Decomposing the Gender Wealth Gap in Ecuador

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1. INTRODUCTION

Unlike the gender earnings gap, which has been amply studied, the gender wealth gap has only recently begun to receive attention. Studies of the gender wealth gap have been concentrated on developed countries and have been limited by the use of household-level data. Using individual-level and sex-disaggregated wealth data for Ecuador, this paper examines the pattern of wealth inequality across genders, at different points of the wealth distribution, for sole and then partnered household heads. We use a new Oaxaca-Blinder-type decomposition method based on unconditional quantile regression to investigate the sources of the gap at different quantiles. Our results show that among sole heads the gap favors men across the distribution and is largest at the lower tail. Among partnered heads, the gap is much less pronounced throughout the distribution, actually reverting at the lower tail. For both sole and partnered heads, at the lower tail of the distribution, the gender gap is primarily associated with differing returns to covariates. At the median and upper quantiles, gender differences in endowments (ownership of savings accounts, education, and age) drive the gap. Gender bias in inheritance plays a significant role only at lower and median wealth levels. Overall, our results show stark contrasts with results for developed countries and important differences between sole versus partnered heads. Our study also adds evidence to the long-standing debate over whether female household heads are poorer than male heads and calls for the pursuit of wealth-differentiated policies and social programs to increase women’s participation in the formal economy, as well as the returns to their participation.

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gap among partnered individuals is relatively small. Using the same data base for Ecuador as reported above, we find that while the mean male-to-female ratio is 1.25 among partnered heads, it is 1.81 among sole heads; this same trend holds at the median although the difference for partnered and unpartnered Heads is smaller (Tables 1 and 2). But to what extent does the gender wealth gap and, moreover, its sources vary according to the household’s location in the wealth distribution?

Studies of the gender wage or earnings gap for Latin America tend to find that this gap in men’s favor is largest at the lower end of the income distribution, particularly in the poorer countries of the region, including Ecuador (Gallardo & Nopo, 2009; Nopo, 2012). To the extent that the accumulation of wealth is strongly conditioned by labor market participation and its returns, we expect the gender wealth gap to mirror the gender wage gap, being most pronounced at the lower end of the distribution. At the same time, much depends on the role of inheritance in the accumulation of wealth. We would expect a gender bias in inheritance to contribute to the gender wealth gap, but whether this bias is manifested at the upper or lower end of the distribution partly depends on whether the incidence of inheritance differs by wealth level.

In Ecuador, we find that the distribution of the raw gender wealth ratio is indeed largest at low wealth ranges, yet only for sole heads. From a peak of 2.66 at the 10th percentile, it then falls steadily to the 70th percentile before increasing once again at the top decile (1.80), suggesting a U-shaped distribution (Table 1 and Figure 1). Among partnered heads, the pattern is strikingly different, following an inverted U distribution, being lowest and in women’s favor at the poorest decile (0.51), then increasing to a peak of 1.43 in the mid-range of the distribution before decreasing once again (Table 2 and Figure 2). As we will show, inherited assets and employment/earnings types play different roles in explaining the gender wealth gap depending on the point in the wealth distribution. Moreover, returns to non-income factors such as parenthood, location, and parents’ literacy have a much more important role in driving the gender gap for low-wealth sole heads in Ecuador.

After reviewing comparable studies of the gender wealth gap for developed countries in the next section, we present the conceptual framework and empirical specification employed in this study. This is followed by the presentation of the data and then the results, and concluding thoughts.

## 2. WHAT WE KNOW ABOUT THE GENDER WEALTH GAP IN DEVELOPED COUNTRIES

One of the reasons that the gender wealth gap has been relatively understudied is because when data on asset ownership are collected in household surveys—including in large-scale wealth surveys—they have tended to be recorded at the household rather than the individual level, constraining a gender analysis. Analyses concerned with gender inequality have thus been limited to the study of household types: male vs. female headed vs. households made up or headed by a married couple. The main finding of these studies is that couple-headed households tend to be wealthier on average than those made up of sole heads (Deere & Doss, 2006; Schmidt & Sevak, 2006; Yamokoski & Keister, 2006; Gibson, Le, & Scobie, 2006).

The main rigorous gender analysis that can be carried out with household-level data is a comparison of sole male- and female-headed households. Schmidt and Sevak (2006) in their analysis of non-pension wealth in the United States find that, controlling for individual characteristics, the wealth of sole male-headed households is significantly greater than that of sole female-headed households. Austen, Jefferson, and Ong (2014) report a similar finding in terms of the net worth (including pensions) of Australian sole heads.

Both these studies go beyond an analysis of the mean to investigate gender wealth differences among sole heads throughout the distribution, however their interpretation is limited due to the conditional nature of the regression analysis used. Schmidt and Sevak (2006) find that in the US there exists a gender gap in favor of men, which holds across the distribution and is greatest at the top quartile. The authors do not investigate the determinants of the gap. For Australia, Austen et al. (2014) also find a large gap favoring men in the upper quartile of the distribution of net worth, smaller gaps at other points in the distribution, but a reversal of the gender gap at the lowest quartile.

Austen et al. (2014) also find that control for individual characteristics play a relative small role in explaining the gender wealth gap and posit that the differences in the composition of men’s and women’s wealth portfolio may be the main source of the gap. Their decomposition analysis, using the Machado-Mata method, however, does not allow quantification of the contribution of specific factors to the gender wealth gap. The main study that draws upon a national-level individual net worth data (which includes private, but not public pensions) to analyze the gender wealth gap is by Sierminska, Frick, and Grabka (2010) for Germany. They find a significant raw gender gap, of about 30,000 Euros, favoring men overall, and an even more pronounced gap among married individuals, almost 50,000 Euros. They also demonstrate that the relative gender wealth gap at the mean differs markedly by marital status, being largest among those who are partnered rather than unpartnered. They decompose the wealth gap among partnered individuals across the distribution and show that differences in characteristics—most importantly income and labor market characteristics—contribute the most to the gap at the mean, bottom and top of the distribution.

### Table 1. Raw gender wealth gap, sole male heads (SMH) and sole female heads (SFH) (in $US)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Percentiles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>SMH</td>
<td>30,403</td>
<td>266</td>
</tr>
<tr>
<td>SFH</td>
<td>16,785</td>
<td>100</td>
</tr>
<tr>
<td>Gap</td>
<td>13,547</td>
<td>166</td>
</tr>
<tr>
<td>P-value</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Men-to-women ratio</td>
<td>1.81</td>
<td>2.66</td>
</tr>
</tbody>
</table>

Source: Authors’ calculation based on EAFF 2010 data.

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