

# Gender Wage Gap in Belarus

The slow transition process has not been gender neutral, and the gender wage gap is on the rise

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In all transition economies women have been one of the weakest groups in the labor market and the ones who have had to pay the cost of increasingly hard budget constraints for the state, firms and households. As the state has progressively reduced its presence in the economy, it has also reduced expenditures on income support schemes for maternity and the provision of childcare facilities. Privatization and market competition have also reinforced firms' preferences towards hiring men over women. Thus, economic transition has increased the opportunity cost of child rearing, forcing women to substitute market for non-market work. This might have reduced the productivity of women and, therefore, also the relative demand for women's labor.

In Central and Eastern European countries, firms have been constrained by stronger labor market institutions and wage setting mechanisms, so female relative wages have remained stable, while female participation has reduced. In the CIS countries, however, labor market institutions appeared to be weaker and for a long time the state was taking on the cost of social distress by maintaining higher than acceptable levels of employment and a living wage for all. This has pushed firms to reduce female wages, rather than employment. As a result women might have been able to reduce

their effort and productivity due to a smaller reduction in labor supply, but in exchange for greater relative wage losses.

Belarus can be seen as an extreme case of the CIS model of transition, where the so-called model of "market socialism" prevailed, and firms had to keep the entire workforce. Soft budget constraints and the absence of bankruptcy risks for firms translated into incentives for women to maintain practically the same level of labor supply. Indeed, from 1996 to 2004 female participation was high at over 80% — at Soviet-era levels. Consequently, women had to accept wage reductions. This explains why in the face of remarkably stable participation rates of women, the gender wage gap (GWG), in terms of both total, net monthly and hourly wages has more than doubled. What are the causes of such deterioration of women's position in the labor market?

## Factors Driving the Gender Wage Gap

To explore the issue, we develop a simple analytical framework and test it using data from three rounds of the Belarusian Household Survey of Income and Expenditure (BHSIE) conducted in 1996, 2001 and 2004. Our sample includes only the working age population holding a paid job.

Several offsetting factors appear to be at work. Sizeable positive shifts have been observed as to the educational level of employed women: university and secondary school graduates have slowly but continuously crowded out women with lower levels of education. Moreover, women's attainments in education have been increasing at a faster rate than men's. However, the shifts in the industrial composition of employment by gender have been striking. While in 1996 men and women were almost evenly distributed across sectors, a massive process of horizontal segregation has led an increasing number of women to move out of the highly valued so-called "material production", as well as IT and communications — a sector providing some of the best-paid jobs in the country. At the same time

there is an increasing presence of women in low-wage public service jobs concentrated in traditionally female dominated sectors, like education and health.

The results suggest that the higher and increasing educational level made women able to "swim upstream" and to more than offset unfavorable changes in the structure of employment until 2001 (see Figure). Furthermore, the redistribution of women towards low-paid industries and their concentration in the state sector had an opposite effect of wages, jointly driving the increase in the GWG.

## Conclusion

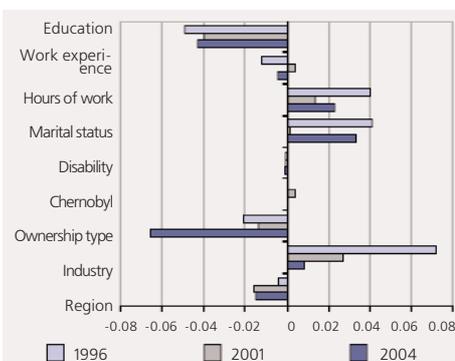
Despite the apparent stability of the female participation rates in Belarus, the slow transition process has not been gender neutral and has hit women harder than men. Our findings suggest that, although lower than in Russia and Ukraine, the gender wage gap is on the rise in Belarus.

Gender differences in pay are not only unjust, they are also detrimental to the functioning of the economy, as they can lead to poverty and social exclusion. In Belarus, the contribution of working women to the well-being of the household is decisive, therefore if they face difficulties in finding good jobs, households run a serious risk of falling into poverty.

The policy priority should be on increasing the competitiveness of women in the labor market, by for example, controlling the gender distribution in educational establishments and adjusting the education system to the changing needs of the economy. Working out schemes allowing women to combine motherhood and work, including expanding part-time job opportunities, would help to prevent the devaluation of female labor.

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### Contribution of Observed Characteristics to the GWG



Note: Using log of net monthly wage as dependent variable.

Source: own estimates using BHSIE.