

Gender, Employment and Wage Disparities in Laos

Introduction

Women in Laos are major contributors to the economy, but their contributions remain invisible and therefore greatly undervalued due to the lack of sex-disaggregated data across all economic sectors. In the agricultural sector, women's contributions to agricultural production, often unpaid, are crucial to household food security and the rural economy.

The lack of data on women's employment, wages and labour market participation limits planners' understanding of the real situation in the Lao economy, constraining their ability to plan or act effectively. There is thus a strong need for incorporating the gender dimension into employment statistics. From a policy perspective, it is important to explore the extent to which the gender wage gap is caused by different characteristics such as human capital, occupation and wage discrimination.

This brief summarises the findings of a study conducted by the Social Development Alliance Association to explore the gender wage gap in the Lao private sector (Siliphong and Phoumphon 2019). The study assesses the extent to which the magnitude of the gender wage gap, and the factors contributing to it, vary across occupations and industries. The specific objectives are to: (1) analyse differences in labour market

participation and wage rates along gender lines, (2) identify the gender wage gap in small and medium-sized enterprises (SMEs), and (3) examine key drivers of access and opportunity barriers to employment encountered by female employees.

The research study

The sampling frame is 55,594 firms based on the Lao Economic Census 2013. The whole population is the non-agricultural economy, which includes mining and quarrying; manufacturing; electricity, gas and air conditioning supply; construction; financial services and insurance; real estate; education; services; and accommodation and food services.

Information was collected from a sample of 902 (out of a total 4,022) full-time employees in 183 SMEs in four provinces: Vientiane capital, Luang Prabang, Savannakhet and Champasack. The survey questions captured information on working conditions, wages and other benefits. In addition, 183 employers were asked about their perception of the gender wage gap in their businesses. The survey data was used for calculating the gender pay gap in the Lao labour market.

The study team used a Mincerian equation and Blinder-Oaxaca technique to analyse wage differences between female and male workers

(Blinder 1973; Oaxaca 1973). The gender-specific wage equations are specified as follows:

$$W_m = X_m' \beta_m + \mu_m \quad (1)$$

$$W_f = X_f' \beta_f + \mu_f \quad (2)$$

where X_j is a matrix of worker characteristics (e.g. education, work experience which is proxied by age) and some firm characteristics (e.g. economic sector, geographical location); m and f denote male and female workers, respectively; β is a vector of unknown parameters, representing the effect of various covariates on the log wage (W); μ is a vector of random error terms.

Applying the Blinder-Oaxaca decomposition, the estimated mean gender wage is generally expressed as:

$$W_m - W_f = (\bar{X}_m - \bar{X}_f)' \hat{\beta}_m + X_f' (\hat{\beta}_m - \hat{\beta}_f) \quad (3)$$

where the “bar” denotes mean values and the “hat” denotes coefficient estimates. This method divides the wage differential between males and females into a part that can be explained by differences in worker characteristics and a residual part that cannot be explained by such differences. Expression (3) is sometimes used to capture the effect of the unequal treatment of women in the workplace.

From the 902 observations, 883 employees provided sufficient information to calculate the hourly wage rate for equations 1 and 2. The remaining 19 employees provided information about their monthly wage but not the number of days or

the average number of hours a day worked. They were therefore dropped from the estimation.

Key findings

- **Average salaries** in the SME sector are very low – USD145 (up from USD100 when first hired) for an assistant, USD177 (up from USD115) for an administrator, and USD350 for a manager. In short, we can conclude that salaries are low because most businesses are informal micro enterprises. In fact, 86 percent of Lao SMEs employ fewer than five employees (Lao Economic Census 2013), which reflects and complements the survey findings.
- **Gender differences in pay** are found to be statistically significant. On average and other things being equal, the average hourly wage rate of male workers is 11.2 percent higher than that of female workers.
- **Ethnicity** does not seem to be an important wage determinant as its effect is not statistically significant. This result was surprising given that minority ethnic workers are usually expected to suffer labour market disadvantages. However, the small sample size might be an issue. Around 89 percent of the workers surveyed were Lao-Tai; only 97 workers were from other ethnic groups.
- **Age** was not found to be an important wage determinant although the expected inverted U-shaped pattern between age

and earnings was observed. The estimated coefficient of the age variable indicated that with a one-year increase in age, the wage rate increases by 1.6 percent, which is quite a small increment.

- **Education and training** becomes significant only after upper secondary school. Compared to workers with no qualifications, workers with vocational training earned around 19.4 percent more, other things being equal. The return on a university degree was found to be around 21.1 percent.
- **Location.** On average, compared to employees in Vientiane, employees in the three other provinces earned 7 to 25 percent less, the largest effect being for workers in Champasak.
- **Sector.** The firms investigated operate in almost all sectors listed in the ISIC system, but the majority of sample employees work in services and manufacturing. A worker employed in the manufacturing sector earns around 18.4 percent more on average than an employee in services.
- **Compliance.** Notably, the estimated coefficient for employment contract – which is a proxy for compliance with labour law – suggests that those with an employment contract earn nearly 15 percent more than those without.

In sum, at 15.3 percent, the actual gender wage gap in the Lao labour market seems modest. This gap can be attributed to three factors. First,

differences in the characteristics of female and male workers explain about 3.8 percent of the gender pay gap. This could suggest that male workers are slightly better educated and have more training opportunities than female workers. Second, differences in returns to worker characteristics explain about 11.2 percent of the gender pay gap. This means that even when male and female workers have identical characteristics, male workers earn 11.2 percent more than female workers. This component suggests the scope of discrimination against women in the labour market. The third component represents unobserved factors that could influence wage determination.

Conclusion and policy recommendations

There are many gender dimensions to consider in employment. The majority of male employees are full-time workers in mining and quarrying, wholesale trade, motor vehicle assembly, and motorcycle mechanics. Female employees dominate education, manufacturing and services. Overall, female employees have less education than male employees. Male employees hold more leadership and high-level professional positions than female employees, and female workers hold more assistant and administrative staff positions than male workers. Both female and male employees receive scant health insurance coverage through their employers.

We can conclude that the salary of SME employees is very low because these businesses are small and operate informally. The gender wage gap in Laos is estimated at 11.2 percent. Average monthly salaries range from USD134 for assistants, USD176 for administrators and USD267 for senior technicians to USD365 for executives. Employees in microbusinesses tend to have lower salaries and less compensation than employees in SMEs.

From the research findings, we conclude that low education and lack of job skills are the most important factors for opportunity barriers to employment encountered by female and male employees.

Based on the findings, this brief suggests the following policy priorities:

- An array of labour market policies governs employment practices and wages in Laos' private sector. The government should revise all policy documents from a gender perspective, including the Ministerial Decision on Technical and Vocational Education and Training and Skills Development and the prime ministerial decrees on Occupational Safety and Health, on the National Action Plan for Prevention and Elimination of Child Labour, and on Occupational Safety and Health. Salary guidelines on equal pay for the same value jobs set out in Labour Law should be reinforced.
- The government should conduct more public awareness campaigns to improve public understanding about

the importance of gender equality and gender wage gap issues in the private sector through mass media, workshops, meetings, seminars and other high-profile events aimed at policy and decision makers.

- There is a need to improve data collection on wage differentials in various sectors and to create a national database to track the labour force and wages. The causes of gender pay gaps should be investigated in depth and the findings presented to the National Assembly, ministries, Lao Trade Unions, Lao Women's Union and Lao National Chamber of Commerce and Industry in policy discussions at national, sectoral and local level on monitoring the gender wage gap and achieving pay equality.

References

- Blinder, Alan S. 1973. "Wage Discrimination: Reduced Form and Structural Estimates." *Journal of Human Resources* 8 (4): 436–455.
- Mincer, Jacob. 1974. *Schooling, Experience, and Earnings*. New York: National Bureau of Economic Research and Columbia University Press.
- Ministry of Planning and Investment. 2013. *Economic Census 2013*. Vientiane: Lao Statistics Bureau.
- Oaxaca, Ronald. 1973. "Male-Female Wage Differentials in Urban Labor Markets." *International Economic Review* 14 (3): 693–709.
- Pham, Hung T., and Barry Reilly. 2007. *The Gender Pay Gap in Vietnam, 1993–2002: A Quantile Regression Approach*. <http://mpr.ub.uni-muenchen.de/6475/>.
- Siliphong, Phothong, and Keopphet Phoumphon. 2019. "Gender, Employment and Wage Disparities in Laos." In *Job Prospects for Youth, Low-Skilled and Women Workers in the Greater Mekong Subregion*, edited by Vathana Roth, 151–166. Phnom Penh: CDRI.