

GENDER PAY GAP AND LABOUR-MARKET INEQUALITIES IN SOUTH AFRICA



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 South Africa. It uses data from South Africa's Labour Force Survey 2019¹ and relies on the findings of the UN Women (2023) study titled "Why Women Earn Less: Gender Pay Gap and Labour-Market Inequalities in South Africa."

South Africa is an upper-middle-income country with a population of 59 million (as at 2022).² 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, 45.8 per cent of seats in parliament were held by women.³ Yet, the gender pay gap is still a pervasive labour-market feature in South Africa. South Africa successfully reduced poverty rates from 28.3 per cent in 2005 to 18 per cent in 2014, based on the US\$2.15 per day poverty line.⁴ Yet, the country is the most unequal country in the world according to the World Bank's global poverty database.⁵ Thus, addressing the gender pay gap would contribute to poverty reduction and reduce inequality.

Labour-market structure

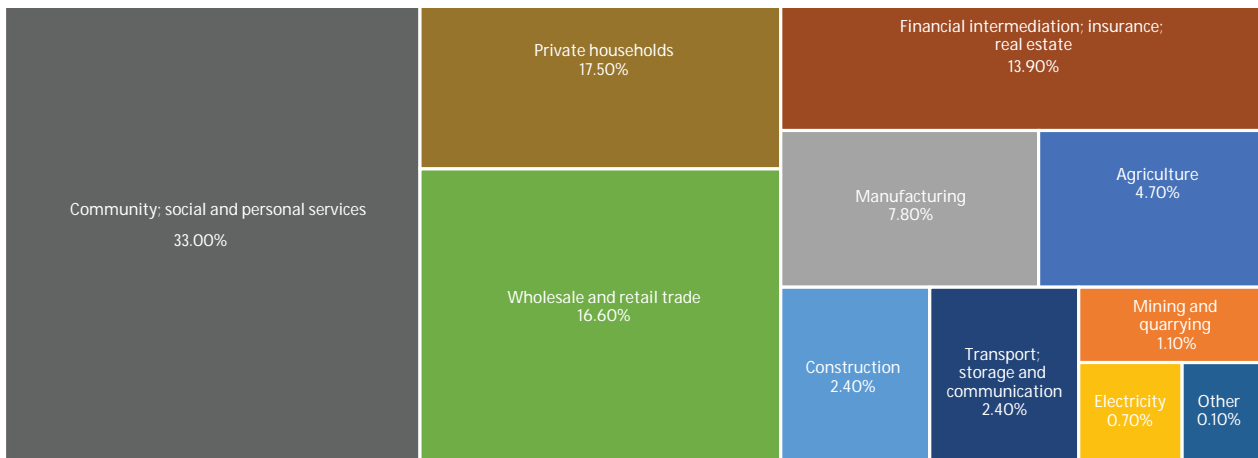
The employment rate in South Africa is 42.5 per cent for individuals aged 15–64 years. The employment rate of women is lower (37.0 per cent) than the employment rate of men (48.0 per cent).

As shown in Figure 1, the sectors that account for most women's employment, in terms of percentage of women's wage employment, are wholesale

and retail trade; community, social and personal services; and private households. The first two of these sectors involve care work. Figure 2 shows that financial intermediation, insurance and real estate; wholesale and retail trade; and community, social and personal services make up the majority of men's wage employment.

Figure 1

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



Source: Authors' own calculations.

Figure 2

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



Source: Authors' own calculations.

Table 1 shows that the medium- and high-skill occupational categories professionals and clerical support workers account for larger shares of women's employment than of men's employment. Interestingly, the shares of women and men in

formal and informal wage employment do not substantially differ. However, it is important to note that the feminization of informal jobs may become apparent 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 (%)
Managers	6.8	4.1
Professionals	4.2	6.2
Technicians and associate professionals	6.8	10.4
Clerical support workers	5.9	17.9
Services and sales workers	16.7	17.2
Skilled agricultural, forestry and fish workers	0.4	0.1
Craft and related trades workers	16.5	2.8
Plant and machine operators and assemblers	15.3	2.5
Domestic workers	0.7	17.2
Elementary occupations	26.7	21.6
Formality status		
Formal	76.5	75.1
Informal	23.5	24.9

Source: Authors' own calculations.

Gender pay gap

The **unadjusted or raw gender pay gap** in South Africa is **20.1 per cent** when considered at the hourly level and **32.5 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 groups 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. The average gap hides significant heterogeneity in various characteristics.

The gap exists for all levels of education but is largest, at 26.2 per cent, for individuals with a primary-level education and smallest, at 5.9 per cent, for individuals with a tertiary-level education. The gap is smaller for married individuals (15.1 per cent) than for single individuals (21.1 per cent). The unadjusted gender pay gap also varies by sector and occupation. Women are paid less than men in most sectors and across all occupations. For instance, women are paid



11.4%

less than men in the community, social and personal services sector,



85.6%

less in the construction sector and



94.6%

less when working in a private household. In terms of occupations, the gap is largest, at



74.5%,

for domestic workers and smallest, at



1.6%

for clerical support workers. By formality status, the raw gender pay gap also varies. Women earn three times less than men in informal employment, with a gap of 56.1 per cent, while the gap is 8.4 per cent in formal employment.

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. After

accounting for age, marital status, educational level, occupation, sector and formality status, the **adjusted gender pay gap is 7.9 per cent**. This is almost half of the raw gap.

Decomposition of the gender pay gap

The Oaxaca–Blinder decomposition of the gender pay gap is presented in Table 2. Personal and labour-market characteristics have a statistically significant explanatory power in explaining the gender pay gap, although the explained part is only 7 percentage points (p.p.). This shows that observable characteristics explain only a small percentage of the total pay gap. The unexplained part is statistically significant and larger in mag-

nitude, at 18.1 p.p. This suggests that factors other than observable personal and labour-market characteristics affect the gender pay gap in South Africa. 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 South Africa

	Average log hourly wages
Men	3.537***
	(0.011)
Women	3.336***
	(0.011)
Difference (raw pay gap)	0.201***
	(0.015)
Explained part, i.e. explained by characteristics	0.0702***
	(0.018)
Unexplained part	0.181***
	(0.028)
Interaction of the two parts	-0.0499*
	(0.030)

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

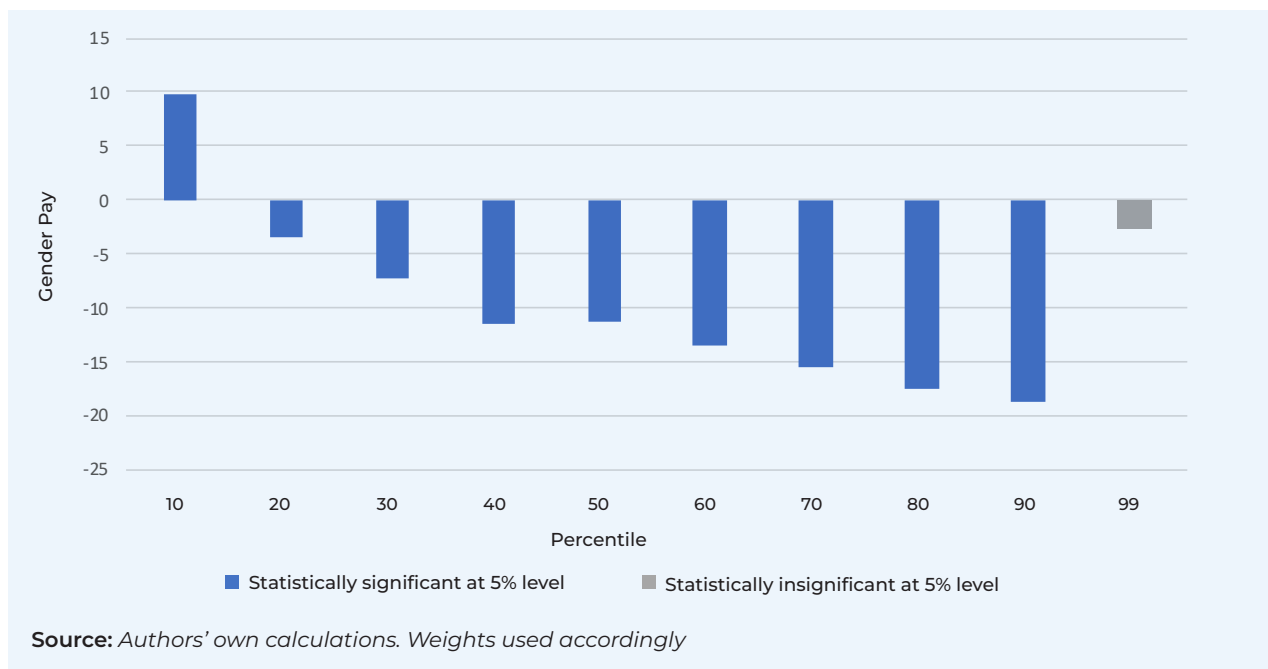
Figure 3 presents the adjusted pay gap across deciles and the top centile of the pay distribution. Such a breakdown of the gender pay gap can be used to examine the prevalence of a “sticky floor” and “glass ceiling” in the economy. A “sticky floor” refers to a labour market where individuals, typically 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. Overall, the gap increases up the wage ladder. The gender pay gap is positive and relatively small for the lowest decile, and negative but much smaller than average for the second lowest decile,

suggesting no sticky floor. The gender pay gap increases up the wage ladder, to 18.7 per cent for the top decile, revealing a strong glass ceiling effect.

Interestingly, the gap is statistically insignificant for the top 1 per cent of wage earners.

Figure 3
Adjusted gender pay gap by decile and top percentile



Occupational and sectoral segregation by gender

Women and men are distributed unevenly across sectors and occupations in the economy and such horizontal segregation is a big driver of the gender pay gap. To examine this segregation further, Table 3 presents Duncan Segregation Index values for South Africa. Overall, the occupational segregation value is 0.35 and the sectoral segregation value

is 0.3, which indicates modest to high levels of segregation. This suggests that about 30 per cent of employed women and men would need to switch occupations or sectors for the occupational distribution and sectoral distribution of women and men to become equal.

Table 3
Horizontal gender segregation index, by occupation and sector

	All	Educational level		
		Primary or less	Secondary	Tertiary or above
Occupation	0.346	0.355	0.324	0.191
Sector	0.313	0.320	0.303	0.233

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 South Africa. Strikingly, there is an 11 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 South Africa are 32.5 per cent at the monthly level and 20.1 per cent at the hourly level, highlighting differences in working hours. Unadjusted gender pay gaps are seen across all educational levels, being widest among primary-educated individuals and narrowest among tertiary-educated individuals. In terms of marital status, the gender pay gap is notably smaller among married individuals than among single individuals. After accounting for individual and labour-market characteristics, the gender pay gap declines, to give an adjusted gender pay gap of 7.9 per cent. A significant portion of the raw gender pay gap (18.1 p.p.) is not explained by personal and labour-market characteristics, indicating that unmeasured factors such as differences in motivation, bargaining power, social networks and labour-market discrimination affect the gender pay gap in South Africa.

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, South Africa can unlock the full potential of its workforce, fostering socioeconomic advancement, innovation and sustainable economic growth.

References

1. This brief uses data from South Africa's Labor Force Survey 2019. This survey comprises 80,855 households and 270,358 individuals, of whom 168,988 individuals are of working age, i.e. between the ages of 15 and 64 years. A person's employment status is based on the pre-recorded employment status in the survey data set. There are 47,488 wage employees. After cleaning the data to remove individuals who were unemployed or inactive and individuals who did not report their wages, the final sample size is 47,170.
2. World Bank (2023). "Population, Total – South Africa." Accessed 30 November 2023. <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ZA>.
3. UN Women (2023). "South Africa." Accessed 30 November 2023. <https://data.unwomen.org/country/south-africa#:~:text=In%20South%20Africa%2C%203.6%25%20of,parliament%20were%20held%20by%20women>.
4. World Bank (2023). "Poverty Headcount Ratio at \$2.15 a Day (2017 PPP) (% of Population) – South Africa." Accessed 30 November 2023. <https://data.worldbank.org/indicator/SI.POV.DDAY?locations=ZA>.
5. World Bank (2022). Inequality in Southern Africa: An Assessment of the Southern African Customs Union. Accessed 30 November 2023. <https://documents1.worldbank.org/curated/en/099125303072236903/pdf/P1649270c02a1f06b0a3ae02e57eadd7a82.pdf>.
6. Please refer to Fortin et al. (2011) for a detailed discussion of the methodology.
7. The Duncan Segregation Index is a measure of occupational/sectoral segregation based on gender that gauges whether there is a larger than expected presence of one gender over the other in a given occupation or sector. A Duncan Segregation Index value of 0 indicates perfect gender integration within the workforce, while a value of 1 indicates complete gender segregation.