

## **The Gender Wage Discrimination in Lao Labor Market**

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### **Introduction:**

The equality of gender is widely considered to be a significant global issue under the Fifth Goal of United Nation's Sustainable Development Goals (SDGs), being Achieve gender equality and empower all Women and Girls. However, as of 2016, even though there are 143 countries certifying their equality between male and female in their business establishments, but 52 have not reached the goal (UN Women 2016). Nowadays, women constitutes about half of the world's population, but still gains about 24 percent less than male due to their less bargaining power, lower education opportunities, limited job availability, and somehow constraints from culture and political roles. In developed region, such as North America, female on average earn 63 percent of male's income, when we look at developing countries: for example in Southern Asia and Sub-Saharan Africa, on average female earn haft of male's income (Ahmed and Maitra 2010; UN, 2016).

The gender wage gap is largely present in both developed and developing countries. It is interesting to observe that the sexual differential earning not only originates from a difference in various observable characteristics such as such age, education attainment, job and industry of employment, urban or rural dwelling, yet these dissimilar contribute to the impacts of gender's segregation.

Today the role of females in the global workplace has improved, with more opportunities to work and participate in that economy than in previous years and the gap in the proportion of senior managers who are females has both narrowed and led to a narrowing of the existing wage gap. Under these conditions, the question of why males earn more than females arises. Is the differential wage due to the disparity in abilities between males and females, or is it attributable to gender discrimination?

Although several studies work on this issue and it is not the first case of least developed country as mentioned above. The Lao People's Democratic Republic (Lao PDR) is one of least developed country which faces a number of barriers to achieving its development for all agenda, in particular, widening gaps between rich and poor, male and female, ethnic groups, and residents of different region of the country need to be addressed (UNDP Lao PDR, 2016). Even with these challenges, according by Country Gender Assessment for Lao PDR-Reducing Vulnerability and Increasing Opportunity Report from Asian Development Bank (ADB), the gender earning disparities continue to remain insoluble the most widespread form of gender segregation in the Lao labor markets are gender wage gaps. Resulting distinctions also subsist in career security, kinds of work and working conditions.

Therefore, this paper focuses on Laos PDR given the recent increase in economic growth, supported in particular by the manufacturing sector is expanding and the resulting labor demand is magnifying as the labor requirement continues to rise. However, the number of labor supply is sufficient in the current Lao labor market. Hence, the reduction of the gender wage disparity in Laos PDR is a widely important issue, is a priority of the Lao Government and its efforts to promote equality between men and women in all fields by implementing a policies mechanism, as it is included in human development objectives which the Lao Government has adopted. Under the current strong National Economic and Social Development Plan and the National Strategic Plan to Promote Women's Advancement, to promote equality and fairness to women both quantity and productivity of the female labor force.

Numerous studies have looked at the gender wage inequality in different countries, but there has not been research directly focused on gender wage gap and wage discrimination in Laos PDR, is facing high gender inequality such as education, empower and earning that it is less research about the issues.

### **Objectives of the research:**

- (1) To examine the effects of factors on rate of return gender wage.
- (2) What is cause of gender wage disparity?
- (3) Have gender wage discrimination in Lao labor market?

### **Data collection methods and instruments:**

This paper will contribute to our understanding of the gender wage gap including gender discrimination wage in the Lao labor market in the following. Our empirical analysis is carried out using the Lao PDR STEP Skills Measurement Survey 2011-2012 from World Bank. The survey covers 2,845 individuals. We restrict our empathy to those aged between 15 to 64 with positive earning including those living in private dwellings in urban and rural areas of Laos at the time of data collection, then the sample size is reduce to 1,957 observations, and finally this result in sample of 1,446 employed, of which 615 are men and 831 are women.

In terms of methodology, we used the Probit regression for estimating in the probability of labor entered in the labor market. Then we used a standard model on the gender wage disparity in Laos PDR that is (Heckman 1979) two-step sample selection model to estimate for selection bias sampling. Finally, we apply the Oaxaca-Blinder decomposition (Oaxaca & Blinder, 1973) method that computes for selectivity bias and decomposes the gender earning disparity into a constitutive that can be explained by difference in productivity characteristics and a constitutive cannot explained by observable productive difference or segregation effect owing to dissimilar returns to covariates.

### **Empirical results:**

**Firstly**, we estimate the Probit model (selection) that is a selection (employment) equation is estimated; where the dependent variable ( $Z$ ) is the probability of labor entering the

labor market takes a value of 1 if is obtained earning and equal 0 if a worker is no more and The independent variables used in the selection equation are composed of age, age square, year of schooling, household head, marital status, household size, has children or not and municipal. Divide regression are estimated to separate for men and women.

Age has a stronger statistically significant and positive sign that it effects on the probability of women's labor entering the labor market compared with that of men as women is about one year older than they are more likely to increase their possibility to enter labor market by 3.41 percent. Being years of schooling has a positive coefficient to bring about the employment probabilities of men and women across all samples that mean if years of schooling has increased, it will attract the labor and both genders on the probability of labor entering the labor market, particularly women is slightly greater than men (3.17 percent for females compared with 2.82 percent for male). As expected, the possibility of attending labor market increase with age and years of schooling, so the relationship is positive. Interesting, being male's employment who are married has a positive and significant as male have spouse household has a negative and significant impact on the probability of men's labor the labor market, but not with women samples. However, females with household size have a negative sign, but have only a 1.2 percent lower feasibility of being entering in labor market, meanwhile males with married have a positive statistically significant (54.2 percentage point). The effect of dwelling on the probability of employment, it has a positive statistically significant impact on both male and female in the urban sample relative to rural area, however, males have a tendency to the possibility of attending labor market more than female (13.6 percent for males compare with 8.73 percent for female). In the part of other variables as labors with have a children is not statistically significant.

**Secondly**, as the determinant of general gender wage is analyzed by using Heckman model. For the wage regression model, the dependent variable  $y$  is natural logarithm of monthly wage. The series of explanatory variables include experience, experience square, the number of month in current job (tenure), dummies for marital status, education attainment, occupation status, type of employment, economic sector, training and region. The estimated earning equations modified for selection bias are indicated for men and women.

Experience is positive statistically significant at conventionally levels for both male and female employees that yield to one year of experience among male employees are found to be greater than those among females a rarely margin of 0.4 percent (2.9 percent for males compared with 2.1 percent for female). As prospective, earning rates rise with age and experience, but relationship is concave. In the sample, an average earning rates peak at age 41 and experience at 19 for males, nevertheless the corresponding number for females at age 46 and 24 years, respectively. In addition, tenure measure for the months on the current job is slightly significant effect on female wage rate, it is only 0.0664 percent, but not with male. Being married is statistically insignificant for both male and female wage rate.

In several theories predicate that the rate of return depend on the educational attainment. In the estimated we found that the rate of return to educational attainment increases monotonically for female workers, but not with male workers. However, it is surprising to explain that the rate of return to women's education is positive statistically significant and greater in higher education complete level such as women completed lower secondary school that they will receive increase their earnings by 61.1 percent, will higher earning at 70.6 percent and 144.4 percent for bachelor degree and master and upper degree, respectively compared with workers who are not complete primary and no education. Surely female are not complete

primary and no education that is a lowest earning. This consequence is probably ascribable to sector divergences in labor market occasions along with unlikeliness in productivity that supply higher earning rates for female with more educational complete.

In the part type of occupations for females are negative statistically significant except plant and machine operators and assemblers is insignificant relative to people who work on manager career is highest wage rate, this mean that percentage of workers who have been paid in these occupation categories as armed forces occupations, professionals, technicians and associate professionals, clerical support workers, service and sales workers, skilled agricultural, forestry and fishery workers, craft and related trades workers and elementary occupations at 97.4 percent, 103.5 percent, 64 percent, 66.7 percent, 54.2 percent, 90.6 percent, 122.4 percent and 73.1 percent, respectively which they are less than manager. In terms of male's occupation category is negative statistically significant only skilled agricultural, forestry and fishery workers at 87.3 percent. On the other hand, male workers who work about service and sales workers and plant and machine operators, and assemblers are positive statistically significant only some type of job that they will obtain wage more than manager at 41 percent and 50.3 percent, respectively while another type of are statistically insignificant. As for working location, females who work in Northern and Central region is negative and statistically significant as in comparison with women work in capital of city that are higher wage than Northern and Central, is about 20.9 percent and 30.2 percent, respectively. However, women in urban is negative sign and statistically significant, percentage of female's wage in urban is lower than in rural at 17.6 percent, but it is not significant with males in location workplace. The wage rate of employment status, general training and economic sector are not statistically significant both males and female.

The results above indicate that male and female wages are structurally different. The coefficients of some variables of male labor were higher than female workers; by contrast, some of the variables of female labor are greater than male. The findings of the overall gender discrimination index of all variables, discrimination occurs with both males and females.

**Finally**, we have analyzed a decomposition of wage differential by the Oaxaca-Blinder decomposition approach between male and female group into an endowment effect explained by dissimilarly in productivity attributes and unexplained segregation effect. The explained part is due to socioeconomic characteristics (like age or educational attainment) which each worker has. The unexplained part is due to latent variables. Hence, we define the unexplained part of the wage gap as the discrimination effect. The degree of gender discrimination is the share of the unexplained part to the wage difference value. In the result shows that if the assumption of female's structure is wage structure with gender non-discrimination norm. The decomposition of this male and female workers resulting from endowment characteristics disparity present that it is 62.62 percent and 37.71 percent for differential attributable to discrimination. Meanwhile in the sample for male' structure wage has a decomposition differential wage from endowment characteristics, is 127.41 percent and 227.42 percent for gender discrimination.

Therefore, whichever wage structure assumption is used in the gender non-discrimination base on any given concept. The results indicate that there is gender wage discrimination present, the reason is that the most female workers are paid less than male workers derives not only from the difference in personal characteristics of male and female workers, but it is also due to gender segregation. However, if without gender discrimination female worker would receive approximate wage or higher wage than male worker.

## **Conclusions and Policy recommendations:**

Our findings the estimate of the earning difference between male and female workers found that data has significant bias in our sample selection, and when the problem is resolved demonstrate there exist some of wage gap rate between male and female. Our results suggest that personal characteristics have an effect on wage rate, particularly among female workers, as education attainment has a strong impact on that is higher education level completed, is more wage rate compared to male workers. This is a significant result as it underscores the potential in some situations where better education for female can help mitigate the gender wage disparity. As regards to type of occupation, especially most of female jobs, seems to presented significant effect on remuneration, are paid less wage rates compared with female's manager, whereas for males insignificant whole occupations. Interestingly, it needs to be noted that the residence of working also affects only women's wage rate as females work in the Northern and Middle regions would obtain salary less than those in Vientiane, the capital, but it is surprising that women who work in rural areas would receive earnings higher than those in urban. However, labor market characteristics including employment status, general training and economic sector are insignificant both male and female samples.

Our results also indicate that the productivity difference component is quite large, but the segregation component is also greater in magnitude across all samples, the results are consistent with several empirical literature reviews, are suggest that female workers receive lower wages rate than male workers is not due to differences in personal attributes, but it is due to sexual discrimination.

This study highlights empirical finding that can enhance policies that help to promote gender equality in Laos PDR. Thus the main policy implication of this study is that the Government should emphasize the importance of this issue more seriously. Ensure that there is non-discrimination against female workers, particularly married women and pregnant women are treated equally with career applicants or employees, and to consider their core abilities. Although the Lao Government attempted to promote the gender equality by the National Economic and Social Development Plan and the National Strategic Plan to Promote Women's Advancement promotes equality and fairness to women both quantity and productivity of women labor force, however those are general policy guides. Additionally, in order to effectively implement legislative and policy objectives is both problematic and limited, as some of the female workers are still lower paid than male workers in similar kinds of jobs. Consequently, the determining policy should take into account the practical procedures that could be taken in at the society-level including how to measure inequality in gender wage discrimination for solving this problem in Lao labor market effectively.

With the purpose of closing the gender discrimination wage, this paper presents that improving quality of education and human capital indicators for females are necessary but not adequate. According the data shows that Lao women workers have made significant achievements in improving their education, skills and qualifications to be as high men's but the remuneration of men remains higher than women, due to discrimination surpass. Thus, finding a