

# HOW MUCH DO WOMEN COST? A GENDER ANALYSIS OF LABOR COSTS <sup>1</sup>

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Mention is often made in the business media of the high costs associated with employing women workers, stemming from the legal benefits accorded expectant and new mothers and the role that women play in the family. Yet despite obstacles, women continue to succeed in finding a place in different lines of economic endeavor, and they have come to form an important segment of the work force. This would suggest that the high cost of employing women is a myth.

Based on case studies conducted in Santiago, Chile, this paper will discuss the concept of labor cost, as well as the methodological difficulties involved in determining the factors that could produce cost differences between male and female workers.

The first part of this study outlines the macroeconomic and regulatory environment of the labor market in Chile and briefly surveys the position of women in the world of work.

In the second part, the problem of labor costs as differentiated by the sex of workers is elucidated, and some of the main results of the case studies that underpin this commentary are presented.

The third section discusses concepts and methodologies for measuring labor costs and describes their chief limitations from the perspective of gender.

In the conclusion of this paper, we contend that notions about the relative cost of male and female workers bespeak the unequal distribution of the burdens and benefits arising from the current sexual segmentation of labor, as well as the low regard in which society holds work performed by women.

## 1. COMPETITIVE POSTURE AND THE LABOR MARKET IN CHILE

### A. The Context of Openness to Competition and International Markets

With its record of growth and macroeconomic stability, Chile's economy is often cited in international forums as an example that the other nations of Latin America should emulate. The "Chilean model" rests to a high degree on receptiveness to global competition. Among other indicators of this openness is that more than one third of the country's productive output goes to foreign markets. Furthermore, Chile has been integrating itself into the global economy, in a process characterized by unilateral cuts in import duties and the elimination of non-tariff trade

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barriers, negotiation of bilateral trade openings with selected partners, membership in the Asia-Pacific Economic Cooperation forum, and association with large regional trade blocs, such as the Southern Common Market and the European Union.<sup>3</sup>

Competitive prowess assumes signal importance in this context of a small national economy that is embracing growth through globalization as a formula to lever itself out of poverty and enhance the well being of its citizens. In fact, some macroeconomic projections (Agosin, 1996) show that, to continue expanding on the order of 7 percent annually—roughly the pace of economic growth seen during the last decade—Chile must boost its exports substantially, both in volume and as a proportion of overall national output. Achieving this requires upgrading the country's competitive position, an issue in which labor costs figure prominently.

Notwithstanding that the hourly cost of labor in its plants and factories has tripled over the last 10 years, Chile has some of the lowest labor-related outlays in all of Latin America, at least in the manufacturing sector (Riveros, 1996). Part of the comparative advantages of the Chilean economy are therefore still grounded in the relative abundance of cheap labor, making this a crucial factor in any strategy to improve the country's competitive position.

For business concerns, the key to being competitive lies in ensuring that their production costs remain in line with the evolution of the prices fetched by their products (Agacino, 1995). Greater permeability to foreign competition and increasing global economic interdependence can cause (and in some instances are already causing) declines in end-product prices. The question is, then: What to do about costs?

Productivity gains, technological innovation, and changes in the organization of production tasks stand out as ways to improve competitive position over the long term. In the short run, however, a tendency can be seen toward the "quick fix" of a more liberal labor environment, bolstered by policies favoring, among other things, subcontracting, home-based production, task rotation, longer working days, and flexible work schedules.

Thus, if in the long term it would take qualitative changes in production methods and gains in worker productivity to improve competitive posture, in the short term the measures being adopted essentially aim to cut costs by trimming salaries and avoiding non-wage outlays. It is in this context that restrictions on the hiring of women occur, on the grounds that the expense of employing them is supposedly greater than for men.

## 0 The Regulatory Framework of the Labor Market

The labor market in Chile has been greatly liberalized in recent decades, now being subject to only modest government regulation.<sup>4</sup> Workers may be freely hired and fired; should dismissal be for reasons of "company necessity," severance payments are limited to one month's salary per year of employment with the firm, up to a maximum of 11 years of service.

Apart from a minimum wage fixed by law on the basis of tripartite negotiations involving business, labor, and government, salaries at the company level depend upon bargaining between employers and workers, with no intervention by public authorities. Employer-paid, non-wage costs are also low: company contributions for workers' compensation range from 0.85 percent to

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<sup>3</sup> Negotiations have so far not led to wished-for Chilean membership in NAFTA.

<sup>4</sup> See Romaguera et al (1995) for a full description of the labor market in Chile.

6.8 percent of a firm's payroll. This is the only wage-related contribution borne by employers rather than by workers.

No less notable is the absence of a certain sense of solidarity in arrangements for employee retirement and social security benefits in Chile. These are funded entirely by workers, who pay in 7 percent of their wages and salaries to a national health care program and around 13 percent to a system of private pension funds created following the phase-out of a government-financed social security scheme in 1981.

As against this picture, one of the few restrictive statutes in the Chilean labor market is legislation safeguarding maternity benefits.<sup>5</sup>

While a labor law reform of 1993 guarantees that women cannot be excluded from whatever category of work they choose, a female employee is legally entitled to ask for a job reassignment during pregnancy, when and if the task she is performing demands an effort incompatible with her physical condition. This job change may not entail a loss in compensation, however.

Women employees have the right to six weeks of maternity leave before childbirth and to 12 weeks of postnatal time-off. There are tight limits on dismissing a woman during pregnancy and during the year after her return from maternity leave: even if a woman should be absent without cause or fail to meet her work obligations, dismissal requires a court order. This is tantamount to a virtual ban on dissolving the contractual work relationship while an employee makes use of maternity benefits.

While lactating, women employees are legally entitled to one hour a day in which to breast-feed their child. This period may be divided into two equal or unequal intervals. By law, the right to nurse at work extends until the child completes two years of age.

The woman employee also has the right to take paid leave to care for a sick child under the age of one. This right was extended to the father by the labor law reform of 1993; it is the mother's prerogative to decide which parent should request leave.

Lastly, but no less important, there is the requirement to furnish on-the-job child care facilities or to provide access to nursery off site. This applies to every establishment employing 20 or more female workers, regardless of their age or marital status.

## 1 Chilean Women in the Work Force

As of 1996, Chile has an estimated population of 14.5 million people, 7.2 million of them men and 7.3 million of them women.<sup>6</sup> The total work force (the Economically Active Population, or EAP) is around 5.45 million persons, with an unemployment rate on the order of 7 percent.<sup>7</sup> Of those employed, 68.9 percent are male and 31.1 percent are female. Joblessness among economically active women and men runs to 8.3 percent and 6.5 percent, respectively.

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<sup>5</sup> See Henriquez and Riquelme (1996) for legislation protecting maternity benefits.

<sup>6</sup> As estimated by the National Institute of Statistics (NIS) and the Latin American Center for Demography in *Statistical Compendium* (NIS 1996), p. 81.

<sup>7</sup> Unpublished figures from the NIS National Employment Survey of June–August 1996, obtained in a personal communication with economist Luis Riffo. See Table 1 of the Appendix for further details.

Although rates of growth in the population of economically active women have well outstripped those for male jobholders during the last two decades, the proportion of gainfully employed women in Chile remains one of the lowest in Latin America: only 32.9 percent.<sup>8</sup>

Considering the makeup of the labor force by sex and economic sector, women workers are found concentrated in basically three areas: industrial manufacturing, retailing, and the delivery of community, social, and personal services (see Table 2, Appendix). In industry, moreover, Chilean women are clustered in certain “feminized” activities, such as garment making (Gálvez and Todaro, 1988).

In regards to pay, different studies have attempted to gauge the relationship between the employment compensation of men and women in Chile.<sup>9</sup> According to the latest published data, women earn 62 percent as much as the average income received by men. This differential is wider yet in the Santiago Metropolitan Region, home to 40 percent of the country’s inhabitants. There women’s salaries amount to only 54 percent of the earnings of men (UNDP — United Nations Development Program, 1996).

This is the background to the discussion we next raise concerning the costs of labor as a function of sex and the measurement and significance of these variations.

## 2. THE PUZZLE OF SEX-BASED COST DIFFERENCES

Differing assertions, sometimes totally contradictory, can be heard regarding the costs of female labor. On the one hand, it is said that women are more expensive to employ. This presumably explains or justifies their lower salaries, the reluctance to hire them in certain sectors of the economy, the difficulties they face in reaching top positions in the job hierarchy, the workplace demands or pressures they must endure related to motherhood, and so on. On the other hand, some researchers suggest that the massive employment of women in certain activities (such as in the assembly operations of *maquilas* in Mexico or the Dominican Republic) is traceable to the lower price of their labor (Benería, 1991).

What accounts for these apparently opposing views?

When speaking of low-cost female labor, researchers are very probably referring to expenses in the form of wages and salaries. As we mentioned earlier, the pay differential between men and women is large indeed, with women in Chile receiving 62 percent of the average compensation paid to men (UNDP, 1996).<sup>10</sup>

When emphasizing high costs in connection with women workers, employers are generally referring to outlays other than for wages. These are attributed on the one side to motherhood and the interruptions it causes in work, as women take pre-and postnatal leave, request permission to tend a sick child or nurse an infant, and so forth. On the other side are authorized absences owing

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<sup>8</sup> According to Valdés and Gomáriz (coordinators, 1995), the index of growth among the EAP of women in Chile rose from 100 in 1970 to 223.9 in 1990, while for men it climbed from 100 to 153.7.

<sup>9</sup> See, for example, Henríquez (1996).

<sup>10</sup> The different sources of data on income variations between men and women lead to divergent conclusions, not only for Chile, but for other countries as well. This is because in some instances salaries are compared; in others the comparison is between total income per paid worker; in yet other cases total earnings are correlated, etc.

to the role that women play in the domestic arena, providing dependent-person care, performing household errands, attending teacher-parent conferences, and the like.

Unfortunately, across-the-board statistics are not available that would permit a comparison of wage and non-wage costs for men and women employees, a step to clearing up whether female labor is cheap or dear. On the basis of case studies by the authors,<sup>11</sup> we can however propose certain conceptual issues and methodologies for discussion, as well as offer some hypotheses to explain labor cost differentials originating in differences in sex.

In point of fact, the data gathered in the course of our research indicate that total labor costs (including wage and non-wage expenses) are less for female employees than for men. At five firms studied in depth, the labor cost of women varied between 40.4 percent and 86.5 percent of that of male workers.

Singling out compensation costs, these were always lower for female employees. The differential between the wage costs of women and those of men varied between 40.4 percent and 81.9 percent at the five companies examined. This confirms the results of the studies noted earlier, demonstrating the persistence of lower rates of employment compensation for women in comparison to the wages and salaries paid to men.<sup>12</sup>

The supposedly higher expense of employing women should, therefore, be reflected in greater non-wage costs. Yet with one exception among the firms studied, neither was the differential between the non-compensation costs of men and women found to exceed 100 percent. In the sole exception, this ratio proved to be 118.7 percent. In another case, the costs associated with male and female employees were virtually equivalent, yielding a differential of 100.9 percent, while in the other two instances for which quantitative information was available, the differential was 73.5 percent and 39.4 percent.

Our preliminary conclusion is that, measured in quantitative terms and direct expense, the difference in the cost of employing male and female workers is not as important as thought. It is neither as significant as some believe, nor does it necessarily work against the employment of women. Still, the data presents a problem of analysis, standing as it does in apparent contradiction to the views of some businessmen. This difficulty relates to how a yardstick is applied to labor costs, to the concepts of cost implicit in the method of measurement used, and lastly to the gender images which permeate the labor market.

As part of our research, we interviewed 14 businessmen and/or employers of both male and female workers. Although no systematic analysis has been done of the cost differences involved in employing workers of one sex or the other, about half of the businessmen say that female labor is indeed more expensive. The remainder see no great difference in terms of cost.

It is interesting to note also that even those businessmen who are convinced that women workers mean more expense than male employees are not specific when urged to explain why this should be or when pressed to identify the factors they think determine the higher cost of women.

In any case, this belief is in large measure sustained by the perception that some businessmen have of absenteeism among women or the amount of paid leave they take. According

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<sup>11</sup> Todaro, Rosalba and Sandra Lerda, "A Study of Labor Costs by Sex," *Final Consultative Report to the National Women's Service- SERNAM* (Santiago, Chile – June 1996)

<sup>12</sup> Some of the results reported are even lower than the numbers that existing studies and inquiries suggest for the wage and salary differentials between women and men. (See, for example, footnote 9 above.)

to some of these entrepreneurs—and it has not been possible to confirm or deny their impression on the basis of our data—women miss work more often and take more leave for reasons of health or entitlement than do men.

There are numerous hurdles to obtaining representative data on this issue. In regard to excused absences, at one company for which we were able to get information, there were in fact nine leave requests by women for every leave request made by a man. At a second company, this ratio was 3 to 1. As for the duration of leave, the ratio was strongly favorable to the men. At a third company, analyzed in an earlier study, women took an average of two days of paid leave per year, as against 1.25 days for men.<sup>13</sup>

Another argument much used to explain the higher costs of female labor is that of pregnancies. In the five companies we studied, the proportion of pregnant women to total workers ranged from zero at one firm to 7.6 percent at another. Most interviewees felt 3 percent (the percentage encountered at two companies) was “normal.”

A further cost always mentioned is that for child care at businesses with 20 or more women employees. To be sure, in some cases this requirement can represent a major outlay in relation to the salaries paid to female workers, depending on their position in the occupational hierarchy. Nevertheless, because relatively few women on a company’s overall staff need day care facilities at work, the cost of providing this service is nominal compared to the total payroll of the company, especially if the firm is very large.

The question that suggests itself to us, then, is this: Why are these cost factors not reflected in the data we gathered? What lies behind the idea that women workers are a greater cost burden to business than men employees? In the following sections of this paper we try to sketch out some answers on the basis of a discussion of the concept of labor costs and the methodologies used to measure them.

### 3. COST CONCEPTS, STATISTICS, INDICATORS, AND THEIR LIMITATIONS

Labor cost is the expense to an employer of employing a person. In other words, it represents the cost of the work force from the point of view of demand. As such, it includes all expenses implied in hiring and keeping a worker employed, and not merely his or her compensation.

As defined by the International Labor Organization, the cost of labor encompasses: payment for services rendered; compensation for hours not worked; bonuses and benefits; meals, refreshments, fuel and other payments in kind; and housing allowances for workers’ dependents. Also included: company-paid social security contributions; professional training chargeable to the employer; the cost of employee welfare services; miscellaneous outlays, such as to transport, outfit, and hire employees; and taxes considered a part of work force costs.

Some of these costs constitute fixed expense, as in the case of hiring costs. Others comprise what is known as variable expense, which depends on the labor utilization rate.

How are labor costs measured?

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<sup>13</sup> See Todaro (1996)

In Chile, the National Institute of Statistics (NIS) figures them through a survey in which data are compiled needed to calculate a Labor Cost Index and an Employment Compensation Index. For this purpose the NIS uses the following concepts:<sup>14</sup>

<b>LABOR COSTS</b>
Base wages and salaries (base pay, incentive pay, bonuses and profit-sharing, sales commissions, expense refunds or reimbursements)
+ Payment for non-working hours (vacation, holiday, and sick pay)
+ Payments in kind
+ Housing and rental allowances
+ Social Security expenses (voluntary employer contributions on behalf of workers, obligatory employer social security contributions)
+ Company-funded worker training and development expense
+ Company-paid welfare services (meals, medical and educational assistance, etc.)
+ Other costs to the employer (including outlays for work uniforms, employee transportation, hiring expenses, and so on)

<b>COMPENSATION COSTS</b>
Base wages and salaries (base pay, incentive pay, bonuses and profit-sharing, sales commissions)
+ Payment for non-working hours (vacation, holiday, and sick pay)
+ Payments in kind
+ Housing and rental allowances
+ Social Security expenses (voluntary employer contributions on behalf of workers, obligatory employer social security contributions)

Each item enumerated above could constitute a source of variability in labor expenses based on sex. Yet what we were able to observe in interviews with employers suggests that the following are the main factors that would explain differences in labor costs between male and female workers:

- a) compensation actually paid;
- b) non-wage costs, with special emphasis on legally mandated day care services for women employees with young children;
- c) work force turnover, implying new hires, training needs, and related costs; and
- d) authorized absences and leaves, the cost of which is not monetary, inasmuch as the expense is not borne by employers but by the retirement and social security system. The real cost to the employer lies in the disruption of production,

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<sup>14</sup> See NIS (1994)

unforeseen changes in operations, and potential reductions in output.

Labor cost indices as calculated in Chile serve to mark the evolution of the aggregate cost of employment in different branches of economic activity and across different occupations. They are therefore not designed to allow sophisticated comparisons of cost components at a very high level of analysis. Nonetheless, they could permit cost-development comparisons to be drawn between the sexes, if they brought together data broken down into categories for men and women.

From a gender perspective, therefore, the first and foremost limitation of the methodology used by NIS to measure the cost of labor lies in the fact that the information collected is not sorted according to which sex it applies. This was precisely the effort undertaken in the case studies conducted by the authors. The idea was to seek from companies the same information used in the NIS survey, but broken down on the basis of the sex of the employees concerned, inasmuch as this would be the only way to compare the labor costs of men and women workers.

In addition to verifying the absence of information in the NIS survey, we found through our study that the data needed to compare employee costs on the basis of sex did not exist or were not available. Although businessmen raise the issue of sex-based cost differences, the truth is that companies do not collect the data required to evaluate and compare such differences. This shortcoming becomes an almost insuperable obstacle in attempts to answer the question posed by the title of this paper.

The second major limitation of the methodology employed to gather information on work force expenses lies in the very nature of the concept of cost as researchers use the term. Notes Folgado (1994; p. 239): “it is not the cost of the factors of production considered in isolation but their relationship to the contributions they make—that’s to say their productivity—that really matters for purposes of judging if the level and development of such costs allow a company to be competitive.” That is, for a cost comparison on the basis of sex to make sense, a definition and a methodology are needed that relate wage and non-wage costs to a workers’ productivity.

Indeed, all the elements of costs that we mentioned earlier as potential sources of differentiation only acquire meaning through an analysis of the issue of productivity.

For example, in relation to employee turnover, the methodology used picks up this factor indirectly, as reflected in severance benefits paid at job termination and in hiring and training expenditures. Notwithstanding that these costs of hiring, training, and job termination are not distinguished according as to whether they involve men or women, a methodology that measured employee turnover on the basis of sex would allow us to make a sound comparison.

Why is employee turnover an important issue in a comparison of costs based on sex? Triplet (1983) reminds us that transactions in the labor market have a temporal dimension. Besides giving rise to fixed costs of employment, the signing of job contracts has in it implicit long-range elements. These are the interest of the employer in work force continuity, inspired by a desire to recoup training costs and other expenses, and the benefit to the employee of having a stable job and an assured source of income.

From the businessman’s standpoint, therefore, rapid employee turnover creates costs. Moreover, as shown in the interviews conducted by the authors, businessmen believe that male workers have much the highest turnover rate. Yet, other authors have found that it is women who

have the more rapid turnover rate.<sup>15</sup> Unfortunately, there are no more detailed studies on the subject, and we could find no direct indicators that measure manpower turnover on the basis of sex.

The number of days a worker is absent or the frequency with which he or she requests leave are yet other variables which cannot be treated in isolation. Rather, they must be examined in relation to the worker's productivity as well as to the form in which the worker is compensated. We have already seen that the direct expense of absences and sick leave is either borne by the social security system or else falls on the worker, constituting a cost to the employee in the form of reduced income.

For the employer, a worker's absence creates costs such as non-fulfillment of production goals, failure to meet delivery schedules, the potential need to hire a substitute employee, and so forth. Here again, the real scale of these costs depends upon the job performed by the absent worker and the employee's degree of productivity.

On the other hand, if employees are paid for piecework (the tendency, for example, in the garment making industry, in which women workers preponderate), there is a clear disincentive to be absent or to take leave. When work must unavoidably be missed, the employee tends to make up the productivity loss in advance (if the absence is planned) and/or after returning to work. In the case of lengthy absences that may require hiring a temporary replacement—maternity leave is an example—a less productive substitute will be less expensive for the employer, because that worker's compensation will also be lower. Thus a certain coherence is maintained between costs and productivity.

Another important point concerning absences and leave has to do with working conditions. Studies clearly tie the number of lost work days to a company's work environment.<sup>16</sup> Any analysis of manpower costs on the basis of lost work days must therefore control for the different working conditions of men and women when attempting a comparison between sexes.

In connection with training costs, we have seen that these are lower for women workers. Notwithstanding businessmen's assertions that when it comes time to train their employees they treat the sexes equally, examination of the opinions they express in interviews suggests otherwise. In activities in which women predominate, they arrived "naturally" trained, with skills and talents acquired and honed in the home or in previous employment. If these women are trained in the work place, it is by their co-workers (Todaro and Lerda, 1996).

Although it appears that businessmen need not incur the expense of additional training in the case of a female labor force, the fact that women hirees are already skilled at their occupation is not reflected in the value that employers put on their work.

The wage costs of women are thus systematically less than for men, as we have already pointed out. Some of the businessmen interviewed countered this with the argument that women's non-wage costs are higher. Lower wages, therefore, serve to balance out these non-wage expenses, of which the most frequently mentioned is the cost of day care.

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<sup>15</sup> According to Montero (1996, p. 154): "Businessmen complain that hiring women increases employee turnover and therefore costs."

<sup>16</sup> See Castillo (1992) and Echeverría and Quiroga (1993)

Other interviewees stressed that they remunerated equal work with equal pay. They explain lower salaries for female workers with reference to the position of women in lower-level jobs, the result of their supposedly more limited professional experience and job qualifications.

Judgments about a given worker's training and qualifications or the training needs of a work force are not objective concepts, however. Maruani (1993) reminds us that the notion of being qualified is a social construct, one that slots certain aptitudes, talents, and skills in a relationship conditioned by how these conceptions are themselves assigned a value by society. And gender plays a fundamental role in the construction of a hierarchy of qualifications.

Furthermore, the data gathered by the authors indicates that the difference in wage costs between men and women workers is much greater than any difference found in non-wage costs. As a result, the labor costs of women are less than for men, contrary to the arguments used to explain the difficulty women have in joining the job market.

How does one then explain the persistence of the "impression" that female labor costs are greater? It is here that we must return to the issue of productivity and follow up the question of sexual segregation in the labor market.

Starting from the notion that the concept of labor costs is meaningful only if tied to the issue of productivity, a comparison of costs on the basis of sex must simultaneously analyze differences in productivity between men and women.

In keeping with the interviews held for the case studies that underlie the remarks in this paper, the productivity of women is higher, at least in "feminized" activities. For example:

- Despite the "complaints" already mentioned concerning pregnancies, work absences, and paid leaves, the owners of garment making establishments insist that women have much higher productivity rates, for which reason they would not replace women workers with a male labor force.
- In manufacturing, certain tasks are assigned exclusively to women, on the grounds of their specific skills and talents, resulting in higher and better-quality output.
- Women are also preferred to men in administrative activities demanding dedication and meticulousness.

Yet this would lead one to conclude that women would only be more productive in the same occupations into which sexual segregation in the labor market has slotted them. Therefore, even if producing at a higher cost to the employer, this drawback would be counterbalanced by their greater output.

Unfortunately, we are in the dark concerning other aspects of this issue. Not only have productivity differences based on sex not been measured, but there is no clear methodology for making such measurements and preparing comparisons between sexes. How can we make the comparisons that interest us, if men and women do not hold the same jobs, performing the same tasks? In other words, How is comparison possible if "the world of work does not mingle the sexes"?<sup>17</sup>

And indeed, women join the labor market in the shadow of two fundamental facts: there is segregation by sex in the work place, and the value of women's work is underrated. Women take jobs within a social system of sex and gender that impinges on and at the same time recapitulates

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<sup>17</sup> Maruani (1993), p. 42

itself in the work environment.<sup>18</sup> Preexisting gender images and their reproduction in the occupational realm explain both sexual segregation at work and the way in which society assigns a value to labor performed by women.

Gender identities testify to the aptitudes, talents, and skills of men and women workers and in turn contribute to reinforcing sexual segregation and to underplaying the value of work done by women. The gender images prevailing in the workplace underscore this process.<sup>19</sup>

This interaction between identities and images in a system of sex and gender has a hand in creating productivity differences for men and women in different occupations, which in turn exercise a direct impact on real labor costs, although there is no agreement regarding methodologies to properly measure them. They also color the perceptions of the different actors involved concerning the labor costs of men and women.

#### 4. FINAL REMARKS

In the case studies conducted to assess to what degree and in what sense it could be truly said that the labor costs of women exceed those of men, the authors concluded that, however measured, the total labor costs of a female work force are in reality lower.

In these closing remarks we attempt to stimulate a discussion concerning the concept of sex-based differences in labor costs and ways to measure them.

We have seen that the notion of labor cost has meaning only if it incorporates a consideration of productivity on the basis of sex. To the extent that the idea of labor cost per unit of product is ignored, any comparison becomes difficult. The varied components of labor cost, as well as other factors which, while not the core elements of cost nonetheless affect it, are permeated by sex-mediated differences in productivity and conditions of work.

Basic notions of conventional economics would lead one to think that a good indicator of differences in the cost of labor on the basis of sex would be presence or absence of women in different sectors of the labor market. At least in those occupations in which women find employment, it would seem reasonable to think that, independently of whether women's labor costs are higher or lower than those of men, they are more than offset by the productivity of female workers as a factor of production.

Nonetheless, business reasoning is far from neutral or objective, contrary to what neoclassical economics supposes. While it is assumed that employers compare costs and productivity when making hiring decisions, gender identities and images appear to be of equal or greater importance in this process than purely "economic" considerations.

The presence of women in some sectors of the labor market and not in others appears to be more related to sexual segregation than to cost factors. And, as we have seen, the system of sex and gender imbues even these with non-economic nuances.

Thus the impression of greater labor costs would only justify hiring women in those sectors where they clearly outclass men in terms of productivity. If, at the same time, the labor costs of females are indeed higher, segregation would constitute an employment safeguard for women. Moreover, if there were occupations held exclusively by women and irrespective of women's cost

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<sup>18</sup> See Humphrey (1987)

<sup>19</sup> See Abramo (1996)

as a production factor, female workers would have guaranteed employment. This hypothesis is nonetheless extremely vulnerable in the face of changes in technology and production paradigms, shifts that would likely bring with them a less rigid scheme of segregation, as a consequence of the threat of men appearing in occupations once the sole preserve of women.<sup>20</sup>

For the purposes of stimulating debate, we consider it worthwhile not only to inquire into the interactions between costs and segregation, but to propose a discussion pondering the sense of the initial question: What does it mean for women's labor costs to be higher or lower than men's? What does it mean for women laborers to be "cheaper" or "costlier"?

If it is a question of women being less burdensome because low bargaining power holds down their wages; or because their training is of the informal, on-the-job variety and thus inexpensive for employers; or because they bear, unassisted, all the costs set by biology or culture for women as agents of social reproduction; we would have to admit that in terms of equality of opportunity, social justice, or gender equity, there is no advantage in showing that women employees cost no more than men.

If we come to the conclusion that women cost more to employ, sexual segregation and/or a shortage of male labor would explain or justify their employment. At this juncture it would be appropriate to bring up the idea of "social dumping."<sup>21</sup>

To the extent that men do not bear the cost of the negative externalities that spring from having and caring for a home and family and at the same time do not have to pay for the benefits they reap from the still-prevailing sexual division of domestic duties, we could say that male workers offer themselves in the labor market at a cost that represents "price dumping" in relation to women workers.

It would be a question, therefore, of unfair competition. The higher labor costs of women would include a subsidy they are providing male workers.

If men internalized the costs of social reproduction, their availability to work would be reduced, or the price threshold would rise at which they would be inclined to take jobs. This would produce a change in the business communities' perception regarding the cost of employing men in relation to the cost of hiring women.

It is this unequal distribution of the costs associated with social reproduction that helps to explain, more than the data can, the persistence of the idea of a relatively higher labor cost for women than for men.

It seems to us that only way to advance toward a better understanding of the question of labor costs on the basis of sex is to conduct specific research in which time use, worker turnover, and absenteeism and time-off are broken down for men and women. Also needed are case studies that allow insightful examination of varying work conditions, tasks accomplished, positions in the occupational hierarchy, and productivity. Current aggregate measures do not capture all the complexity of the subject, nor do they make possible definitive conclusions.

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<sup>20</sup> See, for example, Abramo and Armijo (1995)

<sup>21</sup> According to Guillermo de la Dehesa, "social dumping" is a situation in developing countries in which "workers' benefits are very few, working conditions are very harsh, work schedules are very long, and wages are very low, with the result that these countries are exporting those unacceptable social conditions to European nations via their products...." (1994), p.193

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## APPENDIX

Table 1  
Chilean Work Force Profile — 1996

	MEN	WOMEN	TOTAL	% WOMEN
<b>Population 15 And Above</b>	4,993,150	5,218,020	10,211,170	51.1
In the work force	3,732,050	1,718,540	5,450,590	31.5
Out of the work force	1,261,100	3,499,480	4,760,580	73.5
Percent representation	74.7	32.9	53.4	
Employed	3,491,060	1,576,180	5,067,240	31.1
Unemployed	217,440	177,710	335,150	35.1
First-time job seekers	23,560	24,650	48,210	51.1
Jobless	241,000	142,360	383,360	37.1
Unemployment rate	6.5	8.3	7.0	
<b>Employment by Sector</b>				
Agriculture, hunting, fishing	688,210	43,350	731,560	5.9
Mining	92,090	4,180	96,270	4.3
Manufacturing	618,090	218,000	836,090	26.1
Electricity, gas, and water	32,950	4,600	37,550	12.3
Construction	386,330	9,610	395,940	2.4
Retailing	507,080	388,540	895,620	43.4
Transportation and storage	341,630	42,770	384,400	11.1
Financial services	220,750	124,980	345,730	36.1
Community, social, and personal services	603,290	739,590	1,342,880	55.1
Other	640	560	1,200	46.7
<b>Total Employed</b>	<b>3,491,060</b>	<b>1,576,180</b>	<b>5,067,240</b>	<b>91.1</b>

Source: National Institute of Statistics, *National Employment Survey June–August 1996*  
(Personal communication from Luis Riffo.)

**Table 2:**  
**Work Force Distribution In Chile**  
**By Economic Sector and Sex — 1996**

ECONOMIC SECTOR	% MEN	% WOMEN
Agriculture, hunting, fishing	688,210	43,350
Mining	92,090	4,180
Manufacturing	618,090	218,000
Electricity, gas, and water	32,950	4,600
Construction	386,330	9,610
Retailing	507,080	388,540
Transportation and storage	341,630	42,770
Financial services	220,750	124,980
Community, social, and personal services	603,290	739,590
Other	640	560
<b>Total Employed</b>	<b>3,491,060</b>	<b>1,576,180</b>

Source: National Institute of Statistics, *National Employment Survey June–August 1996*