**Dynamics of Gender Pay Gap: A Comparative Study of India, Pakistan, and Sri Lanka**

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# Abstract

Women face discrimination in many societies around the World, not only by customs but also by law. Institutions like society, government, firms, as well as family, are responsible for creating gender distinctions. The traditional division of labour, based on gender, has a significant impact on fertility rates of a country, FLFPRs, equality of men and women in the labour market, as well as on the effectiveness of policy implementation.

Several international organisations acknowledge that the problem of women discrimination in the workplace is grave. The ILO in 1951 passed its 100th Convention regarding, "*Equal Remuneration Convention*" with the principal aim to provide "*equal remuneration for work of equal value for men and women*". The Beijing Declaration and the Platform for Action (1995) was adopted collectively by 189 countries to encourage women's empowerment and promote gender equality. The SDGs 2030 also stressed the general agreement on the fundamental principle of gender equality. To achieve the SDGs, the UNDP launched "*Gender Equality Strategy 2018 – 2021*" to intensify efforts across all areas of work in gender equality across 170 countries.

An understanding of labour market discrimination provides the necessary framework for evaluating various dimensions of gender discrimination in the labour markets. The primary measure of discrimination is the difference between the average earnings of men and women in the economy. Compensating wage differentials, pre-market and in-market segmentation, mobility of workers, overcrowding, human capital discrimination, monopsony power, prestige value of the job, on-the-job training opportunities, statistical discrimination, job competition, etc. are some of the factors that lead to sexual segregation of the labour market, labour immobility, glass ceilings, sticky floors and eventually wage discrimination.

An enquiry into reasons and consequences for the presence of the gender pay gap was conducted through an extensive review of the literature. A systematic and theoretical analysis

was conducted to decompose the complex set of factors that determine the worth of an individual, like labour market factors, personal & family factors, social factors and other factors. Various international reports from the ILO, the World Bank, the World Economic Forum, etc., on gender pay gaps are studied to get the status of gender pay gaps across the World. The situation is alarming across the globe. However, the South Asian Countries will require at least 71 years to close the gender pay gap if they continue to progress at the given rate. The Gender Pay Gap estimates, as reported by the ILO, for India, Pakistan and Sri Lanka ranges from 34% to 22% for the year 2018.

Most the literature on the gender pay gap studies in India, Pakistan and Sri Lanka are restricted to only one year, a couple of years or a few years, limited geographical coverage (few states or few regions), majorly inter-industry comparisons, and likewise. Most of the research conducted considers only limited variables and thereby fails to provide a macro-economic overview. Also, cross-country comparisons using comparable and reliable data are limited in this region.

In order to provide a comparative picture of wage differentials in India, Pakistan and Sri Lanka, this research computes the gender pay gaps using WageIndicator Salary Surveys. A multi-dimensional analysis of the gender pay gap is conducted using average salaries (median) to capture the percentage differences in the earnings of men and women and factors affecting the gender pay gap. Further, ordinary least squared regression analysis is performed to understand the influence of independent variables on wages. Blinder-Oaxaca decomposition is conducted to gauge the influence of human capital and labour market discrimination on wages.

**Observations, Findings and Conclusions**

This research led to certain observations and findings that are listed below:

- Labour market discrimination affects the status of women in the labour market, thereby leading to gender pay gaps across all the three countries.
- A combined effect of biological, cultural and institutional factors leads to labour market discrimination in the form of wage discrimination, gendered labour market segregation, occupational segregation, glass ceilings and sticky floors.
- The gender pay gap in India, Pakistan and Sri Lanka has narrowed over the years (2012 to 2018). However, the gap has not yet completely closed.
- Pre-market discrimination factors like marital status, family size, education level and skill level are significant factors affecting the gender pay gap across all the three countries.

Nonetheless, market discrimination factors like age, parental status, career breaks, position in the occupational hierarchy affect gender pay gap significantly.

- Demographic factors and human capital factors have a statistically significant impact on wages, whereas family factors and firms do not, across all the three countries.
- Blinder-Oaxaca decomposition of the gender pay gap confirms that the labour market discrimination accounts for most of the wage differentials.

This research provides a comparative analysis of these South Asian countries. Nevertheless, the issue of the gender pay gap is not only a result of labour market factors but also demographic factors, family factors, social factors, organisation policies and government policies. In order to tackle the deep-rooted problem of the gender pay gap, a multi-pronged approach is a prerequisite for countries, especially developing countries. Therefore, this research provides a 5-level policy prescription to provide an effective and sustainable solution to close the gender pay gap.

**Key Words**

Gender Pay Gap, Labour Market Discrimination, Women, Wage Differentials, Equal Pay for Equal Work, Labour Laws, Blinder-Oaxaca Decomposition

**Layout of the Thesis**

**Chapter 1 Introduction**

This Chapter offers a background for the research topic

**Chapter 2 Labour Market Discrimination**

This Chapter offers a detailed framework about the definition and theoretical framework of labour market discrimination, including the Classical, the Neo-classical, the Institutional and the Marxist approaches which impacts women employment and the gender pay gap.

**Chapter 3 Literature Review**

This Chapter presents an extensive review of related research in the given area. The structure of the review of literature is in three parts:

1. The existence and  gender pay gap the theorisation of gender pay gaps
2. The gender pay gap studies conducted across the globe and specific studies conducted in India, Pakistan and Sri Lanka

3. Analysis of causes of gender pay gaps like labour market factors, family factors, social factors and other factors.

## Chapter 4 Research Methodology

This Chapter provides an insight into the WageIndicator salary survey used for data collection, data cleaning, sample selection, variables used and its descriptive statistics. The data analysis is performed using Percentage Analysis, Pearson's Chi-square Test and Charts for India, Pakistan and Sri Lanka.

## Chapter 5 Analysis and Interpretation

This Chapter offers an in-depth analysis of the gender pay gap and factors affecting the gender pay gap in India, Pakistan and Sri Lanka. In this Chapter:

1. the median gender pay gap for all the countries to understand the trend
2. OLS regression analysis is performed on pooled data and individual data of men and women to understand the influence of independent variables on wages
3. Blinder-Oaxaca wage gap decomposition to understand the extent of human capital and labour market discrimination

## Chapter 6 Observations, Conclusions and Recommendations

Significant conclusions, their implicit inferences and the policy options that emerged out of the discussion in the earlier Chapters are put forward in this Chapter.

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