

Labour costs of maternity protection and child care

The higher cost of hiring female labour with respect to male labour is frequently brought as one of the barriers women must face in order to have access to a job, although women's wages are lower than men's (36% regional average in 1998, *Labour Overview 6*). The ongoing argument in some circles is that the wage differential between women and men is caused by the need to compensate the higher labour costs employers incur by hiring women, in accordance with special laws to protect maternity and nursing care (maternity leave, special work schedules to allow for breast feeding, protection against dismissal, leave to look after a sick child). Leave related to family responsibilities which are assumed mostly by women are considered additional costs too.

The ILO has conducted some research in order to analyse labour costs associated with hiring men and women, paying special attention to any costs related to maternity protection and child care.

The study was carried out in Argentina, Brazil, Chile and Mexico in the year 2000, involving male and female wage earners only. For the purpose of this analysis, labour laws aimed at protecting maternity and child care, and safeguards related to certain male and female labour conditions were examined (Table 1b). Besides, estimates were developed on the basis of a variety of sources (demographic and occupational) and records on the number of maternity leaves were reviewed, whenever possible.

The results of the analysis are as follows:

- Direct costs in cash for employers derived from hiring women under current labour law are low: 0.2% of the

female workers' gross monthly wages in Mexico, 1% in Argentina, 1.2% in Brazil and 1.8% in Chile.

- Such low costs are explained by a low annual incidence of pregnancies among wage earners. The study shows that the annual proportion of women who are granted maternity leave is 2.8% in Argentina, 3.0% in Brazil, 4.5% in Chile, and 7.5% in Mexico.

- The main reason for these low costs for employers is that cash benefits provided to female workers during maternity leave in the four countries under review are directly financed with public funds (Chile) or social security systems (Argentina, Brazil and Mexico). In these cases, employers' contributions to social security are unrelated to the number or age of their female employees. These financial systems seek to secure an essential principle: protecting women against possible labour discrimination associated with maternity.

- On the other hand, the costs of providing maternity protection through compensatory funds are not high. Cash benefits provided to female workers during maternity leave (the so-called maternity salary) directly by the government or through a social security scheme represent 0.70% in Argentina, 1.11% in Mexico, 1.68% in Chile and 1.73% in Brazil, as a percentage of total female wages for each country.

- On the other hand, expenditures generated by nursery care are the most important component of the amount of direct costs for employers hiring women in Chile and Argentina: 1.3% and 0.8% of gross monthly wages, respectively. In Mexico, this item does not constitute a direct cost for the employer, since it is covered by the same system of health and cash benefits related to maternity.

Table 1b
LATIN AMERICA: SELECTED COUNTRIES
MATERNITY PROTECTION AND CHILD CARE LEGISLATION

	Argentina	Brazil	Chile	Mexico	ILO Convention 183
Maternity leave (weeks)	12	16	18	12	14
Proportion of wages paid during maternity leave	100%	100%	100%	100%	2/3 minimum
Health benefits up to delivery	Yes	Yes	Yes	Yes	Yes
Prohibition of dismissal during pregnancy, maternity leave and an extra period after the return to work	Up to 7.5 months after delivery	Up to 5 months after delivery	Up until 12 months after the completion of the maternity leave	No legal regulation	<i>Except for reasons unrelated to the pregnancy, delivery and nursing; the burden of proof shall rest on the employer</i>
Health protection of the pregnant woman and her child	Yes	Yes	Yes	Yes	Yes
Breastfeeding (one hour per day); counted as working time and remunerated accordingly.	Up to the child's first birthday	Up until the child is 6 months old	Up until the child is 2 years old	Up until the child is 6 months old	According to national legislation
Right to day-care center	No legal regulation provision	In enterprises with 29 and more women	In enterprises with 20 and more women	Children of female workers who contribute to social security	Not included
Maternity and paternity leave to take care of sick child/children	No	No	Yes	No	Not included

Source: ILO, based on the labour legislation of the four countries under review.

Box 4

ILO CONVENTION NO. 183 CONCERNING MATERNITY PROTECTION

The preamble of the Maternity Protection Convention (revised) No. 183, adopted by the International Labour Conference on June 15, 2000, states that protecting pregnancy is a shared responsibility of governments and society and a fundamental aspect of promoting equality of opportunities between men and women, according to various International Conventions adopted on this matter. It also mentions the need to recognize the diversity in social and economic development of the ILO Member States and the diversity of enterprises, and the development of the protection of maternity national law and practice.

The Convention includes the following provisions, among others:

- Maternity leave up to at least 14 weeks, 6 of which are mandatory after childbirth; each member shall examine periodically the appropriateness of extending the total period of leave.
- Cash benefits to women who are absent from work during the maternity leave, shall not be less than two-thirds of the woman's previous earnings.
- Right to one or more daily breaks or a daily reduction of hours of work to breastfeed.
- Protection against dismissal during pregnancy and maternity leave, as well as during an extra period of time following the

return of the employee to work, according to national labour laws except for reasons unrelated to pregnancy, child-birth and its consequences on nursing, breastfeeding, with the burden of proof on the employer.

- In order to protect women in the labour market, medical and cash benefits related to maternity should be provided through a compensatory social insurance or public funds or in a manner determined by national law and practice. An employer shall not be individually liable for the direct cost of any such cash benefit to a woman employed by him/her without that agreement, except where it is provided by the national law and practice in a Member State before the date of adoption of this Convention, or it is subsequently agreed at the national level by governments and the representative organizations of workers and employers.

- Any contribution due under compulsory social insurance providing maternity benefits and any tax based upon pay-rolls which is raised for the purpose of providing such benefits, whether paid by both the employer and the employees or by the employer, should be paid in respect of the total number of men and women employed, without distinction of sex.

- Health protection of pregnant or nursing women (ban on performing tasks that may be harmful to the health of the mother or the child).

- Mandatory adoption of measures to guarantee that maternity would not become grounds for labour discrimination, including access to employment (ban against pregnancy tests previous to hiring, among others).

1. Financing benefits related to maternity protection and child care

The purpose of the various systems established in Argentina, Brazil, Chile and Mexico to finance maternity leave is to secure a fundamental social principle: protecting women against possible labour discrimination because of maternity, according to the spirit of ILO conventions on Maternity Protection (Table 1b).

In Argentina, Brazil, Chile and Mexico, as well as in the great majority of the Latin American countries, the maternity leave is financed through a compensatory system that does not represent an additional cost to the employer at the time of hiring a woman. In Chile, the maternity leave is directly financed by the government by means of a public fund. In Argentina and Brazil, financing is provided by social insurance systems which collect employers' contributions. In Mexico, financing is provided on a tripartite basis: employers, insured workers (regardless of sex) and government. In all the three cases where maternity leave is financed by social insurance, employer's contributions are unrelated to the number or age of the women hired by each employer.

Moreover, benefits provided in Argentina to a worker on maternity leave are not considered wages but allowances, which means that the contribution of the employer and "the end-of-the year" bonus ("*aguinaldo*") go unaccounted for. Thus, an enterprise may hire a male or female replacement without the burden of these additional monetary costs.

In Argentina, Brazil and Mexico, medical benefits provided to a worker throughout her pregnancy and delivery are financed by social insurance, through the same system that guarantees maternity leave coverage. In these three cases, the contributions made by the employer are unrelated to the sex or age of the workers; therefore, they do not have a differentiated incidence on male and female labour costs. In Chile, these benefits do not represent a burden on the government or social security, because they are covered through a health insurance system directly financed by the contributions of affiliated female workers.

In Argentina, Brazil and Chile, day-care centers represent a direct cost to the employer, which is proportional to the number of women employed by him/her and the

Table 2b
LATIN AMERICA: SELECTED COUNTRIES
EMPLOYER LABOUR COSTS:
MATERNITY PROTECTION AND CHILD CARE, 2000
(gross monthly wages =100)

	Argentina	Brazil	Chile	Mexico
Gross wages <i>a/</i>	100.0	100.0	100.0	100.0
Maternity and child care costs	0.95	1.15	1.83	0.18
Day-care center	0.77	0.27	1.27	0.0
Nursing/feeding <i>a/</i>	0.12	0.79	0.48	0.09
Replacement costs <i>b/</i>	0.06	0.09	0.08	0.09
Employer's average cost	100.95	101.15	101.83	100.18

Source: ILO, based on:

Argentina. Household Permanent Survey, Social Development Survey conducted by the Sistema de Información, Monitoreo y Evaluación de Programas Sociales (SIEMPRO), vital statistics and statistics from the Administración Nacional de Seguridad Social (ANSES). The information generated by the Sistema Integrado de Jubilaciones y Pensiones (SIJyP) is not yet available.

Brazil. PNAD, RAIS and records on maternity leaves paid by the Ministerio de Previdencia y Asistencia Social in 1998.

Chile. Vital statistics and the Encuesta de caracterización socioeconómica (CASEN) in 1998.

Mexico. INEGI's National Education, Training and Employment Survey (1997) and records of the Instituto Mexicano de Seguridad Social (IMSS), 1999.

a/ Gross wages include legal allowances provided by employers; they are part of contributive wages.

b/ Correspond to additional costs the employer must pay to the replacement worker; proportional vacation time in all four countries, plus the "end-of-the-year" bonus in Brazil and Mexico, plus the Guarantee Fund for Time Served (Fondo de Garantía por Tiempo de Servicio, FGTS) and an additional vacation plus in Brazil.

duration of the benefit. Lastly, day-care centers are financed in Mexico by the Instituto Mexicano de Seguridad Social, along with medical services and maternity leave.

2. Composition and scope of labour costs to employers associated with maternity protection and child care

The scope of the study includes female waged workers, excluding domestic service. Only costs resulting from the enforcement of social and labour law in this area were taken into account, disregarding other possible components or additional amounts derived from processes of collective bargaining on human resource policies adopted by some enterprises.

On the basis of the number of maternity leaves granted in 1999 (according to available records or estimates based on more general demographic and occupational data), a list of the different components of labour costs directly related to maternity protection and child care was made; i.e. expenditures for day-care centers, nursing/

feeding, replacement costs related to the worker on maternity leave.

Additional direct costs in cash for the employer associated with hiring women under current labour law are very low (0.2% of the women workers' gross wages in Mexico, 0.9% in Argentina, 1.2% in Brazil and 1.8% in Chile (Table 2b), because maternity leave benefits in cash are directly covered by government (Chile) or social insurance (Mexico, Argentina and Brazil).

Low costs are also related to a moderate annual incidence of pregnancies in line with a declining fertility rate in the countries under review, in particular among employed women. According to the study, the proportion of salaried female workers who go on maternity leave per year, is as follows: 2.8% in Argentina, 3.0% in Brazil, 4.5% in Chile and 7.5% in Mexico.

These percentages would increase by taking into account the segment of fertile salaried female workers (20 to 40 years of age), which represents 3.1% in Argentina, 3.4% in Brazil, 5.0% in Chile and 8.4% in Mexico. These figures

indicate that hiring fertile women in that age group would indeed result in higher labour costs. Yet, these would continue to be too low to become an obstacle in favor of young women and adult women over 40 years of age.

On the other hand, while cash benefits related to maternity leave do not represent a direct cost for employers that are willing to hire women, they represent a cost which is directly financed by the government or a social insurance scheme (either financed with tripartite resources or solely by employers). An estimate of these costs conducted in the countries under review provided the following results: 0.70% in Argentina, 1.73% in Brazil, 1.68% in Chile and 1.11% in Mexico as a proportion of the total wages of registered female workers. As a proportion of the total wages of female salaried workers (registered and unregistered), these costs represent 0.56% in Argentina, 1.5% in Chile and 1.02% in Mexico. Lastly, as a proportion of the total salaried of all registered salaried workers (men and women), they represent 0.22% in Argentina, 0.64% in Brazil, 0.43% in Chile and 0.33% in Mexico.

Expenditures for day-care facilities are the most important component of the direct costs to the employer associated with hiring a woman in Chile and Argentina: 1.3% and 0.8% of the female worker's gross wages, respectively. In Mexico, this item does not represent a direct cost to the employer, since it is a service provided by the social security system and financed through contributions of a tripartite nature, like the medical and cash benefits related to maternity, the employer's contributions are unrelated to the sex or age of employed workers. This explains why direct labour costs associated with maternity protection and child care are lower in Mexico than in the other three countries under review.

Unlike medical benefits related to pregnancy, delivery and nursing, expenditures linked to day-care services should not be associated only with working women. As much as in other cases (due to processes of collective bargaining or management policies seeking to conciliate work with family life) this benefit should be associated with both parents; i.e., male and female workers with family responsibilities, according to the spirit of the ILO Convention No. 156 (workers with family responsibilities).

Finally, direct costs in cash to replace women on maternity leave are under 0.1% of her gross wage: 0.06% in Argentina, 0.08% in Chile and 0.09% in Brazil and Mexico. In all four countries under review, such costs are related to proportional vacation time due to a male/female replacement; in Mexico and Brazil a proportion of the "end-of-the-year" bonus must be added, and lastly, but only in Brazil, a few other benefits such as a vacation plus and the Fondo de Garantía por Tiempo de Servicio (FGTS) must be taken into account too.

Maybe there is an indirect cost to replace a woman on maternity leave that shows up in certain issues of productivity and organization of the work process. However, like in the case of male and female absenteeism, no reliable evidence is available to estimate this aspect on an objective basis.

To summarize, direct monetary costs to the employer associated with hiring women under current labour law are small. This is both the outcome of a modest annual incidence of pregnancies among salaried workers and the fact that the costs in question are directly financed either by government or a social security system. As indicated, the contributions are unrelated to sex, age or the number of children belonging to the family of the wage-earner contributor. These features indicate that the effective costs associated to hiring women are higher than those registered by the enterprises, since employers cover just part of them, while the rest is financed by society at large to prevent the creation of an additional source of discrimination.