

GENDER WAGE DIFFERENTIALS IN KENYA

BY

ERASTUS KARIUKI KAIFA

C50/7564/03

**A RESEARCH PAPER SUBMITTED TO THE
DEPARTMENT OF ECONOMICS, UNIVERSITY OF
NAIROBI IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS
IN ECONOMICS**

SEPTEMBER 2005

ABSTRACT

The determination of wages has repercussions on the economy and is also crucial in determining which direction public funds should be channeled. Discerning the differences in wages that stem from endowments such as education and experience is critical. This paper analyses the determinants of earnings and estimates the gender wage gap in Kenya. The study tests the hypothesis that the Kenyan wage determination process provides a higher wage rate for males than for females. Ordinary least squares (OLS) method is used to explain earnings. The gender wage gap is decomposed into portions due to gender differences in productivity enhancing characteristics and unexplained residuals (discrimination) using Oaxaca decomposition.. The study reports new evidence of the effect of working patterns on earnings. The results indicate that education, age location and to an extent, working patterns are strong determinants of earnings. The results for decomposition show that a considerable gender wage gap exists in favor of males, and that the largest part of the gap (75%), is attributed to difference in productivity enhancing characteristics. Only 25% of this gap is due to discrimination. The study recommends increased investment in education and skills as policies to increase earnings and also to reduce differences in characteristics between males and females.