

Distress Work amongst Women?

Women's work as an insurance mechanism- Micro-data evidence from 66 developing countries

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Abstract

This paper uses comparable micro-data on more than 1.2 million women in 66 developing and transition countries to investigate the hypothesis that women's labour supply is used towards smoothing household consumption. Developing countries are characterised by weak credit and insurance markets and limited if any state unemployment benefits. The consequences of income shortfalls are severe at low income levels and households devise informal strategies to maintain consumption. This paper investigates the extent to which women's work responds to shocks to household income. Shocks arise through annual fluctuations in GDP which, in poorer countries, are larger and more abrupt than in richer countries. The prediction of the insurance model that we test is that women work harder in economic downturns (recessions), or that women's work is counter-cyclical. Consistent with this, we identify an average income elasticity of work participation of -0.04. The elasticities in Asia, sub-Saharan Africa and Latin America respectively are -0.082, -0.044 and -0.027. Disaggregation by the educational levels of women shows that work force participation is countercyclical for the 85% of women in the sample who have less than secondary education, but significantly pro-cyclical amongst more educated women. We also find that insurance work is more evident amongst less wealthy households and in countries with lower levels of financial development. Instrumenting aggregate income with rainfall shocks and terms of trade lowers the estimated elasticities but the qualitative conclusions persist. We show that the added labour supply of women in recessions is largely in the informal sector (self-employment). Few previous studies have analysed the dynamics of women's work. We argue that women's work, when stimulated by distress, can have adverse consequences for children.

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