

# Investigating the Gender Wage Gap in Cambodia

## Introduction

Despite fast progress in reducing poverty and providing more and better job opportunities, the gender pay gap is still an issue in Cambodia. Latest data shows that gender disparities in the overall labour force in Cambodia barely improved over the 10 years to 2014. The labour force participation rates of women and men remained virtually unchanged at 77.5 percent and 87.9 percent, respectively. Similarly, the employment rates of women and men nudged up just 0.8 percentage points and 1.2 percentage points to 77.4 and 87.8 percent, respectively (CSES 2014). What is most striking is the estimated difference between women's and men's annual earnings: in 2012, women earned just 71 percent of what men did (ILO and ADB 2013).

Economic structural change and growth over recent decades led to employment growth in non-agricultural sectors. The share of women in wage employment in the manufacturing sector increased from about 43 percent in 2004 to 53 percent in 2014 compared to men's share of 44 percent, suggesting some improvement in women's labour market position. However, the gender pay gap indicates that employment growth has not been sufficiently inclusive for women. Women earn a lot less than men: women employed

in manufacturing, services and agriculture earn about 87 percent, 85 percent and 76 percent, respectively, of men's average monthly wage (Cheng et al. 2019).

Women account for 43 percent of the labour force and make a significant contribution to Cambodia's sustained economic growth (NIS 2015). The gender pay gap and attendant inequitable distribution of resources, if allowed to persist, could have serious implications for the country's overall economic growth, competitiveness and prosperity. In response, the government is determined to promote education, skills training and work experience for girls and women and remove the barriers and eliminate gender discrimination that prevent women from getting equal pay, as stated in the National Strategic Development Plan 2014–18 (RGC 2014). Thus, in order to promote decent wage employment and fair pay for women, it is important to re-evaluate the gender pay gap and investigate the drivers of wage inequality.

This policy brief is drawn from a study by a team of Cambodian researchers as part of a multi-country research project funded and coordinated by the Greater Mekong Subregion Research Network on improving job prospects for young people, especially women, in the

Mekong region (Cheng et al. 2019). The study investigates the causes of the gender wage gap using data on wage employment, which is a very important segment of the labour market and a vital source of household income in Cambodia. This brief presents a summary of the study results and suggests policy areas where intervention may be needed.

### The research study

The study used data from Cambodia Socio-Economic Survey (CSES) 2014, a nationally representative household survey conducted annually by the National Institute of Statistics. The CSES provides comprehensive information about the labour force and employment, defined as workers (both full-time and part-time) aged 15 to 64. It collects data on monthly salary, employment status,

employment by sector, primary occupation, workplace and location (urban, rural) and demographic information on workers' gender, education, age, ethnicity, family size and land ownership. CSES 2014 uses a large sample size, allowing precise estimation of the gender wage gap.

After generating descriptive statistics, the Oaxaca-Blinder decomposition technique was applied to separate the portion of the gender pay gap that is explained by differences between the characteristics of men and women (e.g. educational attainment, work experience, family size, occupation) from the portion that is not explained by those characteristics (i.e. unobservable factors). This method decomposes mean differences in log wages based on linear regression, expressed in the following equation.

$$w_m - w_f = (X_m - X_f)\hat{\beta}_M + X_m(\hat{\beta}_m - \hat{\beta}_f)$$

↑

Difference between the average real wage of female ( $w_f$ ) and male ( $w_m$ ) workers

↑

Observable differences between the characteristics of female ( $X_f$ ) and male ( $X_m$ ) workers:

- Education
- Work experience
- Economic sector
- Occupation
- Workplace
- Urban or rural
- Race and ethnicity

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Unobservable factors:

- Discrimination
- Skills (hard/soft)
- Personal traits (work ethic, attitude, behaviour)
- Institutional (legal system)
- Culture/norms/stereotyping

\* Notes:  $\hat{\beta}_M$  and  $\hat{\beta}_f$  are rate of return on observable characteristics. For instance, the rates of return on education in Cambodia for women and men are 3% and 4%, respectively. One additional year of education increases women's average monthly wage by 3% (Cheng et al. 2019).

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Factors affecting decision to become a wage worker

- Family size
- Marital status
- Household head education
- Assets (land ownership)

The first part of the equation is the observable portion of the gender pay gap and can be explained by gender differences in the characteristics listed. The second part is the unobservable part of the gender pay gap that cannot be explained by differences in wage determinants. For example, men and women in the same occupation and sector may have the same level of education, but women may be paid lower wages than men. This has often been put down to workplace discrimination, both intentional and unintentional. However, caution should be exercised when interpreting decomposition results because this part of the gender wage gap may be correlated with unobserved worker characteristics such as skill, motivation and factors such as institutional setting, cultural and social norms that can also affect earnings (Daczo 2012).

### Key findings

CSES 2014 indicates that wage workers account for about 45 percent of the labour force, the self-employed about 50 percent and unpaid family workers about 5 percent. This suggests that wage work is an important segment of the labour force and also an important source of household income in Cambodia. Among wage workers, women account for about 43 percent and men for 57 percent.

The Oaxaca-Blinder decomposition results based on a sample of 10,190 wage workers (41 percent women, 59 percent men) are shown in Table 1. The results indicate that, on average,

women are paid less than men. At KHR440, 000 (USD111), women's average monthly real wage is about 15 percent or about 1.2 times lower than men's average monthly real wage of KHR510, 000 (USD127). Put differently, women earn about 87 percent of what men earn.

- *Unobservable factors:* A significant proportion (115 percent) of pay inequality cannot be explained by differences in observable factors. This suggests that workplace discrimination, institutional factors such as law, culture and personal traits such as motivation and attitude are important drivers of the gender wage gap.
- *Education:* Gender differences in educational attainment explain about 17 percent of the wage gap. Women, on average, completed 7.27 years of education and men completed 8.15 years. The fact that women have a lower level of education than men widens the gender wage gap.
- *Work experience:* That women have less work experience than men explains about 12 percent of wage inequality. Women generally opt for part-time work because they do the bulk of household work, which is one of the reasons they accumulate less work experience than men.
- *Occupation:* Gender differences in occupation explain about 15 percent of the gender wage gap. Women's employment is primarily concentrated in low-

Table 1: Results from the wage gap decomposition using the Oaxaca-Blinder method

	Difference in log (wage)	Percentage
Prediction men's real wage	13.14	
Prediction women's real wage	13.00	
Difference in real wage	0.13	
Difference in participation rate as employees	0.02	
<b>Adjusted difference in real wage</b>	<b>0.15</b>	<b>100</b>
Education	0.03	17
Occupation	0.02	15
Experience	0.02	12
Ethnicity	0.00	0
Urban/rural	0.00	-1
Employment sector	-0.02	-11
Type of workplace	-0.07	-47
<b>Observable factors</b>	<b>-0.02</b>	<b>-15</b>
<b>Unobservable factors</b>	<b>0.17</b>	<b>115</b>
<b>Sample size of men</b>	<b>6,006</b>	
<b>Sample size of women</b>	<b>4,184</b>	

wage occupations such as crafts and trades, whereas the percentage of women employed in high-wage occupations (e.g. as managers, professionals and technicians) is generally lower than that of men.

- *Urban/rural* differences do not contribute to the gender wage gap, indicating that the shares of women's and men's employment in urban areas are almost comparable.
- *Ethnicity* does not influence the gender wage gap.
- *Economic sector*: Gender differences by industry can explain 11 percent of the gender wage gap. This is because of the increasing numbers of women employed in high-wage sectors

such as manufacturing (including export-oriented garment industry) and services compared to low-wage sectors such as agriculture.

- *Workplace type* has a negative impact on the gender wage gap, reducing it by 47 percent. This is because of the increasing numbers of women employed in high-wage firms, especially foreign firms and organisations.

The decomposition results suggest that women are paid 15 percent less than men. This disparity is partly attributed to gender differences in labour participation as an employee. Women's paid employment rate is lower than that of men. Promoting women's labour participation as

employees would lower the gender wage gap from 15 percent to 13 percent. Cheng et al. (2019) found that being married and owning land reduce women's labour participation as employees and that family size and household head education increase the probability of women's labour force participation as employees.

### Policy recommendations

Based on the findings, policy actions to narrow the gender wage gap should focus on:

- Reducing discrimination against women and other forms of discrimination (both direct and indirect) that result in women getting lower pay.
- Creating the right policy and institutional environment to break down the social, cultural and legal barriers that prevent women from getting equal pay.
- Promoting more investment and trade in high-wage manufacturing and services sectors that employ growing numbers of women.
- Promoting women's employment in high-wage firms including in multinational corporations.
- Promoting and supporting skill and educational development for women in competing for high-wage occupations.
- Reinforcing policy efforts aimed at narrowing education and work experience gaps by increasing women's enrolment and retention rates in higher education.

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