

Fiscal Policy as a Tool for Gender Equity in El Salvador

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Abstract

This paper analyzes fiscal incidence in El Salvador through a gender lens using the Commitment to Equity model. The study aims to identify fiscal policies that promote gender equality and facilitates evidence-based policy recommendations aimed at reducing gender disparities and promoting more inclusive fiscal policies. The analysis shows that fiscal policy is not pro-poor, as it can lead to a 3.1 percentage point increase in overall poverty using the US\$6.85 2017 purchasing power parity poverty line, disproportionately impacting particular groups. Households headed by single women with at least one child under six years old experience a poverty rate increase of 4.3 percentage points, reaching

an alarming rate of 42.7 percent. An increasing gender gap in poverty rates is also observed among households where women are the sole providers. The results show that the net fiscal system can increase the incidence of poverty among this group by 4.3 percentage points. In comparison, it increases by only 2.3 percentage points among their male counterparts. A microsimulation exercise of potential fiscal reforms to improve the welfare position of these households reveals that a fiscal package eliminating indirect subsidies, social security exemptions for vulnerable groups, and conditional cash transfers to households that meet certain conditions could reverse these unfavorable outcomes.

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Fiscal Policy as a Tool for Gender Equity in El Salvador¹

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I. Introduction

Disparities in access to opportunities for women in the labor market may contribute to an increase in the poverty of households headed by women or where women are the breadwinners. While fiscal policies should strive to promote economic well-being for vulnerable households, their effectiveness in closing gender gaps is usually insufficient. Fiscal policy can influence gender equality through several channels. Gender inequalities within labor markets significantly shape the behaviors and opportunities of both women and men. Moreover, direct taxes and social security contributions represent primary instances where gender biases are manifested in regulations, subsequently influencing women's incentives to engage in the labor market and choose between formal and informal sector employment.

Furthermore, the monetary value of public services, such as education and health care, affects women as they often assume the role of caregiver for children and elderly family members in many households. This role can impact their reservation wages and labor-force participation decisions. The decisions men and women make regarding the labor market and the barriers they face in accessing opportunities can have significant implications for poverty and vulnerability, as labor income is usually a fundamental source of income for households living in poverty or at risk of falling into poverty. Fiscal policies can, therefore, have unified consequences that reinforce gender gaps.

This study employs the CEQ (Commitment to Equity²) methodology, expanded with a gender lens, to explore the role of fiscal policies in widening or reducing existing gender gaps in El Salvador. The CEQ methodology determines the impact of the overall fiscal system on different poverty and inequality measures by comparing the market income scenario, i.e., the pre-fiscal scenario, with the post-fiscal scenario, where households have already paid and received direct and indirect taxes and transfers, respectively. As presented in Grown and Valodia (2010) and Greenspun (2019), the method can be expanded to include a gender perspective by disaggregating households according to their socio-demographic characteristics as 'female' and 'male' households, allowing the identification of the impact of fiscal policy on gender gaps. Thus, this methodology provides a tool for evidence-based recommendations that employ a gender approach.

The inclusion of a gender perspective in analyzing the impacts of fiscal policies requires several steps: (i) identifying the typology of 'female' and 'male' households, (ii) gaining a detailed understanding of the country's tax and benefits system, (iii) collecting relevant macro and fiscal data and (iv)

² The World Bank's Poverty and Equity Group partnered with Tulane University's Department of Economics to implement the CEQ in a set of countries in different regions. This approach is one of the first efforts to comprehensively assess the system of taxes and benefits in developing countries (including subsidies and indirect taxes and in-kind benefits in the form of free education and health care) and be able to compare countries over time. This type of analysis sheds light on the main constraints that impede an effective reduction of poverty and inequality through tax policies and social benefits.

performing a meticulous microsimulation analysis using administrative and household survey data.

The initial step involves categorizing households based on gender composition or the presence of specific gender-related factors. It acknowledges that households can differ significantly in terms of their structure, roles, and socio-economic characteristics, and it is crucial to capture these distinctions when conducting gender-focused analyses. Second, it needs a detailed examination of the tax policies, regulations and benefit schemes implemented in the country, and how different types of taxes (e.g. income tax, consumption tax) and social benefits (e.g. child allowances, social security benefits) interact with individuals and households. Third, macro and fiscal data, including information on government revenues, expenditures and budget allocations, provide a broader context for understanding the fiscal landscape and is critical to assess the allocation of public resources and their potential gender implications. Fourth, microsimulation analysis using administrative and household survey data allows us to quantify the potential gendered impacts of various fiscal policy scenarios on individuals or households. This new evidence is crucial for identifying fiscal reforms that can contribute to gender equality and inform the country's dialogue on egalitarian and pro-poor tax reforms.

While evidence on the gender dimensions of fiscal incidence holds significant relevance for informing policy guidance on tax, transfer and expenditure reforms, it is surprisingly scarce. There are no previous studies for El Salvador, and while there is limited evidence for other countries, there are very few studies that look comprehensively at the incidence of the full fiscal system with a gender lens. Greenspun (2013) reviewed the existing literature, including 16 gendered fiscal incidence studies, delving into their research scope, methodologies and principal discoveries. Seven studies scrutinize gender equity in government spending on education and health, five studies focus on tax incidence, and the remaining four studies center on estimating the effect of taxes and transfers. While these studies yield valuable insights into gender equity implications of specific taxes and transfers or some combinations, none examine the incidence of taxes and cash and in-kind transfers in unison. Greenspun (2019) conducted fiscal incidence analysis for several Latin America Countries to fill this knowledge gap. When looking only at direct taxes and transfers, evidence for other countries is mixed. For example, according to Garcia-Peña Bersh (2019), direct transfers mainly benefit men in Barbados. For New Zealand, Aziz (2013) finds that the burden of direct taxation falls mainly on men, with an equalizing effect on final income. Bakker (2017) indicates that personal income tax (PIT) deductions in Canada benefit men. Grown and Valodia (2010) reveal that, in terms of indirect taxes and subsidies, male-type households bear the heaviest VAT burden in Argentina, Barbados, Ghana, Mexico, South Africa, Uganda and the United Kingdom, but not in India or Nicaragua.³

³ All these results sound sensitive to the presence or absence of zero rates, exemptions and preferential rates for domestic public goods and essential goods and services, therefore some changes can correct some of these inequalities.

We analyzed El Salvador’s tax and transfer system using the latest available multipurpose household survey (EHPM) from 2019, collected by the General Directorate of Statistics and Censuses (DIGESTYC), and administrative data and macro data on fiscal accounts. We used the 2019 household survey as the most recent record of a situation without the impact of the COVID-19 crisis that temporarily affected household income and the reliability of household surveys collected in the country during the pandemic. Since data collection stopped in the quarantine months and the full theoretical sample was not covered, the 2020 survey data are not fully comparable to previous years. Therefore, it is not advisable to use data from an atypical crisis year like 2020 to evaluate the tax system’s impact.⁴

The findings of this study suggest that the tax and transfer system in El Salvador disproportionately affects households with women as the sole providers, leading to increased poverty rates. Specifically, the poverty rate among households with female breadwinners was 22.3 percent before fiscal policy, which is higher than that among households with male breadwinners (15.5 percent). However, after the deductions for tax payments and the receipt of transfers, poverty rates increased disproportionately more for female households, with households with female breadwinners reaching a poverty rate of 26.6 percent and their male counterparts, 17.8 percent.⁵ As a result, the gender gap expanded.

Furthermore, the study finds that the poverty rates of women who are the sole providers for households with young children experienced the most significant increase. These households had among the highest pre-fiscal poverty rates, and fiscal policy failed to target this vulnerable group, increasing poverty by 4.3 percentage points, reaching a rate of 42.7 percent, 1.5 times the country’s national poverty rate.

To address these issues, the paper simulates a potential fiscal reform through a microsimulation exercise. This reform includes an exemption from social security contributions, a conditional transfer to female-headed households and an elimination of indirect subsidies to the most affluent households to avoid fiscal policy unintended consequences in exacerbating gender gaps. The study also recommends investing in public childcare and care services in the medium term to prevent adverse effects on households with women as the breadwinners.

The paper is organized as follows. Section II provides a description of the labor-market situation for women in El Salvador. Section III explains the CEQ methodology with a gender approach. Section IV presents the main results of the impact of the tax and transfer system on the poverty of households with different economic and demographic profiles. Section V evaluates measures of progressive and

⁴ The gender analysis for El Salvador was developed from a partnership between the World Bank and the United Nations Development Program, based on the CEQ evaluation conducted by the World Bank.

⁵ The following are used in this study regarding lines of international poverty measured in 2017 Parity of Power Acquisitive (PPA) dollars, which are USD\$ 2.15 (extreme poverty line), USD\$ 3.65 (lower-middle-income line) and USD\$ 6.85 (upper-middle-income line).

horizontal equity. Section VI analyzes the marginal impacts of each intervention of the tax and transfer system on poverty and inequality for different types of households and its coverage. Section VII presents microsimulations of potential reforms to fiscal policy to increase gender equality. Finally, Section VIII summarizes the main conclusions of the study.

II. Description of the state of the labor market for women

In El Salvador, there are significant disparities between men and women regarding employment status, job opportunities and income inequality. In the past 20 years, women's participation in the labor market has been low, with less than 50 percent of working-age women (16 years and older) participating in the labor market. In contrast, around 80 percent of men participate in the labor market (Figure 1). According to recent benchmarking exercises, women's labor-force participation rates in El Salvador are among the lowest in the Latin America and Caribbean (LAC) region.⁶

The COVID-19 pandemic has further exacerbated the employment situation of women, who already faced unfavorable circumstances compared to men. According to Gutiérrez, Martín and Ñopo (2021), the pandemic has led to an increase in care work for women with minor children, decreasing their labor supply in Latin America. In El Salvador, the employment gap between men and women in households with children under six years old is the second largest among 16 Latin American countries, with a gap of 43 percent. Furthermore, El Salvador is among the three countries with the highest percentage of employed women unable to work during the pandemic (53 percent), alongside Honduras and Paraguay.

Although women's unemployment rates have been lower than men's, they have steadily increased since 2000. Men's unemployment rate was around 8.2 percent between 1998 and 2020, while women's unemployment rate has averaged 4.6 percent, but with a noticeable upward trend for women. As of 2020, the unemployment gap has decreased to less than 1 percentage point, whereas in 2008, it was 3 percentage points (Figure 2).

⁶ Source: Robayo-Abril, Monica; Barroso, Rafael. 2022.

Figure 1. Labor participation rate, percentage of the working-age population (16+), women versus men, 1998–2020

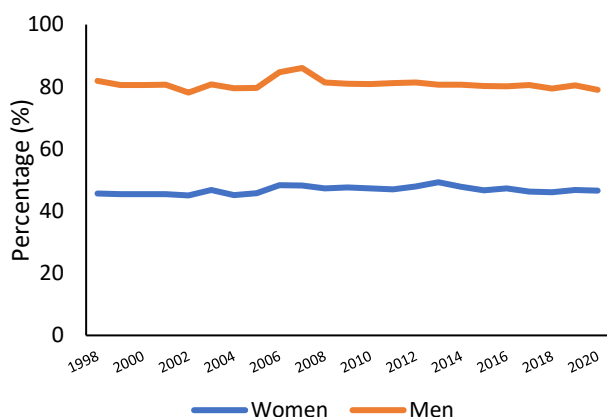
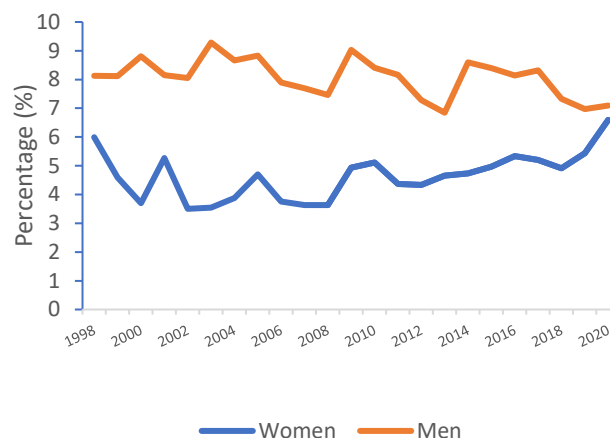


Figure 2. Unemployment rate, percentage of the labor force, women versus men, 1998–2020



Source: Own estimates based on EHPM (1997–2020).

Note: Working-age population is defined by international standards (ILO) as suitable in terms of age to perform productive functions (1 years and older). The 2020 labor market estimates are based on official data, which may underestimate job losses due to COVID-19 due to methodological changes in the household survey.

Labor informality is more frequent among women and has been accentuated in recent years.⁷ The prevalence of labor informality is more common among women and has been increasing in recent years. Proxying informality with social security measures commonly used in the labor literature (lack of access to social security), survey data show that the percentage of women in the economically active population without social security has been rising since 2008, leading to a widening gender gap (Figure 3). In 2008, both men and women had the same informality rate, but by 2020, the gender gap had reached 6 percentage points.

Moreover, women’s inactivity is more influenced by demographic factors and caring for dependents within the household than men’s. For example, among inactive working-age women, 65 percent cite domestic and care work within the home as the primary reason for being out of the labor market, compared to only 2 percent of men (Figure 4). In contrast, men cite other reasons for their inactivity,

⁷ Informality is calculated using the social security contribution question in the EHPM household survey. Any worker who answered “no” to the question “Are you affiliated or covered by any private or public social security system?” is considered informal. Other concepts of informality, estimated using firm size or in occupation characteristics, are not used in this study.

such as attending school (31.4 percent), disability (23.7 percent) and retirement (11 percent), while these percentages are lower for women (13 percent, 11 percent and 2.7 percent, respectively).

Figure 3. Informality rate, percentage of total employment, women versus men, 1998–2020

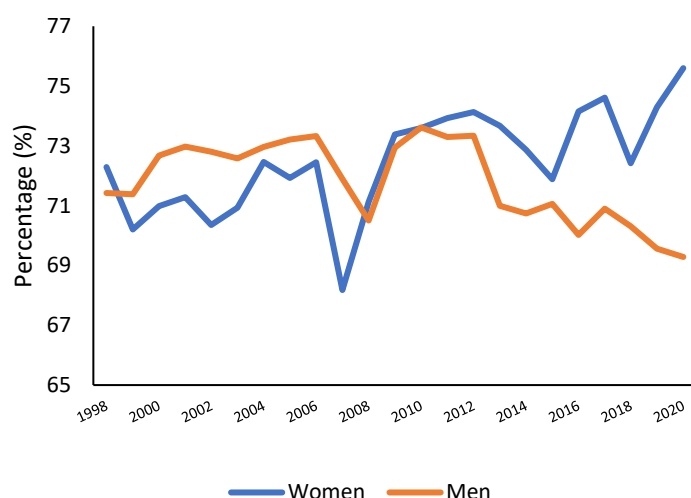
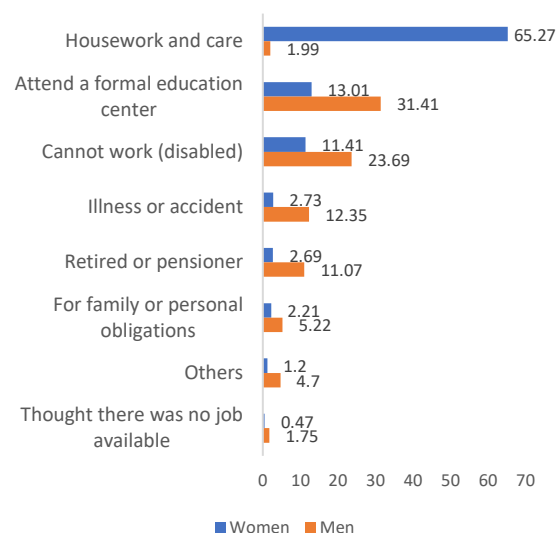


Figure 4. Reasons for inactivity, percentage of inactive women and men, 2019



Source: Own estimates are based on EHPM (1997–2020). The definition of informality based on social security is applied, using the question “Are you affiliated or covered by any private or public social security system?”.

The COVID-19 pandemic significantly impacted women in Latin America due to the social division of labor by sex. Bergallo et al. (2021) found that a significant proportion of female employment in the region is concentrated in economic sectors considered non-essential, such as education and tourism, which were slowed down by the pandemic. In addition, confinement measures prevented domestic workers, a sector that employs between 11 million and 18 million people in the region, with high participation of women, from carrying out their work (UN-Women, ILO, and ECLAC, 2020). In El Salvador, historical averages show that up to 42.9 percent of the employed female population is engaged in commerce, composed of retail, wholesale trade, restaurants, hotels, repairs, etc., and approximately 30 percent is employed in services. About 12.7 percent are employed in the education sector, and 11.5 percent in domestic work (Figure 5). In contrast, men’s employment is distributed more evenly among the different sectors, with 21 percent in commerce, 24 percent in agriculture, 10.8 percent in construction and 7.3 percent in industry (Figure 6). This gendered distribution of employment puts women at a disadvantage during times of crisis, as seen in the case of the COVID-19 pandemic.

Figure 5. Distribution of employment by sector of economic activity, women

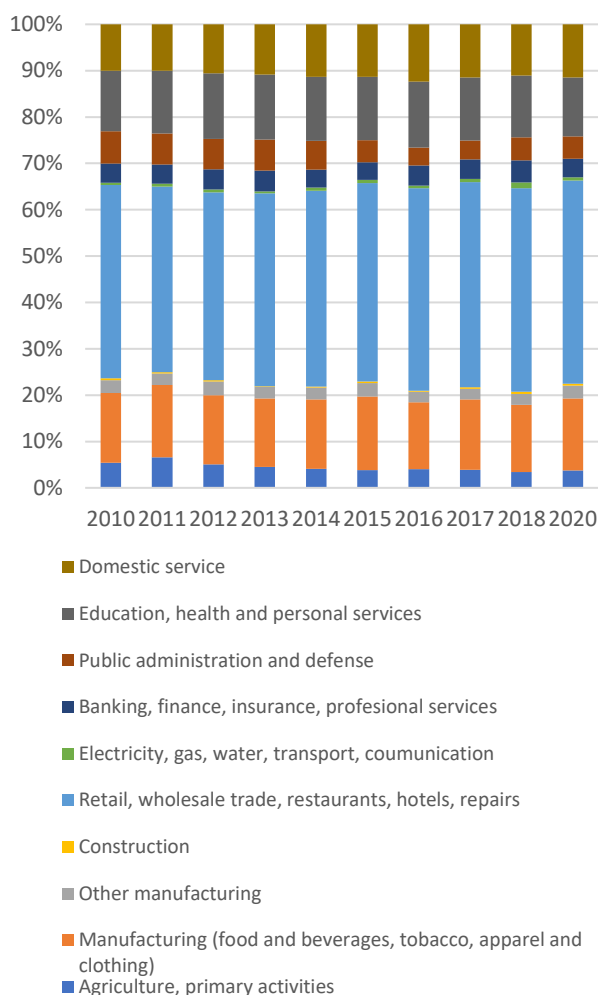
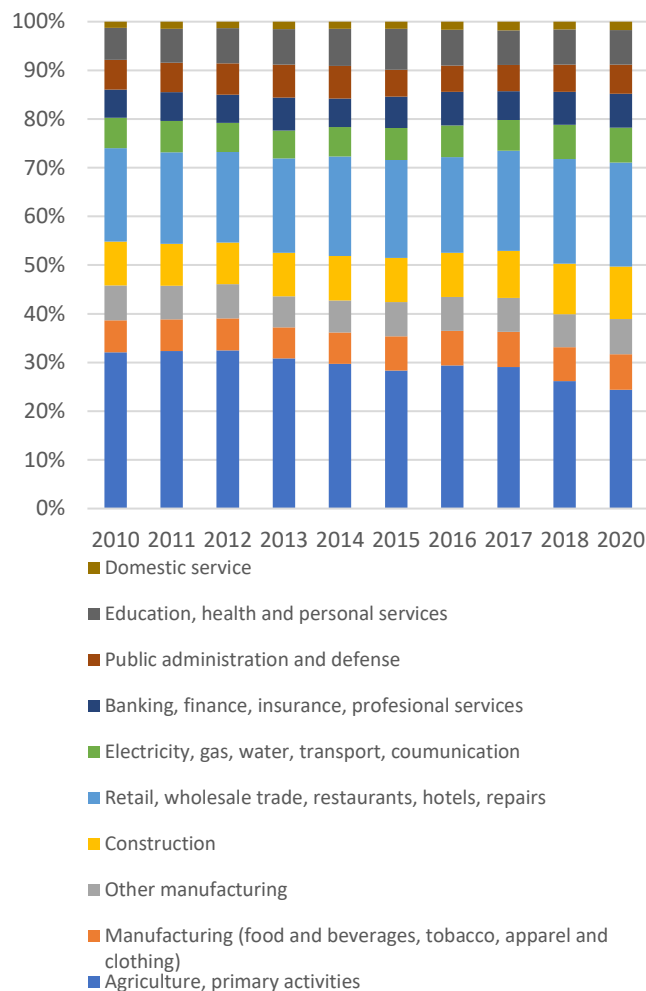


Figure 6. Distribution of employment by sector of economic activity, men



Source: Own estimates based on EHPM (1997–2020).

Note: The employed population was used as a reference in both cases. According to the concepts used regarding employees in the Household Survey of El Salvador, ‘employed’ refers to those who perform work for which they receive remuneration or profit or work without cash payment in a family establishment. The 2020 estimates are based on official data, which may underestimate job losses due to COVID-19 due to methodological changes from the household survey.

Women’s employment is more heavily concentrated in domestic work, while men’s employment is more prevalent in permanent employment. Permanent employment and other types of contracts are dominated by men, with 63.6 percent and 64.2 percent of these positions, respectively. Men also

account for 86.5 percent of temporary employees and almost all apprentices/interns at 99.4 percent. On the other hand, women represent 91.9 percent of those employed in domestic service and 65.7 percent of those who are self-employed-business owners (Table 1, Panel a).

Gender gaps in labor earnings are also observed along the wage distribution. As Table 1, Panel b, shows, 68 percent of people earning between 20 percent and 40 percent above the minimum wage are men. Also, among higher income earners, men's earnings are also significantly higher.

Women also have higher participation among the poor. When using the international poverty line of US\$ 6.85 dollars per day at purchasing power parity (PPP), taking 2017 as the base year, the poverty rate reached 28.8 percent in 2019; more than half of the poor are women (53.4 percent women and 46.6 percent men). Likewise, women's poverty rate is slightly higher than the men's poverty rate (29 percent versus 28.5 percent, respectively).

Table 1. Distribution of employment status by gender

Panel a.

	Women	(%)	Men	(%)	Total	(%)
Permanent employment	457,358.0	36.4%	798,107.0	63.6%	1,255,465.0	100.0%
	35.9%		43.6%			
Self-employed (non-business owner)	378,564.0	50.4%	372,509.0	49.6%	751,073.0	100.0%
	29.7%		20.3%			
Employed in domestic service	124,998.00	91.9%	10,982.0	8.1%	135,980.0	100.0%
	9.8%		0.6%			
Others	69,952.0	35.3%	127,942.0	64.7%	197,894.0	100.0%
	5.5%		7.0%			
Unpaid family member	87,427.0	52.8%	78,254.0	47.2%	165,681.0	100.0%
	6.9%		4.3%			
Self-employed (business owner)	58,800.0	65.7%	30,639.0	34.3%	89,439.0	100.0%
	4.6%		1.7%			
Employer	47,039.0	35.8%	84,527.0	64.2%	131,566.0	100.0%
	3.7%		4.6%			
Temporary salaried	50,028.0	13.5%	321,676.0	86.5%	371,704.0	100.0%
	3.9%		17.6%			
Apprentices	35.0	0.6%	6,016.0	99.4%	6,051.0	100.0%
	0.0%		0.3%			
TOTAL	1,274,201.0	41.0%	1,830,652.0	59.0%	3,104,853.0	100.0%

Panel b.

	Women	(%)	Men	(%)	Total	(%)
Below SM (20%)	285,879	35.1%	527,777	64.9%	813,656	100.0%
	22.4%		28.8%			
In SM (+-20%)	632,281	49.6%	642,611	50.4%	1,274,892	100.0%
	49.6%		35.1%			
Above SM, between 20% and 40%	63,045	31.7%	135,701	68.3%	198,746	100.0%
	4.9%		7.4%			
Above SM, between 40% and 80%	81,515	32.5%	169,343	67.5%	250,858	100.0%
	6.4%		9.3%			
Above SM, between 80% and double	20,805	35.0%	38,706	65.0%	59,511	100.0%
	1.6%		2.1%			
Above the SM, between double and 2.50 times	57,683	40.4%	84,975	59.6%	142,658	100.0%
	4.5%		4.6%			
Above the SM, 2.5 and 3 times	26,779	41.8%	37,325	58.2%	64,104	100.0%
	2.1%		2.0%			
Above the SM, between 4 and 5 times	27,824	37.5%	46,297	62.5%	74,121	100.0%
	2.2%		2.5%			
Above SM, above 5 times	78,390	34.6%	147,917	65.4%	226,307	100.0%
	6.2%		8.1%			
	1,274,201.					
TOTAL	0	41.0%	1,830,652.0	59.0%	3,104,853.0	100.0%

Source: Own estimates based on EHPM 2019.

Note: MW stands for minimum wage

III. Methodology: Expanding the Equity Commitment Assessment to understand fiscal policy with a gender lens

This section aims to present a gender-sensitive adaptation of the methodology of fiscal incidence. The first important step is to identify any explicit and implicit gender biases that may exist in laws and regulations (Stotsky, 1996). In terms of explicit gender bias, which means treating men and women differently in legislation, El Salvador's institutional framework has made significant progress towards

gender equality, although there are still some exceptions. The country's global ranking on the World Bank's Women, Business and the Law Index has improved to 45th place with a score of 88.8 in 2021, compared to 78.1 20 years ago.⁸ While El Salvador performs relatively well in areas such as mobility, workplace, entrepreneurship and assets, it falls behind in terms of salary, marital conditions, paternity, and pensions.⁹

However, implicit gender bias may still be at play, as women primarily shoulder care responsibilities in El Salvador. Implicit gender bias refers to social norms and economic behavior that affect men and women differently. For example, El Salvador's inflexible labor law, which includes restrictions on part-time work, disproportionately affects women with children with significant caregiving responsibilities.

The tax advocacy approach aims to comprehensively assess the tax/benefit system using a diagnostic tool called the Equity Commitment Assessment (CEQ). With some modifications, the CEQ methodology allows for assessing the gender impacts of current fiscal policies. The CEQ analysis in this paper includes seven definitions of income, each of which is described in Diagram 1. In all cases, the per capita value was used.¹⁰ In conceptual terms, each income is defined as follows:

- **Market income** comprises household income and wages, and other non-labor income, such as private transfers, excluding any element of fiscal policy.
- **Market income plus pensions** refers to the previous income with the addition of pensions.
- **Gross income** is the sum of market income plus pensions and direct transfers.
- **Net income** is calculated by subtracting income tax and social security contributions from market income plus pensions.
- **Disposable income** can be calculated either by adding direct transfers to net income or by subtracting direct taxes and social security contributions from gross income.
- **Consumable income** is obtained by adding indirect subsidies and subtracting indirect taxes from disposable income.
- **Final income** is the consumable income plus the monetary quantification of public services received in education and health.¹¹

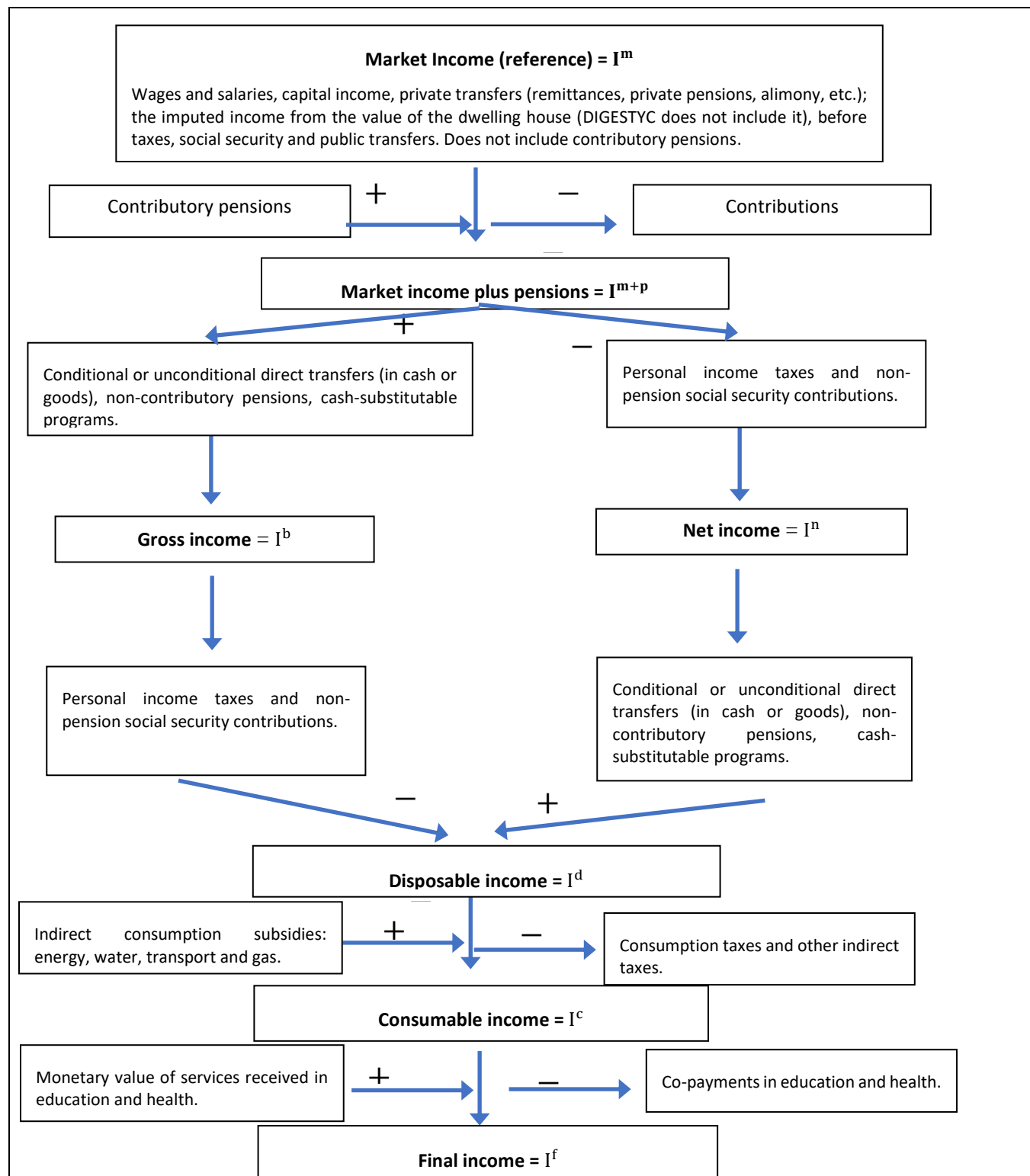
⁸ Source: <https://wbi.worldbank.org/content/dam/documents/wbi/2021/snapshots/El-salvador.pdf>.

⁹ Despite the existence of Article 25(g) of the 'Law on Equality, Equity and the Eradication of Discrimination against Women', which mandates equal treatment of male and female employees, differential treatment is still prevalent. For instance, women are entitled to 18 weeks of paid maternity leave, calculated at 75 percent of their salary, whereas men are only entitled to 3 days. These disparities in paternity and maternity leave directly impact recruitment costs and contribute to women being perceived as more expensive employees than men. Additionally, women and men do not retire at the same age, with women retiring at 55 and men at 60, and differentiated mortality tables are used for pension calculation, which means women require more years of contribution to attain their pensions.

¹⁰ On this occasion, the taxable income included in the CEQ methodology was not used. For the amount per person, the income was divided by the number of household members. The CEQ market entry and the measurement of DIGESTYC differ in that the former does not include domestic workers as household members when performing the division. Additionally, the CEQ market entry includes the value of the employer's contribution for health. No adult-equivalent measures were used at market entry. For a detailed explanation, please refer to the *Commitment to Equity Handbook: Estimating the Impact of Fiscal Policy on Inequality and Poverty* by Nora Lustig, 2018.

¹¹ For a detailed explanation refer to Appendix 1.

Diagram 1. Definitions of income concepts



Source: Lustig and Higgins (2019).

The gendered tax incidence analysis acknowledges that fiscal policy can have differentiated impacts on men and women, as well as on ‘female’ versus ‘male’ households. To understand how fiscal policies affect household activities, it is important to define household types or ‘typologies’ that are appropriate for the country context. As recommended by Grown and Valodia (2010), the analysis should move beyond the traditional approach of grouping households by sex of the head of household and also consider other characteristics, such as employment and demographic structure, using a richer typology for tax incidence (Figure 7). In this study, we follow some of the definitions of Grown and Valodia (2010) and Greenspun (2019) based on demographics and labor income. Specifically, we differentiate households based on whether they are headed by a woman or a man, or from a labor perspective, we specify whether a woman is the sole provider of income or contributes with more than 50 percent of the budget.

According to Grown and Valodia (2010), households can be classified according to gender. Typically, the initial classification considered is by the head of the household, although it is often conceptually confusing and empirically disordered. Among the different categories they include are the employment categories often used in the literature because employment is used as an indicator of bargaining power. This typology distinguishes between households with female family providers (without employed men), households with male family providers (without employed women), households with dual income and households without employed adults (Figure 7).

Figure 7. Household typologies based on their gender relations

<i>Classification</i>	<i>Comment</i>
<i>By head of household</i> <i>Female-headed households</i> <i>Male-headed households</i>	<i>Commonly used.</i> <i>Definitions vary by country.</i>
<i>By adult composition</i> <i>Female majority</i> <i>Male majority</i>	<i>Explore differences in spending patterns.</i>
<i>By employment</i> <i>Female-headed who contributes over half of the household budget</i> <i>Male-headed who contributes over half of the household budget</i> <i>Equal contribution</i> <i>Not employed</i>	<i>Explore bargaining power.</i>

Source: Grown and Valodia (2010).

However, Greenspun (2019) introduces a different definition of female provider. According to Greenspun (2019), households with female breadwinners are those where a woman has the highest

labor income or where women contribute more than 50 percent of household income. For this document, we use the two definitions, i.e., households where a woman is the sole provider (only the woman is employed) or where the woman contributes more than 50 percent to the family budget.

In the case of El Salvador, we compared the relevant indicators between the following types of households with the male counterparts:

1. Households headed by a woman (self-reported).
2. Households headed by a woman with dependents (children under six years of age or older adults).
3. Households headed by single female heads with at least one child under six years of age.
4. Households where the woman is the sole provider.
5. Households where labor income of a woman represents 50 percent or more of the household income.
6. Households where the woman is the sole provider of income in the household and who does not receive remittances from another country. This last classification is very relevant, given the importance of remittances for Salvadoran households.

Finally, the indicators used in the analysis are defined as follows: To measure inequality, we use the Gini coefficient. The Gini index for market income versus final income was calculated for each type of household to determine whether fiscal policy increases or decreases inequality. For example, if the Gini index increased more among households headed by women when comparing market income with consumables, it is possible that fiscal policy unequally affects these households due to the gender profile of their head. Additionally, since the Gini index measures income concentration or deconcentration within each group, the Theil index was also utilized to disaggregate inequality measurement across groups. To measure the gender gap, we compare the average income of households with relevant profiles for women, such as those where they are the sole providers or heads of the household, with the average income of households with a male profile. This comparison is conducted for each type of income according to the CEQ, with a higher value indicating greater equity between groups. To measure the incidence of poverty, the headcount index is calculated for each group of households identified as relevant from a gender perspective. It compares the change in the poverty rate using market income with consumable income, thus establishing the impact of fiscal policy on poverty. Furthermore, the disparity in the poverty rate between ‘female’ households and ‘male’ households was also calculated, using both market income and consumable income. Additionally, indicators of progressivity, horizontal equity and marginal contributions to the reduction of poverty and inequality were included for each type of household considered.

IV. What is the impact of fiscal policy on gender gaps in El Salvador?

This section examines the characteristics of households based on gender. It then analyzes the fiscal's impact on poverty and gender gaps.

Characterization of male and female households before fiscal policy

A significant proportion of the poor (at least one-third of the poor) rely on market incomes that come from women (Table 2). The incidence of female-headed households is high among poor households. According to the EHPM 2019, out of the 1,938,396 households in El Salvador, 37.1 percent are headed by women, and 62.9 percent are headed by men. Similarly, using the new poverty lines established by the World Bank and using purchasing power parity (PPP) conversion factors for 2017, female-headed households represent 31.2 percent of poor households with incomes below US\$ 3.65 per day at PPP and 35.8 percent of poor households living with incomes of less than US\$ 6.85 per day (PPP).

Many households in poverty have dependents, whether headed by men or women. Data indicate that for households in poverty headed by women, 28.7 percent have dependents (children or elderly individuals of either gender) when using a threshold of US\$ 3.65 per day. In comparison, this figure rises to 32.3 percent when using a threshold of US\$ 6.85 per day. Among male-headed households in poverty, these figures reach 63.7 percent and 57.4 percent, respectively.

One noteworthy finding is that one in five poor households is headed by a woman with no partner or small children. Specifically, 20.6 percent of households living under US\$ 3.65 per day (PPP) and 26.0 percent of those living in poverty using a line of US\$ 6.85 per day (PPP) are headed by a woman who does not have a partner and does not live with young children (under six years of age). The corresponding percentages for male-headed households are lower, at 6.2 percent and 6.4 percent, respectively. Additionally, 20.1 percent of households with incomes of less than US\$ 3.65 per day to PPP and 24.7 percent of those with incomes of less than US\$ 6.85 per day to PPP have a woman who contributes over half of the household budget. Women are the sole breadwinners for 10 percent of households in poverty using a threshold of US\$ 3.65 at PPP or 13.3 percent of households in poverty using US\$ 6.85 at PPP.

Finally, a high percentage of poor households in El Salvador do not receive remittances. At least 83.2 percent of households living on less than US\$ 3.65 per day at PPP and 79.4 percent in poverty living on less than US\$ 6.85 at PPP receive no remittances.

Table 2. Composition of households before fiscal policy, based on market income

	Total	% of total household	Total poor 3.65	% of total poor households	Total poor 6.85	% of total poor households
Households	1,938,396	100.0%	157,190	100.0%	565,499	100.0%
Panel "A" classification by demographics						
Female-headed households	719,294	37.1%	49,103	31.2%	202,206	35.8%
Men-headed households	1,219,102	62.9%	108,087	68.8%	363,293	64.2%
Female-headed with no dependents	118,909	6.1%	3,951	2.5%	19,615	3.5%
Female-headed with dependents	600,385	31.0%	45,152	28.7%	182,591	32.3%
Male-headed with no dependents	259,562	13.4%	7,952	5.1%	38,512	6.8%
Male-headed with dependents	959,540	49.5%	100,135	63.7%	324,781	57.4%
Female-headed household, sole provider with no young children	562,383	29.0%	32,317	20.6%	146,937	26.0%
Female-headed household, sole provider with at least one young child	37,895	2.0%	6,416	4.1%	18,709	3.3%
Female-headed household with a partner and no young children	100,193	5.2%	7,528	4.8%	27,945	4.9%
Female-headed household with a partner and at least one young child	18,823	1.0%	2,842	1.8%	8,615	1.5%
Male-headed household, sole provider with no young children	219,399	11.3%	9,753	6.2%	35,977	6.4%
Male-headed household, sole provider with at least one young child	2,726	0.1%	0	0.0%	598	0.1%
Male-headed household with a partner and no young children	760,246	39.2%	64,137	40.8%	224,980	39.8%
Male-headed household with a partner and at least one young child	236,731	12.2%	34,197	21.8%	101,738	18.0%
Panel "B" classification by labor income						
Female-headed household and main breadwinner	279,286	14.4%	15,704	10.0%	75,290	13.3%
Male-headed household and main breadwinner	197,111	10.2%	5,722	3.6%	31,629	5.6%
Both men and women are providers	1,217,141	62.8%	96,686	61.5%	356,716	63.1%
Unemployed	244,858	12.6%	39,078	24.9%	101,864	18.0%
Female-headed household who contributes over half of the household's income	578,475	29.8%	31,658	20.1%	139,681	24.7%
Male-headed household who contributes over half of the household's income	986,675	50.9%	60,415	38.4%	257,569	45.5%
Men and women contribute equally to household income	128,388	6.6%	26,039	16.6%	67,015	11.9%
Unemployed	244,858	12.6%	39,079	24.9%	101,234	17.9%
Female-headed household and main breadwinner, with remittances	72,143	3.7%	2,488	1.6%	14,535	2.6%
Male-headed household and main breadwinner, with remittances	48,031	2.5%	520	0.3%	5,581	1.0%
Both men and women are providers and receive remittances	222,796	11.5%	14,569	9.3%	56,853	10.1%
Unemployed and receiving remittances	125,612	6.5%	8,782	5.6%	39,673	7.0%
Female-headed household and main breadwinner, with no remittances	207,143	10.7%	13,216	8.4%	61,385	10.9%
Male-headed household and main breadwinner, with no remittances	149,080	7.7%	5,202	3.3%	26,048	4.6%
Both men and women are providers and do not receive remittances	994,345	51.3%	82,117	52.2%	299,863	53.0%
Unemployed and not receiving remittances	119,246	6.2%	30,296	19.3%	61,561	10.9%

Source: EHPM 2019.

Notes: Children and the elderly are considered dependent household members. Young children are considered as younger than 6 years old.

Impact of fiscal policy on inequality between 'female' and 'male' households

The Gini index is commonly used to measure income inequality, but it only shows inequality within groups, not between them. So, we can assess inequality separately for female and male households, but not between them. Transitioning from market income to final income, we observed a reduction in inequality indices for each group, indicating that fiscal policy is associated with decreased income concentration within these groups. Fiscal policy contributes to reducing inequality for most female and male households, as shown in Table 3.

Table 3 shows that the group with the highest income inequality is male-headed households, with a Gini index of 0.425. This group has a higher concentration of income than the entire population. The group with the second-highest inequality is households where a woman is the only provider, with a Gini index of 0.402, which is slightly below the Gini index for the entire population of 0.411.

The Theil index breakdowns presented in Table 4 demonstrate that the majority of inequality arises from within-group differences rather than differences between groups, both before and after the implementation of fiscal policy. The Gini index, which is designed to measure inequality within each group, cannot be used to decompose income inequality between groups. To address this second measure of inequality, we employ the Theil index decomposition method as outlined in Liao (2016). Our results indicate that the primary source of inequality stems from income disparities within each group rather than differences between groups (Table 4). The Gini index and Theil index both show a decline in income inequality for most groups when moving from market income to final income, according to the CEQ application used in this research (Table 3, Panels a and b).

Table 3. Inequality Indexes for different household types and income concepts

Panel "a" Gini Index (Ordered from highest to lowest, by market income gini)

	Market	Plus pension	Net	Disposable	Consumable	Final
Male-headed households	0.425	0.415	0.407	0.403	0.398	0.356
Male-headed household and main breadwinner with no remittances	0.412	0.412	0.404	0.402	0.398	0.375
Total population	0.411	0.403	0.395	0.391	0.385	0.344
Female-headed household and main breadwinner with no remittances	0.403	0.411	0.401	0.396	0.392	0.343
Female-headed household and main breadwinner	0.402	0.402	0.392	0.388	0.383	0.334
Male-headed household who contributes over half of the household's income	0.400	0.401	0.393	0.390	0.386	0.342
Male-headed household with a partner and at least one young child	0.395	0.394	0.383	0.378	0.371	0.315
Female-headed household who contributes over half of the household's income	0.394	0.392	0.382	0.378	0.373	0.331
Male-headed household and main breadwinner	0.394	0.389	0.380	0.378	0.376	0.352
Female-headed households	0.387	0.381	0.373	0.369	0.363	0.321
Female-headed household, sole provider with at least one young child	0.379	0.374	0.366	0.361	0.355	0.310
Female-headed with dependents	0.341	0.341	0.331	0.323	0.316	0.243
Male-headed with dependents	0.264	0.266	0.251	0.247	0.244	0.204

Panel "b" Theil Index (Ordered from highest to lowest, based on Theil Index of market income)

Male-headed households	0.329	0.332	0.324	0.319	0.311	0.252
Male-headed with dependents	0.307	0.315	0.308	0.302	0.292	0.228
Male-headed household and main breadwinner with no remittances	0.312	0.310	0.299	0.296	0.289	0.256
Total population	0.304	0.310	0.301	0.296	0.288	0.232
Male-headed household with a partner and at least one young child	0.298	0.297	0.286	0.281	0.270	0.202
Male-headed household who contributes over half of the household's income	0.296	0.302	0.294	0.29	0.28	0.23
Female-headed household and main breadwinner with no remittances	0.288	0.299	0.284	0.278	0.270	0.210
Male-headed household and main breadwinner	0.283	0.281	0.272	0.269	0.264	0.233
Female-headed household and main breadwinner	0.281	0.288	0.275	0.270	0.263	0.206
Female-headed household who contributes over half of the household's income	0.270	0.275	0.263	0.258	0.252	0.201
Female-headed households	0.261	0.270	0.262	0.257	0.250	0.199
Female-headed with dependents	0.248	0.258	0.249	0.244	0.236	0.184
Female-headed household, sole provider with at least one young child	0.197	0.197	0.184	0.176	0.168	0.109

Source: Own estimates using EHPM of El Salvador 2019

Notes: Children and the elderly are considered dependent household members. Young children are considered as younger than 6 years old.

Table 4. Theil Index Decomposition, Market Income vs Final Income

	Market income		Final income	
Panel "A" classification according to demographics				
Total	0.317832		0.239548	
Female-headed households	0.265702		0.198579	
Male-headed households	0.347742		0.263466	
Between groups	0.000018	0.01%	0.000002	0.00%
Within each group	0.317813	99.99%	0.239546	100.00%
Total	0.285957		0.208148	
Female-headed with dependents	0.24305		0.175139	
Male-headed with dependents	0.312808		0.228768	
Between groups	0.00017	0.06%	0.000223	0.11%
Within each group	0.285787	99.94%	0.207925	99.89%
Total	0.315578		0.209895	
Female-headed household, sole provider with at least one young child	0.193896		0.109877	
Male-headed household, sole provider with at least one young child	0.332106		0.225352	
Between groups	0.000813	0.26%	0.000089	0.04%
Within each group	0.314765	99.74%	0.209806	99.96%
Panel "B" classification according to labor income				
Total	0.304071		0.235783	
Female-headed household and main breadwinner	0.286452		0.208434	
Male-headed household and main breadwinner	0.309598		0.258453	
Between groups	0.00658	2.16%	0.004096	1.74%
Within each group	0.297491	97.84%	0.231687	98.26%
Total	0.306248		0.231987	
Female-headed household who contributes over half of the household's income	0.285527		0.212678	
Male-headed household who contributes over half of the household's income	0.317916		0.242644	
Between groups	0.000784	0.26%	0.000907	0.39%
Within each group	0.305464	99.74%	0.23108	99.61%
Total	0.33		0.255599	
Female-headed household and main breadwinner, with no remittances	0.292895		0.212168	
Male-headed household and main breadwinner, with no remittances	0.34007		0.282963	
Between groups	0.013011	3.94%	0.008395	3.28%
Within each group	0.316989	96.06%	0.247204	96.72%

Source: Own estimates using EHPM of El Salvador 2019

Note: The total Theil index of each pair of groups was estimated by considering only those included in each definition.

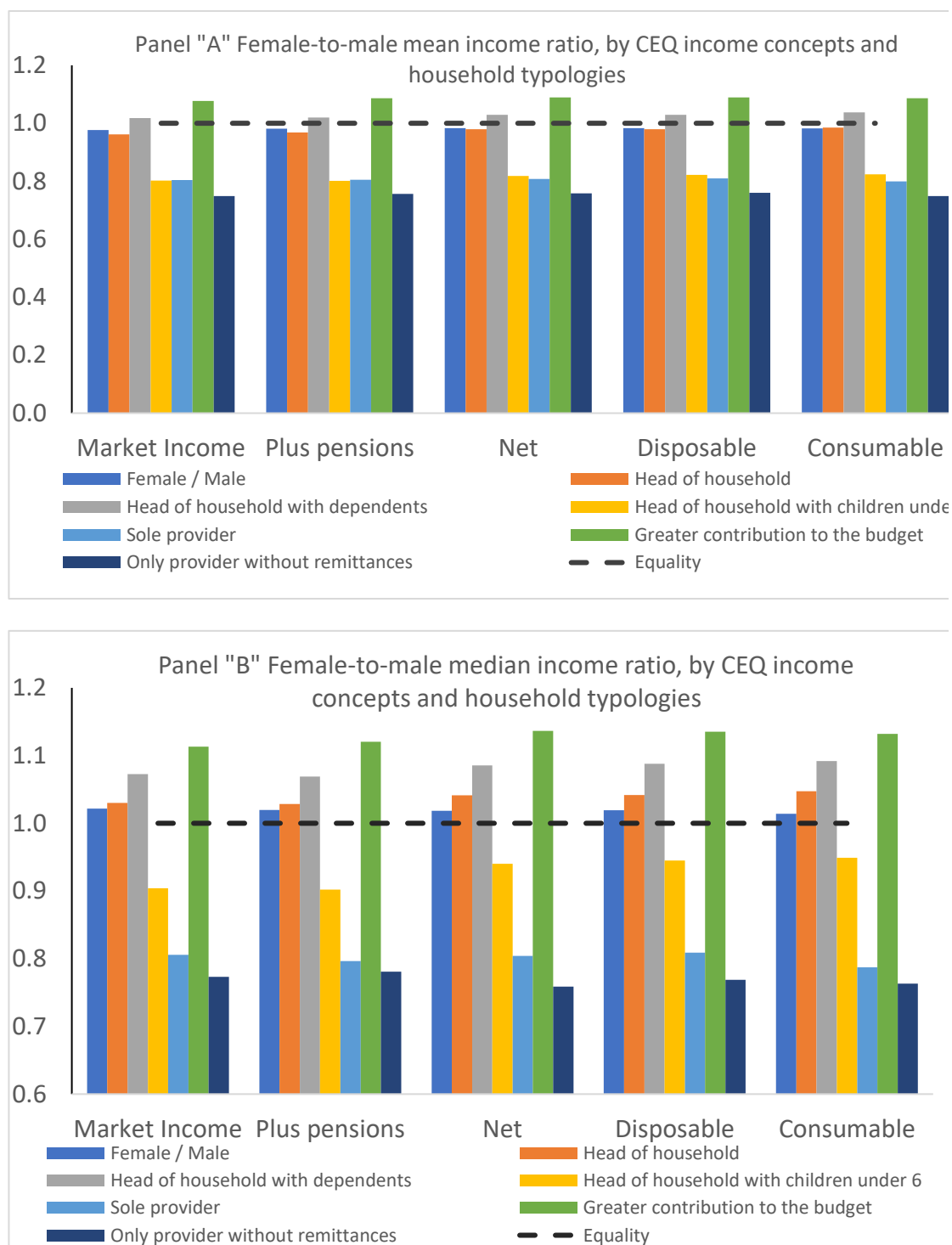
In addition to inequality indicators, we examined the differences in average per capita income of female versus male households, both before and after fiscal policy. To assess the discrepancy in average per capita income between female and male households, Figure 8 illustrates the evolution of the ratio between household income (average or median) per capita for female and male households, where a ratio of 1 would imply general equality. Panel a shows the ratio of the averages, while Panel b shows the ratio of the medians, as the mean is more sensitive to extreme values.

In some groups, female households receive more per capita income on average, while in others, they receive less than male households. Both the mean and median indicate that in households where women contribute more than men to the household budget, as well as in households where there are women heads with dependents, the average income of women is above that of comparable men, as the indicator or ratio is located above the unit line. However, in households where women are the sole providers and do not receive remittances, women's average income is below men's.

Fiscal policy does not seem to have an effect on relative incomes when comparing male-headed and female-headed households. Both the mean and median show that there is no significant influence of fiscal policy on income differences by gender, as the ratio of the average or median income of female-headed households and male-headed households remains approximately the same and very close to unity.

Despite the implementation of fiscal policies, significant income gaps persist between male and female households in certain groups, both before and after policy interventions. Specifically, households where the woman is the sole breadwinner (with or without remittances) and households headed by single women with children under six years of age exhibit notable income gaps against women. Analyzing the ratios between median income showed that these three cases exhibit gender income gaps, as the ratios were below the unit line before fiscal policy. Furthermore, fiscal policy does not contribute substantially to reducing or reversing these gaps.

Figure 8. Ratio of per capita income (average or median) of female households among male households (=1 implies equality of income between women and men in that type of household; less than 1 implies gender gap)



Source: Own estimates based on the EHPM 2019.

Impact of fiscal policy on the gender gap between 'female' and 'male' households

In El Salvador, while fiscal policy reduces inequality, it contributes to an increase in poverty, making it not pro-poor. To assess the impact of fiscal policy on poverty in El Salvador, we calculate poverty rates based on market income using various poverty lines and compare them with poverty rates based on consumable income, which takes into account taxes paid and direct and indirect transfers received. We exclude monetized expenditures on education and health from our analysis, as they are not close cash substitutes. Our findings show that using the US\$ 6.85 2017 PPP line, poverty increases from 23.1 percent to 26.2 percent due to fiscal policy. However, the impact is slightly different when a poverty line of US\$ 3.65 per day 2017 PPP is used, as the poverty rate decreases slightly from 7.2 percent to 7.4 percent.¹² These results indicate that fiscal policy is not pro-poor, which is consistent with previous research (Oliva 2020, 2015; Robayo-Abril and Barroso, 2022). Appendix 2 of this paper provides poverty measurements for each group analyzed, including indicators for poverty rate and gap and severity of poverty, along with statistical significance indicators for all changes in the poverty rates.

Fiscal policy leads to a similarly significant increase in poverty for both female-headed households and those with male heads. Using the poverty line of US\$ 6.85 per day at PPP, poverty increases for **female-headed households** by 3.1 percentage points, from 21.1 percent to 24.2 percent, comparable to the overall increase and the one observed among male-headed households (Figure 9). This change is statistically significant.

In addition, fiscal policy also has a significant impact on the poverty of households headed by women with dependents (elderly or children). As shown in Figure 10, poverty for female-headed households with dependents increases from 21.7 percent to 25.1 percent with fiscal policy. According to Table 2, this group of households is particularly relevant as they comprise about one-third of households in poverty, with incomes below US\$ 6.85 per day at PPP. Meanwhile, there is also an increase in households with a male head and dependents, with poverty increasing from 25.7 percent to 29.2 percent (Figure 10). According to Table 2, this group represents 57.4 percent of households in poverty using a poverty line of US\$ 6.85 per day at PPP.

¹² This methodological aspect is related to the consideration of education and health as goods that cannot be replaced by cash, and therefore not comparable to income.

Figure 9. Poverty rate using a poverty line of US\$ 6.85 PPP (percentage), by gender of the head of household

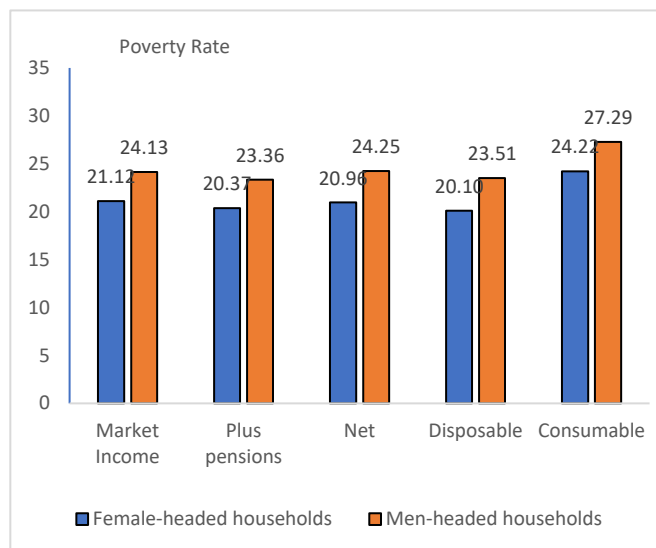
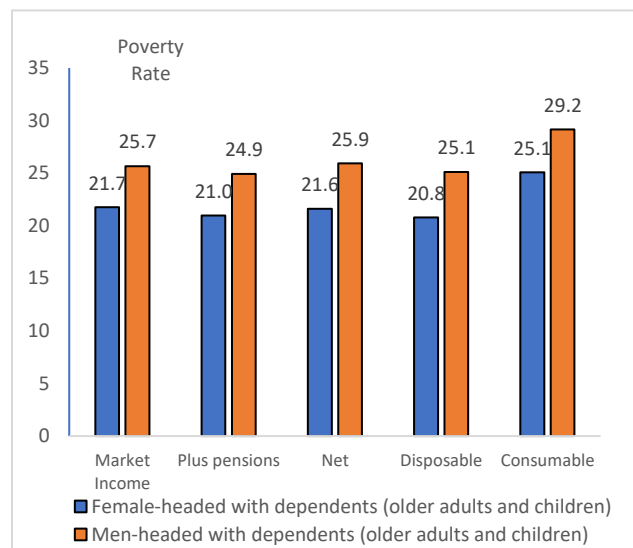


Figure 10. Poverty rate using a poverty line of US\$ 6.85 PPP (percentage), by gender of the head of household with dependents (older adults and children)



Source: Own estimates with data from the EHPM 2019.

By examining different groups of female-headed households, it becomes apparent that lone female-headed households with young children under six years of age experience a much higher poverty rate than the general population; moreover, they also experience a significant increase in poverty after fiscal policy. The poverty rate for households headed by females with at least one child under six years of age increased by 4.3 percentage points after fiscal policy, from 38.4 percent to 42.7 percent (Figure 11). These changes are statistically significant. This group represents 3.3 percent of households in poverty living on less than US\$ 6.85 per day. It is important to note that the group of male-headed households without a partner with at least one son or daughter is found to be insignificant based on the data presented in Table 2 (0.1 percent).

The results reveal that fiscal policy has a differential impact on poverty among households where women provide most of the family budget compared to those where men do. Specifically, for households with incomes less than US\$ 6.85 per day, where women are the main contributors to the budget, poverty increases by 3.9 percentage points, rising from 26.3 percent to 30.2 percent. Meanwhile, in households where men are the primary contributors, poverty increases by 4.2 percentage points, from 23 percent to 27.2 percent (Figure 12). These increases are both statistically significant.

Figure 11. Poverty rate using a poverty line of US\$ 6.85 PPP; female-headed household of women who are sole providers with at least one young child

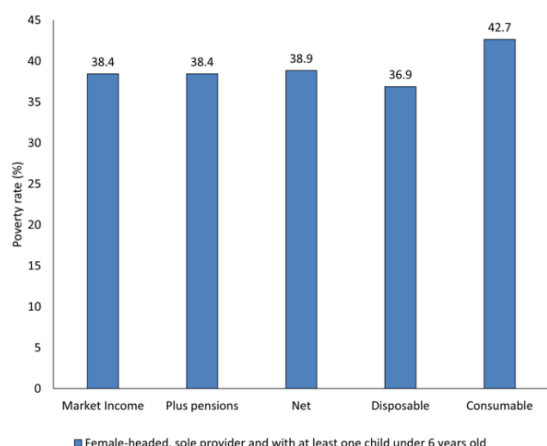
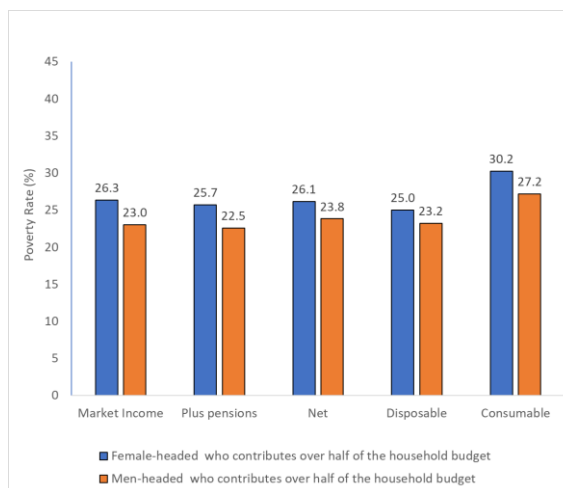


Figure 12. Poverty rate using a poverty line of US\$ 6.85 PPP; contributions to family income by gender of the head of household



Source: Own estimates with data from the EHPM 2019. Male-headed households who are sole providers with young children are omitted, as they only represent 0.1 percent of households in the country.

A critical finding of this study is that fiscal policy has a greater impact on increasing poverty among households with a sole female breadwinner than among households with a sole male provider, which widens gender gaps. Among households with a sole female breadwinner, the poverty rate increases by 4.3 percentage points (from 22.3 percent to 26.6 percent), whereas households with the man as the sole provider experience a smaller increase of 2.3 percentage points (from 15.5 percent to 17.8 percent) (Figure 13). These changes are statistically significant, and the poverty gap between the two household types increases from around 6.8 percentage points to 8.8 percentage points.

These results suggest that women in households with a female sole breadwinner are disadvantaged both in the labor market and in terms of fiscal policy. In terms of fiscal policy, the inequalities arising from the labor market are not being compensated; as shown in Figure 8, the income from the labor market of this group of women is lower before fiscal policy. Furthermore, receiving transfers and making tax payments leads to an increase in poverty. It is also important to consider the role of remittances. While some households with female sole breadwinners receive remittances, which does not fully conform to the definition of a sole breadwinner, it is important to analyze what happens when they do not receive remittances. Our results show that households with a female sole breadwinner without remittances also experienced a substantial increase in poverty (4.1 percentage points),

especially compared to corresponding male-headed households (2.4 percentage points). In this case, the poverty gap between the two types of households widens (Figure 14).¹³

Figure 13. Poverty rate using poverty line of US\$ 6.85 PPP; female and male heads who are the sole provider of the household

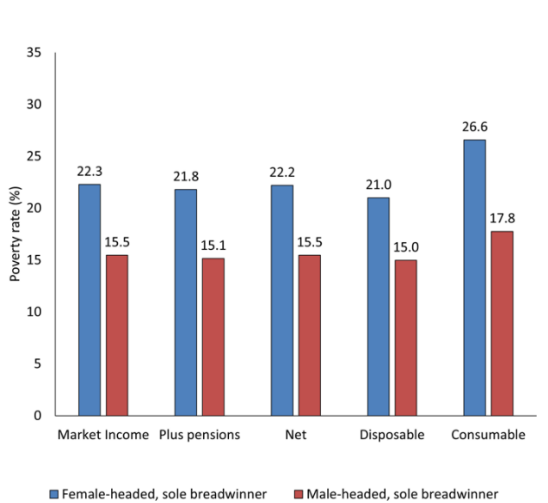
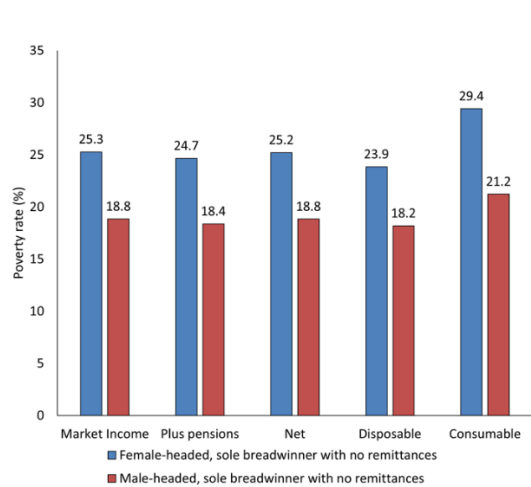


Figure 14. Poverty rate using a poverty line of US\$ 6.85 PPP; female and male heads who are the sole providers of the household and do not receive remittances



Source: Own estimates with data from the EHPM 2019.

In conclusion, our study finds that fiscal policy increases the incidence of poverty and expands gender gaps for those who are the sole providers of the household and those who do not have a partner but have children under six years of age. In addition, there is a more significant increase in the poverty rate of women who are the sole providers, with a rise of 4.3 percentage points, which widens the poverty gap between the two groups. In addition, the poverty rate of the group of single mothers with small children under six years of age is already high (38.4 percent), and fiscal policy increases it by 4.3 percentage points.

¹³ For a more detailed analysis of poverty rates, gaps and severity, please refer to Appendix 2 of this document. Additionally, Appendix 3 presents cumulative income curves for household types, where the labor market plays a gender-differentiating role. In these cases, the consumable income curve, or the situation after fiscal policy in the case of female-headed households, is in a more unfavourable position compared to the market income position or before fiscal policy. This quantifiable fact illustrates that fiscal policy has a counterproductive effect in these groups, increasing poverty and the gender gap, particularly using a poverty line of US\$ 6.85 per day at PPP. A more accurate category to describe a specific group of women is those who live in households where they are the only ones who contribute income to the household and also do not receive remittances. At least 8.4 percent of poor households below the US\$ 3.65 PPP line and 10.9 percent with incomes below the US\$ 6.85 PPP line have women who are the only providers and do not receive remittances.

Impact of fiscal policy on mobility between ‘female’ and ‘male’ household income groups

Another relevant aspect of the analysis is the influence of fiscal policy on mobility between income groups.

Up to this point, fiscal policy increases poverty in net terms, considering an income threshold of US\$ 6.85 per day PPP; that is, the net increase in poverty reflects inflows and outflows of poverty since some households experience income increases and others experience income decreases. Despite household surveys being instruments that usually suffer from underreporting information from extremely high-income strata, it is interesting to determine mobility to and from other income groups, particularly transitions from and to the vulnerable stratum and the middle class. The World Bank classifies households in the Latin America region living with incomes between US\$ 6.85 per day PPP and US\$ 14 per day in 2017 PPP as vulnerable, and those between US\$ 14 per day PPP and US\$ 81 per day, as middle-class. In particular, for El Salvador, the category of ‘vulnerability’ is relevant, given that, according to World Bank statistics, 41.1 percent of the population in 2019 was within these thresholds, which constituted the highest percentage in Latin America, followed by the Dominican Republic.

Our results show that fiscal policy led to an expansion of the ‘vulnerable’ and a reduction of the ‘middle class’.

From a broader perspective, taking the transition matrix of the five strata and comparing the situation before and after fiscal policy, we found that the vulnerable stratum stands at 39.4 percent after fiscal policy. At the same time, this percentage reaches 38.4 percent before government action. On the other hand, the middle class represents 28.4 percent after fiscal policy, while it represents 32.3 percent before quantifying transfers and tax payments. Likewise, in the different panels of Table 5, in most cases, there is a permanence effect in the same stratum because the highest percentages correspond to the same strata of the transition matrix.

Fiscal policy does not contribute significantly to upward income mobility. The transition matrix shows that some households experience upward mobility in the income distribution and others downwards. From the perspective of the former, although fiscal policy increases the incomes of some households, in most cases it is not enough to lift them out of poverty. Among groups that rise in income distribution due to fiscal policy, the most relevant change is the transition from poverty below US\$ 3.65 a day to poverty below US\$ 6.85 per day; however, there is minimal movement from poverty to the vulnerability stratum. For example, 12.4 percent of households headed by women with children under six years of age living in extreme poverty (income below US\$ 2.15 per day PPP) transition to the higher income stratum (between US\$ 2.15 and US\$ 3.65 per day); that is, they move upward in the income distribution, but not enough to move to the vulnerable group. Similar results are observed among other female groups. Among households headed by women with children under six years of age in poverty (between US\$ 2.15 and US\$ 3.65 daily PPP), only 9.5 percent moved to a higher stratum (between US\$ 3.65 and US\$ 6.85 per day), but none to the vulnerable group. Finally, among households headed by women with children under six years of age in poverty (US\$ 3.65–US\$ 6.85 per day), only 1 percent moved to the vulnerable group. Among the other groups of female households, movements from poverty to vulnerability tend to be more significant but still limited.

The most common transition for households moving downward in the income distribution is the movement from middle class to vulnerability, followed by the one from vulnerability to poverty. A higher percentage of households with women heads and women as sole providers move from the middle class to the vulnerable class

than from the vulnerable class to poverty (Table 5). However, among households with women and children under six, transitions are more significant from the vulnerable class to poverty, than from the middle class to vulnerability (14.5 percent and 13.7 percent, respectively). Up to 11 percent of the poor living with less than US\$ 6.85 a day came from the vulnerable stratum.

Table 5. Transition matrices before and after fiscal policy

Panel "a" Transitions, all households

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	74.3	12.3	6.3	5.3	1.7	100.0
\$2.15-\$3.65 per day PPP	2.5	87.0	7.2	2.7	0.6	100.0
\$3.65-\$6.85 per day PPP	0.0	4.5	90.5	3.9	1.1	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	11.0	85.7	3.3	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	16.9	83.1	100.0

Panel "b" Female-headed household, sole provider and with at least one young child

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	87.6	12.4	0.0	0.0	0.0	100.0
\$2.15-\$3.65 per day PPP	3.5	87.0	9.5	0.0	0.0	100.0
\$3.65-\$6.85 per day PPP	0.0	1.5	97.5	1.0	0.0	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	14.5	85.5	0.0	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	13.7	86.3	100.0

Panel "c" Female-headed households

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	64.9	17.4	8.0	7.7	1.9	100.0
\$2.15-\$3.65 per day PPP	3.0	85.8	9.4	1.2	0.7	100.0
\$3.65-\$6.85 per day PPP	0.0	3.7	89.9	4.7	1.8	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	8.8	87.5	3.8	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	14.9	85.1	100.0

Panel "d" Male-headed households

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	77.9	10.4	5.7	4.4	1.6	100.0
\$2.15-\$3.65 per day PPP	2.3	87.6	6.1	3.4	0.6	100.0
\$3.65-\$6.85 per day PPP	0.0	5.0	90.8	3.5	0.8	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	12.4	84.6	3.0	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	18.0	82.0	100.0

Panel "f" Female-headed, sole provider

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	69.9	21.4	8.7	0.0	0.0	100.0
\$2.15-\$3.65 per day PPP	5.6	83.7	9.9	0.9	0.0	100.0
\$3.65-\$6.85 per day PPP	0.0	2.3	94.9	2.4	0.3	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	8.8	88.0	3.2	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	11.5	88.5	100.0

Panel "g" Male-headed, sole provider

	After fiscal policy					
	<\$2.15 per day PPP	\$2.15-\$3.65 per day PPP	\$3.65-\$6.85 per day PPP	Vulnerable (\$6.85-\$14 per day PPP)	Middle class (\$14-\$81 per day PPP)	Total
Before fiscal policy						
<\$2.15 per day PPP	69.1	28.8	2.1	0.0	0.0	100.0
\$2.15-\$3.65 per day PPP	1.4	93.1	4.6	1.0	0.0	100.0
\$3.65-\$6.85 per day PPP	0.0	4.6	86.8	8.6	0.0	100.0
Vulnerable (\$6.85-\$14 per day PPP)	0.0	0.0	6.3	87.0	6.7	100.0
Middle class (\$14-\$81 per day PPP)	0.0	0.0	0.0	9.8	90.2	100.0

Source: Own estimates based on the EHPM 2019. Poverty lines are based on the 2017 PPP poverty lines.

Female-headed households are more likely to move from extreme to moderate poverty as a result of fiscal policy, but few of these households move out of poverty. According to Panel c of Table 5, 9.4 percent of female-headed households living with incomes between US\$ 2.15 and US\$ 3.65 per day

moved into a stratum with incomes between US\$ 3.65 and US\$ 6.85 per day; this share is more significant compared to the corresponding share among male-headed households (6.1 percent). Sole-provider mothers also experienced this more than single male providers and the general population (9.9 percent, 4.6 percent and 7.2 percent, respectively).

V. What are the key aspects of progressive fiscal policy and horizontal equity in El Salvador from a gender perspective?

This section describes the measures of progressivity and horizontal equity used for gender analysis and presents the progressive features of the different fiscal policy interventions, as well as their horizontal equity.

Progressiveness

The notions of progressivity or regressivity of taxes or transfers are not exempt from methodological discussions. A wide range of indicators summarizes the desired property of tax system progressivity. For example, transfers' and tax payments' progressivity can be measured in absolute or relative terms (a pro-poor characteristic). In absolute terms, a progressive expenditure (tax) is when the amount of the benefit (tax) declines (increases) with pre-transfer income. An expenditure (tax) is progressive in relative terms if it benefits (taxes) poorer households more (less) than wealthy ones relative to their income.

All social programs are progressive in relative terms among all household groups, given that the share of benefits to income decreases with pre-transfer income. Figures 15 and 16 show the benefit share relative to income decreases when moving from poorer to wealthier income deciles. However, despite the relative progressivity, the limited fiscal resources allocated to such programs, low generosity and low coverage among the poor limit their ability to reduce poverty or inequality significantly.

The share of social security contributions to income follows a progressive pattern. Figures 17 and 18 show that these contributions increase when moving from lower to higher income deciles. On the other hand, they seem more progressive for male-headed households since the shares show a more significant decrease compared to female-headed households. However, it is crucial to remember that the highest percentages of the working population not affiliated with social security occur in the lowest income deciles, which also explains this effect.

On the other hand, indirect subsidies are more progressive in relative terms for female-headed households than for their male counterparts. For example, subsidies are more progressive in relative terms among female-headed households, given that the benefit share in relation to income is higher

for the poorest deciles and lower for the wealthiest deciles. However, progressivity is not preserved by looking at another typology. For example, in households where men contribute more than 50 percent of the household budget, the curve is flat and increases for the high deciles, suggesting less progressivity.¹⁴

The value added tax (VAT) tax burden on households is high throughout the income distribution; the results show that its incidence is high, reaching up to 10 percent of income. This is consistent with other studies (Oliva, 2020). This rate is also equated with the effective rate calculated through administrative records when obtaining the tax paid in relation to gross national income; however, a decrease in the percentage for low deciles is not notable, showing little regressivity in relative terms (Figures 19 and 20).

Finally, spending on education and health is progressive overall. Still, they are even more progressive for households where women are the sole providers and contribute more than 50 percent of the household budget. Spending on education is more progressive in relative terms for women than for their male peers. For health spending, it is also slightly more progressive for women who contribute mainly to the household.

Figure 15. Incidence of social programs, households with woman versus man as the sole provider

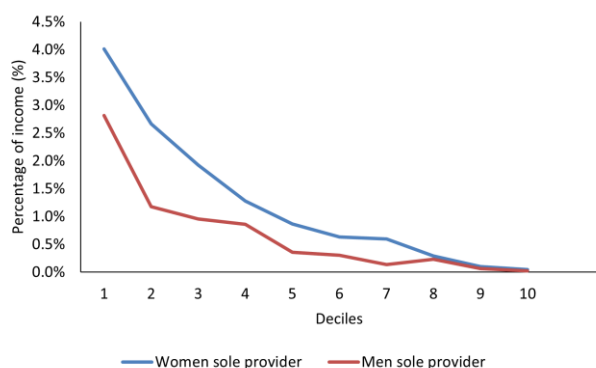
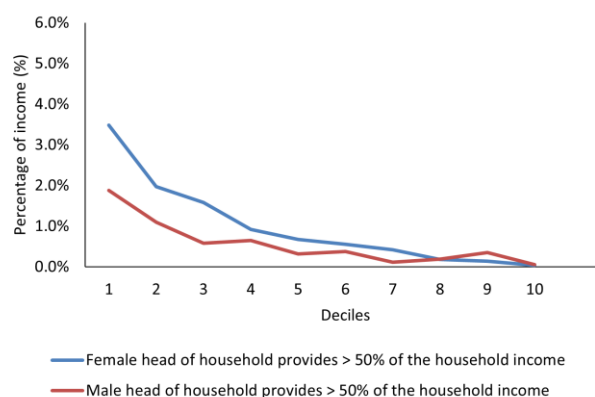


Figure 16. Incidence of social programs, female heads providing more than 50 percent of household income versus male counterparts



Source: Own estimates based on the EHPM 2019.

¹⁴ The fiscal incidence curves for all key fiscal interventions, for male and female households are presented in the Appendix.

Figure 17. Incidence of social security contributions, male versus female-headed households

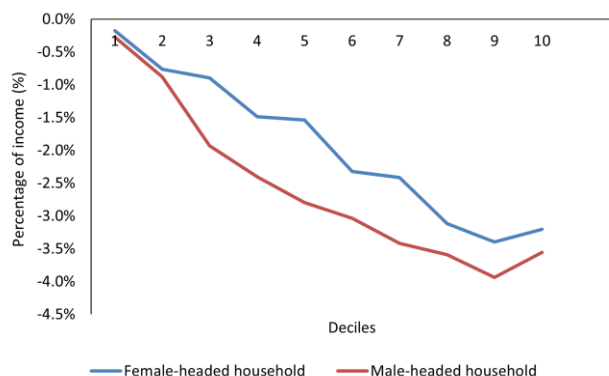
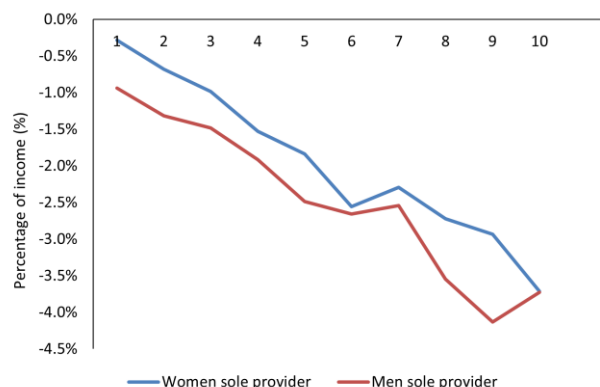


Figure 18. Incidence of social security contributions, households with woman versus man as the sole provider



Source: Own estimates based on the EHPM 2019.

Figure 19. Incidence of VAT, male- versus female-headed households

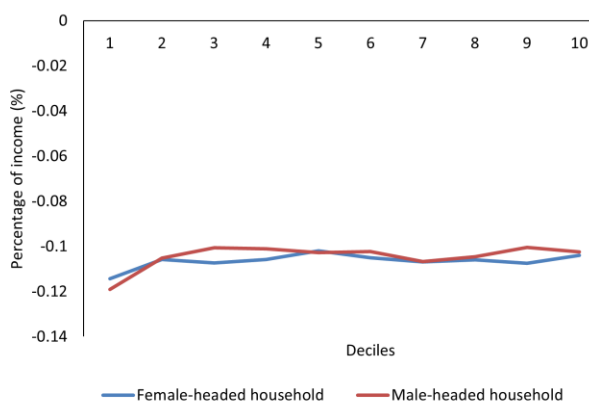
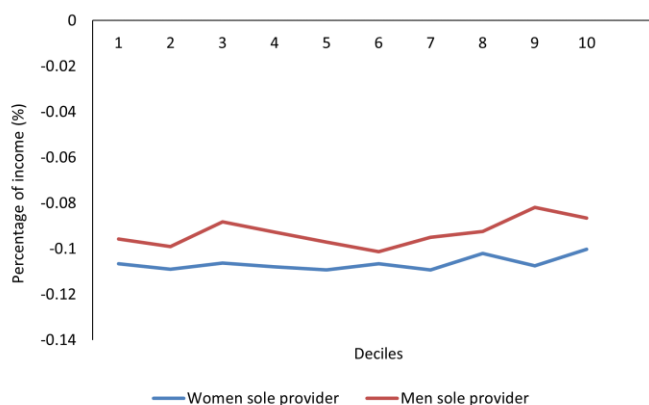


Figure 20. Incidence of VAT, households with women or men as main providers



Source: Own estimates based on the EHPM 2019.

Relative progressivity and horizontal equity

However, there are also more elements around the definition of progressivity to pay attention to, for example, the notions of horizontal equity (equal income, equal treatment) or vertical equity (different income, different treatment). Horizontal equity is defined as an equal treatment where a direct transfer is granted to women and men on the same terms or in identical amounts.

According to Grown and Valodia (2010), horizontal equity is insufficient to compensate women for previous conditions of inequality. Grown and Valodia (2010) note that, with horizontal equity, sufficient differentiation would not be achieved to pay for or compensate women for the underlying conditions that cause gender inequity before transfers.

Greenspun (2019) defines “perfect” horizontal equity as program benefits and tax amounts that are allocated to the groups proportional to their shares in the population. For example, if 30 percent of households are headed by a woman and 70 percent by males, 30 percent of the transfer amount is allocated to female-headed households and 70 percent to male-headed households.

However, Greenspun (2019) also establishes relative progressivity concerning gender if the household with a gender characteristic has a lower income and receives a higher percentage of the expenditure or transfer. Greenspun (2019) indicates that to fulfill this property, the percentage of direct transfer must be higher than the percentage that such a group receives of total income. For example, suppose female-headed households receive 40 percent of the transfer but receive 25 percent of total income. In that case, it could be said that there is relative progressivity from a gender perspective. For example, if the proportion of policy transfer is concentrated more among women or in some female-categorized households, and if, in that case, that group receives a smaller percentage of total income, the program could be considered relatively progressive in an unambiguous manner.

The property of relative progressivity is satisfied in most social transfers in El Salvador, namely in-kind and monetary subsidies; however, the situation is different regarding VAT and health expenditure. Table 6 presents the proportion of the groups in the country’s total households and the proportion of each group in the total market income in general. Both indicators are located in the first rows. Each of the panels in Table 6 shows the situation of three groups in particular, female-headed households, households where women are the sole providers and households where they contribute more than 50 percent to the household budget. The proportion received from the amount allocated by the government in all fiscal interventions is higher than 36.2 percent of the total market income received by female-headed households. However, female-headed households contribute 37.7 percent of VAT and receive 35.2 percent of the overall resources allocated to health but receive only 36.2 percent of income (Panel a of Table 6). This differs from social security contributions, where these households contribute only 31.3 percent but receive 36.2 percent of all market income.

Contributory pensions do not present horizontal equity among poor households (living below the US\$ 3.65 line) headed by women; education benefits and social transfers results are similar. About 24.9 percent of the contributory pension benefits reach households headed by women, less than the share of poor households headed by a female (31.2 percent). On the other hand, poor households (using the US\$ 3.65 line) headed by women receive 37.9 percent of indirect subsidies, slightly higher than the 31.2 percent that the group represents in the population, indicating a lack of horizontal equity.

Likewise, female-headed households receive 34.9 percent of overall education benefits, which exceeds the share of this group among the poor (using the line of US\$ 3.65), 31.2 percent. Similarly, poor households with female heads receive 34.6 percent of social transfers, which exceeds the percentage of this poverty group (Table 6, Panel a).

In the case of the VAT, there is no horizontal equity among the poor (using the US\$ 3.65 line). Female-headed households contribute 38 percent of overall VAT collection among the poor (using the US\$ 3.65 line), higher than 31.2 percent of poor households (living on less than US\$ 3.65 per day) headed by women.

There is no horizontal equity for contributory pensions among households with women as the only providers (Table 6, Panel b). Poor households (using the US\$ 3.65 line) with women as the only providers receive 66.4 percent of the overall benefits, but they only represent 73.3 percent of the poor, so horizontal equity does not hold. When looking at indirect subsidies, social transfers and health, these households receive 78 percent, 74 percent and 72.4 percent of the benefits among the poor, respectively, but they represent 73.3 percent of the poor.

Among households supported by women, most of the fiscal interventions are progressive in relative terms. Table 6, Panel b shows that the percentage of the resources devoted to the programs is higher than the percentage that households supported by women receive of total (relative) income. They receive 67.8 percent of transfers for programs, 67.5 percent of indirect subsidies, 78.7 percent of education and 55.6 percent of health, which exceeds 53 percent of the total market income the group receives.

In the case of poor households (with incomes of less than US\$ 3.65 per day) with women as the sole provider, transfer programs are practically horizontally equitable because the percentages of expenditure allocate similar proportions of market income. On the one hand, for this group, women providers receive 74.5 percent of the income and absorb up to 74.7 percent of the amount spent in the programs. On the other hand, this percentage exceeds what they received in the case of male households (25.3 percent).

Table 6. Progressivity and Horizontal equity

Panel "a"				Panel "b"			Panel "c"		
	Female- headed	Male- headed	Total	Female-headed with women as sole breadwinner	Male-headed with men as sole breadwinner	Total	Female-headed with women contributing over half of the household budget	Male-headed with men contributing over half of the household budget	Total
% over Population - Market income									
<US\$3.65 ppi	31.2%	68.8%	100.0%	73.3%	26.7%	100.0%	34.4%	65.6%	100.0%
US\$3.65 ppi - US\$6.85 ppi	37.4%	62.5%	100.0%	69.8%	30.2%	100.0%	35.3%	64.7%	100.0%
>US\$6.85 ppi	37.6%	62.4%	100.0%	55.0%	45.0%	100.0%	37.5%	62.5%	100.0%
Total	37.1%	62.9%	100.0%	58.5%	41.5%	100.0%	36.9%	63.1%	100.0%
% over- Market Revenue									
<US\$3.65 ppi	31.9%	68.1%	100.0%	74.5%	25.5%	100.0%	34.9%	65.1%	100.0%
US\$3.65 ppi - US\$6.85 ppi	37.7%	62.3%	100.0%	69.3%	30.7%	100.0%	35.4%	64.6%	100.0%
>US\$6.85 ppi	36.1%	63.9%	100.0%	51.8%	48.2%	100.0%	38.8%	61.2%	100.0%
Total	36.2%	63.8%	100.0%	53.0%	47.0%	100.0%	38.5%	61.5%	100.0%
% on the amount of the program									
Contributory pensions (treated as deferred income)									
<US\$3.65 ppi	24.9%	75.1%	100.0%	66.4%	33.6%	100.0%	66.9%	33.1%	100.0%
US\$3.65 ppi - US\$6.85 ppi	45.8%	54.2%	100.0%	60.6%	39.4%	100.0%	48.0%	52.0%	100.0%
>US\$6.85 ppi	41.3%	58.7%	100.0%	52.9%	47.1%	100.0%	46.4%	53.6%	100.0%
Total	40.3%	59.7%	100.0%	53.6%	46.4%	100.0%	46.8%	53.2%	100.0%
direct taxes									
<US\$3.65 ppi	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US\$3.65 ppi - US\$6.85 ppi	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	3.2%	96.8%	100.0%
>US\$6.85 ppi	27.4%	72.6%	100.0%	57.1%	42.9%	100.0%	39.7%	60.3%	100.0%
Total	27.4%	72.6%	100.0%	57.1%	42.9%	100.0%	39.7%	60.3%	100.0%
Social security contributions									
<US\$3.65 ppi	23.1%	76.9%	100.0%	86.1%	13.9%	100.0%	15.3%	84.7%	100.0%
US\$3.65 ppi - US\$6.85 ppi	25.3%	74.7%	100.0%	54.7%	45.3%	100.0%	19.1%	80.9%	100.0%
>US\$6.85 ppi	31.5%	68.5%	100.0%	49.2%	50.8%	100.0%	37.1%	62.9%	100.0%
Total	31.3%	68.7%	100.0%	49.3%	50.7%	100.0%	36.6%	63.4%	100.0%

Table 6 Progressivity and horizontal equity (Continuation)

Panel "a"				Panel "b"			Panel "c"		
	Female-headed	Male-headed	Total	Female-headed with women as sole breadwinner	Male-headed with men as sole breadwinner	Total	Female-headed with women contributing over half of the household budget	Male-headed with men contributing over half of the household budget	Total
% on the amount of the program									
program transfers									
<US\$3.65 ppl	34.6%	65.4%	100.0%	74.7%	25.3%	100.0%	38.4%	61.6%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	39.7%	60.3%	100.0%	76.9%	23.1%	100.0%	39.4%	60.6%	100.0%
>US\$6.85 ppl	41.2%	58.8%	100.0%	62.4%	37.6%	100.0%	39.4%	60.6%	100.0%
Total	39.7%	60.3%	100.0%	67.8%	32.2%	100.0%	39.3%	60.7%	100.0%
Non-contributory pensions									
<US\$3.65 ppl	37.9%	62.1%	100.0%	47.3%	52.7%	100.0%	46.8%	53.2%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	43.5%	56.5%	100.0%	30.7%	69.3%	100.0%	37.8%	62.2%	100.0%
>US\$6.85 ppl	37.0%	63.0%	100.0%	37.5%	62.5%	100.0%	34.5%	65.5%	100.0%
Total	37.6%	62.4%	100.0%	37.6%	62.4%	100.0%	37.3%	62.7%	100.0%
Indirect taxes									
<US\$3.65 ppl	37.9%	62.1%	100.0%	87.2%	12.8%	100.0%	47.9%	52.1%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	43.5%	56.5%	100.0%	79.8%	20.2%	100.0%	43.5%	56.5%	100.0%
>US\$6.85 ppl	37.0%	63.0%	100.0%	56.4%	43.6%	100.0%	40.2%	59.8%	100.0%
Total	37.6%	62.4%	100.0%	58.9%	41.1%	100.0%	40.6%	59.4%	100.0%
Value Added Tax									
<US\$3.65 ppl	38.0%	62.0%	100.0%	87.2%	12.8%	100.0%	47.9%	52.1%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	43.5%	56.5%	100.0%	79.9%	20.1%	100.0%	43.5%	56.5%	100.0%
>US\$6.85 ppl	37.1%	62.9%	100.0%	56.5%	43.5%	100.0%	40.3%	59.7%	100.0%
Total	37.7%	62.3%	100.0%	59.0%	41.0%	100.0%	40.6%	59.4%	100.0%
Indirect subsidies									
<US\$3.65 ppl	38.7%	61.3%	100.0%	78.0%	22.0%	100.0%	43.7%	56.3%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	44.9%	55.1%	100.0%	72.9%	27.1%	100.0%	39.8%	60.2%	100.0%
>US\$6.85 ppl	44.3%	55.7%	100.0%	63.6%	36.4%	100.0%	37.0%	63.0%	100.0%
Total	43.9%	56.1%	100.0%	67.5%	32.5%	100.0%	38.4%	61.6%	100.0%
Education									
<US\$3.65 ppl	34.9%	65.1%	100.0%	85.1%	14.9%	100.0%	37.5%	62.5%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	40.9%	59.1%	100.0%	83.1%	16.9%	100.0%	40.1%	59.9%	100.0%
>US\$6.85 ppl	40.7%	59.3%	100.0%	75.1%	24.9%	100.0%	41.1%	58.9%	100.0%
Total	40.1%	59.9%	100.0%	78.7%	21.3%	100.0%	40.4%	59.6%	100.0%
Health									
<US\$3.65 ppl	31.3%	68.7%	100.0%	72.4%	27.6%	100.0%	34.3%	65.7%	100.0%
US\$ 3.65 ppl - US\$6.85 ppl	35.9%	64.1%	100.0%	69.4%	30.6%	100.0%	34.4%	65.6%	100.0%
>US\$6.85 ppl	35.3%	64.7%	100.0%	53.2%	46.8%	100.0%	37.7%	62.3%	100.0%
Total	35.2%	64.8%	100.0%	55.6%	44.4%	100.0%	37.1%	62.9%	100.0%

In the case of households where women are the sole providers, the relative progressivity in transfers channeled to the elderly does not seem to be evident. For example, 47.3 percent of non-contributory pensions channeled to households where the only provider is a woman when they receive 53% of the total income.

When separating households between women and men who are the sole breadwinners, social security contributions look progressive in a relative sense, while VAT appears regressive. Social security contributions are progressive, with 49.3 percent of the overall contributions made by households where women are the sole providers. This is less than these household shares of income (53 percent). In comparison, households supported only by men contribute up to 50.7 percent. While households supported by women concentrate 53 percent of income, they contribute a larger share (59 percent) of the VAT collected (Table 6, Panel b).

Finally, there is relative progressivity in non-contributory pensions, social transfers and education spending among households where women contribute more than 50 percent; this is not the case when looking at other fiscal interventions. These households receive 38.5 percent of total income, 46.8 percent of non-contributory pensions, 39.3 percent of programs and 40.4 percent of education (Table 6, Panel c). Among households where women contribute more than 50 percent, health and non-contributory pension expenses are relatively regressive since they receive 37.1 percent and 37.3 percent, respectively, lower than the 38.5 percent they concentrate on total income. Regarding subsidies, they appear with a similar percentage (38.4 percent). This type of household contributes less to social security but more to VAT. Among households where women contribute more than 50 percent to the budget, social security taxes reached 37.3 percent, less than the 38.5 percent they represent of total income; however, their payments represent 40.6 percent of the total VAT collected (Table 6, Panel c).

In conclusion, relative progressivity or horizontal equity is a necessary, but not sufficient, property for the fiscal system to also be pro-poor. As noted, although there is relative progressivity among households where women are the sole provider, fiscal policy led to a rise in the poverty rates among this group.

VI. What are the marginal impacts of the fiscal interventions on the gender gaps?

In this section, we review the marginal contribution of each fiscal intervention to poverty and inequality reductions and the respective coverage in the population.

Marginal contributions

The coverage, progressivity and generosity of benefits are intimately linked to their ability to reduce poverty. In practice, the ability of the program or fiscal policy in reducing poverty depends on three factors: (1) good targeting of the poorest, i.e. that the benefit actually reached the poor; (2) good coverage of the poor, i.e. that the beneficiaries of the resources represent a significant proportion of the target population; and (3) the adequacy of benefits, i.e. or how generous is the benefit relative to household income. For example, if the benefit reaches the target poor population, resources are widely concentrated among the poor, and the amount of benefit is equal to or greater than the depth or severity of poverty among those groups of households, then the program or transfers will be effective in reducing poverty. Direct transfers may be designed to reach the poor in a very targeted manner, with high coverage among poor or most vulnerable groups; however, if generosity or resources for this group are limited relative to the depth of poverty, the impact on poverty reduction will be small. On the other hand, it is possible to allocate a large amount of resources to various segments of the population. Still, if they are weakly targeted, the effect will also be small. This is more complex when households receive several types of transfers, some targeted and others weakly targeted.

We use the concept of marginal contribution to poverty and inequality developed in the CEQ methodology, which summarizes all the previous aspects in a single measure. The definition of marginal contribution is equivalent to distinguishing whether poverty is greater, equal or lesser compared to the respective level in absence of intervention, taking the system as a whole (Lustig and Higgins, 2018). The marginal contribution is the difference between, for example, the poverty rate (or another measure of inequality) of income without fiscal policy or fiscal intervention of interest but with all other interventions, minus the poverty rate of post-fiscal income, including all interventions. This concept establishes the influence of each intervention on the income distribution by implicitly incorporating both the concentration or deconcentration of the resources allocated – which can be measured with concentration indices – and the amount of the resources granted, that is, the size of the program itself.

Education and health expenditures present the highest marginal contribution to poverty among all household typologies. Figures 21, 22 and 23 present the results of the marginal contributions to poverty for the different types of households. The results include the contributions of in-kind transfers (education and health) and help identify which components of fiscal policy may be relevant to reducing or widening gender gaps. However, the effect of health and education on poverty may be overestimated; they are also not substitutable for cash. Education and health present the most remarkable marginal contributions among the household types. Also, at the other extreme, VAT and

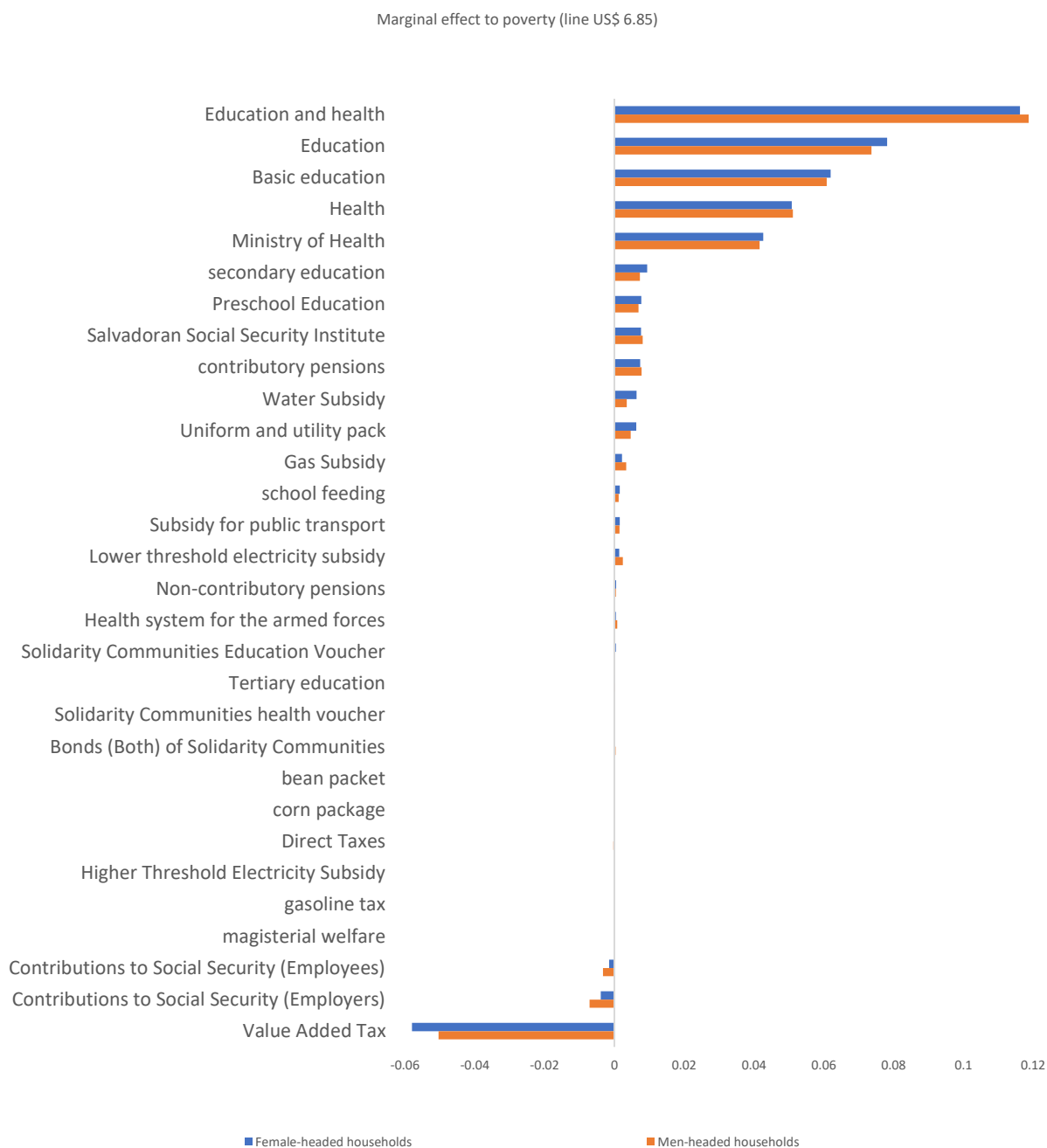
social security contributions increase poverty significantly, as reflected in negative marginal contributions, largely due to their large size and heavy burden on the poor.

Marginal contributions of poverty reduction programs are higher among households where women are the sole providers than households where men are the sole providers. It is relevant how the marginal contributions of most poverty reduction programs are similar between female-headed and male-headed households (Figure 21); however, poverty reduction contributions are lower for households with men as sole providers than for households with only female providers (Figure 22). However, indirect taxes increase poverty among households where women are the sole providers compared to their male counterparts. In other words, poverty decreases overall because indirect taxes exceed the poverty-reducing effect of other programs.

Contributory pensions stand out as a fiscal intervention with a significant marginal effect on poverty reduction, both for female- and male-headed households (Figure 21). This effect is related to the coverage of the poorest quintiles of the income distribution due to the minimum pension guarantee defined in the law. Since 2020, the minimum old-age and partial disability pensions have increased by 46.5 percent and 44.5 percent, respectively. With this increase, the monthly benefits increased from US\$ 207.6 to US\$ 304.1 and US\$ 145.32 to US\$ 210.00, respectively.

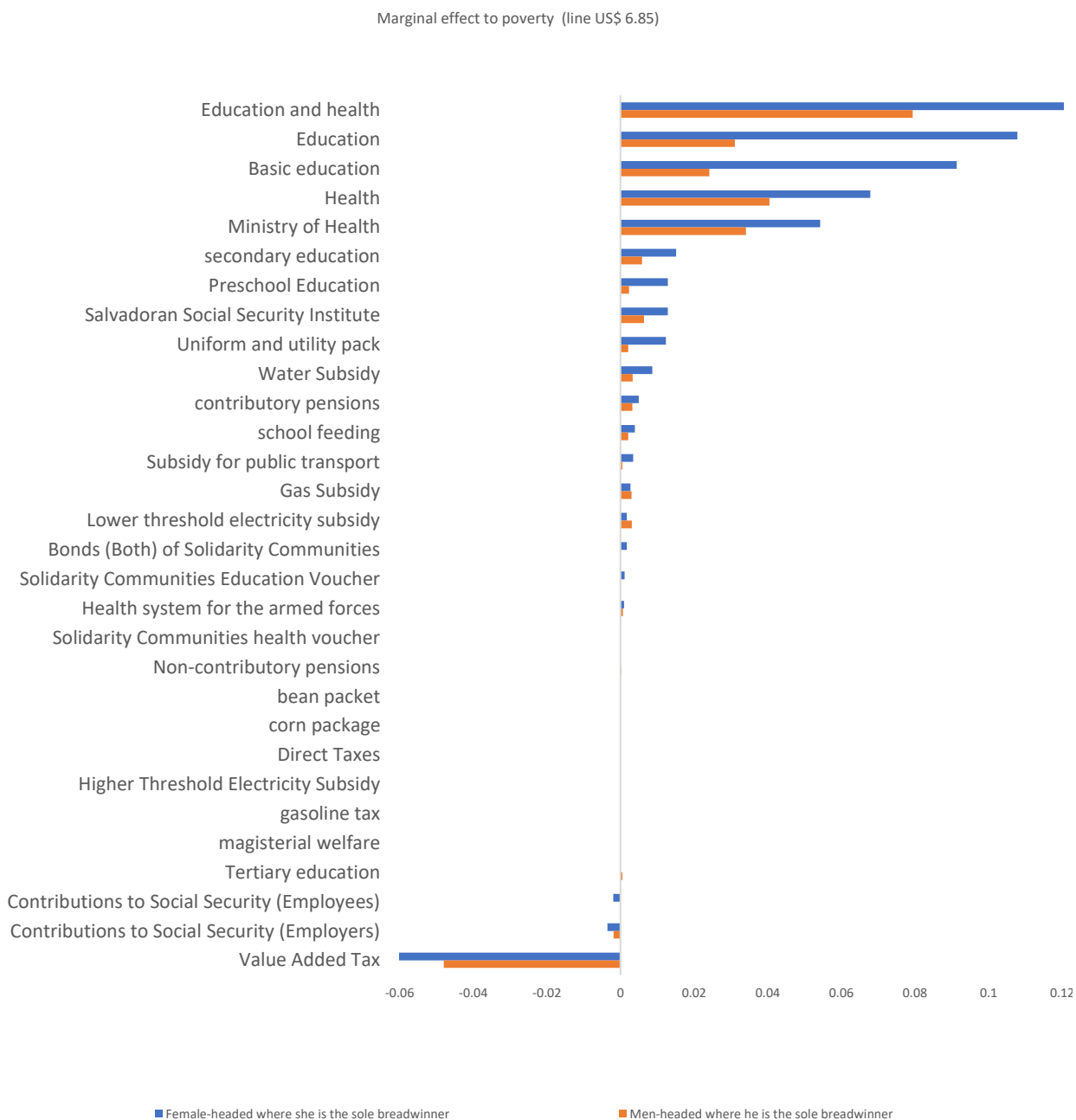
Direct transfers also reduce poverty, but their impact is limited; health and education help reduce gender gaps, while indirect taxes place a larger weight on female households. These transfers include the uniform and food packages, the agricultural package and non-contributory pensions. Its effect on reducing poverty is related to poor households' access to, for example, education and the quality of information used in programs to benefit poor households. As noted below, although transfers have reasonably high coverage, the size of the programs is small, resulting in a small poverty reduction effect. Health and education expenditures have an equalizing effect between female and male households. On the contrary, indirect taxes such as VAT tend to represent a heavier burden on female-headed households; this unintended effect must always be taken into account in the design of public policy.

Figure 21. Marginal contributions to poverty reduction (US\$ 6.85 a day) by gender of the household head (US\$ 6.85 PPP)



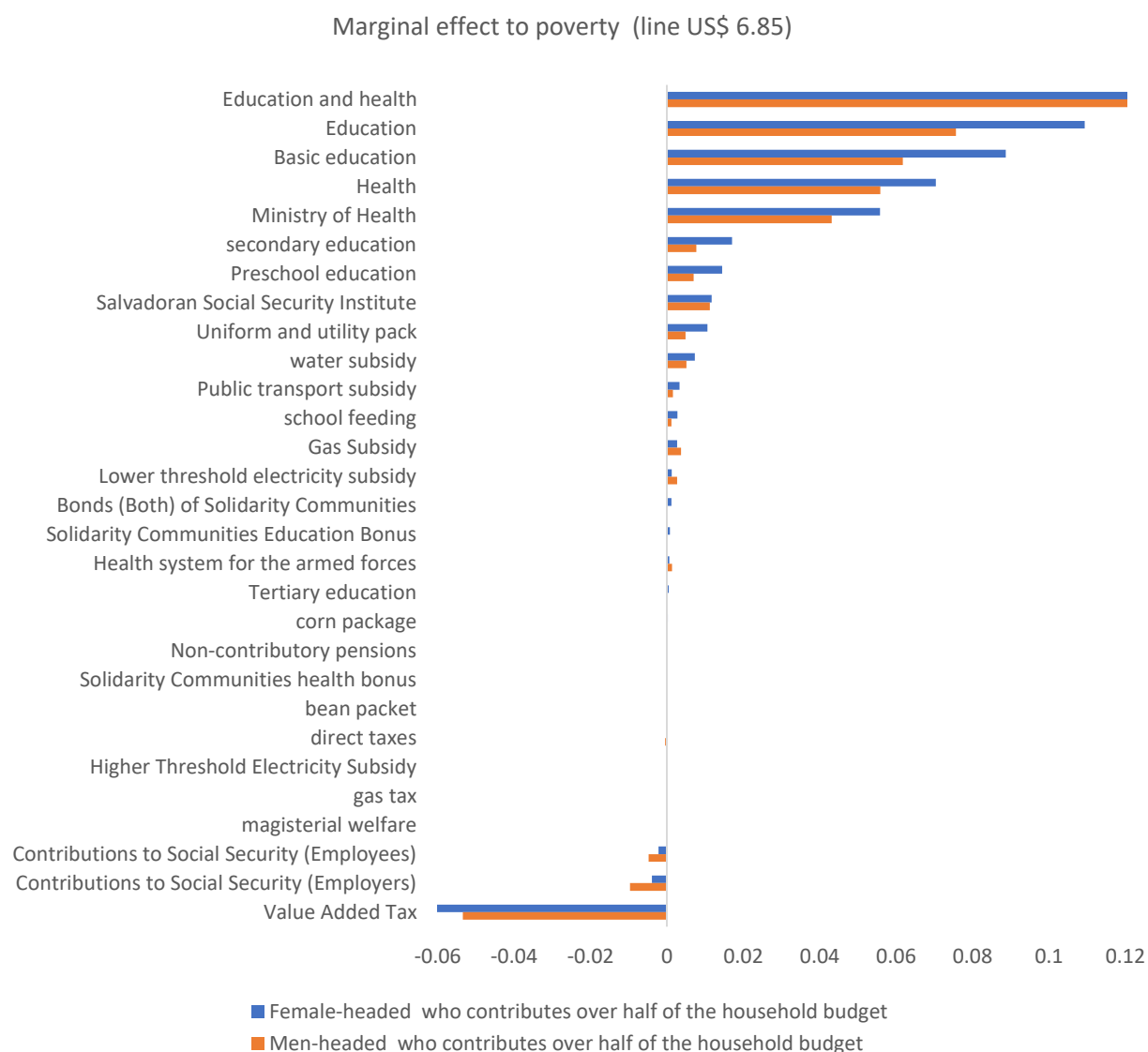
Source: El Salvador's 2019 EHPM estimates.

Figure 22. Marginal contributions to poverty reduction (US\$ 6.85 per day) by the gender of the household's main provider



Source: El Salvador's 2019 EHPM estimates.

Figure 23. Marginal contributions to poverty reduction (US\$ 6.85 PPP) by gender of the primary income earner



Source: El Salvador's 2019 EHPM estimates.

These marginal contributions to poverty reduction of each element of the tax system are consistent with the changes in the poverty rate observed among the different income types considered in the CEQ methodology. Figures 24, 25 and 26 show the change between market plus pensions, net, available and consumable income for different types of households that result after the net fiscal system is considered. In the case of the population living in female-headed households and where females are the only providers, a decrease of 0.7 and 0.5 percentage points in the transition from

market income to income plus contributory pensions is observed (Figures 24 and 25). Among the population where the head is a woman and of women as sole providers, there is an increase in poverty of 0.6 and 0.4 percentage points between market income plus pensions and net income (Figures 24 and 25). However, the increase for women with minor children is greater, reaching 1.7 percentage points, reflecting mostly the action of social security contributions (Figure 26). In the relevant cases from the gender perspective, a poverty reduction effect is again obtained, with the accounting of direct transfers between net income and disposable income; however, it stands out that the effect is smaller – reaching 1.2 percent – for the group of households where women are the only providers (Figure 25). Finally, a rise in poverty during the passage between disposable income and consumable income is registered, which implies that indirect subsidies are not enough, both in terms of depth and the amount, to compensate for the payment of indirect taxes where the VAT stands out; up to 4.5 percentage points for female-headed households with children under six years of age and 4.1 percentage points for households headed by women (Figures 24 and 26). In this sense, a more significant increase in poverty stands out for the population with households with mothers without a partner who are the only providers (5.6 percentage points) (Figure 25).

Figure 24. Changes in the poverty rate among female-headed households (US\$ 6.85 PPP)

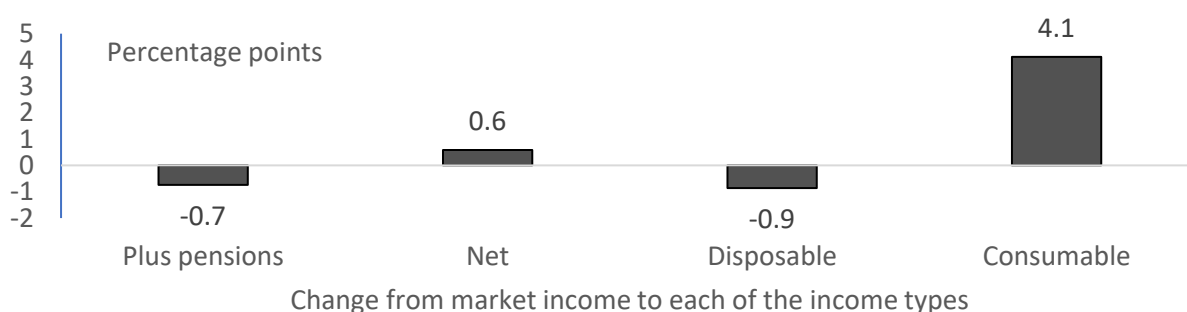


Figure 25. Changes in poverty among households with women as the sole providers (US\$ 6.85 PPP)

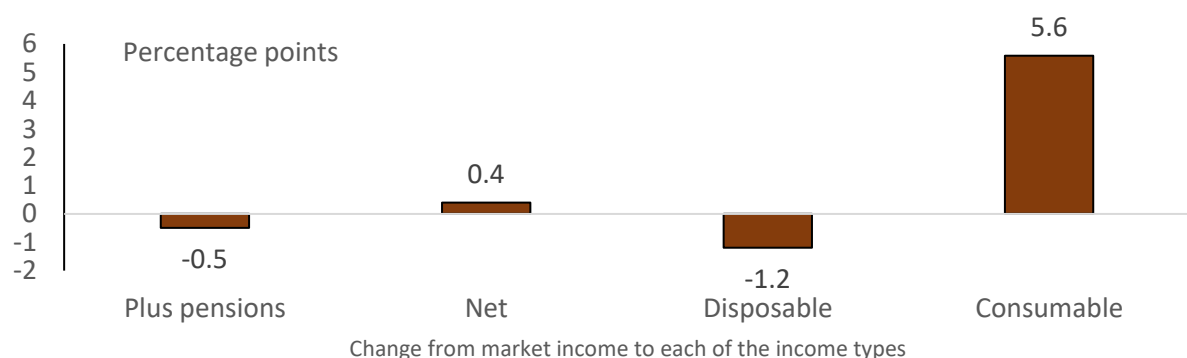
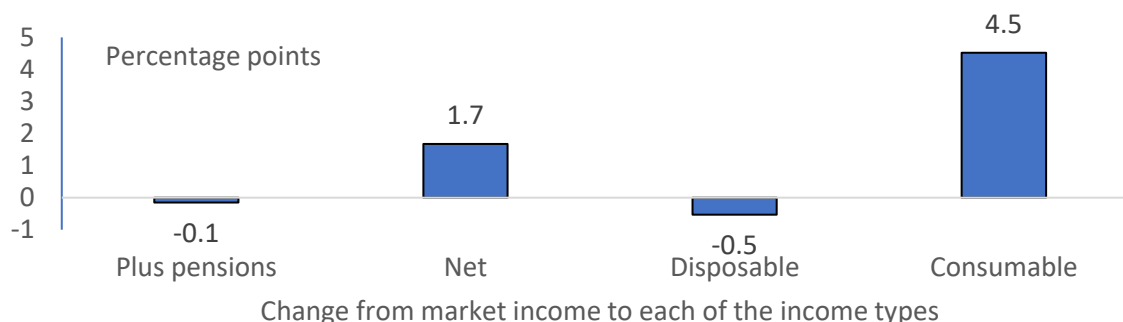


Figure 26. Changes in poverty rate (US\$ 6.85 PPP) among households with women without a partner and at least one child under six



Source: Population-based estimates using El Salvador's EHPM 2019.

Coverage

Direct transfers reduce poverty more than other fiscal interventions mostly due to their high coverage among the poor rather than their size. Table 7 (Panels a, b and c) show that the coverage of transfers from social programs among households living on less than US\$ 6.85 per day is high, around 62 percent for female-headed households, 69 percent for households with women as the sole provider and 72.6 percent for households with women contributing more than 50 percent to household income. On the other hand, the percentages of coverage are also high for their male counterparts, where coverage of the poor is close to 70 percent.

However, the main poverty-targeted conditional cash transfers have structurally low coverage of the poor, both for female and male households. Table 7 (Panels a, b and c) show that coverage of the poor (US\$ 3.65) is minimal, close to 2.6 percent among female-headed households, 1.6 percent among female-headed households, 1.6 percent among women as the sole provider and up to 3.4 percent among households with women contributing more than 50 percent to household income. Likewise, this coverage is low, although slightly higher, among the respective male households, reaching 3.6 percent and 3.8 percent, respectively (see Table 7).

Finally, there is high coverage of indirect subsidies among households living in poverty (US\$ 6.85). Coverage of the poor is close to 82.5 percent among female-headed households, 84.8 percent among households with women as the sole provider and 85.2 percent among households with women who contribute more than 50 percent to household income. This is related to the intensity of the use of indirect services subsidized by the State across the income distribution.

Secondary-level dropouts are also notable. The decrease in education coverage is remarkable in the transition from basic education to secondary education; among female-headed households, coverage decreases from 50 percent to 9.6 percent; in households with a woman as the sole provider, it falls

from 57 percent to 11 percent, and in households where women contribute more than 50 percent of the household budget, coverage decreases from 59 percent to 11 percent. In general, conditional cash transfers, such as school-feeding programs, have positive but small impacts on poverty reduction because the resources allocated in these areas are scarce (Figures 21, 22 and 23).

Table 7. Coverage Rates, Tax and transfers (direct and in-kind)
(Percentage of households that receive the benefit or pay the tax)

Panel "a"

	Female- headed			Male- headed			Difference		
	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total
Contributory pensions (treated as deferred income)	9.44	7.3	8.04	9.87	6.39	6.9	0.96	1.14	1.17
Direct taxes	0	0	9.81	0	0.2	14.22	0.00	0.00	0.69
Social security contributions	2.9	8.57	30.6	2.5	12.72	37.99	1.16	0.67	0.81
Transfers by programs	64.6	62.58	42.77	74.67	70.08	47.63	0.87	0.89	0.90
With rural and urban Solidarity Communities	2.61	1.18	0.46	3.64	1.79	0.66	0.72	0.66	0.70
Non-contributory pensions	5.4	2.37	1.26	4.69	2.34	1.16	1.15	1.01	1.09
Indirect taxes	100	100	100	100	100	100	1.00	1.00	1.00
with VAT	100	100	100	100	100	100	1.00	1.00	1.00
Indirect subsidies	79.49	82.55	87.99	78.76	81.64	85.17	1.01	1.01	1.03
Education	57.56	57.31	40.9	58.55	58.07	40.62	0.98	0.99	1.01
basic	50	48.07	30.28	50.71	48.5	30.38	0.99	0.99	1.00
Half	9.58	11.51	9.37	6.25	9.77	8.22	1.53	1.18	1.14
tertiary	6.83	1.9	3.86	0.15	1.28	2.94	45.53	1.48	1.31
Health	100	100	100	100	99.95	99.9	1.00	1.00	1.00

Panel "b"

	Female-headed with women as sole breadwinner			Male-headed with men as sole breadwinner			Difference		
	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total
pensions (treated as deferred income)	5.04	3.69	6.11	8.2	7.31	8.02	0.61	0.50	0.76
Direct taxes	0	0	10.16	0	0	10.3	0.00	0.00	0.99
Social security contributions	3.08	8	28.65	1.63	14.83	33.82	1.89	0.54	0.85
program transfers	69.7	69.67	44.37	60.8	53.3	26.6	1.15	1.31	1.67
With rural and urban Solidarity Communities	1.62	1.24	0.47	0	0.28	0.13	0.00	4.43	3.62
Non-contributory pensions	3.6	1.28	0.71	7.85	3.04	1.38	0.46	0.42	0.51
Indirect taxes	100	100	100	100	100	100	1.00	1.00	1.00
with VAT	100	100	100	100	100	100	1.00	1.00	1.00
indirect subsidies	86	84.83	88.99	66.22	75.11	83.13	1.30	1.13	1.07
Education	66.71	68.79	45.41	44.46	42.72	19.34	1.50	1.61	2.35
basic	57.78	59.3	33.51	35.88	32.51	12.8	1.61	1.82	2.62
Half	11.24	15.45	10.27	2.1	10.1	5.19	5.35	1.53	1.98
tertiary	0.18	1.86	4.69	0.7	1.18	1.73	0.26	1.58	2.71
Health	100	100	100	100	100	100	1.00	1.00	1.00

Panel "c"

	Female-headed with women contributing over half of the household budget			Male-headed with men contributing over half of the household budget			Difference		
	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total	<US\$3.65 PPP	<US\$6.85 PPP	Total
Contributory pensions (treated as deferred income)	5.43	4.89	7.66	1.87	3.21	5.07	2.90	1.52	1.51
Direct taxes	0	0.02	15.79	0	0.27	15.21	0.00	0.07	1.04
Social security contributions	2.34	9.58	39.17	5.6	19.24	44.14	0.00	0.00	0.89
program transfers	75.82	72.59	47.66	79.65	71.48	46.48	0.95	1.02	1.03
With rural and urban Solidarity Communities	3.43	1.42	0.52	3.85	1.54	0.52	0.89	0.92	1.00
Non-contributory pensions	4.14	1.6	0.76	2.6	1.1	0.69	0.00	1.45	1.10
Indirect taxes	100	100	100	100	100	100	1.00	1.00	1.00
with VAT	100	100	100	100	100	100	1.00	1.00	1.00
indirect subsidies	83.17	85.22	88.86	76.13	81.72	86.71	1.09	1.04	1.02
Education	67.49	67.99	46.23	69.2	63.84	42.62	0.98	1.07	1.08
basic	59.51	57.22	34.17	60.62	53.62	31.44	0.98	1.07	1.09
Half	11.88	15.19	10.91	7.03	10.37	8.62	1.69	1.46	1.27
tertiary	0.27	2.03	4.92	0.21	1.47	3.07	1.29	1.38	1.60
Health	100	100	99.96	100	99.93	99.9	1.00	1.00	1.00

Source: Own estimates based on the EHPM 2019.

VII. Simulations of policy reforms to improve gender equity

This section simulates potential fiscal reforms with the potential to reduce poverty and gender gaps based on the analysis presented in previous sections.

Two of the most revealing findings of the analysis are the marked increase in poverty among certain female households due to fiscal policy and the regressivity of social security contributions. Fiscal policy contributes to a 4.3 percentage point increase in poverty among households with women as the sole provider of the household budget and among households where women are single mothers with at least one child (under six years of age). It is also notable how fiscal policy reinforces the unfavorable differential treatment that comes from the labor market among households with women as the sole provider of the household. Social security contributions are regressive, both relatively and horizontally

in these groups, and exert, albeit slightly, a negative contribution to poverty, pushing specific households below the poverty line.

To improve the welfare position of these households, we simulate a fiscal package including three tax and transfer measures. The tax package includes: (1) an exemption from employers' social security contributions to single workers regardless of sex, with children under six years of age and women who are the sole providers of the household; (2) a conditional transfer of US\$ 100 to households that meet certain eligibility criteria – namely, the woman is the sole provider of the household budget, and the woman is a single mother with children under six attending a health center sponsored by the Ministry of Health; and (3) the elimination of indirect subsidies (water, electricity and transport) to the highest income quintiles through a better-targeting mechanism. The latter makes sense, considering that these subsidies are ineffective in serving the most vulnerable populations and are weakly targeted.

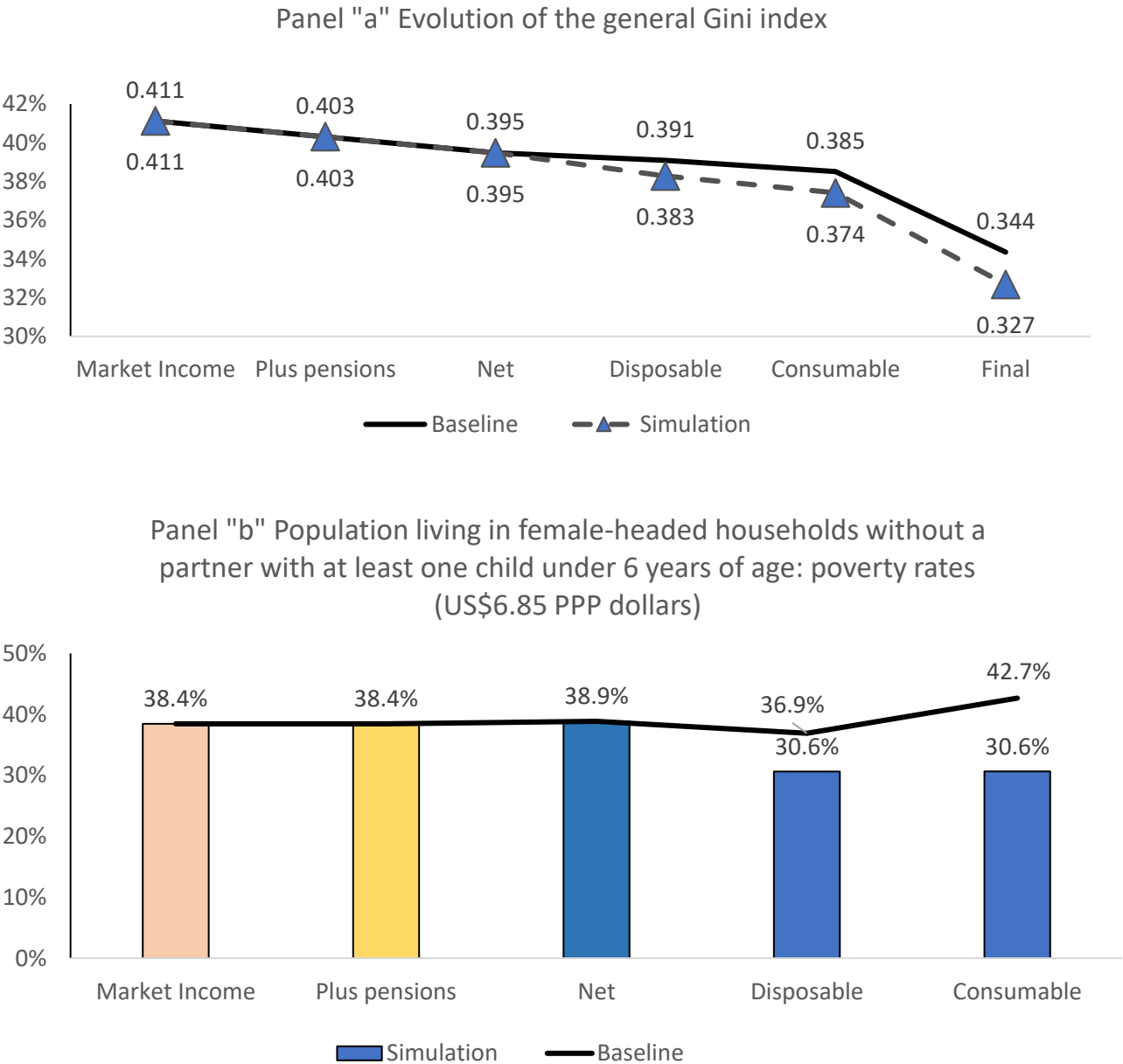
Cash transfers accompanied by information and services aimed at women who are mothers can have several positive externalities if carefully designed. Evidence shows that these transfers can economically empower women and improve children's well-being, particularly through investments in health and education (J-PAL Policy Briefcase, 2021). It is important to note that targeting the group of lone mothers with young children and women providers can be challenging; therefore, rules, procedures and the use of the necessary technology should be encouraged to identify this group instead of relying on self-declaration.

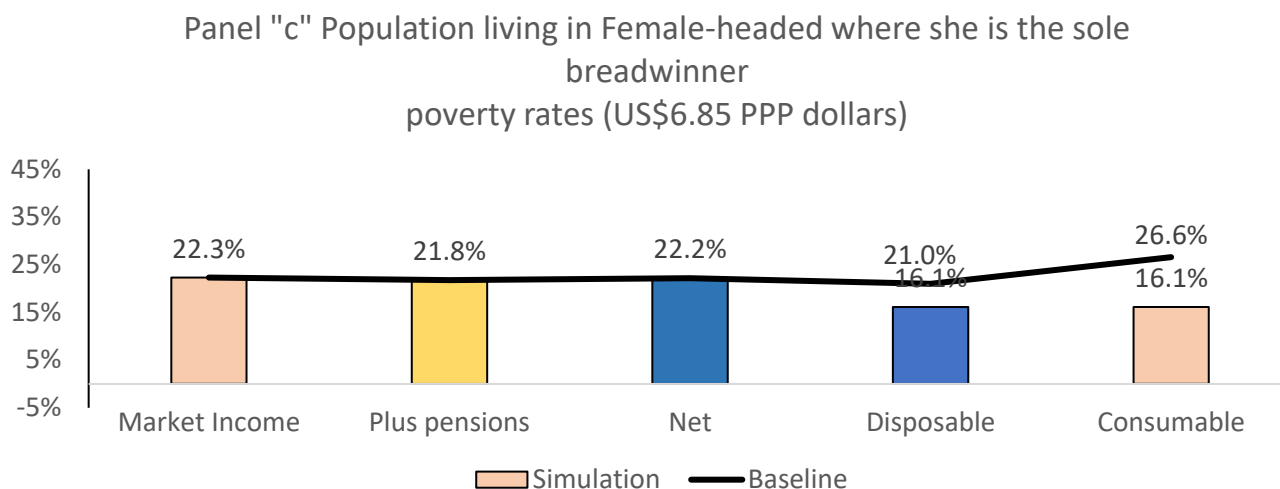
Simulation results show that the exemption from employer-worker contributions can partially reverse the gender income gap; however, it is insufficient to reduce monetary poverty among these groups. With this policy, the income ratios of households with women as the sole provider to their male counterparts go from 0.80 to 0.83 after the incorporation of fiscal policy and from 0.80 to 0.857 when the woman is a head of household with small children (Figure 8). In both cases, the ratio after fiscal policy in the simulation (measured by consumable income) is higher than in the baseline scenario, implying a narrower gap between 'female' and 'male' households. The exemption would increase disposable and consumable income and, in some cases, could incentivize formality by reducing the employee social security cost when taking a formal-sector job. However, introducing an exemption from the social security contribution or another exemption is insufficient to lower the poverty rate among these groups.

The fiscal package with these three policy measures can reduce inequality and poverty among female household groups. The role of cash transfer is essential to reduce poverty, as the exemptions are not sufficiently welfare-improving. Eliminating indirect subsidies to the top quintiles is vital to finance the other two measures and not increase the fiscal deficit. The simulation results indicate that these cash transfers can make fiscal policy more redistributive, significantly reducing the Gini index when moving from net income to final income (Figure 27, Panel a). The poverty rate among the

population in female-headed households with at least one child under six can be reduced by 12.1 percentage points (Figure 27, Panel b), changing from 42.7 percent in the baseline scenario to 30.6 percent under the simulation. Among households where women are the only provider, the poverty rate could decrease from 26.6 percent in the baseline scenario to 16.1 percent in the policy scenario, representing a 10.5 percentage point reduction (Figure 27, Panel c).

Figure 27. Changes in inequality and poverty as a result of fiscal package simulations - Women heads, sole providers, with at least one child under six





Source: Own estimates based on the EHPM 2019.

The simulated fiscal package not only has a positive redistributive impact but also leads to fiscal savings. We estimate a financing need of roughly US\$ 106 million to cover the exemption of social security contributions and cash transfers. This is composed of US\$ 52 million that El Salvador's Social Security Institute (ISSS) would no longer receive from social security contributions, plus US\$ 54 million for the beneficiaries of the cash transfers.¹⁵ Eliminating indirect subsidies to the two highest income quintiles is estimated to generate approximately US\$ 139 million,¹⁶ so the fiscal package would lead to fiscal savings of approximately US\$ 33 million. If indirect subsidies cannot be eliminated in the top quintiles, given exclusion and inclusion errors, it is feasible to have a budget-neutral reform, i.e., whose spending measures are offset by revenue measures.

VIII. Conclusion

This study aims to identify potential fiscal reforms that increase equality between women and men and to lay the foundations for a fiscal dialogue with a gender lens in El Salvador. To evaluate fiscal policy as a tool for gender equity, this paper extends the Commitment to Equity (CEQ) methodology to add a gender lens. To quantify the gendered impacts of fiscal policy, the model employs standard fiscal incidence analysis accounting for pre-fiscal and post-fiscal incomes and all fiscal interventions for different 'female' and 'male' households in El Salvador.

¹⁵ According to Statistics from the Central Reserve Bank, social security received up to US\$ 604.35 million in 2019.

¹⁶ Other alternative measures of income to raise funds not considered in the simulation include a 10 percent increase for social security contributions for the two quintiles of the elderly, which could raise an additional US\$ 42 million. In addition, part of the income with which the disposable income of these households would increase would be recovered by means of VAT from their expenses.

In El Salvador, women and men differ substantially in employment status. Over the past 30 years, gender gaps in labor-market outcomes have been large and persistent. While less than 50 percent of working-age women participate in the labor market, labor-force participation rates and employment range around 80 percent among men. An unequal division of labor seems to play an important role. A large share of inactive working-age women (65 percent) claimed they are not seeking employment due to domestic care responsibilities. In this sense, increasing the availability and affordability of child and elder care services could favor women's incentives to enter the labor market. Likewise, limited coverage in early childhood education and the coverage of education-related services are aspects that require attention. For example, expanding the offer of care services, either with cash transfers, kindergartens, nurseries, or places of play through adapting existing or new infrastructure, could help women find suitable places for their children while they work.

Household composition is a key determinant of women's economic situation. On the one hand, women with a partner but without income usually have less ability to bargain and make choices within the household. On the other hand, the labor gender gaps tend to worsen the situation of women with dependents without a partner. To measure the economic reality faced by women, we decided to go deeper and investigate the situation of certain households that, although they are minorities, reflect the gender gaps present in society and evaluate the influence that fiscal policy has on their welfare.

Understanding women's and men's different experiences of poverty requires gendered household typologies. We used typologies of male and female households based on demographic factors and labor income, consistently used in the literature (Grown and Valodia, 2010; Greenspun, 2019). We differentiate households headed by a woman or a man, which implies a demographic aspect, and households with a woman as the leading provider or with a woman contributing 50 percent or more of the household budget, which implies a labor aspect.

About one-third of poor households depend on the labor income that women receive. According to the EHPM 2019, 37.1 percent of households residing in the country are headed by women, and 62.9 percent are headed by men. Similarly, 31.2 percent of extremely poor households (US\$ 3.65 per day, 2017 PPP) and 35.8 percent of poor households (US\$ 6.85 per day, 2017 PPP) are headed by women. Likewise, the data show that, among poor households living with incomes less than US\$ 6.85 per day at PPP, 26 percent are households headed by women without a partner and small children; 24.7 percent are households where women's labor income is the main component of the household budget; 13.3 percent are the sole providers; 10.9 percent in addition to being the sole provider do not receive remittances; and 4.9 percent are households with single women and young children. This implies that at least one-third of the population living in poverty depends on the labor income generated by women.

We found that two groups of households are disproportionately harmed by fiscal policy: female-headed households with young children and women sole providers. Specifically, fiscal policy does not

contribute to closing the gender gaps in average household income among households with women as the only providers (regardless of whether the household receives remittances or not). In addition, households with lone women and minor children experienced the most significant increases in their poverty rates after fiscal policy, even though their pre-fiscal poverty rates were among the highest. Regarding poverty impacts, fiscal policy contributes to an increase in the poverty rate by 4.3 percentage points among households with women as the sole provider and among those households with females without a partner and with young children. Fiscal policy also led to rising poverty gender gaps, a 2 percentage point increase among households with women as sole providers compared with their male counterparts. Likewise, this increase implies that single women with minor children could reach an alarming poverty rate of 42.7 percent.

Microsimulations of fiscal policies show that changes in social security contributions could reduce gender gaps and improve the well-being of households with women as the sole provider and among those with women without a partner and with young children (under six years of age). Among households with women as the only contributor to the household budget, indirect taxes represent a significant burden, and social security contributions are not horizontally equitable and are relatively regressive.

Our result suggests that a fiscal package introducing exemptions from social security contributions and targeted transfers for these two types of households could reverse and improve the unfavorable outcome obtained after fiscal policy. A combination of fiscal policies that include an exemption from social security contributions for single mothers of young children (under six) and women who are the sole providers of the household, and a conditional direct transfer for certain female households (headed by female heads without a partner, households where women who are the sole provider of the household who have children under six years of age and who attend a health center of the Ministry of Health) could reduce the poverty rate. These two measures could be financed by reducing the coverage of indirect subsidies among the wealthiest quintiles of the income distribution, given they are weakly targeted. The simulation shows a poverty reduction of 12 percentage points in the population living in households headed by a single woman with at least one child under six years of age and 10.5 percentage points in the population living in female-headed households and where women are the sole providers. Moreover, exemptions from social security contributions can also incentivize formal employment, improving labor-force participation among this group. The previous microsimulation accounts for the potential effects of certain fiscal policies on poverty among gendered groups; however, its implementation requires timely and high-quality information. For example, a new population census could help to more accurately detect the living conditions of Salvadorean households, thereby improving the targeting of indirect subsidies.

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Appendix

Appendix 1. Identification of the different types of incomes

According to the CEQ methodology, there are seven definitions of income, constructed by applying each of the addressed aspects of fiscal policy to each household in the EHPM. This makes it possible to analyze and compare with subsequent incomes as fiscal interventions are added. Likewise, the methodology is considered a diagnosis of partial and static equilibrium; that is, changes in the behavior of individuals or economic agents after the application of fiscal policy are not taken into account. The starting point is market income, which refers to income without any fiscal policy intervention. This includes earnings from wages and salaries, self-employed activities and private transfers such as remittances or food quotas. The imputed economic value of inhabiting the house owned by the household and the self-production of food¹⁷ are also added to market income, although they do not represent a monetary flow of entry to the household. Additionally, contributions made by companies related to social security for formal sector workers, which are not captured in their salaries, are included.

To obtain market income plus pensions, retirement or survival payments are added to market income. In El Salvador, this category of pension income is mainly covered by individuals affiliated with the old system that was reformed in 1996.

To calculate net income, social security contributions and direct income tax are deducted from market income plus pensions. For the calculation of net income, social security contributions and income tax are subtracted from the gross wages of those workers who work in the formal sector of the economy. To identify formal workers, the information declared in the EHPM of social security contribution is used. Disposable income comprises net income plus all cash transfers and nearby cash substitutes included in the analysis. Both household survey information and administrative data are used to model these transfers. Beneficiaries of conditional cash transfers, non-contributory pensions, school packages and agricultural packages are identified based on various criteria and assigned imputed or average per capita values.

The number of program beneficiaries decreased after 2018. According to administrative records compiled in Table 1A, the enrollment population and COVID-19 situation influenced the decline in beneficiaries of supply, uniform, school-meal and glass-of-milk programs. In some cases, the fall in enrollment was due to a decrease in girls who are beneficiaries, such as in the case of middle school

¹⁷ For the amount per person, income was divided by household members. The CEQ market entry and the measurement of DIGESTYC differ in that the first one does not include domestic workers as the household members used to perform the division. Also, to market entry, CEQ added the value of the employer's contribution for health. No adult-equivalent measures were used at market entry.

students. Moreover, 51 percent of the beneficiaries of the uniforms and school-feeding program are male children.

In order to calculate consumable income, it is necessary to take into account the indirect interventions that households receive. This includes adding the value of goods purchased at a discount or below market value through indirect subsidies and subtracting indirect taxes such as VAT generated in taxed purchases. The indirect subsidies analyzed in this study include those for liquefied oil products, public transportation, water provided by the National Administration of Aqueducts and Sewers (ANDA) and electrical supply.

However, subtracting VAT from disposable income is not without its methodological challenges. Household income may be undervalued, or individuals may consume through borrowing, leading to a negative income value if only VAT is subtracted. Therefore, the *Commitment to Equity Handbook* (2018) recommends calculating the effective rate as the ratio of tax paid to total consumption, which is then multiplied by disposable income. The calculations made through the EHPM database result in an effective rate on consumption, taking into account that the place of purchase is a formal establishment that collects VAT.

To complete the CEQ scheme, the monetized value of public health and education services is added to the calculation. This includes goods that are acquired at full value, are not substitutes for cash and are not part of direct transfers or disposable income. This income is achieved by adding the value of public health and education services when they are acquired by each household to the consumable income, which is when they attend school or medical consultation. If there are copayments related to these services, they must also be subtracted, though this is not the case in El Salvador. On the education side, the levels analyzed include preschool, primary, secondary and tertiary.

Table 1A. Beneficiaries of non-contributory public social programs 2008-2020

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
A. Transfers	83,654	105,824	110,029	122,448	142,410	140,502	125,324	110,025	98,555	97,295	94,379	82,379	67,453
Solidarity Communities 1/	83,654	105,824	98,377	90,997	86,859	80,945	78,947	72,803	66,048	62,456	58,560	43,437	33,488
Rural: Health and educational bonds (in families)	83,654	105,824	98,377	90,997	82,994	75,192	72,213	66,628	61,073	56,956	53,827	39,837	29,263
Urban: Educational bonds	0	0	0	0	3,865	5,753	6,734	6,175	4,975	5,500	4,733	3,600	4,225
Universal basic pension for the elderly 2/	0	0	8,019	15,300	25,477	28,688	33,170	31,475	30,594	33,290	34,425	37,868	32,867
Temporary income support program	0	0	3,633	16,151	27,992	28,758	11,210	4,034	417	0			
Basic pension for veterans3/	0	0	0	0	2,082	2,111	1,997	1,713	1,496	1,549	1,394	1,074	1,098
B. Educational programs by area													
Uniforms and Supplies Program	0	0	1,377,113	1,316,290	1,281,836	1,246,311	1,228,546	1,299,266	1,239,145	1,181,489	1,144,022	1,119,531	1,059,884
Primary school students	0	0	1,377,113	1,326,452	1,310,845	1,267,430	1,228,846	1,199,648	1,110,678	1,044,780	1,012,900	992,431	937,836
Boys										532,889	518,699	507,962	480,427
Girls										511,891	494,201	484,469	457,409
Middle school students	0	0						146,997	141,639	136,709	131,122	127,100	122,048
Boys										66,987	64,651	62,808	60,880
Girls										69,722	66,471	64,292	61,168
School meals	877,041	1,310,286	1,316,779	1,334,044	1,339,726	1,340,007	1,320,848	1,275,900	1,210,532	1,144,522	1,085,456	1,079,256	1,051,296
Boys										582,483	532,930	549,831	535,067
Girls										560,022	550,508	527,406	514,209
Glass of milk4/	0	n.d.	n.d.	246,072	499,819	821,036	821,036	934,621	945,591	1,144,522	1,085,456	1,079,256	1,051,296
C. Agricultural package 5/	436,998	550,003	538,011	442,890	474,861	536,137	664,402	570,531	561,577	474,279	512,000	553,448	597,944
E. Urban women (with family)	0			419,597	474,861	536,137	664,402	570,531	561,577	398,736	n,d,	n,d,	n,d,
F. Youth (all)									3,392	7,438	n,d,	n,d,	n,d,

Source: MINED, MAG, FISDL

1/ Includes participants from Rural Solidarity Communities (CSR) and Urban Solidarity Communities (CSU)

2/ In 2014, 27,378 beneficiaries of the pension for the elderly lived in rural municipalities and 4,779 in urban municipalities, according to data from the FISDL.

3/ In 2014, veterans receiving a pension are part of the FISDL program. <http://www.fisd.gov.sv/temas-543/estadisticas/subsidios>

4/ MINED estimates of student beneficiaries, a subprogram of the School Nutrition and Health Program (PASE).

5/ MAG estimates.

Appendix 2. Additional tables and graphs

Table 2A. Evolution of FGT Poverty Measures, Different Income Concepts, Population-based calculations.

Panel A. US\$3.65 PPP per day poverty line (in %)

	Market Income	Plus pensions	Net	Disposable	Consumable
a) Total population					
Poverty	7.2%	6.8%	6.8%	6.1%	7.4%
Percentage point changes relative to market		-0.4%	-0.4%	-1.1%	0.2%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.01
Poverty gap	2.0%	1.8%	1.8%	1.5%	1.8%
Poverty gap squared	0.9%	0.7%	0.7%	0.6%	0.7%
b) Female-headed households					
Poverty	5.8%	5.4%	5.4%	4.7%	5.7%
Percentage point changes relative to market		-0.4%	-0.4%	-1.0%	0.0%
Standard error		0.00	0.00	0.00	0.01
Significance (p-value)		0.00	0.00	0.00	0.03
Poverty gap	1.5%	1.3%	1.3%	1.1%	1.3%
Poverty gap squared	0.6%	0.5%	0.5%	0.4%	0.5%
c) Male-headed households					
Poverty	8.0%	7.5%	7.6%	6.8%	8.4%
Percentage point changes relative to market		-0.4%	-0.4%	-1.2%	0.4%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.02
Poverty gap	2.3%	2.1%	2.1%	1.8%	2.1%
Poverty gap squared	1.0%	0.9%	0.9%	0.7%	0.8%
d) Female-headed with dependents (older adults and children)					
Poverty	6.0%	5.6%	5.6%	4.9%	6.0%
Percentage point changes relative to market		-0.4%	-0.4%	-1.1%	0.0%
Standard error		0.00	0.00	0.01	0.01
Significance (p-value)		0.06	0.27	0.00	0.02
Poverty gap	1.6%	1.4%	1.4%	1.1%	1.4%
Poverty gap squared	0.7%	0.5%	0.6%	0.4%	0.5%
e) Male-headed with dependents (older adults and children)					
Poverty	8.6%	8.2%	8.3%	7.4%	9.1%
Percentage point changes relative to market		-0.4%	-0.4%	-1.2%	0.4%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.02
Poverty gap	2.4%	2.3%	2.3%	1.9%	2.3%
Poverty gap squared	1.1%	0.9%	0.9%	0.7%	0.9%

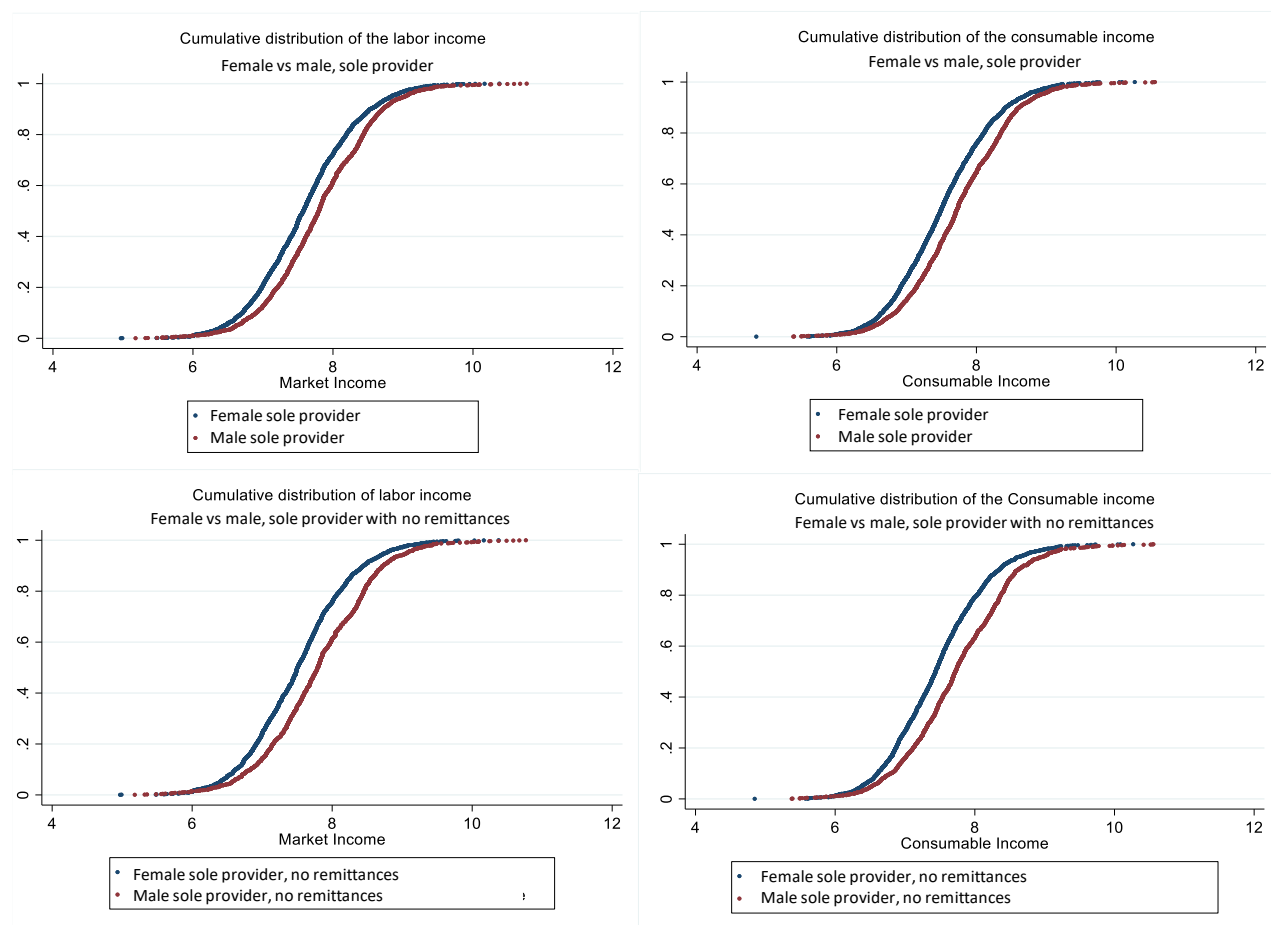
f) Female-headed, sole provider and with at least one child under 6 years old					
Poverty	11.7%	11.7%	11.7%	10.4%	11.4%
Percentage point changes relative to market		0.0%	0.0%	-1.3%	-0.3%
Standard error		0.00	0.00	0.04	0.04
Significance (p-value)		0.00	0.00	0.02	0.03
Poverty gap	3.7%	3.6%	3.6%	3.1%	3.4%
Poverty gap squared	1.7%	1.6%	1.6%	1.3%	1.5%
g) Male-headed with a partner and with at least one child under 6 years old					
Poverty	11.6%	11.5%	11.7%	10.6%	13.0%
Percentage point changes relative to market		0.0%	0.1%	-1.0%	1.4%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.00
Poverty gap	3.2%	3.2%	3.2%	2.8%	3.3%
Poverty gap squared	1.3%	1.3%	1.3%	1.1%	1.3%
h) Female-headed, sole provider					
Poverty	4.8%	4.6%	4.6%	4.0%	4.9%
Percentage point changes relative to market		-0.2%	-0.2%	-0.8%	0.1%
Standard error		0.01	0.01	0.01	0.02
Significance (p-value)		0.00	0.00	0.00	0.01
Poverty gap	1.0%	0.9%	0.9%	0.8%	0.9%
Poverty gap squared	0.4%	0.3%	0.3%	0.2%	0.3%
i) Male-headed, sole provider					
Poverty	3.9%	3.7%	3.7%	2.9%	3.7%
Percentage point changes relative to market		-0.2%	-0.2%	-1.0%	-0.2%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.09	0.00	0.00
Poverty gap	1.0%	0.9%	0.9%	0.8%	0.9%
Poverty gap squared	0.4%	0.4%	0.4%	0.3%	0.4%
j) Female-headed who contributes over half of the household's income					
Poverty	6.7%	6.4%	6.4%	5.6%	7.0%
Percentage point changes relative to market		-0.3%	-0.3%	-1.1%	0.3%
Standard error		0.00	0.00	0.01	0.01
Significance (p-value)		0.07	0.00	0.00	0.02
Poverty gap	1.6%	1.5%	1.5%	1.3%	1.5%
Poverty gap squared	0.6%	0.6%	0.6%	0.5%	0.6%
k) Male-headed who contributes over half of the household's income					
Poverty	6.6%	6.5%	6.6%	5.7%	7.3%
Percentage point changes relative to market		-0.1%	0.0%	-0.9%	0.8%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.54	0.00	0.00
Poverty gap	1.5%	1.5%	1.5%	1.3%	1.6%
Poverty gap squared	0.6%	0.6%	0.6%	0.5%	0.6%
l) Female-headed, sole provider with no remittances					
Poverty	5.4%	5.2%	5.2%	4.6%	5.6%
Percentage point changes relative to market		-0.2%	-0.2%	-0.8%	0.2%
Standard error		0.00	0.00	0.02	0.02
Significance (p-value)		0.00	0.01	0.01	0.01
Poverty gap	1.3%	1.1%	1.1%	0.9%	1.1%
Poverty gap squared	0.4%	0.4%	0.4%	0.3%	0.4%
m) Male-headed, sole provider with no remittances					
Poverty	5.0%	4.8%	4.8%	4.2%	4.7%
Percentage point changes relative to market		-0.3%	-0.3%	-0.9%	-0.4%
Standard error		0.01	0.01	0.01	0.01
Significance (p-value)		0.04	0.05	0.35	0.06
Poverty gap	1.5%	1.3%	1.3%	1.1%	1.3%
Poverty gap squared	0.6%	0.5%	0.5%	0.5%	0.5%

Panel B. US\$6.85 PPP per day poverty line (in %)

	Market Income	Plus pensions	Net	Disposable	Consumable
a) Total population					
Poverty	23.1%	22.3%	23.1%	22.3%	26.2%
Percentage point changes relative to market		-0.8%	0.0%	-0.8%	3.1%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.04	0.00	0.00
Poverty gap	7.3%	7.0%	7.1%	6.6%	7.8%
Poverty gap squared	3.4%	3.2%	3.2%	2.9%	3.4%
b) Female-headed households					
Poverty	21.1%	20.4%	21.0%	20.1%	24.2%
Percentage point changes relative to market		-0.7%	-0.2%	-1.0%	3.1%
Standard error		0.00	0.00	0.00	0.01
Significance (p-value)		0.00	0.04	0.00	0.00
Poverty gap	6.3%	6.0%	6.1%	5.6%	6.7%
Poverty gap squared	2.8%	2.6%	2.6%	2.3%	2.7%
c) Male-headed households					
Poverty	24.1%	23.4%	24.2%	23.5%	27.3%
Percentage point changes relative to market		-0.8%	0.1%	-0.6%	3.2%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.06	0.00	0.00
Poverty gap	7.9%	7.5%	7.7%	7.1%	8.4%
Poverty gap squared	3.7%	3.5%	3.5%	3.2%	3.8%
d) Female-headed with dependents (older adults and children)					
Poverty	21.7%	21.0%	21.6%	20.8%	25.1%
Percentage point changes relative to market		-0.8%	-0.1%	-1.0%	3.3%
Standard error		0.01	0.01	0.02	0.01
Significance (p-value)		0.01	0.33	0.00	0.01
Poverty gap	6.6%	6.2%	6.4%	5.8%	7.0%
Poverty gap squared	2.9%	2.7%	2.7%	2.4%	2.9%
e) Male-headed with dependents (older adults and children)					
Poverty	25.7%	24.9%	25.9%	25.1%	29.2%
Percentage point changes relative to market		-0.7%	0.3%	-0.6%	3.5%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.08	0.00	0.00
Poverty gap	8.4%	8.1%	8.3%	7.7%	9.1%
Poverty gap squared	4.0%	3.8%	3.8%	3.4%	4.1%

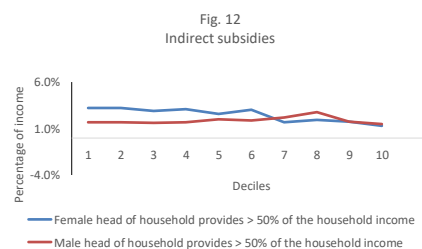
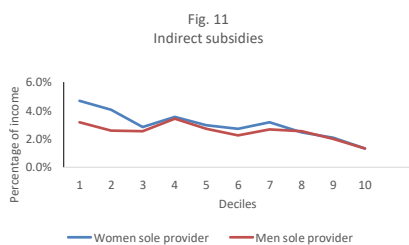
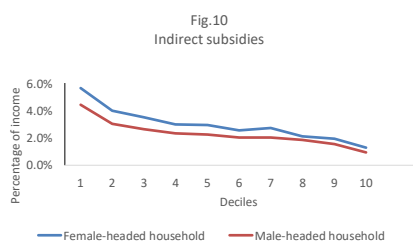
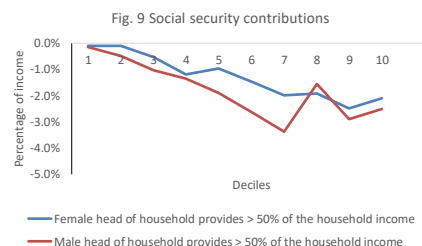
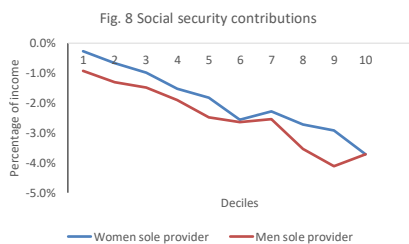
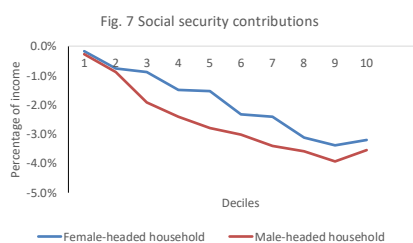
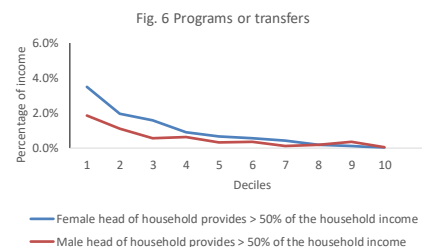
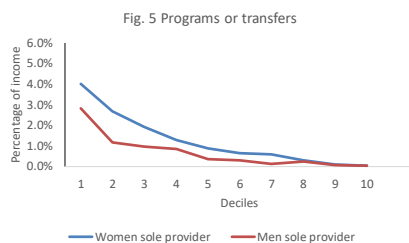
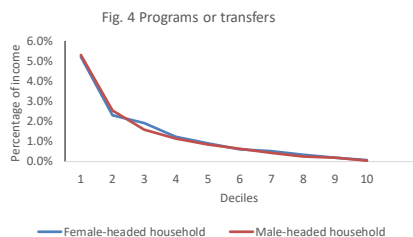
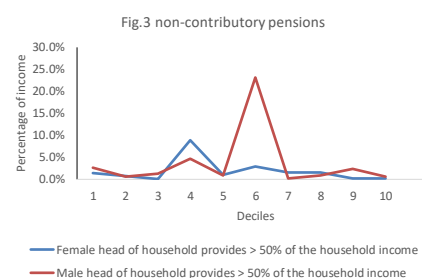
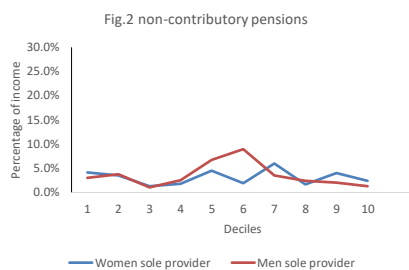
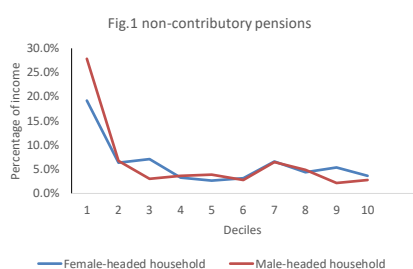
f) Female-headed, sole provider with at least one child under 6 years old					
Poverty	38.4%	38.4%	38.9%	36.9%	42.7%
Percentage point changes relative to market		0.0%	0.4%	-1.6%	4.2%
Standard error		0.00	0.00	0.09	0.07
Significance (p-value)		0.09	0.05	0.00	0.03
Poverty gap	12.7%	12.6%	12.7%	11.5%	13.4%
Poverty gap squared	6.1%	6.0%	6.0%	5.3%	6.1%
g) Male-headed with a partner and with at least one child under 6 years old					
Poverty	33.7%	33.5%	35.2%	34.7%	39.2%
Percentage point changes relative to market		-0.1%	1.5%	1.0%	5.5%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.00
Poverty gap	11.3%	11.3%	11.6%	10.8%	12.7%
Poverty gap squared	5.3%	5.3%	5.4%	4.9%	5.8%
h) Female-headed, sole provider					
Poverty	22.3%	21.8%	22.2%	21.0%	26.6%
Percentage point changes relative to market		-0.5%	-0.1%	-1.3%	4.3%
Standard error		0.00	0.01	0.03	0.03
Significance (p-value)		0.01	0.62	0.00	0.00
Poverty gap	5.9%	5.7%	5.8%	5.2%	6.5%
Poverty gap squared	2.3%	2.2%	2.2%	1.9%	2.4%
i) Male-headed, sole provider					
Poverty	15.5%	15.1%	15.5%	15.0%	17.8%
Percentage point changes relative to market		-0.3%	0.0%	-0.5%	2.3%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.08	0.00	0.00
Poverty gap	4.5%	4.3%	4.4%	4.1%	5.0%
Poverty gap squared	1.9%	1.8%	1.9%	1.7%	2.1%
j) Female-headed who contributes over half of the household's income					
Poverty	26.3%	25.7%	26.1%	25.0%	30.2%
Percentage point changes relative to market		-0.7%	-0.2%	-1.3%	3.9%
Standard error		0.00	0.01	0.01	0.01
Significance (p-value)		0.05	0.07	0.00	0.00
Poverty gap	7.5%	7.2%	7.3%	6.7%	8.2%
Poverty gap squared	3.2%	3.0%	3.0%	2.7%	3.3%
k) Male-headed who contributes over half of the household's income					
Poverty	23.0%	22.5%	23.8%	23.2%	27.2%
Percentage point changes relative to market		-0.5%	0.8%	0.2%	4.2%
Standard error		0.00	0.00	0.00	0.00
Significance (p-value)		0.00	0.00	0.00	0.00
Poverty gap	6.9%	6.8%	7.0%	6.5%	7.9%
Poverty gap squared	3.0%	2.9%	3.0%	2.7%	3.3%
l) Female-headed, sole provider with no remittances					
Poverty	25.3%	24.7%	25.2%	23.9%	29.4%
Percentage point changes relative to market		-0.6%	-0.1%	-1.4%	4.1%
Standard error		0.01	0.01	0.02	0.02
Significance (p-value)		0.27	0.00	0.00	0.00
Poverty gap	6.7%	6.5%	6.7%	6.0%	7.4%
Poverty gap squared	2.7%	2.6%	2.6%	2.3%	2.8%
m) Male-headed, sole provider with no remittances					
Poverty	18.8%	18.4%	18.8%	18.2%	21.2%
Percentage point changes relative to market		-0.5%	0.0%	-0.7%	2.4%
Standard error		0.00	0.00	0.00	0.01
Significance (p-value)		0.00	0.00	0.00	0.01
Poverty gap	5.7%	5.5%	5.6%	5.3%	6.3%
Poverty gap squared	2.5%	2.4%	2.4%	2.2%	2.7%

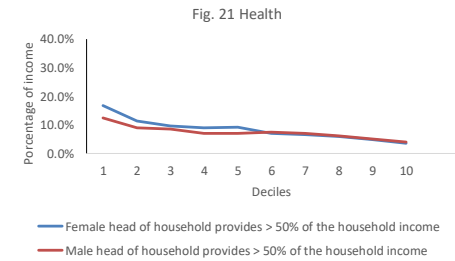
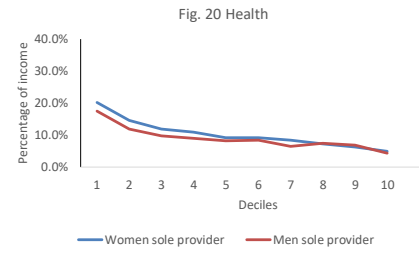
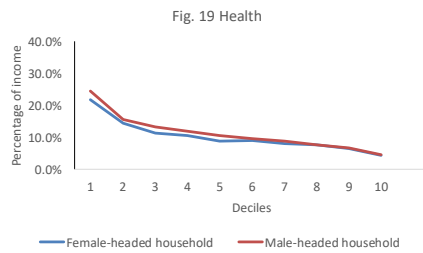
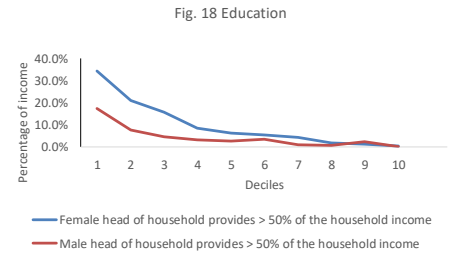
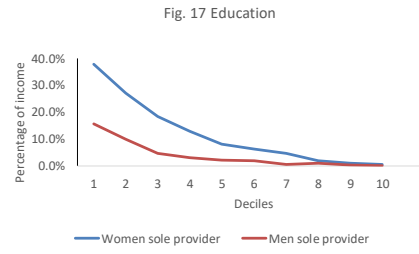
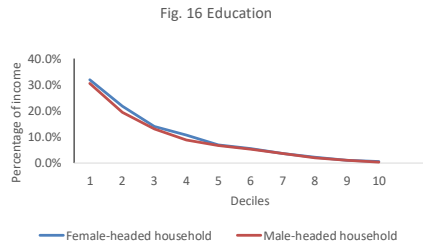
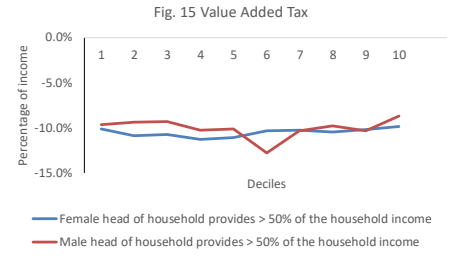
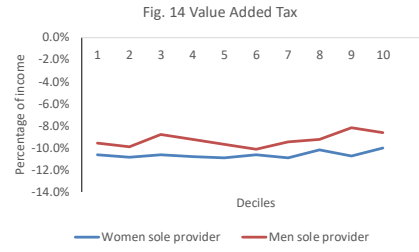
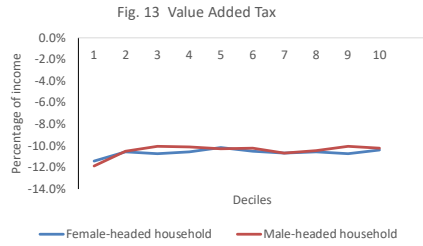
Figure 1A. Cumulative Distribution of market income by household type, before and after fiscal policy.



Source: Own estimates based on the EHPM 2019.

Figure 2A. Progressivity measures (percentage of transfers (taxes) received (paid) by each gender group relative to market income)





Source: Own estimates based on EHPM 2019.