



East Asia & Pacific
Gender



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Gender Gap in Earnings in Vietnam: Why Do Vietnamese Women Work in Lower Paid Occupations?

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KEY FINDINGS

- Women in Vietnam earn on average 3 million dong less per year than men, which is about one month's income. The magnitude of this gap remained constant between 2011 and 2014.
- The earnings gap persists despite women having closed the gap in education levels and is explained in part by women working in lower paid occupations.
- Women forego higher pay to work in occupations and industries which offer better non-monetary benefits: paid leave, lower weekly hours, health insurance and social insurance. This choice may be driven by an unequal distribution of house- and care- work.

CONTEXT

Vietnam has achieved important progress in closing the gender gap in education and increasing women's labor force participation. However, are women's labor market opportunities on par with those of men? We analyze the gender earnings gap and establish that women's propensity to work in lower paid occupations is a major culprit in the emergence of a gender earnings gap. We provide suggestive evidence of why women choose to work in lower paid occupations.

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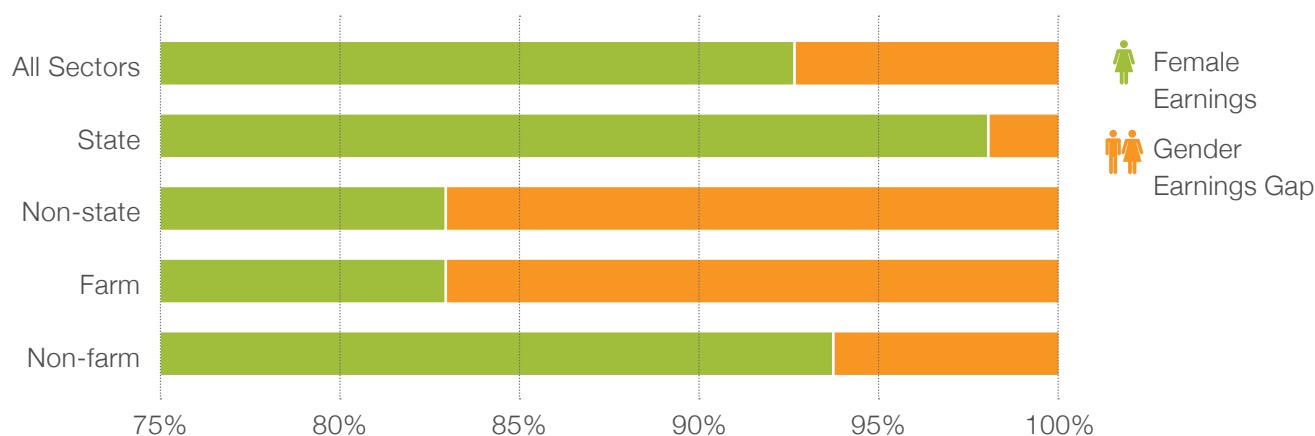
The Australia World Bank Partnership Program II (ABP-II) carries out comprehensive data- and evidence-based analysis on emerging challenges to gender equality and provides support to policy makers and innovative activities to address these challenges and increase women's economic empowerment.

EAST ASIA AND
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INNOVATION LAB

The East Asia and Pacific Gender Innovation Lab (EAPGIL) carries out impact evaluations and inferential research to generate evidence on what works in closing gender gaps in assets, economic opportunities and agency, and how closing these gaps can help achieve other development outcomes.

FIGURE 1: FEMALE EARNINGS RELATIVE TO MALE EARNINGS IN DIFFERENT SECTORS

FEMALE EARNINGS AS % OF MALE



WHAT DID WE DO?

We use a combination of data from Vietnam’s Labor Force Surveys (LFS), the Young Lives Survey and the World Bank’s STEP Skills Measurement Program to answer the following questions:

- How large is the earnings gap between men and women in Vietnam?
- What explains this gap? Does the fact that women and men tend to choose different types of occupations and industries play a role?
- What explains the fact that women consistently choose to work in lower paid occupations? We explore three hypotheses:
 - Do social norms about which jobs are appropriate for men and women shape aspirations and educational choices at a young age?
 - Do women face greater difficulties in finding employment in their field of study when they are transitioning from school to work?
 - Do women forego higher-paying occupations and industries in order to have greater flexibility: shorter hours and better leave?

WHAT DID WE FIND?

An earnings gaps persists in Vietnam.

Annual data¹ from the LFS between 2011 and 2014 suggests that women earned, on average, 3,000,000 Dong (about USD 130²) less than men each year, which is about a month’s income. Men earned more than women both in the state and non-state sectors and in agricultural and non-agricultural industries. This gap remained constant over the course of the four years of LFS data we used.

The gap in earnings is present across all age groups, widening around child-bearing age and spiking in the 55–59 age cohort, around retirement age for women (at 55). It reduces again when men retire at 60.

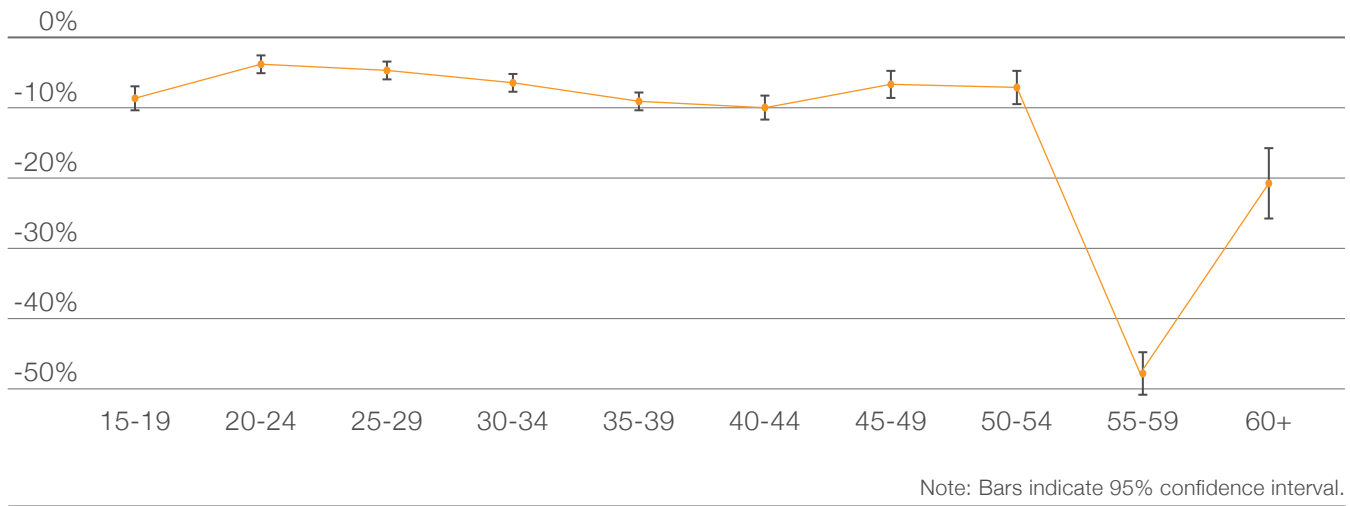
What explains the gender earnings gap in Vietnam?

Difference in education could plausibly explain earnings gaps. However, in Vietnam, women earn less than men despite having higher levels of educational attainment. Fig. 3 panel B shows that for women and men with the same levels of education, the earnings gap becomes even larger.

If we add occupation and industry to our analysis, we find that earnings gaps of men and women

1 The Labor Force Surveys contain wage information only for men and women who are currently employed and are wageworkers (rather than self-employed, or working without pay).
 2 Assuming a 40-hour work week and 52 working weeks. Conversion to USD based on an exchange rate in 2017 of 22,700 Dong = 1 USD.

FIGURE 2: EARNINGS GAP IN DIFFERENT AGE COHORTS



with the same level of education, working in the same occupations and industries are lower than the earnings gap between similarly educated men and women (Fig. 3 panel C). This suggests that an important factor in emergence of the gender earnings gap is women’s tendency to work in lower paid occupations and industries than men.

Why do women in Vietnam choose to work in lower paid occupations and industries than men?

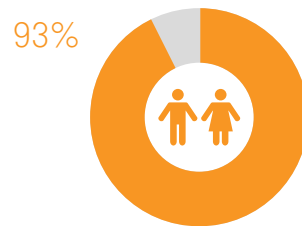
We test three hypotheses about why women choose to work in lower paid occupations.

First, we explore the role of social norms. Social norms about which occupations are appropriate for men and women are typically learned at a very young age and may affect the aspirations and educational choices that boys and girls make, including what field of study they choose. The field of study restricts the occupational options available to an individual and his/her lifetime labor market trajectory.

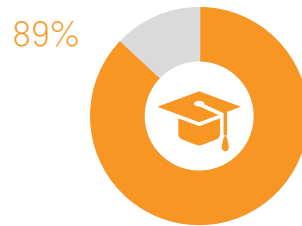
To test this hypothesis, we use the data on which occupations girls and boys aspire to at the age of 12 from the Young Lives Survey and map it to data on earnings in these occupations from the LFS. We check whether we would observe a gender gap in earnings if boys and girls worked in the occupations they aspired to at age 12. We find that girls aspire to higher paid occupations than boys.

FIGURE 3: FEMALE EARNINGS RELATIVE TO MALE EARNINGS FOR GROUPS WITH SIMILAR CHARACTERISTICS

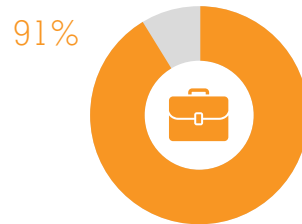
FEMALE EARNINGS AS % OF MALE



A - Men and women with similar socio demographic characteristics



B - A+ similar education



C - B+ similar occupation and industry

ACKNOWLEDGMENTS

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Second, using STEP data, we check whether women face greater difficulties in finding jobs in their field of study. We find no support to this hypothesis, either: women are more likely than men to work in occupations that correspond to their field of study.

Third, we explore whether women choose to work in lower paid occupations to secure jobs with more flexible hours and better non-monetary benefits. Indeed, using LFS data we do find that women work in occupations and industries that are more likely to offer paid leave, health insurance, social insurance and have a formal contract. Female workers also work on average two hours less than male workers per week.

WHAT ARE THE POLICY IMPLICATIONS?

Our analysis suggests that women are more willing than men to forego higher salaries to secure jobs with better weekly hours, leave, insurance and having a contract. A factor likely to be driving this preference is the unequal distribution of household work. Indeed, women in Vietnam spend 14 hours per week more than men on housework and child or elderly care³.

This evidence suggests that two types of interventions have the potential to bridge the gender earnings gap in Vietnam. First, interventions that enable women to better balance household and market roles without incurring a large labor market cost may help address the issue- for instance, making child care services available, affordable and easily accessible, or enabling flexible working options. Second, interventions encouraging a more equitable distribution of the household care- and work-burden hold promise – such as legislative or private sector initiatives making parental leave more gender neutral as well as programs aimed at shifting men's attitudes towards household work.

³ Make a House Become a Home, Action Aid Policy Brief.