

GENDER PAY GAP AND LABOUR-MARKET INEQUALITIES IN ETHIOPIA



Introduction

Despite progress in women's economic and political participation, formal employment and education attainment, a gender pay gap remains a pervasive labour-market feature across the world. More and more countries – both industrialized and developing – have passed laws mandating the equal treatment of women in the labour market, with the objective of reducing gender economic inequalities. The objective of this brief is to present an overview of the adjusted gender pay gap and labour-market inequalities in Ethiopia. It uses data from Ethiopia's 2021 National Labour Force Survey¹ and relies on the findings of the UN Women (2023)

study titled “Why Women Earn Less: Gender Pay Gap and Labour-Market Inequalities in Ethiopia.”

Ethiopia is a low-income country with a population of 123 million (as at 2022),² and is the second most populous nation in Africa.³ Since the start of the 21st century, the country has made progress towards gender equality in terms of women's economic and political participation, formal employment and education attainment. For instance, as at February 2021, 38.8 per cent of seats in parliament were held by women.⁴ Yet, the gender pay gap is still a pervasive labour-market feature in Ethiopia.

Labour-market structure

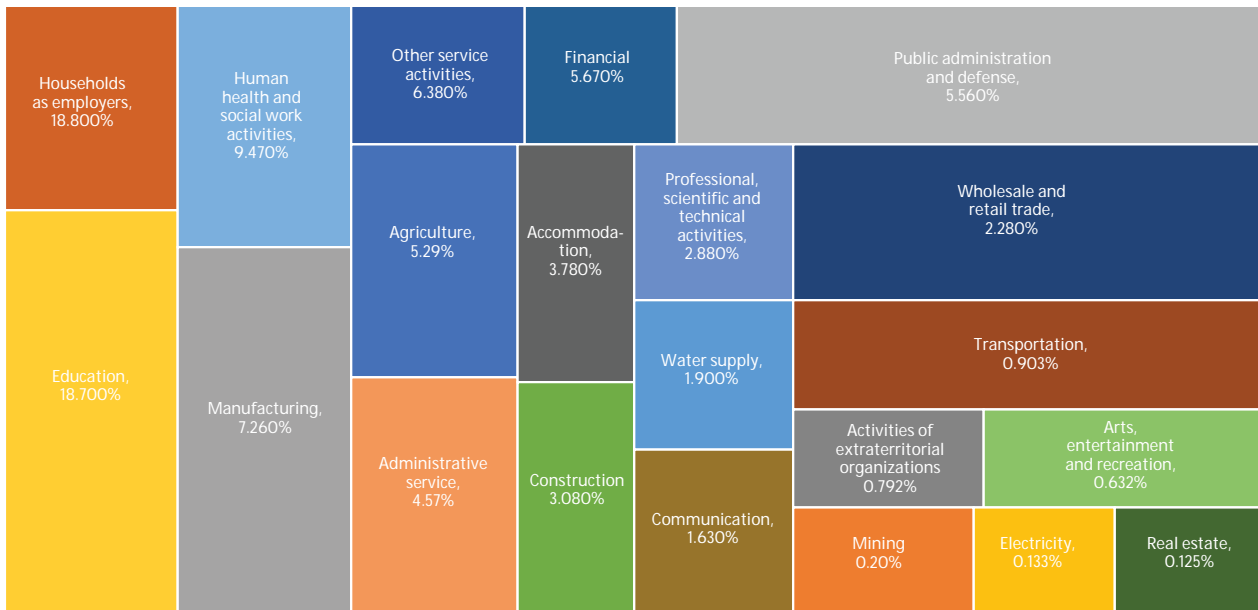
The employment rate in Ethiopia is 67.2 per cent for individuals aged 15–64 years and 67.5 per cent for the individuals aged 15 years or over.

Figure 1 shows the sectors that account for most women's employment, in terms of percentage of women's wage employment, are households as employers (18.8 per cent), education (18.7 per cent)

and human health and social work activities (9.5 per cent). All of these sectors involve care work. Education (17.8 per cent), construction (11.9 per cent) and other service activities (7.9 per cent) make up the majority of men's wage employment (Figure 2).

Figure 1

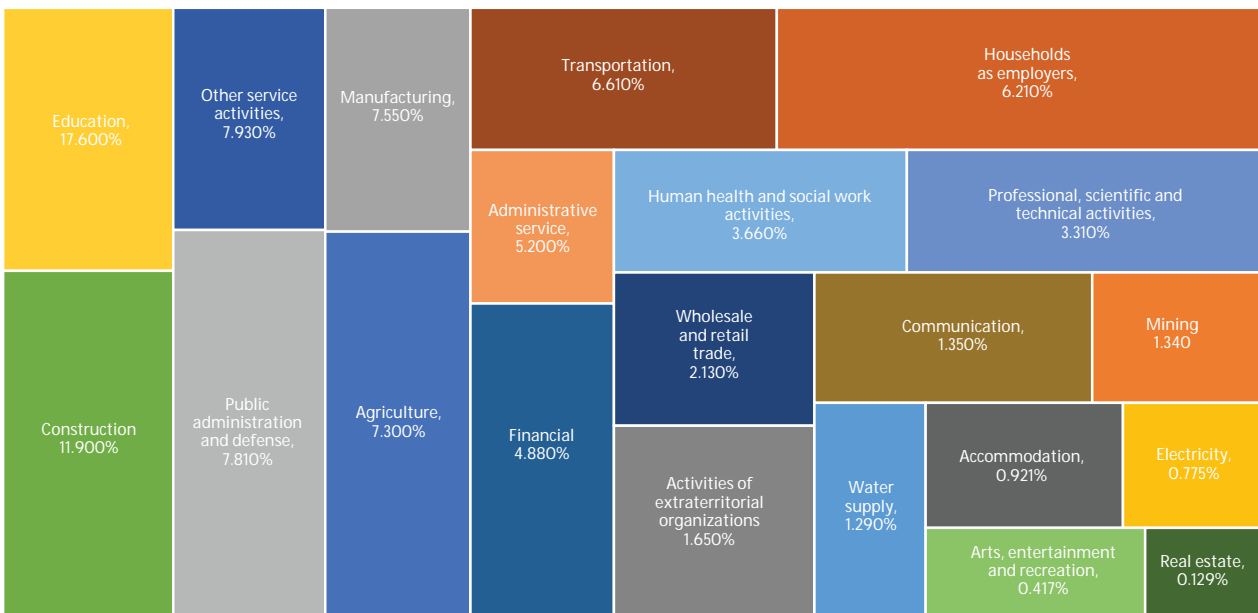
Women's share of wage employment by sector, as a percentage of women's total employment



Source: Authors' own calculations.

Figure 2

Men's share of employment by sector, as a percentage of men's total employment



Source: Authors' own calculations.

Table 1 shows that the occupational categories professionals, services and sales workers, and elementary occupations account for larger shares of women's employment than of men's employment. Interestingly, women are slightly underrepresented in

informal wage employment. However, it is important to note that the apparent feminization of formal employment may significantly change if data were available on contributing family members.

Table 1

Percentage of wage employment by occupation (as per the International Standard Classification of Occupations) and formality status, by gender

	Men (%)	Women (%)
Armed forces	1.8	0.4
Managers	3.7	2.1
Professionals	19.0	16.6
Technicians and associate professionals	16.6	19.5
Clerical support workers	2.0	6.5
Services and sales workers	12.5	22.2
Skilled agricultural, forestry and fish workers	3.6	1.9
Craft and related trades workers	4.9	2.9
Plant and machine operators and assemblers	8.9	1.7
Elementary occupations	27.0	26.3
Formality status		
Formal	83.3	90.8
Informal	16.7	9.2

Source: Authors' own calculations.

Gender pay gap

The **unadjusted or raw gender pay gap** in Ethiopia is **30.3 per cent** when considered at the hourly level and 35.1 per cent when considered at the monthly level. The monthly gap is larger than the hourly gap because women work fewer hours than men in paid employment. In fact, women work fewer hours in paid employment than men across all age and educational level groups. This can be attributed to various factors, including women's disproportionate responsibilities for unpaid care work, discriminatory practices prevalent in the labour market and individual preferences. For the rest of this brief, only the hourly pay gap is considered. This average pay gap hides significant heterogeneity caused by various characteristics.

The gap exists for all levels of education but is highest, at 49.6 per cent, for individuals with a primary-level education and lowest, at 16.4 per cent, for individuals with a secondary-level education; the gap is 41.7 per cent for individuals with a tertiary-level education. The gap is larger for married individuals (44.9 per cent) than for single individuals (2.6 per cent). The unadjusted gender pay gap also varies by sector and occupation. Women are generally paid less in more feminized sectors, i.e. sectors where they constitute a large or the majority share of employment. For example, women are paid



15.6%
less than men in agriculture,



15.3%
less in the trade sector and



54.8%
less when employed in households as domestic service workers.

The gap also exists across all occupations, ranging from as high as



98.5% in craft and trade occupations to as low as



6.8% in technical professional occupations. By formality status, the raw gender pay gap also varies, being larger in the informal sector (49.3%) than in the formal sector (33%).

This discussion highlights that personal and labour-market characteristics of individuals are

important determinants of the pay gap observed from the data. Men and women have different characteristics, which can explain at least part of the difference in their pay. A regression analysis that adjusts for these characteristics is used to

estimate what is called the adjusted gender pay gap. After accounting for age, marital status, educational level, occupation, sector and formality status, the **adjusted gender pay gap is 13.9 per cent.**

Decomposition of the gender pay gap

The Oaxaca–Blinder decomposition⁵ of the gender pay gap is presented in Table 2. Personal and labour-market characteristics explain 14 percentage points (p.p.) of the gap. The unexplained part of the gap is 14.2 p.p., which can be driven by factors not measured in the data set, such as structural differences between women’s and men’s bargaining

power and social networks, as well as labour-market discrimination. In other words, even if men and women were to have the same observable personal and labour-market characteristics, i.e. age, marital status, educational level, occupation, sector and formality status, most of the pay gap would still exist.

Table 2
Oaxaca–Blinder decomposition of the gender pay gap in Ethiopia

	Average log hourly wages
Men	2.843***
	(0.017)
Women	2.540***
	(0.021)
Difference (raw pay gap)	0.302***
	(0.027)
Explained part, i.e. explained by characteristics	0.140***
	-0.0257
Unexplained part	0.142***
	(0.023)
Interaction of the two parts	0.02
	(0.020)

Source: Authors’ own calculations.

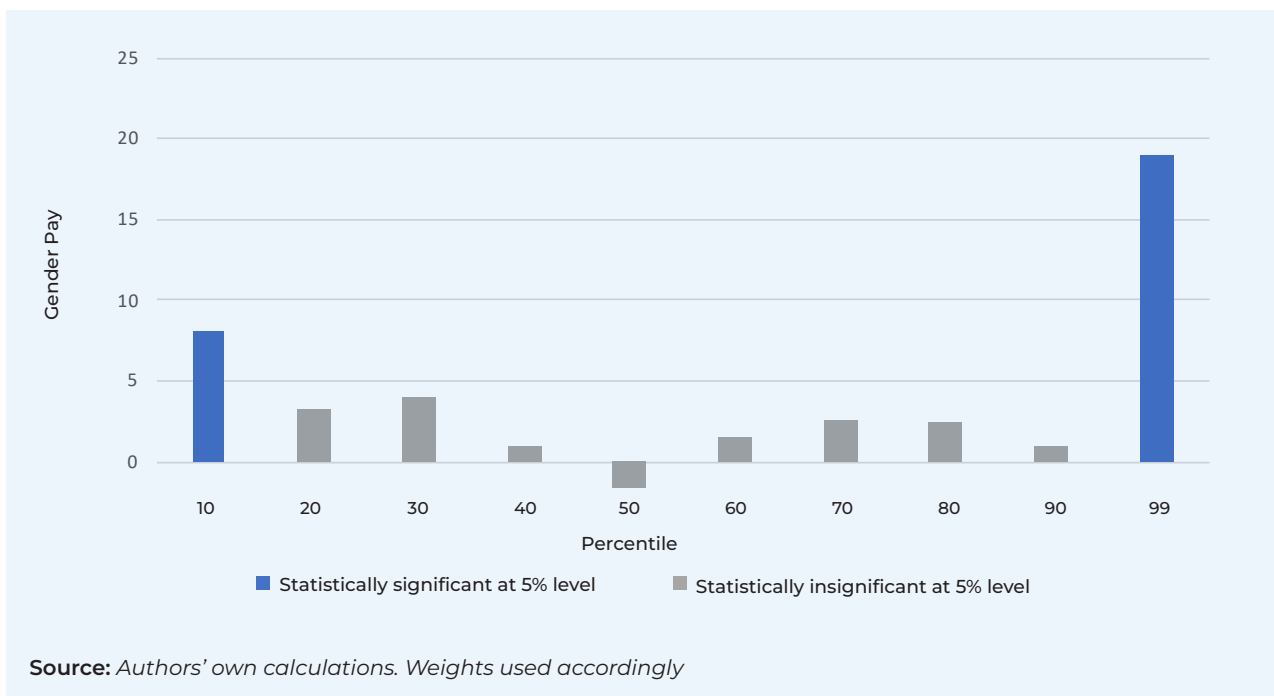
Note: *, ** and *** denote statistical significance at the 10%, 5% and 1% levels, respectively. Standard errors given in parentheses. Results robust to heteroskedasticity.

Gender pay gap by percentile

Understanding the gender pay gap at various points along the wage distribution provides insights into the existence of a “sticky floor” and a “glass ceiling” in the economy. A “sticky floor” refers to a labour market where individuals, typically women, in low-paying roles encounter limited job mobility and barriers to career advancement. A “glass ceiling” refers to obstacles that hinder women from reaching top managerial and leadership positions. Figure

3 presents the adjusted pay gap through deciles (and the top centile). The adjusted gender pay gap is 12.1 per cent for the lowest decile, and increases in absolute values through the second, third and fourth lowest deciles, suggesting no “sticky floor”. The gender pay gap reaches 28.8 per cent for the highest percentile of earners, revealing a strong “glass ceiling” effect.

Figure 3
Adjusted gender pay gap by decile and top percentile



Occupational and sectoral segregation by gender

Table 3 presents Duncan Segregation Index values, indicating an overall occupational segregation value of 0.21 and a sectoral segregation value of 0.23. This further indicates horizontal gender segregation in Ethiopia of low to moderate magnitude. Specifically, approximately 25 per cent to 20 per cent of women and men employees would have to change positions across occupational categories and sectors for distribution to become identical. When observing

segregation based on educational level, the data indicate that the highest level of segregation is observed among individuals with a tertiary-level education. In this group, approximately 30 per cent of both women and men would need to exchange roles across occupations for the distribution to become equal, and 28 per cent would need to do the same across sectors.

Table 3
Horizontal gender segregation index values, by occupation and sector

	All	Educational level		
		Primary or less	Secondary	Tertiary or above
Occupation	0.210	0.221	0.183	0.300
Sector	0.228	0.240	0.228	0.280

Source: Authors' own calculations. Weights used accordingly.

Conclusion

The objective of this study was to calculate and shed light on the gender pay gap and other labour-market inequalities in Ethiopia. Strikingly, there is a 22.1 p.p. employment gap between women and men, with women facing lower employment rates, particularly those with lower levels of education and older adults. Among the employed population, women consistently work fewer hours than men. The raw gender pay gaps in Ethiopia are 35.1 per cent at the monthly level and 30.3 per cent at the hourly level, highlighting differences in working hours. Unadjusted gender pay gaps are seen across all educational levels but are widest among primary-educated individuals and narrowest among secondary-educated individuals. In terms of marital status, the gender pay gap is notably smaller among single individuals than among married individuals. After accounting for individual and labour-market characteristics, the gender pay gap declines, to give an adjusted gender pay gap of 13.9 per cent. A significant portion of the unadjusted gender pay gap (14.2 p.p.) is not explained by personal and labour-market characteristic, indicating that unmeasured factors such as differences in motivation, bargaining power, social networks and labour-market discrimination affect the gender pay gap in Ethiopia.

Closing the gender pay gap and addressing other labour-market inequalities is important for improving women's socioeconomic position and achieving social justice for more than half of the world's population. However, as this study highlights, the gender pay gap and other labour-market inequalities are complex issues influenced by various factors, such as occupational segregation,

differences in education and care responsibilities, discrimination and societal norms. Addressing these issues, therefore, requires a comprehensive approach that involves multiple stakeholders, including governments, employers, civil society organizations and individuals.

In conclusion, achieving gender pay equality and addressing labour-market inequalities require a multifaceted approach involving various stakeholders across the economy. Better data on the pay distribution, collected at frequent intervals, would enable a better understanding of the gender pay gap in the region and inform work to advocate for policies to address it. Public policy efforts to tackle the "explained" part of the gender pay gap could prioritize enhancing educational opportunities for women and girls, promoting women's participation in high-paying and traditionally "masculine" occupations and sectors, supporting women's labour force reintegration after career breaks and providing a robust social protection system. Tackling the "unexplained" part of the gender pay gap requires regulating the private sector, to ensure that equal compensation and equal opportunities are provided to women and introducing interventions to break down gendered cultural norms. Policies to recognize, reduce and redistribute women's and girls' unpaid care work responsibilities would complement all policy efforts to reduce the gender pay gap. In this way, Ethiopia can unlock the full potential of its workforce, fostering socioeconomic advancement, innovation and sustainable economic growth.

References

1. This brief uses data from Ethiopia's Continuous Socioeconomic Survey 2018/19. This survey comprises 6,770 households and 29,503 individuals, of whom 16,584 individuals are of working age, i.e. between the ages of 15 and 64 years. A person is considered employed if that person worked in household or agricultural activities in the past seven days; ran or helped with any kind of non-agricultural or non-fishing household business in the past seven days; did any work for a wage, salary, commission or any payment in kind, excluding temporary work, in the past seven days; and/or had a job, business or other economic or crop farming/ livestock/ fishing activity that she or he would be returning to within the next three months. After cleaning the data to remove individuals who were currently unemployed or inactive and individuals who did not report wages, the final sample size is 2,500.
2. World Bank (2024). "Population, Total – Ethiopia." Accessed 10 January 2024. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ET>.
3. World Bank (2024). "The World Bank in Ethiopia." Accessed 10 January 2024. <https://www.worldbank.org/en/country/ethiopia/overview>.
4. UN Women (2024). "Ethiopia." Accessed 10 January 2024. <https://data.unwomen.org/country/ethiopia>.
5. Please refer to the full country chapter for a detailed discussion of the methodology.