

Decomposing the Gender Wage Gap in the Urban Labor Market in Kenya.

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Abstract

Legislation and regulation have been effective in reducing the gender wage gap in developed countries; however, the gap still exists globally, and progress towards narrowing the gap has been unacceptably slow even in regions where it is improving. This study presents the analysis of gender wage gap in Kenya's urban labor market by using the World Bank Skills Towards Employability and Productivity Survey (WBSTEPS). We employ Mincer earnings regressions with Heckman selection correction and apply the Blinder-Oaxaca and Neumark decomposition procedures to answer the research questions. The results of the wage determination and participation in the labor market show that there is no selectivity-bias problem. Personal characteristics such as education and age, as well as work-related characteristics, are important factors in determining earnings. The magnitude of the gender wage gap varies across the wage distribution; at the 25th quartile, women earn 88.6% ($= \exp(0.121) - 1$) of the men's earnings, while at the medium and upper quartiles, women earn 89.6% and 91.3% of the men's earnings, respectively, showing existence of a "sticky floor" where women are disproportionately relegated to low-paying jobs with limited prospects for upward mobility. The wage decomposition results revealed that women in urban Kenya earn 84.5-to-86% of men's earnings. The earnings gap is overwhelmingly due to differences in returns to endowments, which account for between 70% and 94.7% of the total earnings gap. Admittedly, we found evidence of discrimination against women in the returns to endowments, but also observed pronounced favoritism towards men. However, discrimination against women is more pronounced than favoritism towards men. The deviation in returns for women from the pooled wage structure is more significant than for men. This suggested that discrimination against women is more pronounced than favoritism towards men. Specifically, the undervaluation of women's characteristics leading to disadvantage is a bigger issue than any overvaluation of men's characteristics. Thus, unfavorable treatment and bias against women in how their characteristics are valued appears to be the primary driver of the unexplained gender wage gap, though some nepotism towards men is still evident in the urban Kenyan labor market. Addressing the gender wage gap in Kenya will require a multifaceted approach that tackles both systemic biases against women and structural barriers that hinder women from accessing equal opportunities in education, training, and career advancement and also government policies that minimize favoritism towards men.

Keywords: Gender wage gap, Wage determination & decomposition, urban labor market, Kenya.