

Is Thailand's Labor Market Really Woman Friendly? Revisiting the Declining Gender Wage Gap

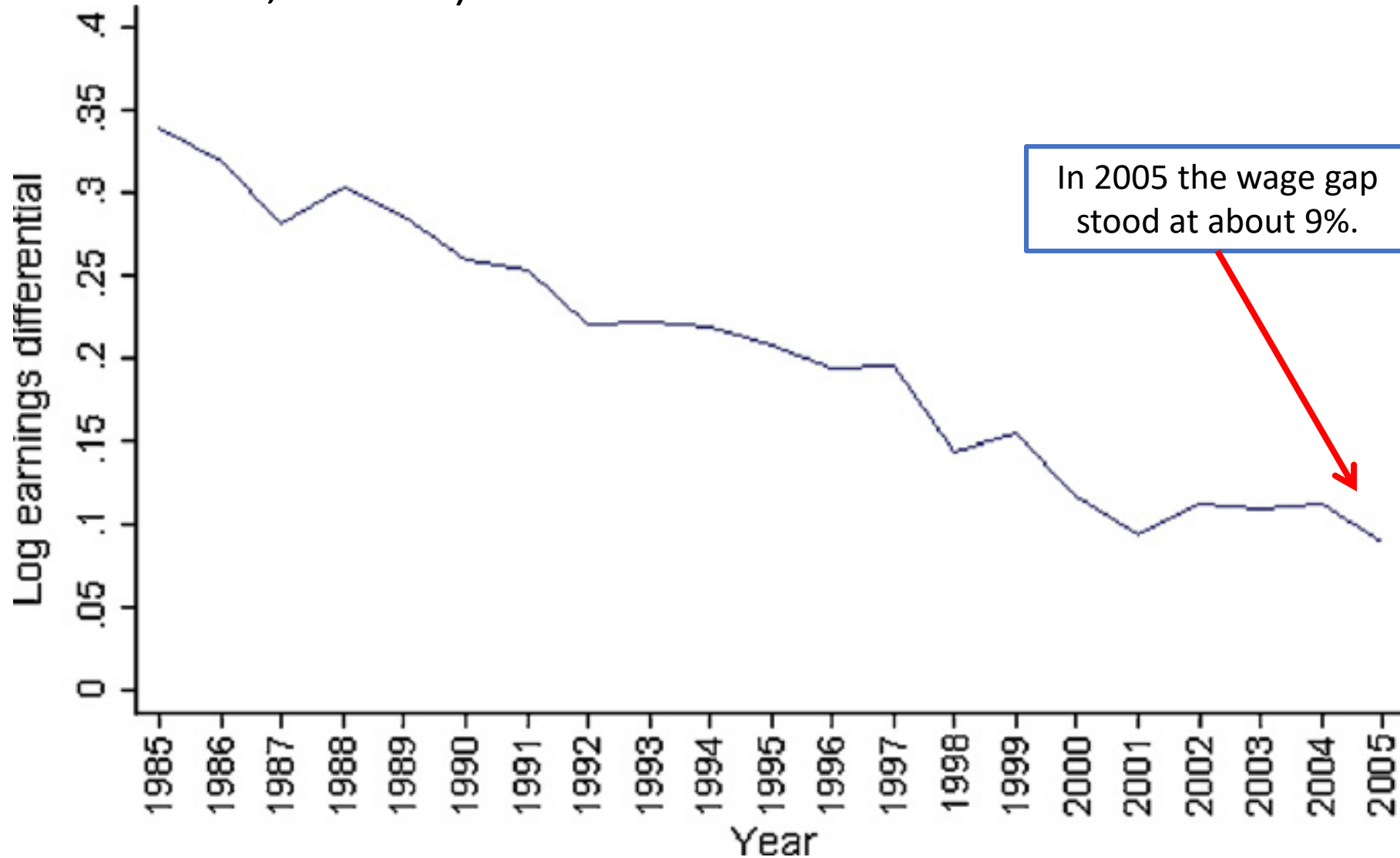
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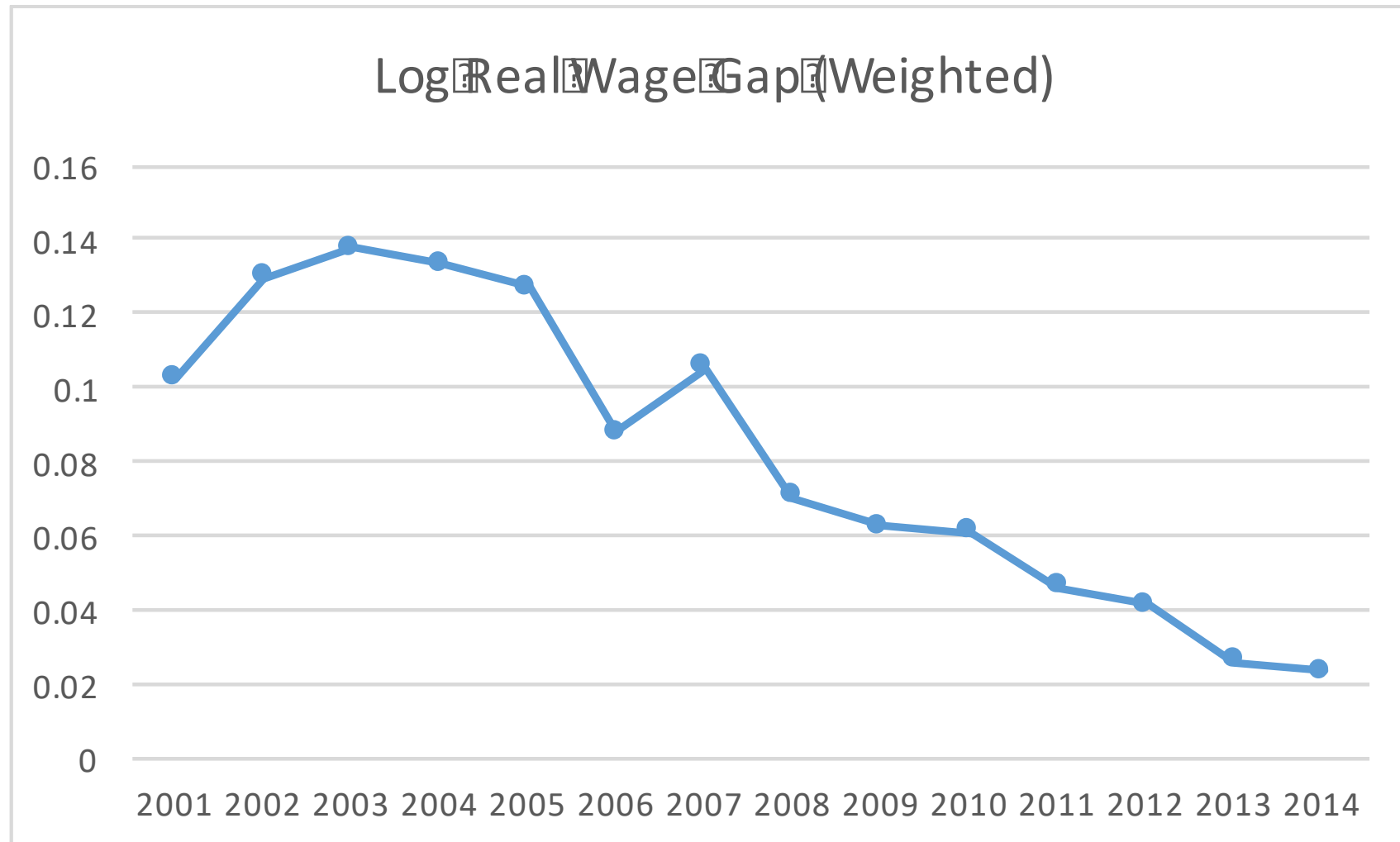
Asst. Prof. Yong Yoon (Econ Chula)

Decline in Thai Wage Gap, 1985 – 2005

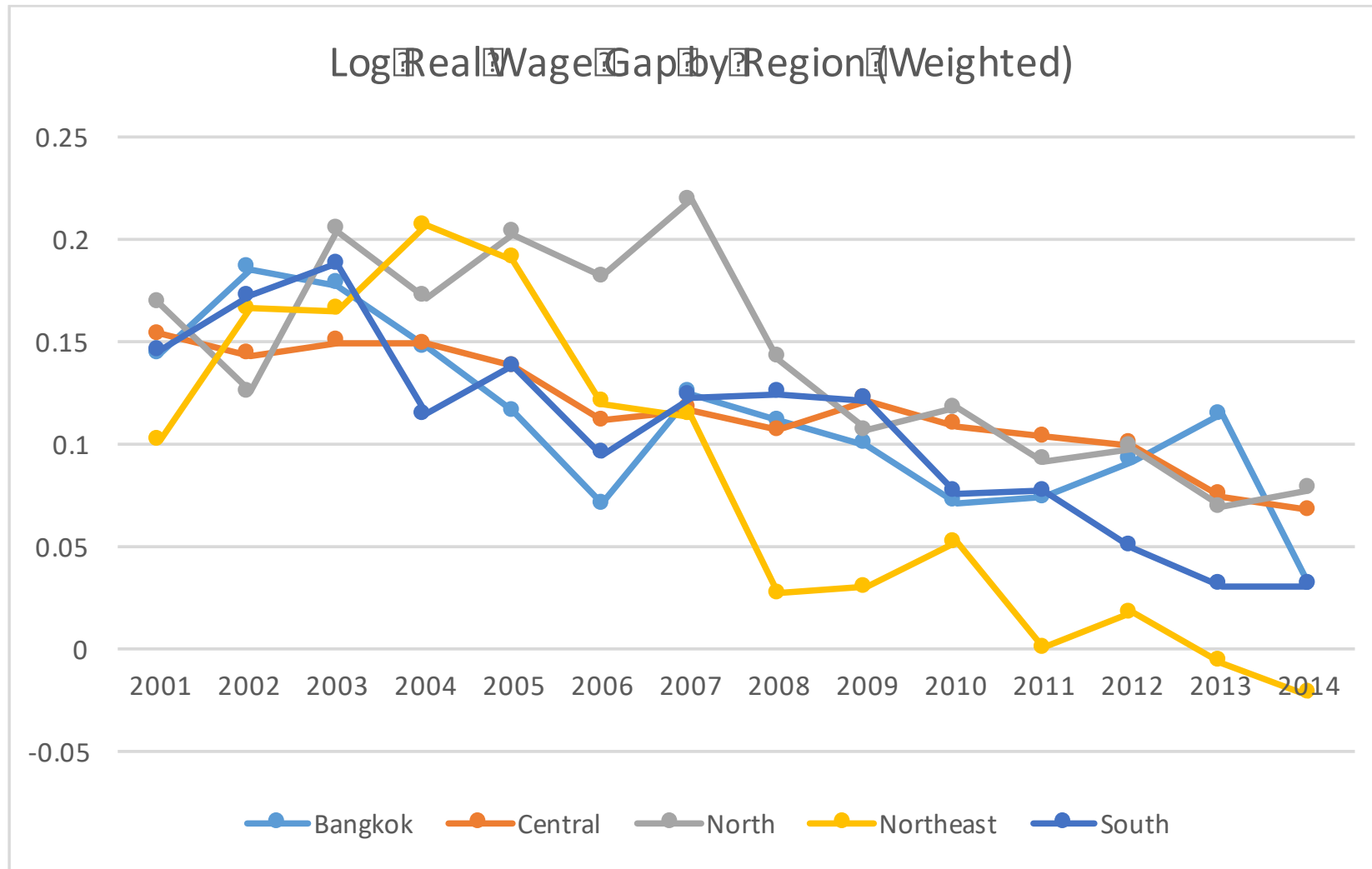
(Nakavachara, 2010)



Narrowing of Thai Gender Wage Gap, 2001-2014 (LFS)



Narrowing of Thai Gender Wage Gap by Region, 2001-2014 (LFS)



Research Questions

- Is the Thai labor market really “woman friendly?”
- In other words, is the decline and even reversal in the gender wage gap a real phenomenon or can it be explained by a data sampling issue?
- What happens when we take into consideration the informal and self-employed workers (data selection issue)?

Previous Literature

- There are several studies in recent years that have examined trends and explanations of the gender wage gap (Oaxaca-Blinder approach)
 - Nakavachara (2010)
 - The gender wage gap in Thailand declined from 34-9% between 1985 and 2005
 - Rapidly increasing female education explains the majority of the decline
 - Khorpetch & Kulkolkarn (2011)
 - Female workers were shown to be more productive than the men, but received lower wages than male workers because of their gender
 - The degree of gender discrimination is very strong in the group of young and middle age group (15-24 and 25-54).
 - Nimchaiyanun & Osossathanankul (2013)
 - The gender discrimination is the main factor determining gender wage differential in all regions in Thailand.
 - There are different degrees of gender discrimination across regions due to the different socio-economic structure of different regions as well as different campaigns regarding promoting gender balance in each region.
- This project takes into consideration:
 - Data selection issues
 - Informal sector (large part of the labor force; not covered by minimum wage laws; disproportionately represented by women(?))

Data Part 1

- Thai Labor Force Surveys 2001-2014
- Selection criteria
 - Employees (government/government enterprise and private firm workers) who report labor income
 - Working age (15-60 years old)
 - Not currently enrolled in school

Data Part 2

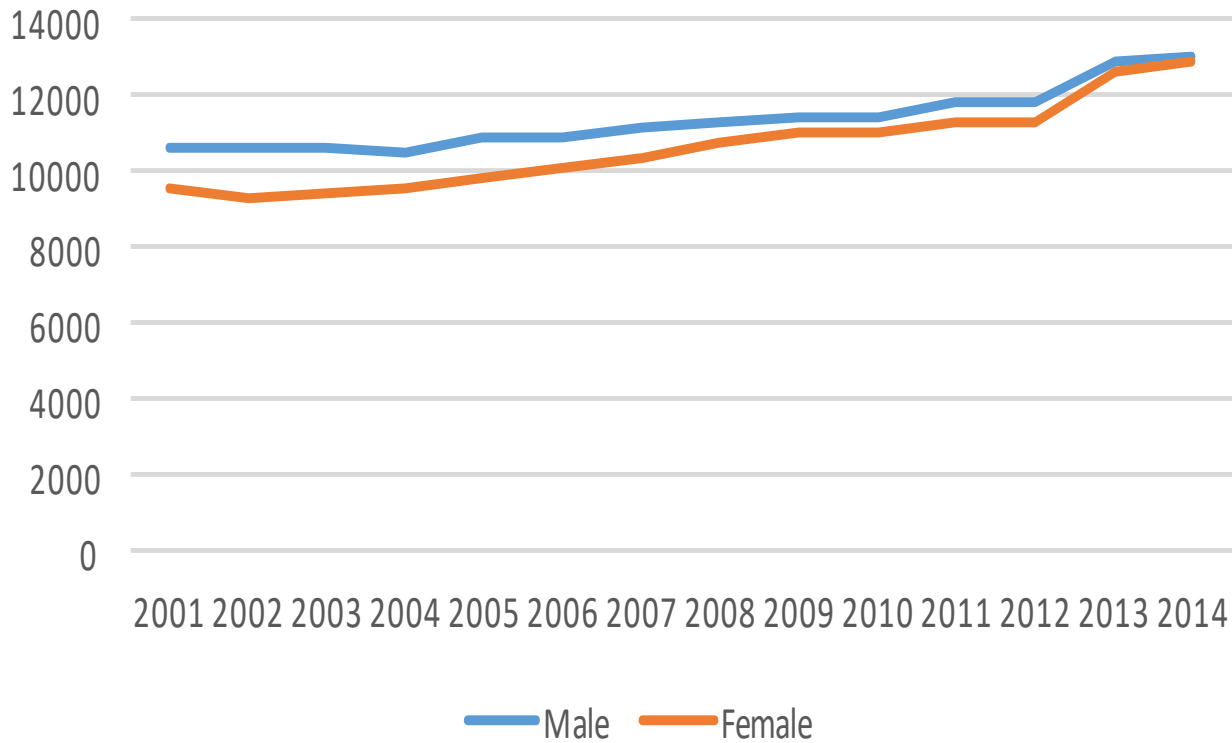
- Socio-economic Survey 2007-2015 (odd years)
- Individual files
 - Working age (15-60 years old)
 - Not currently enrolled in school
 - Reported labor income or business income from own-account work
- Types of workers
 - Government/government enterprise workers
 - Private firm workers
 - Own-account workers
- Identify formal and informal workers according to MoL definition
 - Formal workers: government/government enterprise workers; private firm workers covered by social security or employer-provided welfare
 - Informal workers: own-account workers; private firm workers not covered by social security or other employer-provided welfare

Methodology

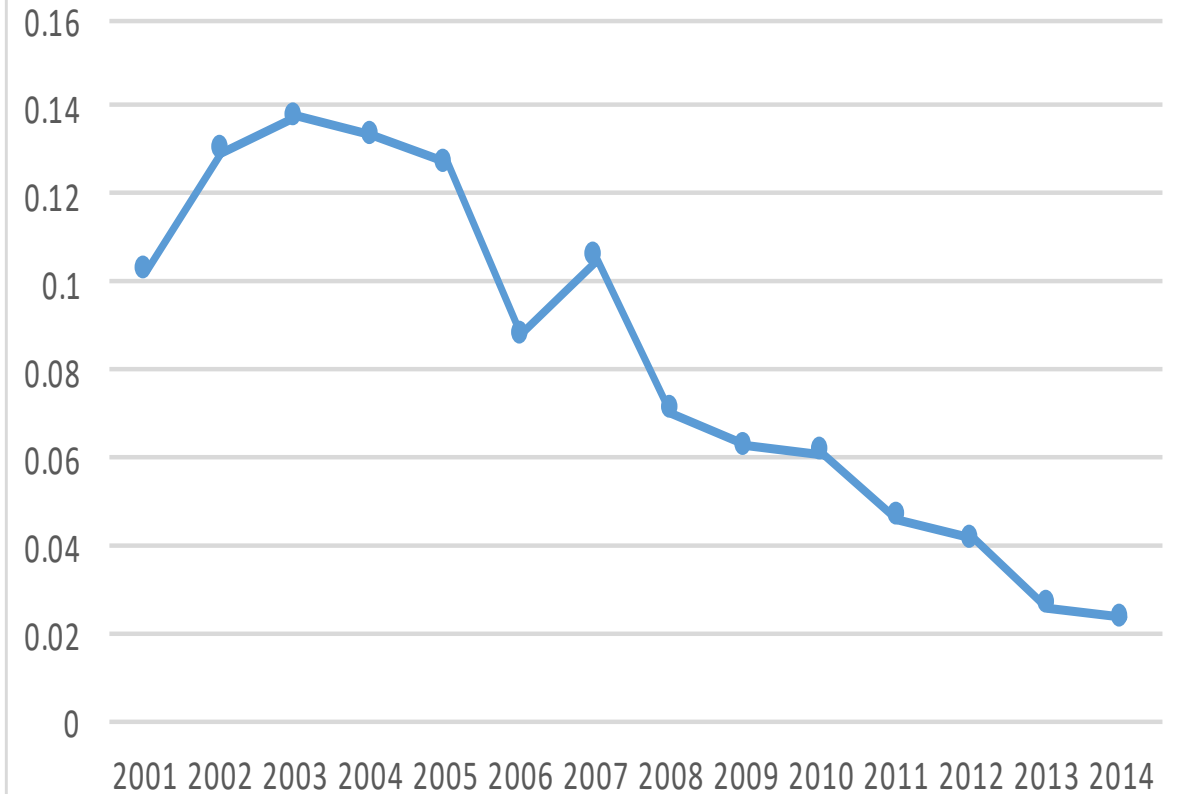
- Descriptive data exploration
- Dummy variable regressions with interactions to capture wage gap trends
 - Dependent variable
 - Log wages
 - Log (wages + business profits of own-account workers)
 - Independent variables
 - Year (y_t = dummy variables for each year)
 - Gender (female = 1, male = 0)
 - Public-Private (public sector = 1, private sector = 0)
 - Informality (informal = 1, formal = 0)

Wages and Gender Wage Gaps (LFS)

Real Monthly Wages

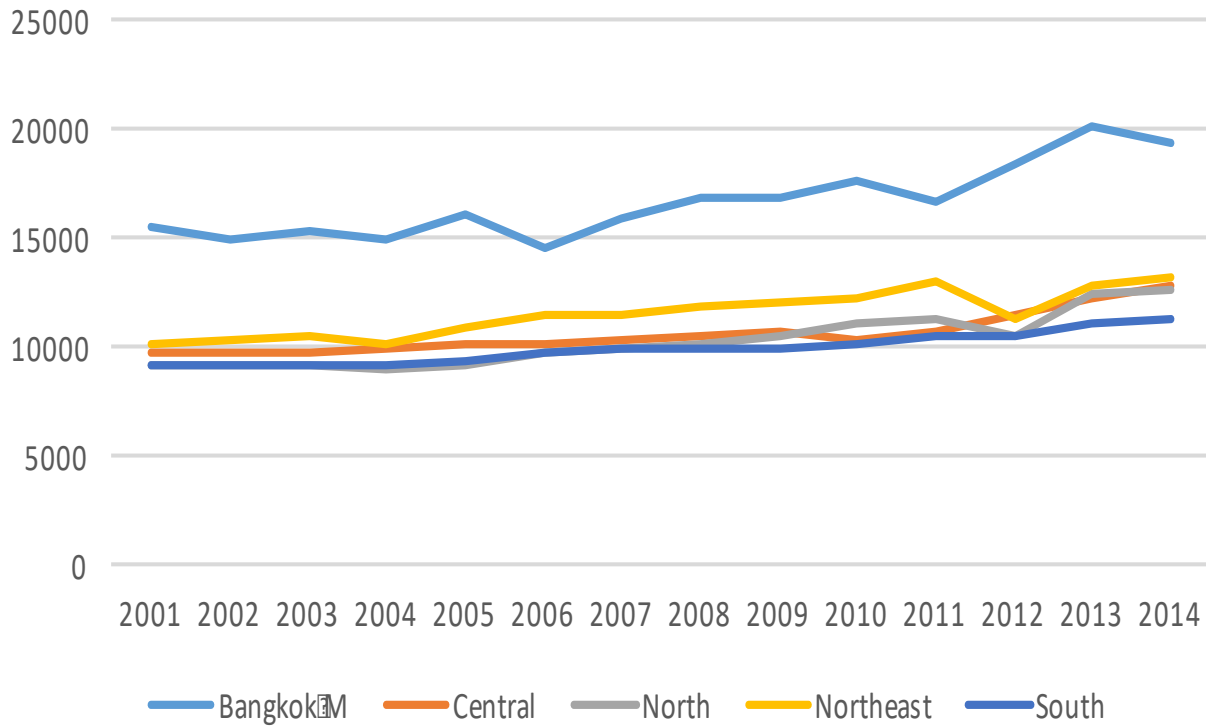


Log Real Wage Gap (Weighted)

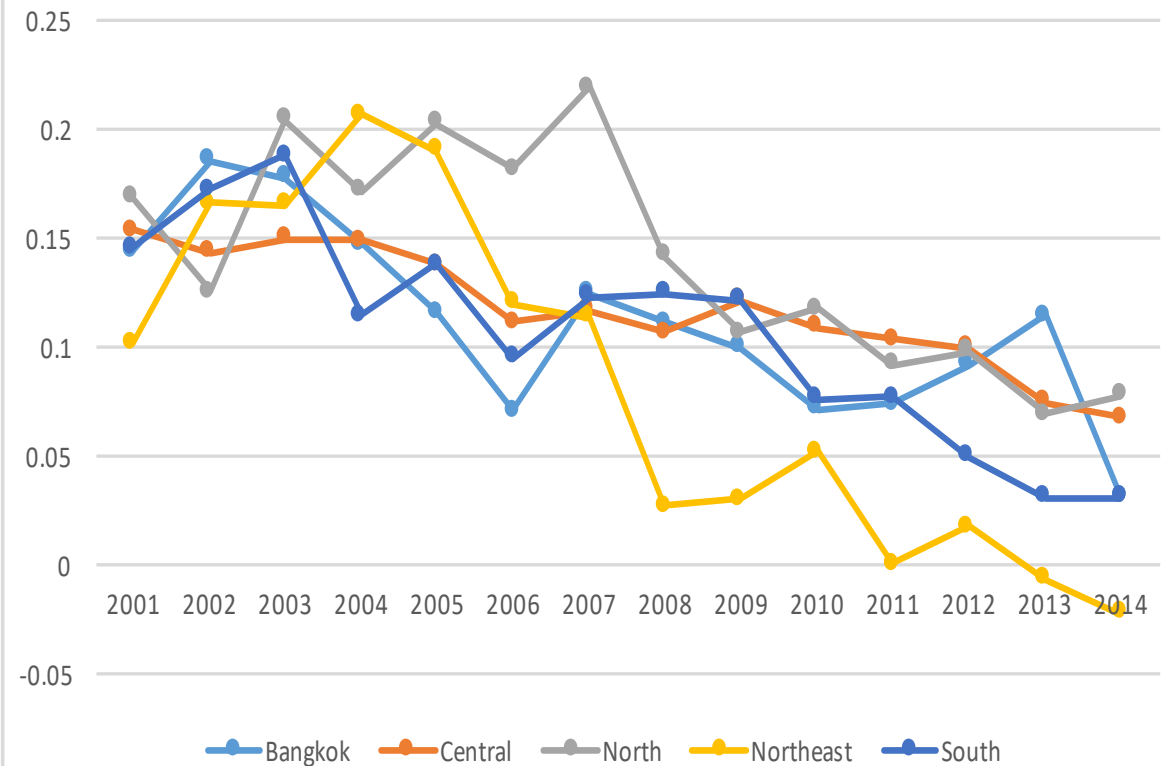


Regional Wages and Gender Wage Gaps (LFS)

Real Monthly Wages by Region

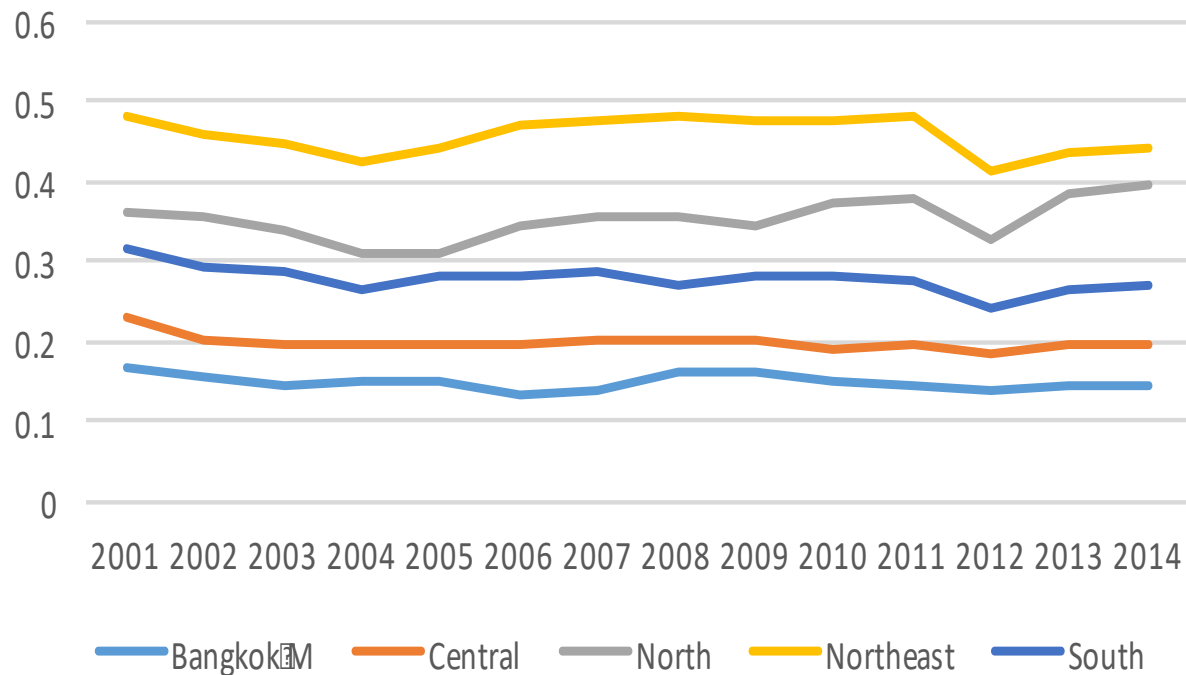


Log Real Wage Gap by Region (Weighted)

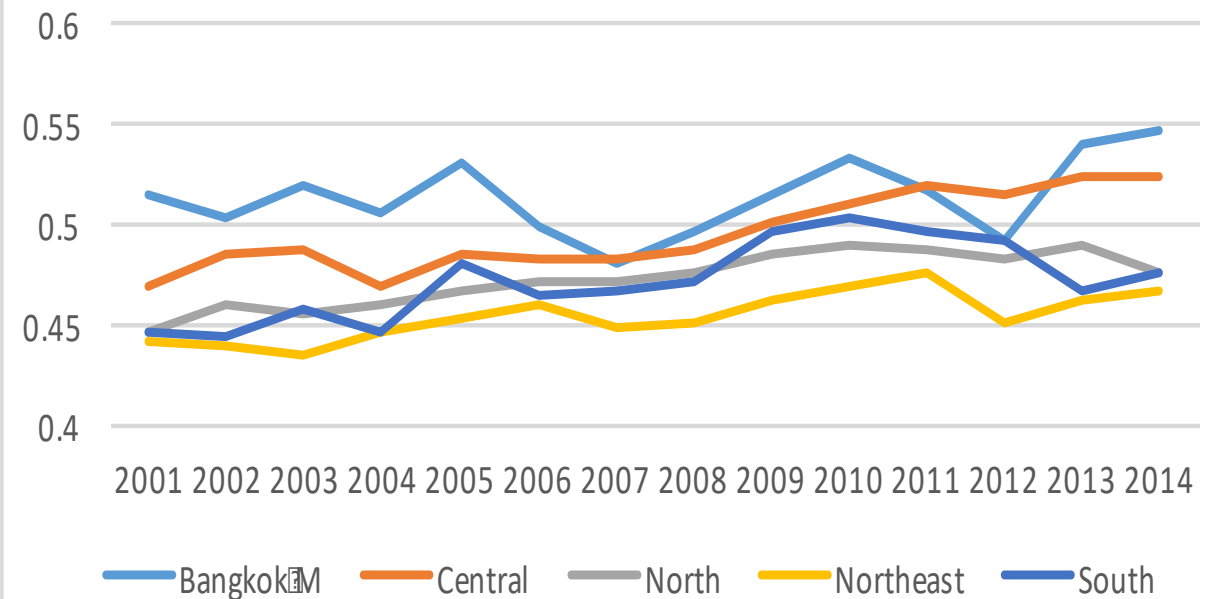


Public Sector Employment (LFS)

Fraction working in public sector by region

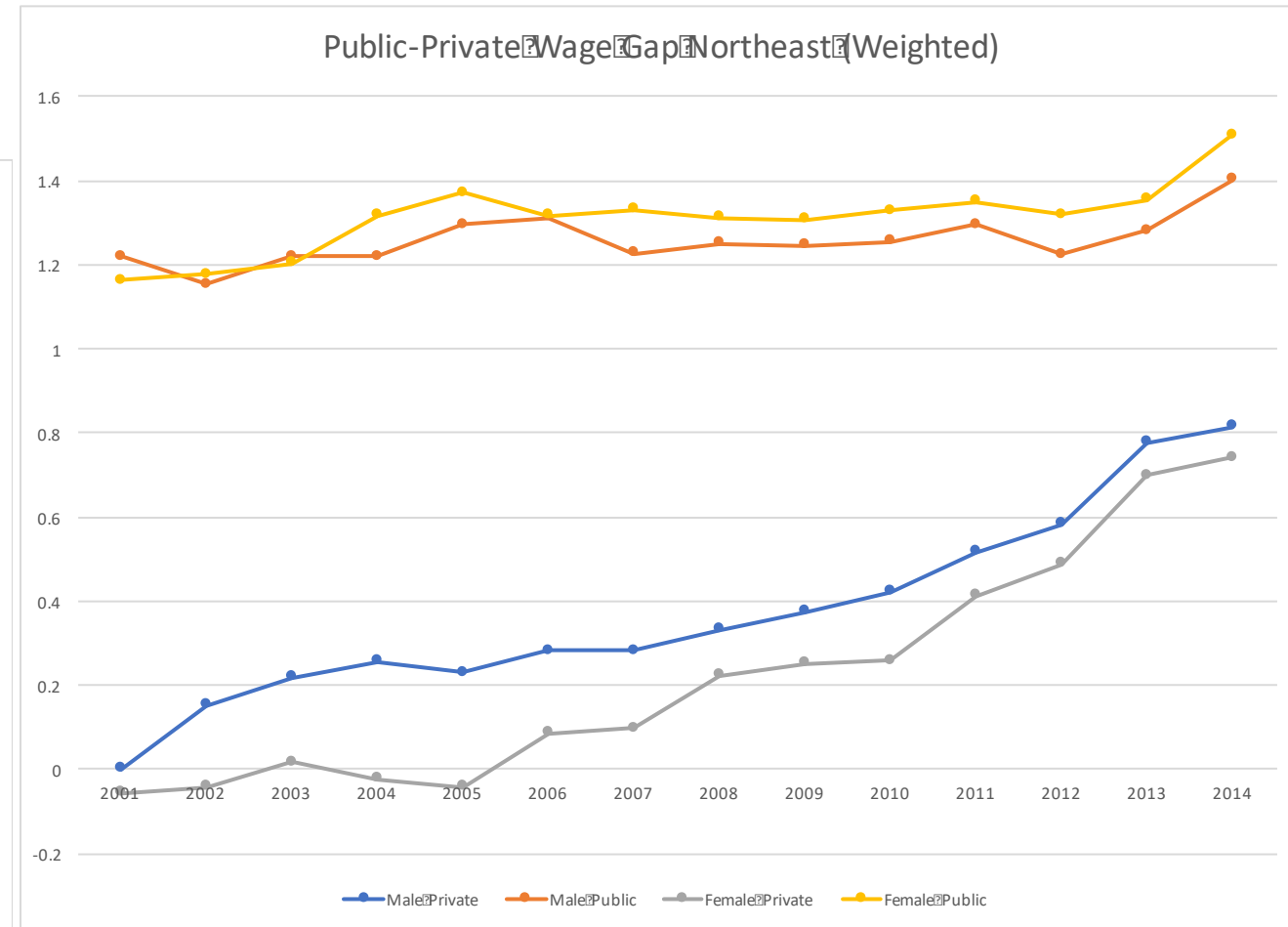
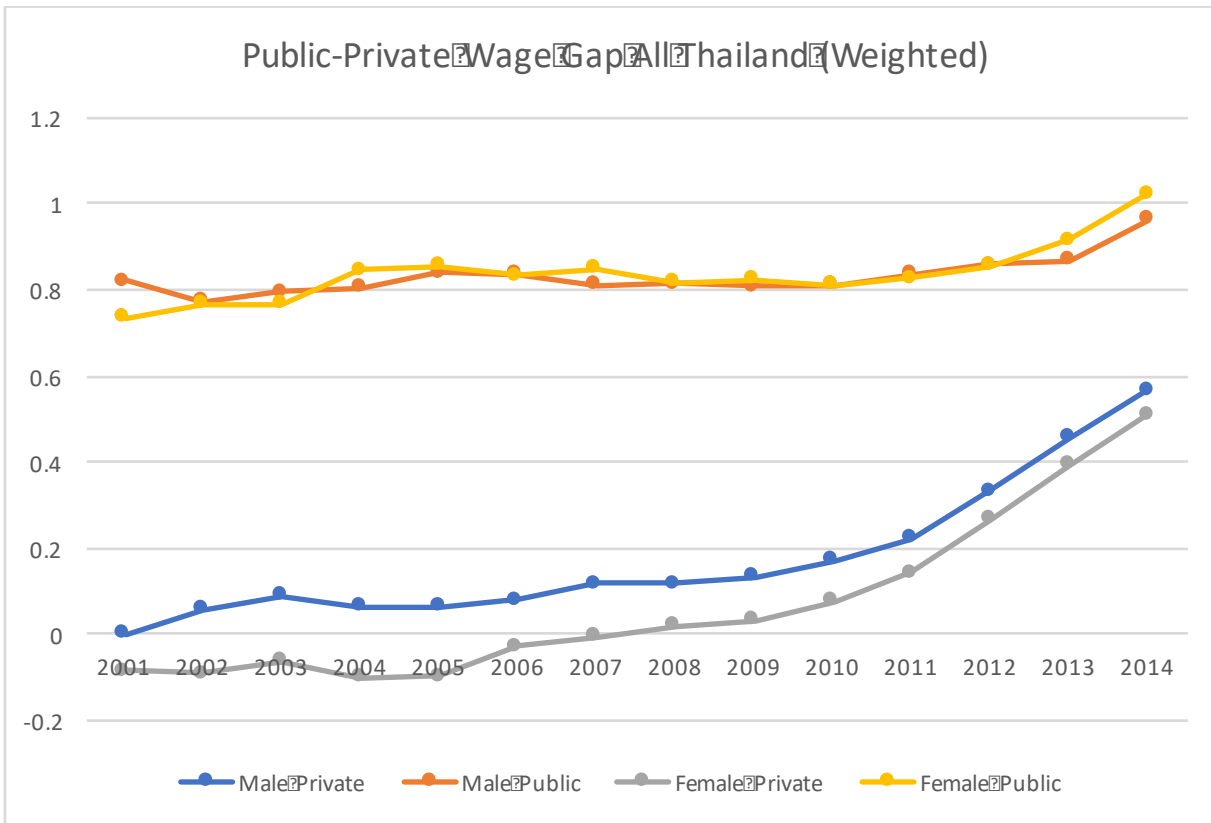


Fraction working in public sector that are females by region



Public-Private Wage Gaps All Thailand, 2001-2014 (LFS)

$$\ln W_{ijt} = \beta_0 + \beta_1 \text{female}_i + \beta_2 \text{public}_j + \sum \delta_t y_t + \sum \gamma_{it} (\text{female}_i * y_t) + \sum \theta_{jt} (\text{public}_j * y_t) + \sum \pi_{ijt} (\text{female}_i * \text{public}_j * y_t) + \varepsilon_{ijt}$$



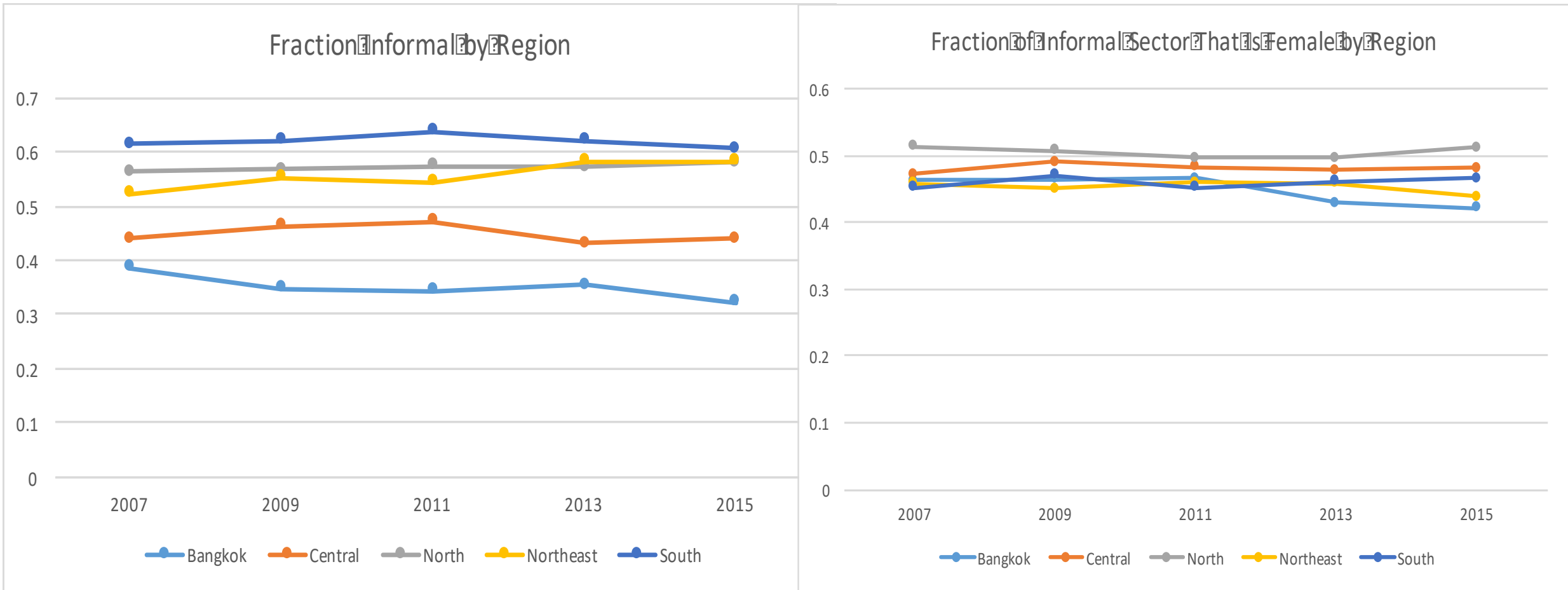
Observations About Public-Private Wage Gaps

- Public-private sector wage gap
 - Public sector workers earn significantly more than private firm workers.
 - Public-private wage has declined significantly, especially after 2008.
- Overall, women have made gains
 - Gender gap in the private sector is narrowing
 - Women's earnings in the public sector are higher than for men by the end of the period and higher for women in the northeast for most of the period
 - The “reversed” wage gap in the northeast is driven by the fact that a high proportion of employees are public sector workers and the proportion of public employees that are women is growing.
 - The implementation of the new minimum wage/salary laws seem to have disproportionately helped women, possibly due to women working disproportionately low-wage jobs in private firms and in occupations that require higher education in the public sector (i.e. teachers and nurses).

Issues with Analysis Using LFS

- Analysis largely captures the formal sector
- Cannot separate out informal workers in private firms in the LFS
- Does not take into consideration the self-employed, which makes up a significant part of the labor force and are not covered by minimum wage laws.
- Are women in the informal sector being left behind?

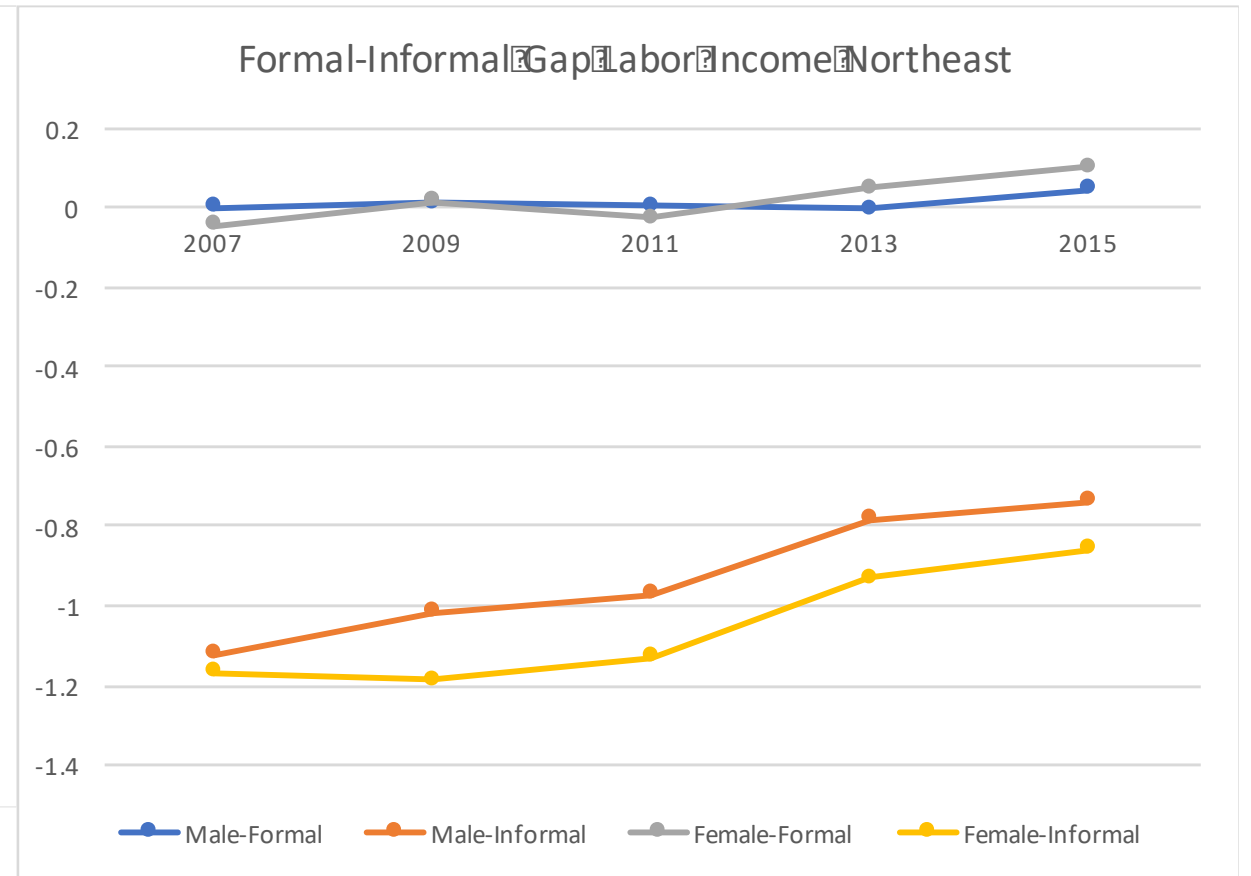
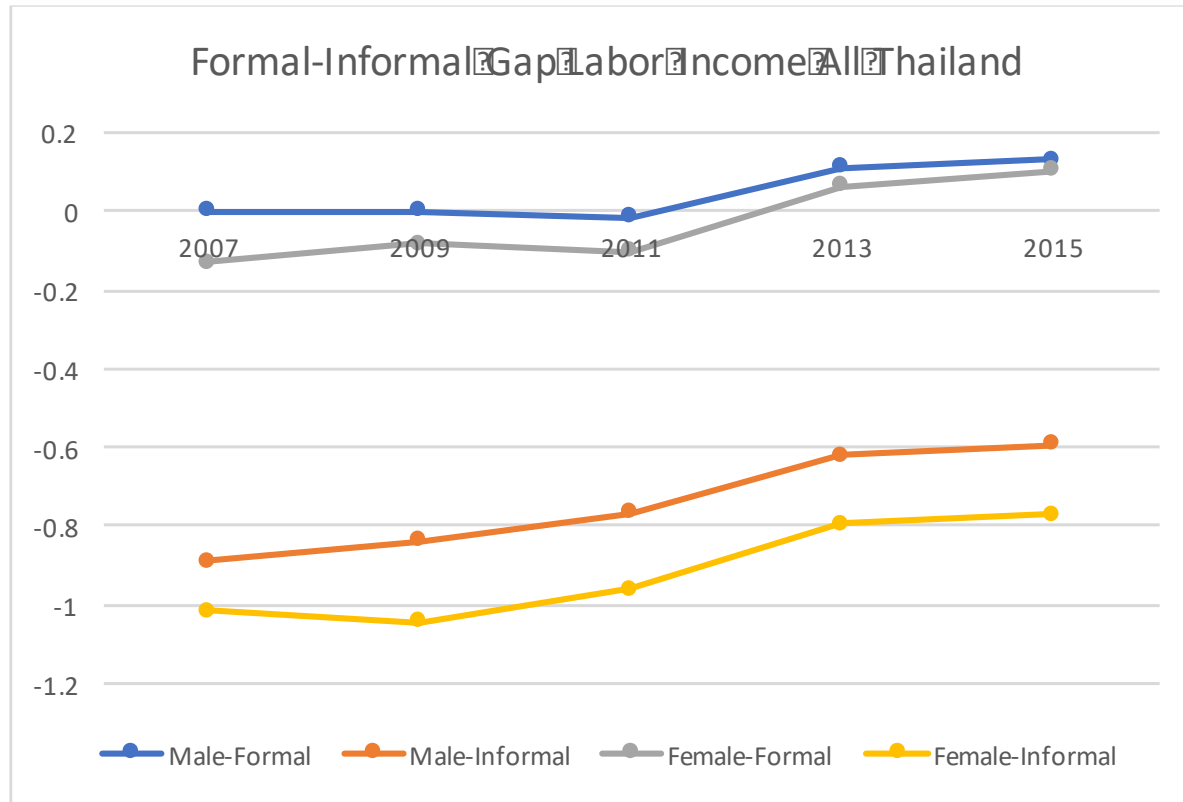
Informal Sector Employment (SES)



Note: Informal employment is defined as working for private firms not covered by social security and self-employment.

Formal-Informal Labor Income Gap (SES)

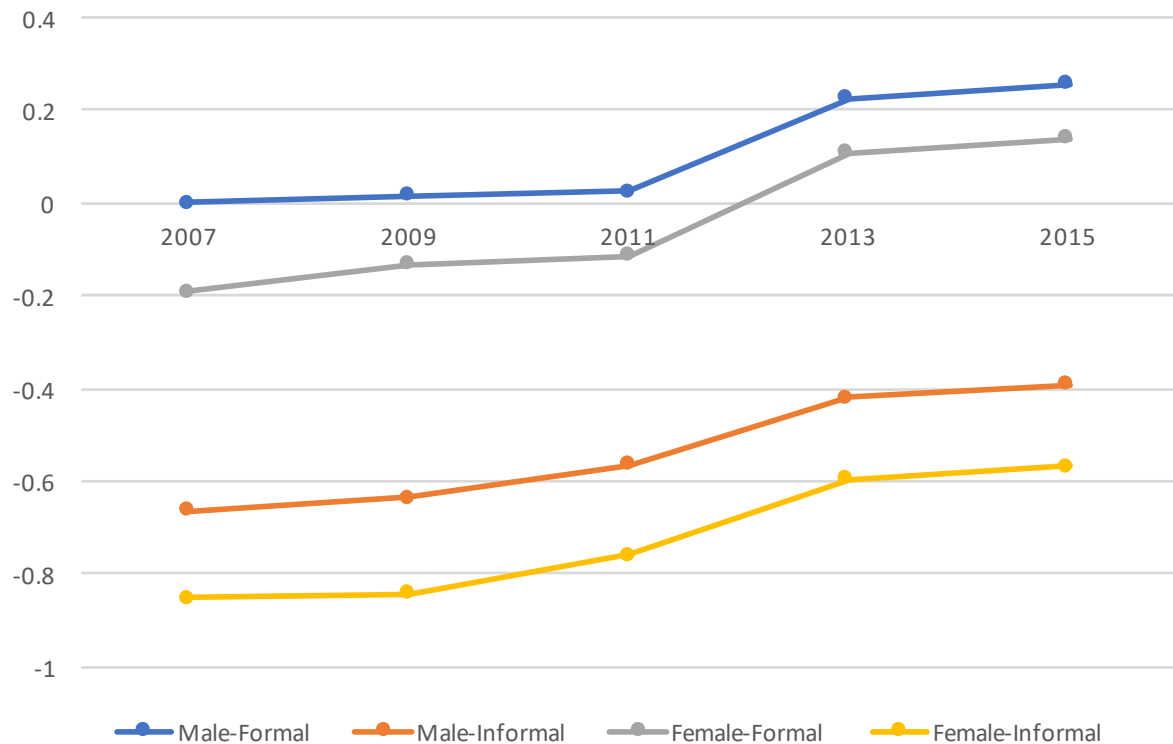
$$\ln W_{ijt} = \beta_0 + \beta_1 \text{female}_i + \beta_2 \text{informal}_j + \sum \delta_t y_t + \sum \gamma_{it} (\text{female}_i * y_t) + \sum \theta_{jt} (\text{informal}_j * y_t) + \sum \pi_{ijt} (\text{female}_i * \text{informal}_j * y_t) + \varepsilon_{ijt}$$



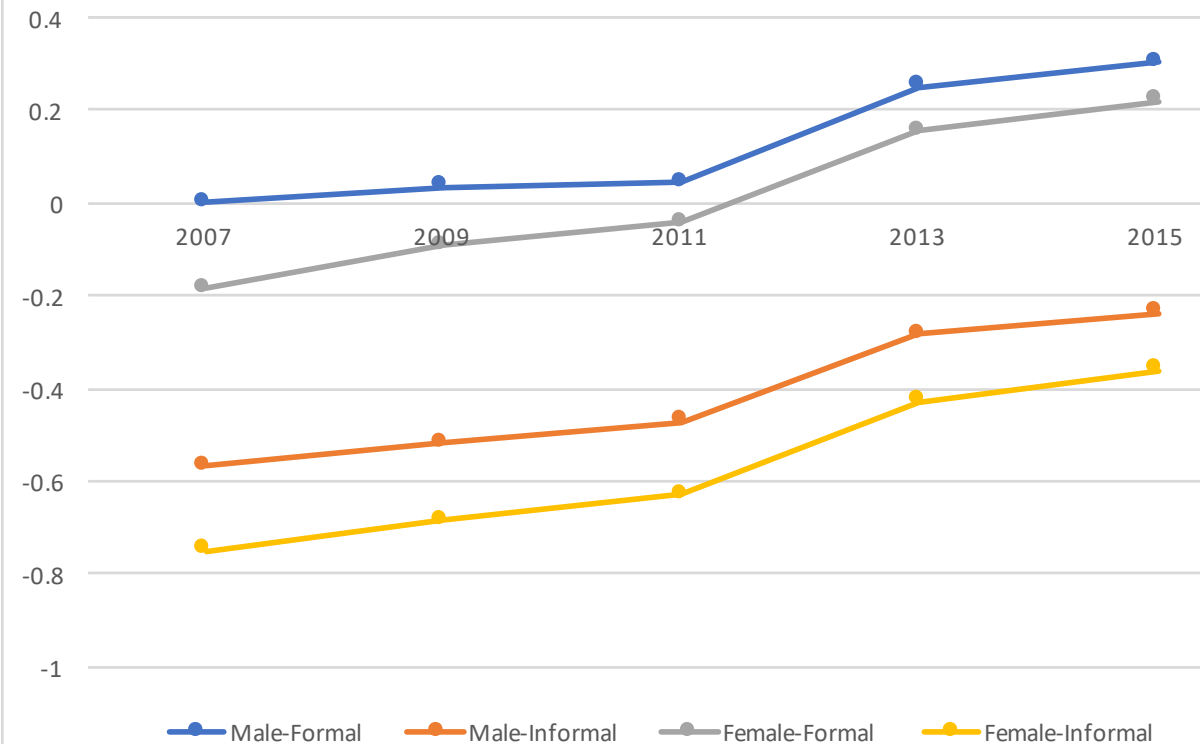
Formal-Informal Labor Income Gap, Private Firms Only (SES)

$$\ln W_{ijt} = \beta_0 + \beta_1 \text{female}_i + \beta_2 \text{informal}_j + \sum \delta_t y_t + \sum \gamma_{it} (\text{female}_i * y_t) + \sum \theta_{jt} (\text{informal}_j * y_t) + \sum \pi_{ijt} (\text{female}_i * \text{informal}_j * y_t) + \varepsilon_{ijt}$$

Formal-Informal Labor Income Gap Private Firm Workers All Thailand

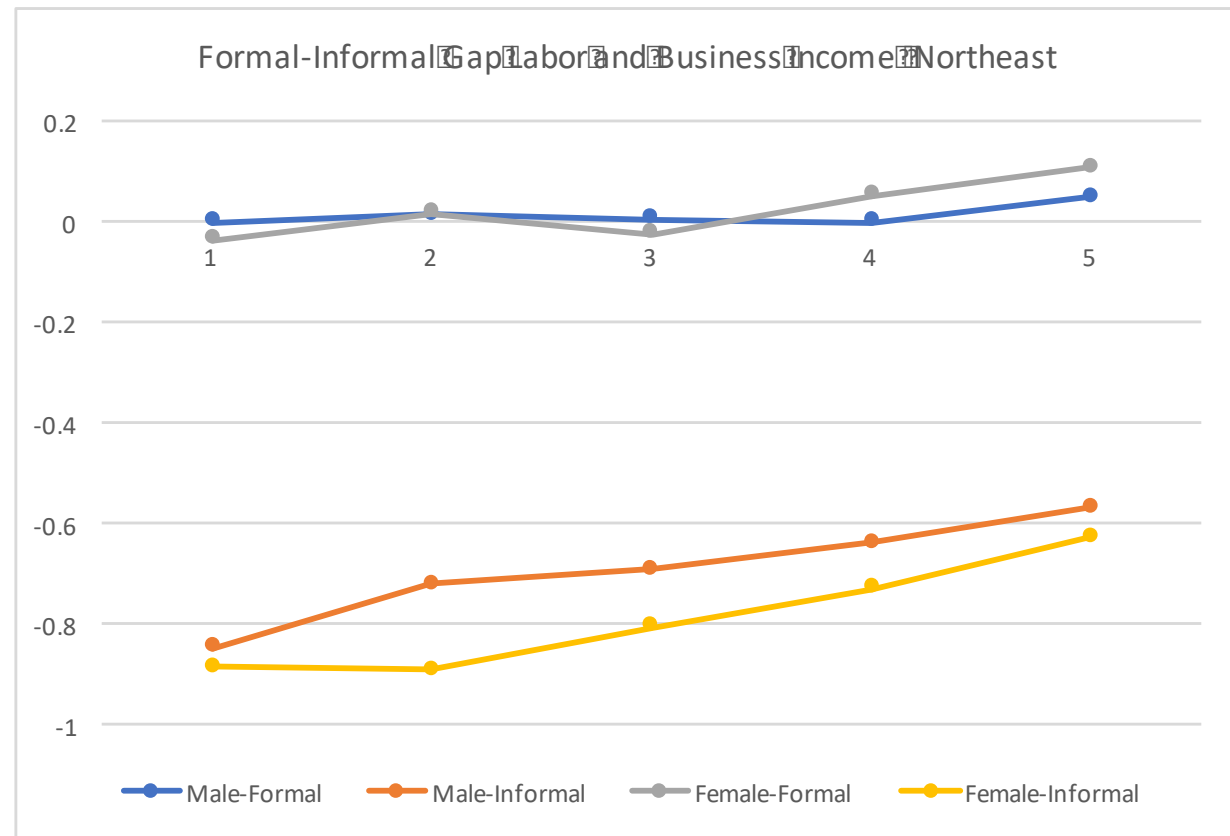
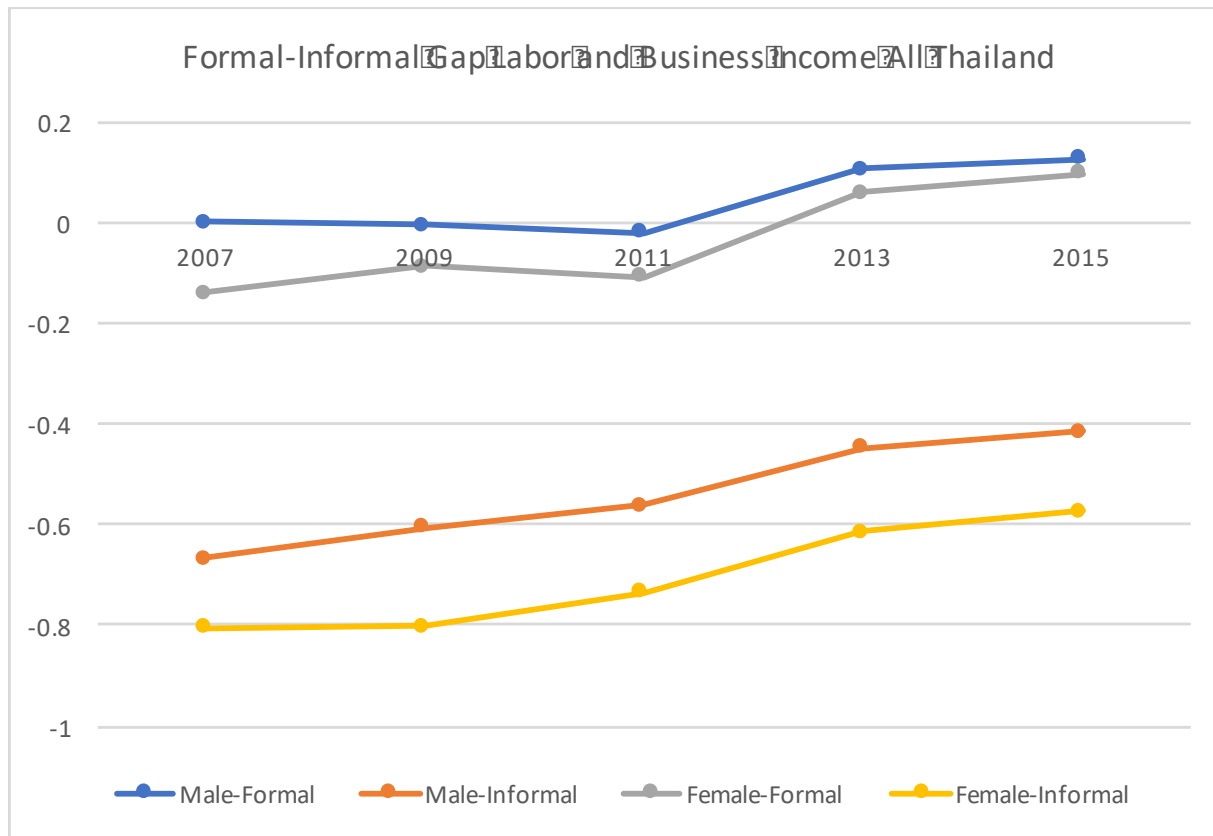


Formal-Informal Labor Income Gap Private Firm Workers Northeast



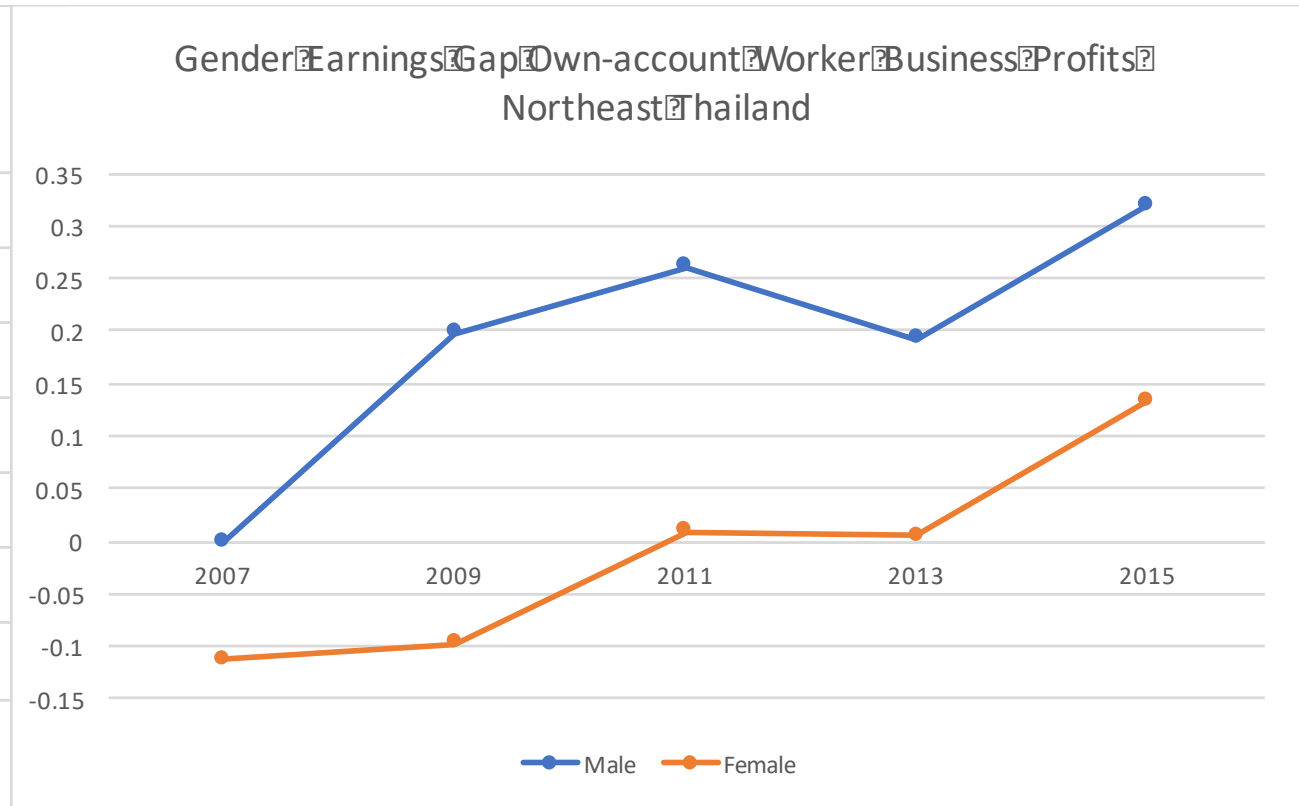
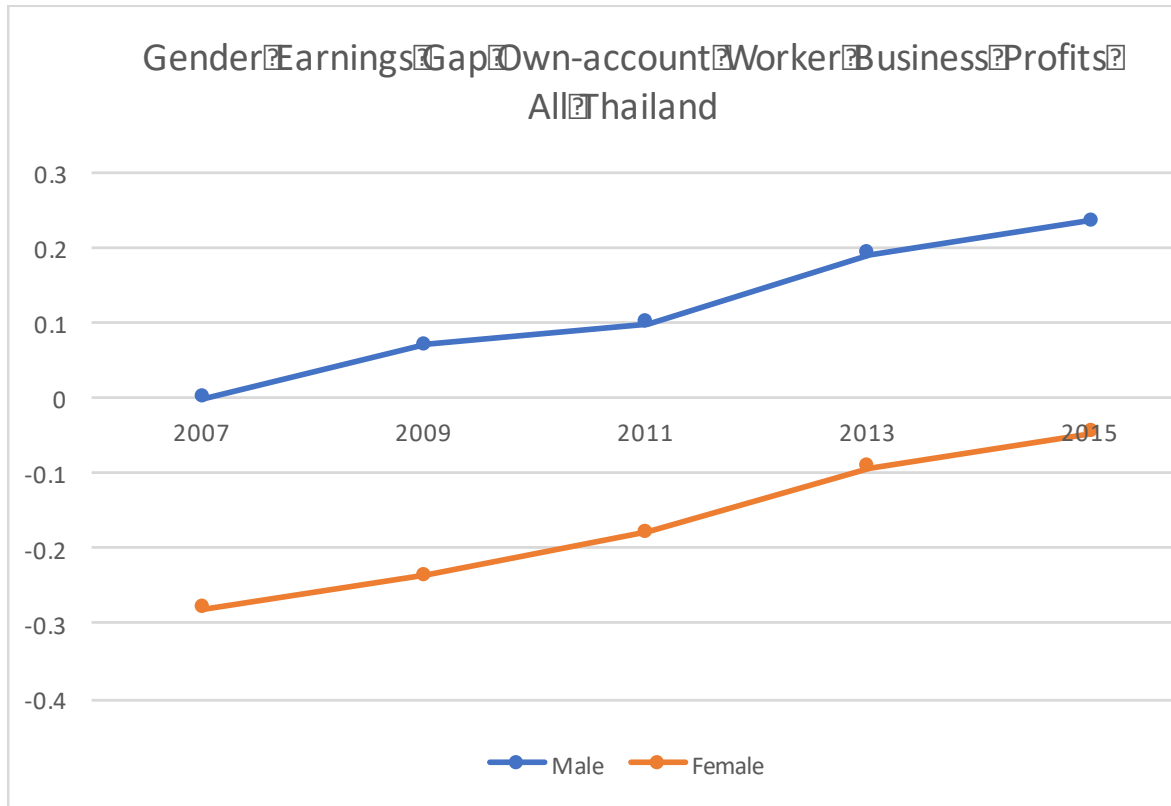
Formal-Informal Income Gaps, Labor Income and Business Income for Self-employed (SES)

$$\ln W_{ijt} = \beta_0 + \beta_1 \text{female}_i + \beta_2 \text{informal}_j + \sum \delta_t y_t + \sum \gamma_{it} (\text{female}_i * y_t) + \sum \theta_{jt} (\text{informal}_j * y_t) + \sum \pi_{ijt} (\text{female}_i * \text{informal}_j * y_t) + \varepsilon_{ijt}$$



Gender Earnings Gap for Own-account Workers (SES)

$$\ln W_{it} = \beta_0 + \beta_1 \text{female}_i + \sum \delta_t y_t + \sum \gamma_{it} (\text{female}_i * y_t) + \varepsilon_{it}$$



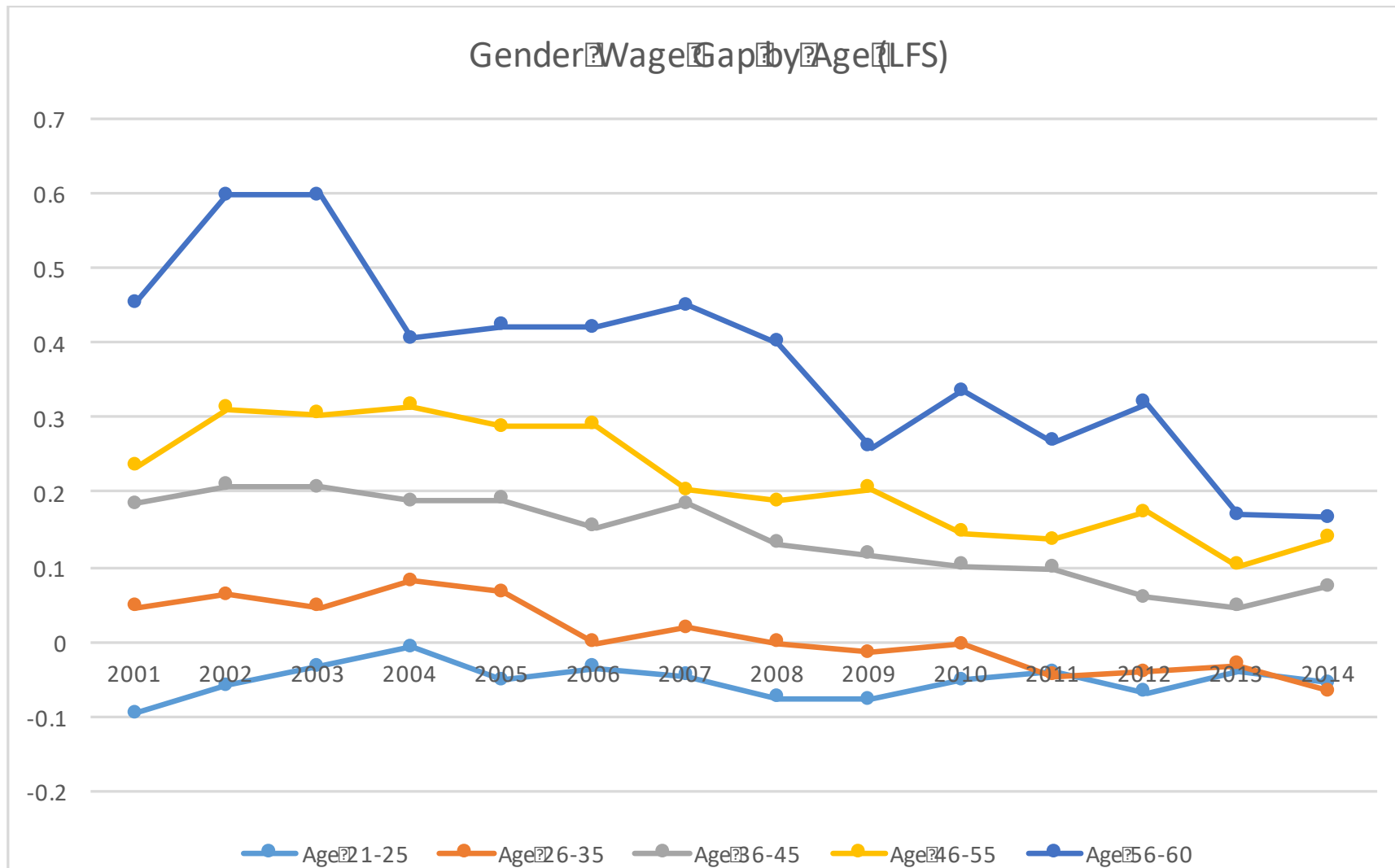
Preliminary Conclusions and Discussion

- The gap appears to be declining across most of the country since 2008.
- The public sector has higher wages on average and we can see that women are participating in the public sector in higher percentages over time. This is contributing to the decline in the gap.
- The implementation of the 2012/2013 minimum wage law and minimum salary in the public sector appears to have disproportionately helped women.
 - Women in private firms were more likely to be in low-wage jobs that were affected by the implementation of the minimum wage.
 - Between 1/5 and 1/4 of women in the public sector are teachers and nurses which require university degrees, while public sector men were more likely to work as police or other occupations that do not require degrees. This means the minimum salary would disproportionately affect women.

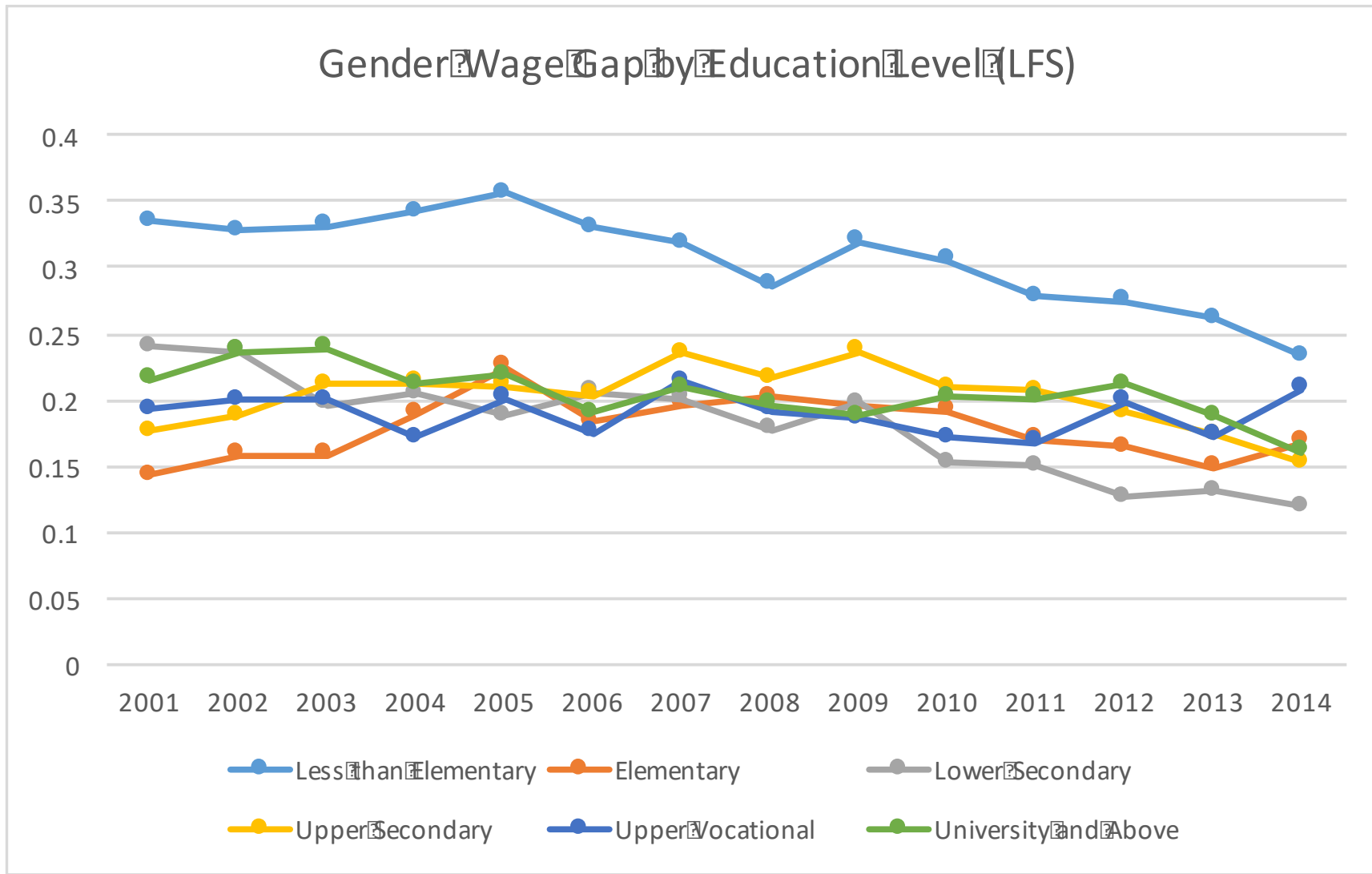
Preliminary Conclusions and Discussion

- Informal sector
 - Female informal workers earn significantly less than male informal workers (17-24%)
 - Gap between informally employed men and women in private firms remained constant, but the overall gap between informally employed women and formally employed men declined.
 - Surprisingly, much of the gains for informal employees are observed after the implementation of the minimum wage, which suggests spillover effects from the formal sector.
 - Although own-account worker business profits are rising over time, the gender gap in own-account worker business profits is constant over 2007-2015. However, the overall gap between own-account women and formally employed men is decreasing.

Other Areas to Explore



Other Areas to Explore



Next Steps

- Determine correct weights to use with SES data
- Further explore the roles of age and gender in driving the gender wage gap.
- Explicitly estimate the impact of the 2012/2013 implementation of the minimum wage law on the gender wage gap in different areas of the country.
- Write the paper!