

## **Wage Differentials in Pakistan by Focusing on Wage Differentials in Public and Private Sectors, Formal and Informal Sectors, and Major Occupational Groups**

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**Abstract :** This study focuses on the presence of wage differentials in Pakistan and also on the determinants that originate it. Since there are a smaller number of studies that are conducted on this topic in Pakistan, the current study aims to contribute in bridging the existing gap in this particular research genre. Hence, this study not only generates the desired results specific focus but it also contributes to the overall empirical work on the Pakistan economy. The preceding works which have been done to research wage determinants and wage differentials have used numerous different theories and approaches to reach their goals. The current study, in order to analyze the determinants of wage differentials in the developing economy, deals with the study of a number of such theories and approaches that are supposed as being beneficial for the purpose. This study undertakes the explanation of wage differentials in Pakistan by focusing on wage differentials in public and private sectors, formal and informal sectors, and major occupational groups. The study uses 'Wage Theory' to examine wage differentials among male and female employees in public and private sectors on varied levels of working conditions. This study also uses 'Segmented Labor Market Theory' to determine the wage differential in both public and private sectors, formal and informal, and major occupational groups in Pakistan. So the author has used various econometric techniques in order to explain and test these theories and to find out the required results. This study has employed seven different cross-sectional Labour Force Surveys for the time period between 2006-07 to 2012-13. Gender equality is not only a policy reform agenda for developing countries but also an important goal of Millennium Development Goals. This study investigates the nexus between wage inequality and economic growth and detects co-integration between gender wage differential and economic growth using ARDL bound test. It is confirmed from the empirical results that there exists long-run relationship between economic growth and wage differential. Our study indicated that half of the total female employees from fourteen major cities of Pakistan were employed in the public sector. Out of total female employees in private sector, 66 percent are employed in the formal sector, and 33 percent are working in the informal sector. Results also indicated that both men and women were paid more in the public sector compared to the private sector counterparts. Among the total female employees, only 9 percent had received any formal training, 52% were married and average years of schooling were 11 years. Further, our findings regarding wage differential between genders indicate that wage gap is lower in public sector as compared to private sector. In proportion, gender wage ratio was found to be 0.96, 0.62 and 0.66 in public, formal private and informal private sectors respectively. This suggests that in this case, private sector female employees with the same pay structure are compensated at a lower endowments rate as then public sector workers as compared to their counter parts.

**Keywords :** wage differentials, formal, informal, economic growth

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