

## Gender pay gaps persist in Asia's garment and footwear sector

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**Gender wage inequality remains a considerable challenge in developing Asia's garment and footwear sector. Women account for the bulk of employment in the industry, yet they consistently lag behind men in terms of earnings. Some of the pay gap can be attributed to differences in factors such as age and education, but discrimination also appears to be a contributing determinant. Women are also more likely to be at the lower end of the wage ladder.<sup>1</sup>**

### 1. Introduction

Developing Asia's garment, textile and footwear (GTF) industry remains critical for economic growth and jobs. The sector currently employs more than 40 million workers, with women accounting for the majority.<sup>2</sup> Low-end garment production provides a conduit for millions of informal workers with limited educational credentials to shift into formal manufacturing jobs with regular wages. The wage premium for making this transition provides them, and in particular women, the opportunity to increase incomes and achieve economic independence.

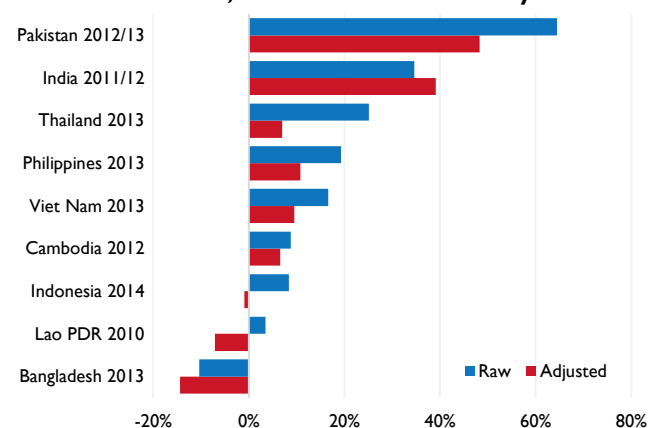
Despite their massive contribution to the industry, women continue to face sizeable disadvantages. This note looks at gender imbalances in regard to wages and working conditions in the GTF industry in nine countries – namely Bangladesh, Cambodia, India, Indonesia, Lao People's Democratic Republic, Pakistan, Philippines, Thailand and Viet Nam. It provides new estimates of the gender pay gap and examines the extent to which discrimination is a driving factor. The findings provide evidence for promoting equal pay for work of equal value, a key target identified under the new Sustainable Development Goal 8.<sup>3</sup> Elimination of discrimination in respect of working conditions and pay is also one of the four fundamental principles and rights at work.

### 2. Gender pay gap

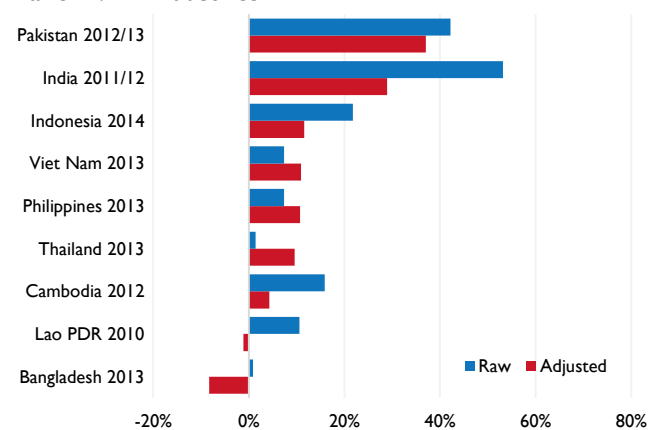
Women around the world earn on average 77 per cent of what men earn.<sup>4</sup> Likewise, in developing Asia, women's

wages in the GTF industry generally lag behind that of men (Figure 1, Panel A). The male-female difference in garment sector earnings is the highest in Pakistan (64.5 per cent), followed by India (34.6 per cent). In comparison, the unadjusted pay gap ranges from around 17–25 per cent in the Philippines, Thailand and Viet Nam.

**Figure 1. Male-female wage gap, raw and adjusted (%)**  
**Panel A. Garments, textiles and footwear only**



**Panel B. All industries**



**Note:** Raw gap indicates the difference in estimated natural log of hourly earnings of employees (aged 15+) while controlling for only sex, and adjusted gap controls for all independent variables including sex, age, marital status, education, experience, sub-national area, economic sector and occupation. A positive gap value indicates higher earnings for men relative to women. India figures are based on the natural log of estimated daily earnings.

**Source:** Estimates based on national labour force surveys (various years).

<sup>1</sup> This research note is based on P. Huynh: *Assessing the gender pay gap in developing Asia's garment industry*, ILO Asia-Pacific Working Paper Series (Bangkok, ILO, forthcoming).

<sup>2</sup> ILO: *Strong export and job growth in Asia's garment and footwear sector*, Asia-Pacific Garment and Footwear Research Note, Issue 1 (Bangkok, 2015).

<sup>3</sup> United Nations: *Transforming our world: The 2030 agenda for sustainable development* (New York, 2015).

<sup>4</sup> ILO: *Women at work: Trends 2016* (Geneva, 2016).

When controlling for demographic, educational, geographical, subsector and occupational differences between the sexes, a wage disparity in favour of men still exists in six of the nine countries. The adjusted wage disparity is astounding in both Pakistan (48.3 per cent) and India (39.1 per cent), but is around 11 per cent or less in the other countries.

India aside, incorporating all control variables helps to reduce or reverse the raw gender wage gap. This reflects the general tendency in the GTF sector for men relative to women to have higher educational endowments and to be less likely to be employed in lower paid geographical areas, subsectors and industries. By contrast, in India, a larger proportion of men are concentrated in states such as Uttar Pradesh and West Bengal and subsectors that exhibit lower average earnings.

In comparison to the labour market as a whole, the adjusted male-female earnings gap tends to be lower in the garment industry except in just three countries – Cambodia, India and Pakistan (Figure 1, Panel B). In Cambodia, moreover, the adjusted gender pay gap is merely 2.3 percentage points higher in the garment sector compared to the broader economy.

### 3. Wage and working time dynamics in Bangladesh

The situation in the Bangladesh garment sector differs starkly from the other eight countries in terms of the gender wage gap. When controlling for working time, Bangladesh is the only case in which men earn less than women on an hourly basis. As such, the raw and adjusted gender pay gaps are 10.4 per cent and 14.4 per cent, respectively, to the benefit of women.

In Bangladesh, long working hours, particularly for men, may help explain these unique dynamics. Men are reportedly working more hours on average than women regardless of the education level or subsector (Table 1). By education, the largest difference in average working time (6.2 hours) is between male and female employees that have attained an upper secondary degree.

By subsector, the largest gender-based difference occurs in the garment sector, which also accounts for more than three-fifths of all wage employment across the entire GTF industry in the country. In contrast, working time in the footwear and luggage subsector is considerably more balanced with women working only about half an hour fewer than men on average per week.

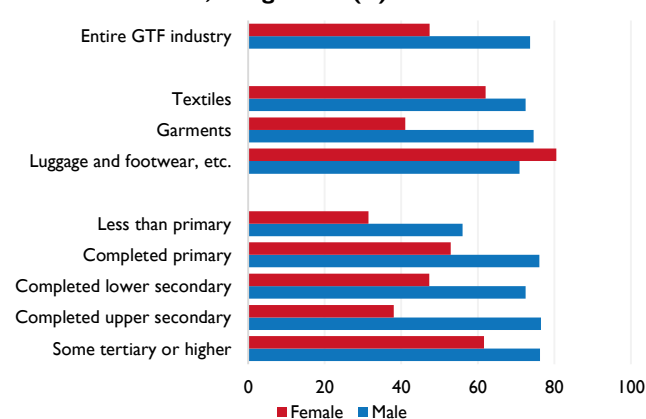
**Table 1. Average weekly hours worked by sex, education and subsector in GTF, Bangladesh**

	Average hours worked		Male-female difference
	Male	Female	
<b>Education</b>			
Less than primary	49.0	45.5	3.4
Completed primary	54.6	50.0	4.6
Completed lower secondary	54.3	49.2	5.0
Completed upper secondary	54.5	48.2	6.2
Post-secondary or tertiary	56.0	51.3	4.7
<b>Subsector</b>			
Textiles	53.6	50.5	3.1
Garments	54.9	48.6	6.2
Luggage, handbags, footwear	52.8	52.3	0.5

**Source:** Estimates based on Bangladesh Labour Force Survey (2013).

These sizeable differences in working time between men and women are even more striking when examining the proportion engaged in excessive hours of work. Using the international standard criteria of working more than 48 hours per week to define excessive working time, Figure 2 reveals alarming trends taking place in the Bangladesh GTF industry.

**Figure 2. Excessive hours of work by sex, education and subsector in GTF, Bangladesh (%)**



**Note:** Share of wage earners that work more than 48 hours per week.

**Source:** Estimates based on Bangladesh Labour Force Survey (2013).

Across the entire industry, 73.7 per cent of men and 47.4 per cent of women work more than 48 hours per week. By education and subsector, the share for men at every disaggregation exceeds 70 per cent aside from male wage earners with less than a primary degree. At every education level and subsector, the proportion for women is concerning but lower than that for men aside from the luggage and footwear sector.

The prevalence of long working hours in the Bangladesh GTF industry is indicative of the need for employees to work more to compensate for low base earnings. However, long hours and excessive overtime can both compromise

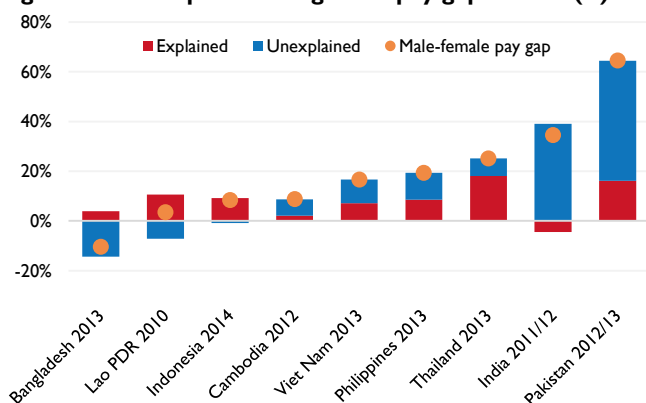
workplace safety and health and productivity over the long term.

Taken together, these various findings point to a sizeable hourly wage disadvantage for men in Bangladesh's GTF industry. While their total monthly earnings exceed those of women, men overall may not be adequately compensated for their longer hours of work.<sup>5</sup>

#### 4. Gender pay discrimination

This section examines further the factors that drive the observed gender earnings gap through the standard Blinder-Oaxaca decomposition method.<sup>6</sup> This approach compares the differences between male and female wages and quantifies that difference into two sub-components: one that can be accounted for by measureable demographic or socio-economic characteristics and another that cannot be explained and could reflect gender-based discrimination. In other words, it presents the portion that can be attributed to differences in relative endowments, such as different levels of experience and education, vis-à-vis those that are unexplained due to factors that cannot be fully accounted for.

**Figure 3. Decomposition of gender pay gap in GTF (%)**



**Note:** Results of Blinder-Oaxaca decomposition by sex on the natural log of hourly earnings, except India (natural log of daily earnings) for the garment, textile and footwear industry.

**Source:** Estimates based on national labour force surveys (various years).

Figure 3 presents the decomposition of the gender pay gap for each of the nine countries. Looking first at the portion of the gender pay gap that can be explained as a result of relative endowments alone, men would theoretically earn more than women in each case except in India. In Bangladesh and Cambodia, where relative endowments are more even,

<sup>5</sup> An alternative hypothesis could be that men are over-reporting their hours of work, which would consequently deflate their estimated hourly earnings. This notion is supported by evidence of men more likely than women to be employed in garment workplaces in which living quarters are combined with manufacturing production. This type of combined workplace-housing arrangement may bias survey responses to questions regarding actual hours of work given the potentially unclear demarcations of the working day.

men would expect to earn respectively around 4 per cent and 2 per cent more than women if relative returns (or the unexplained portion) are ignored. By comparison, in Indonesia, Lao People's Democratic Republic, Philippines and Viet Nam, the expected earnings differential due to factors that can be explained ranges from 7 per cent to 11 per cent. Male-female gaps in terms of endowments are the largest in Pakistan and Thailand and would result in a wage gap of more than 16 per cent in both cases. These results across each country are a reflection of the overall advantage male employees in the GTF industry have in terms of the composite factors discussed above. The lone exception is India where relative endowments would tend to favour women.

In regard to the portion that is unexplained (and could partly reflect discrimination), the share is around 39 per cent in India and 48 per cent in Pakistan, representing the largest absolute gaps due to relative returns. As a percentage of the total raw pay gap, these unexplained factors account for 113 per cent in India and 75 per cent in Pakistan. Likewise, in Cambodia, around 75 per cent of the pay gap is unexplained although the raw pay gap is significantly lower. By comparison, the relative portion of the raw wage gap that is unexplained in the Philippines and Viet Nam is nearly 60 per cent but less than 28 per cent in Thailand.

In five of these six countries (exclusive of India) the results indicate that differences in relative endowments would tend to favour men over women to varying degrees, but the additional gap due to relative returns increases the pay gap substantially to the further disadvantage of women. In addition to possible discrimination, the unexplained part of the gap can include reasons that have a negative correlation with women's earnings but cannot be explicitly accounted for due to limitations in the survey data. This could include, for instance, time outside the labour market due to family and domestic responsibilities.<sup>7</sup>

In Bangladesh, Indonesia and Lao People's Democratic Republic, differences in relative endowments (or the part that can be explained) would tend to favour men over women. However, the disparity in relative returns (or the part that is unexplained) would tend to advantage women over men. As a result, in Indonesia and Lao People's Democratic Republic, the unexplained portion decreases the pay gap between men and women that would theoretically

<sup>6</sup> For further discussion on the decomposition technique, see: R. Oaxaca: "Male-female wage differentials in urban labor markets", in *International Economic Review*, Vol. 14, 1973, pp. 693–709; R. Oaxaca and M. Ranson: "On discrimination and the decomposition of wage differentials", in *Journal of Econometrics*, Vol. 61, Issue 1, 1994, pp. 5-21.

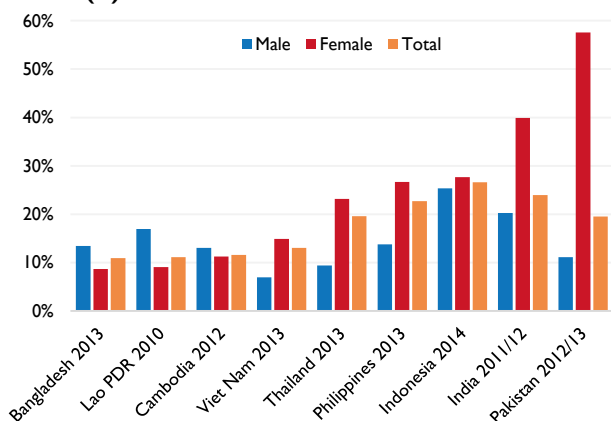
<sup>7</sup> Other factors that could not be controlled for include cognitive and non-cognitive skills, attrition rates, firm size, union membership and collective bargaining, among others.

exist as a result of differences in relative endowments alone. In Bangladesh, the unexplained component (approximately 14 per cent to the advantage of women) outweighs the part due to relative endowments that favours men and thus produces a raw gap that benefits women over men.

## 5. Gender gaps in low pay rates

This section investigates the low-wage dynamics in the industry and the extent that gender differences shape the chances of being a low-paid wage earner. Applying the international definition of low pay, a threshold of 2/3 of median hourly earnings within the country in question, the share of wage workers earning low pay ranges considerably in the GTF industry of the nine economies (Figure 4).<sup>8</sup> On the low end, it is approximately 11–13 per cent in four of the nine countries – Bangladesh, Cambodia, Lao People’s Democratic Republic and Viet Nam. In comparison, the low pay rate is about 20 per cent in Pakistan and Thailand and clusters around 25 per cent in India, Indonesia and Philippines.

**Figure 4. Share of wage employees earning low pay by sex in GTF (%)**



**Note:** Low pay defined as less than 2/3 of median hourly earnings, except India (median daily earnings).

**Source:** Estimates based on national labour force surveys (various years).

When looking at the gender dimension of low pay in the sector, a few notable findings stand out. In only a few

countries (Bangladesh, Cambodia and Lao People’s Democratic Republic) does the low pay rate for men exceed that for women. Conversely, in a majority of the cases (or six of nine countries), the low pay rate for women is greater than that for men. Notably, the share for women is higher by 46.5 percentage points in Pakistan and 19.7 percentage points in India. In both Philippines and Thailand, the gender gap is around 13–14 percentage points higher for women. Overall, the low pay rate for women is the highest in Pakistan (57.6 per cent) and India (39.9 per cent) and exceeds one-quarter in both Indonesia and the Philippines.

## 6. Conclusions

Despite their massive contribution to developing Asia’s GTF industry, women continue to face an uphill battle. Aside from Bangladesh, women earn less than men on an hourly basis in the countries analyzed. Only a portion of the gender pay gap in each country can be accounted for by relative endowments, which could point to pay discrimination in the industry. With a few exceptions, women are also more likely than men to be on the lower end of the earnings ladder.

In order to sustain industry growth, attractive human resource policies are key in addition to eliminating gender-based discrimination. Occupational segregation within the industry tends to advantage men, who are generally more concentrated in higher paid occupations. This calls for industry-wide initiatives that would help foster opportunities for women in jobs that are typically male-dominated and ensure fair career progression.

In addition, measures that promote a stronger work-life balance would encourage a mostly female workforce to contribute to the growth of the industry while still meeting family commitments such as care work. To this end, reducing excessive working hours, providing paid and adequate maternity and family leave and allowing part-time work arrangements, among other measures, could be effective.

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<sup>8</sup> Due to survey data limitations, a low pay definition of 2/3 of median daily earnings is applied to the India dataset. For further discussion on measuring

the low pay rate, please see: ILO: *Decent Work Indicators: Concepts and definitions* (Geneva, ILO, 2012).