultural, economic and political factors. The first part of my research addressed the definition of an informal economy and how it is measured. Importantly, it distinguishes between an “illegal” informal economy and a “proper” informal economy, with most of my research relating to the “proper” informal economy. Through use of economic standards by the International Labor Organizations, I also importantly analyzed different types of employment and included issues of unemployment as well as underemployment, an inefficient use of worker resources or skills, to analyze workers in the informal economy.

In addition, I also included three major perspectives of the causes and nature of the modern informal economy now seen in Latin America that includes issues of hyper-urbanization in Latin American cities, lack of foreign capitalist investment, cultural norms, and many other integral parts of the composition of the informal economy and the role of women within it. I also addressed perspectives of whether or not the informal economy is an integral and permanent part of today’s

formal economy or whether it is temporary and will fade away with greater gender equality and economic opportunity. After evaluating the informal economy itself, I then analyzed the roles of women in the informal economy and how women are forced into the informal economy, whether directly or indirectly, and come to dominate the sector at a highly disproportionate level in comparison to men. In Latin America alone, informal employment comprises over half of total non-agricultural employment in the region.

Next, I outlined the typical jobs women perform in the sector. I differentiated between informal self-employment and informal wage employment and outlined many of the jobs women possess in the informal sector. These jobs mainly include vendors and significantly home-based workers, which make up the majority of jobs for women in the informal sector, yet are integral to the functioning of the formal sector in the midst of processes such as globalization and market competition. I then moved on to briefly compare the situation of women and men in the informal sector, accounting for the significant gender issues relevant to my paper. These issues include wage inequality for same work done in the informal sector as well as men having better opportunity within the informal sector with higher paying activities and facing a lack of discrimination.

Following the research I found concerning the overrepresentation of women in the informal economy and the gender

disparities and disadvantages faced by women in both the formal and informal sector, I sought to explain why these factors occur. Thus, in my paper I researched gender norms in Latin America that play a very significant role in the socioeconomic and political experiences of women. In looking at these gender norms, I also looked at how these norms were institutionalized into laws as well as how laws that seek to overcome discrimination become unenforceable by practice.

Overall, I analyzed these differences and the role of women in the informal sector according to a social institutions model developed by the Organization for Economic Cooperation and Development. In addition, in order to overcome the generalities and similarities seen between most countries in Latin America concerning women and the informal economy that I had utilized with a gendered lens for this paper, I addressed the issue further through two case studies to account for geographical and development variations. The first case study analyzed Chile, no longer a developing country, and the second case study analyzed Nicaragua, a developing country and one of the poorest in the world. This comparison allowed me to once again trace similarities in the region but also to analyze differences in the informal economy and situation in women across countries in the region.

Through these case studies, I was able to conclude that despite geographical variations and different levels of development, social institutions and cultural norms concerning gender still overcame any

development in economic growth or the political and legal atmosphere of the state. Surprisingly, it was Chile, the more developed and democratized of the case studies that made less advancement in closing their gender gap and overcoming discrimination of women despite having a smaller informal economy. Nicaragua, though having a larger informal economy, had higher rates of women in the formal and informal labor force and showed greater accomplishment over the years in closing its gender gap and addressing the disadvantages of women.

Overall, using the social institutions model of the OECD and the gender gap index report of the World Economic Forum, I was able to conclude that Latin American society, despite laws and regulations against discrimination, are actively keep women unemployed and underemployed and push them into the informal economy because of traditional societal stereotypes and practices based on cultural norms and ideas of gender.