Decomposing the Gender Wealth Gap in Ecuador

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Abstract.—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.

Key words — women’s wealth, inequality, gap decomposition, unconditional quantile, developing countries

1. INTRODUCTION

Unlike the gender earnings gap, which has been amply studied in developing country contexts (World Bank, 2011), the gender wealth gap has only recently begun to receive attention. Moreover, rigorous analyses of the gender wealth gap have been limited to developed countries. These studies have demonstrated that while the gender wealth gap tends to favor men, the magnitude and sources of the gap vary depending upon factors such as the definition of wealth, whether the focus is on household or individual wealth, or marital status. Further, while only a few studies have investigated the gender wealth gap across the wealth distribution, these show it can sometimes vary markedly from the mean.

This paper, drawing upon individual non-pension net wealth data for Ecuador, investigates the sources of the gender wealth gap among male and female sole household heads and compares these with the sources of the gap for heads who are partnered (married or in a consensual union). This comparison is important since the majority of studies—being based on household wealth—are unable to differentiate between the wealth of husbands and wives in couple-headed households. The paper also contributes to the literature by estimating the gender wealth gap and providing a detailed decomposition of it at different points of the wealth distribution using the unconditional quantile approach of Firpo, Fortin, and Lemieux (2009). This more accurate estimation of the gap distribution is very relevant for policy, since it sheds light on whether a gender gap that is unfavorable to women is largest among the asset poor or the wealthy. Further, unlike previous studies, we minimize reweighting error bias associated with gap decompositions by applying a new covariate balancing methodology developed by Imai and Ratkovic (2014).

While there is a large and growing literature on gender asset gaps in developing countries, particularly of gender inequality in land ownership (Agarwal, 1994; Deere & León, 2003; Doss, Kovarik, Petram, Quisumbing, & van den Bold, 2015), relatively few studies have been carried out on gender differences in total wealth holdings. For this purpose, the Gender Asset Gap Project undertook national-level surveys in Ecuador and Ghana and at the state-level in Karnataka, India. Doss, Deere, Oduro, and Swaminathan (2014) establish that it is possible to collect individual-level data on asset ownership as well as its value, and that the gender wealth gap varies considerably across countries, finding a much larger wealth gap in favor of men in Karnataka than in Ghana, and particularly, than in Ecuador.

Ecuador provides an interesting case for a more detailed study of the gender wealth gap since the default marital regime is partial community property, where all property acquired during the marriage is considered to be jointly owned by the couple. Thus, one would expect the aggregate gender wealth gap among partnered individuals to be generally small. Indeed, Deere, Oduro, Swaminathan, and Doss (2013) found that women who are married or in a consensual union own 44% of total couple wealth in Ecuador, compared to 19% in Ghana and only 9% in Karnataka, India. The authors argue that these differences are partly explained by the prevailing marital and inheritance regimes. In contrast to Ecuador, Ghana and Karnataka are characterized by the separation of property regime, where property acquired during the marriage belongs to the person who purchased it. Moreover, while in all three countries inheritances are considered to be the property of the spouse who inherits them, inheritance is much more gender equitable, both legally and in practice, in Ecuador than in the other two countries. Thus, differences in men’s and women’s labor force participation and earnings play a much greater role in framing women’s acquisition of assets in these two countries than in Ecuador.

Given the relatively favorable institutional framework for women in Ecuador, it is not surprising that the gender wealth

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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. They conclude that individual characteristics play a relatively 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 wealth 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. Their

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>
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<tr>
<td>Men-to-women ratio</td>
<td>1.81</td>
<td>2.66</td>
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</tbody>
</table>

Source: Authors’ calculation based on EAFF 2010 data.

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