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The Gender Wage Gap


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The Gender Wage Gap

- What is it?
- Why does it matter?
- What are the reasons for a gender wage gap?
- What has been happening to the gap and why?
- What are the implications for policy?



What is the Gender Wage Gap?

- The gap in earnings between men and women
- Usually the gap in mean or median but can (should) look in different parts of the earnings distribution
- The 'raw' gap
- Regression adjusted gap
 - Usually decomposed into an explained and unexplained component
- Which wage?
 - Base wage; overtime etc
- Over what time-frame
 - Usually hourly
- What about those out of work?
 - Implications of non-random selection into employment?



Why Does it Matter?

- A key aspect of economic inequality between men and women
 - Earnings constitute the majority of income in most households
- ‘Unfair’, potentially discriminatory
- Economically inefficient
 - Resource allocation from the firm’s perspective
 - Education and labour market investments by women

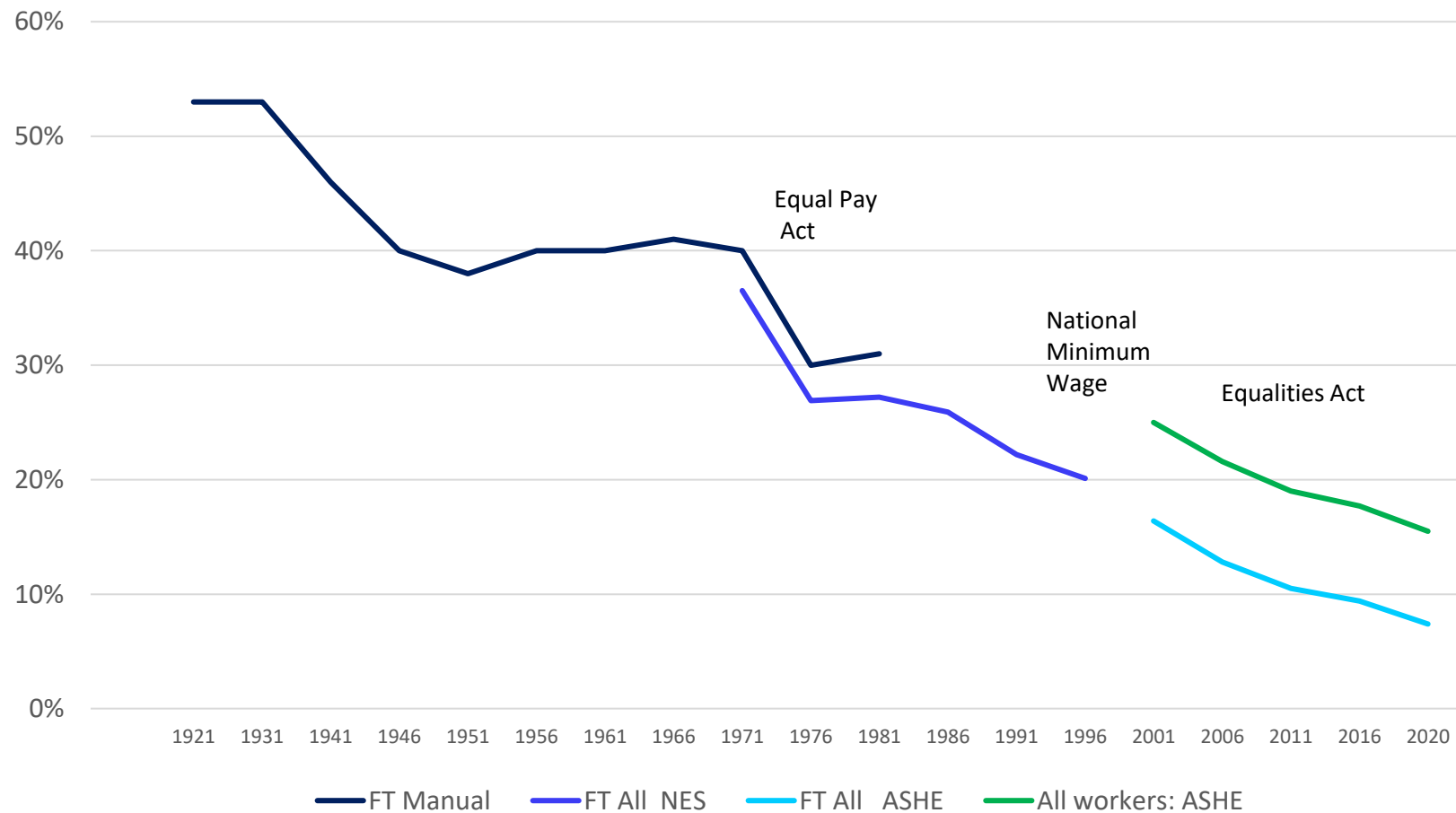


Reasons for the gap

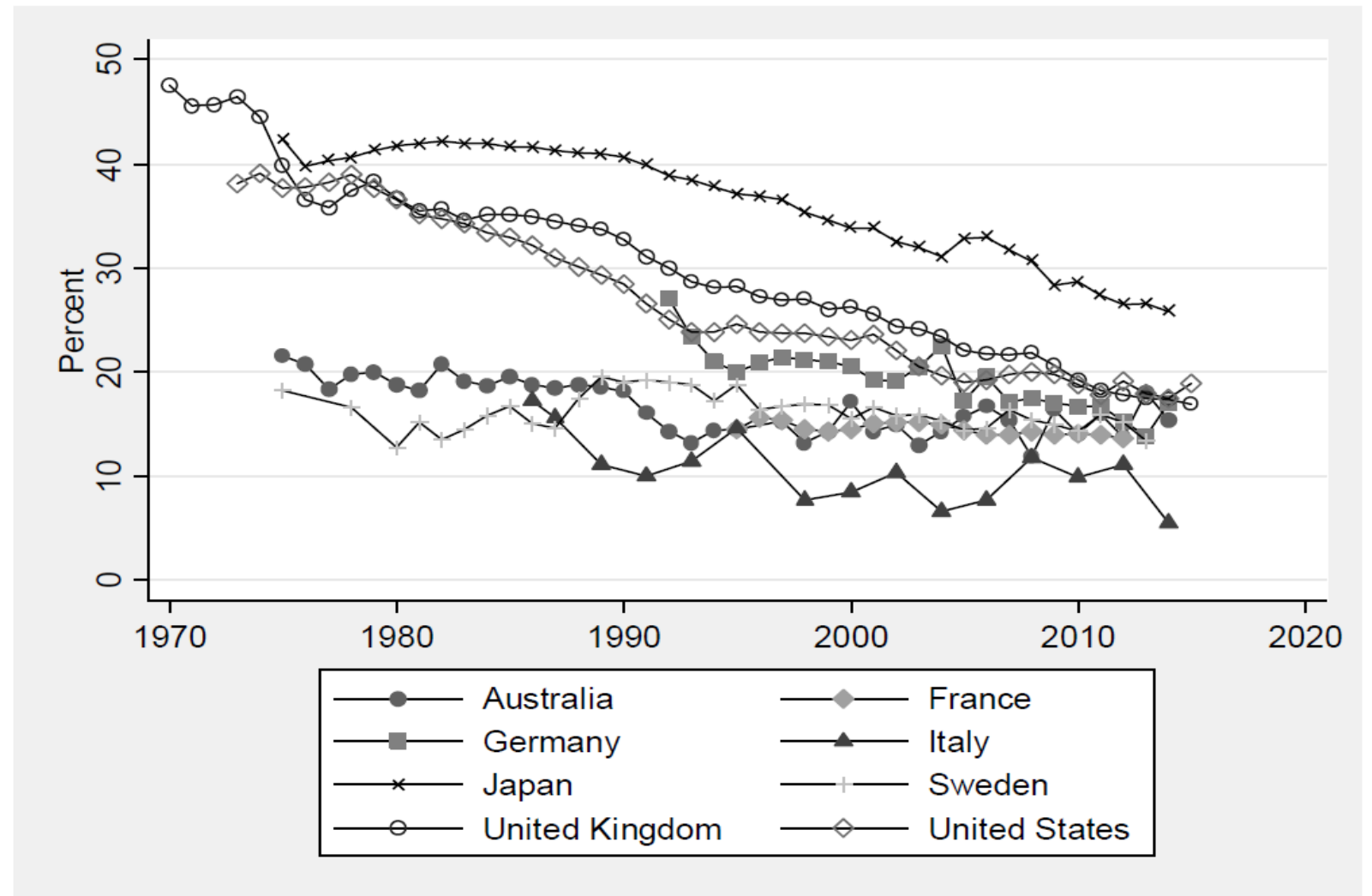
- Endowments
- How those endowments are rewarded
- Why might endowments differ across men and women?
 - Choices/preferences
 - Social customs/norms
 - Efficient household production
- What might account for the unexplained gap
 - Choices/preferences -> investments
 - Real productivity differences (hard to capture individual productivity)
 - Employer behaviours
 - Taste
 - Statistical
 - Behaviour of others (customers, co-workers)
 - Compensating differentials for amenities
 - Segregation/segmentation
 - Character traits often unobservable eg. competition, risk

What has been happening to the gap?

Gender Gap in hourly pay, 1921-2020, per cent of men's median



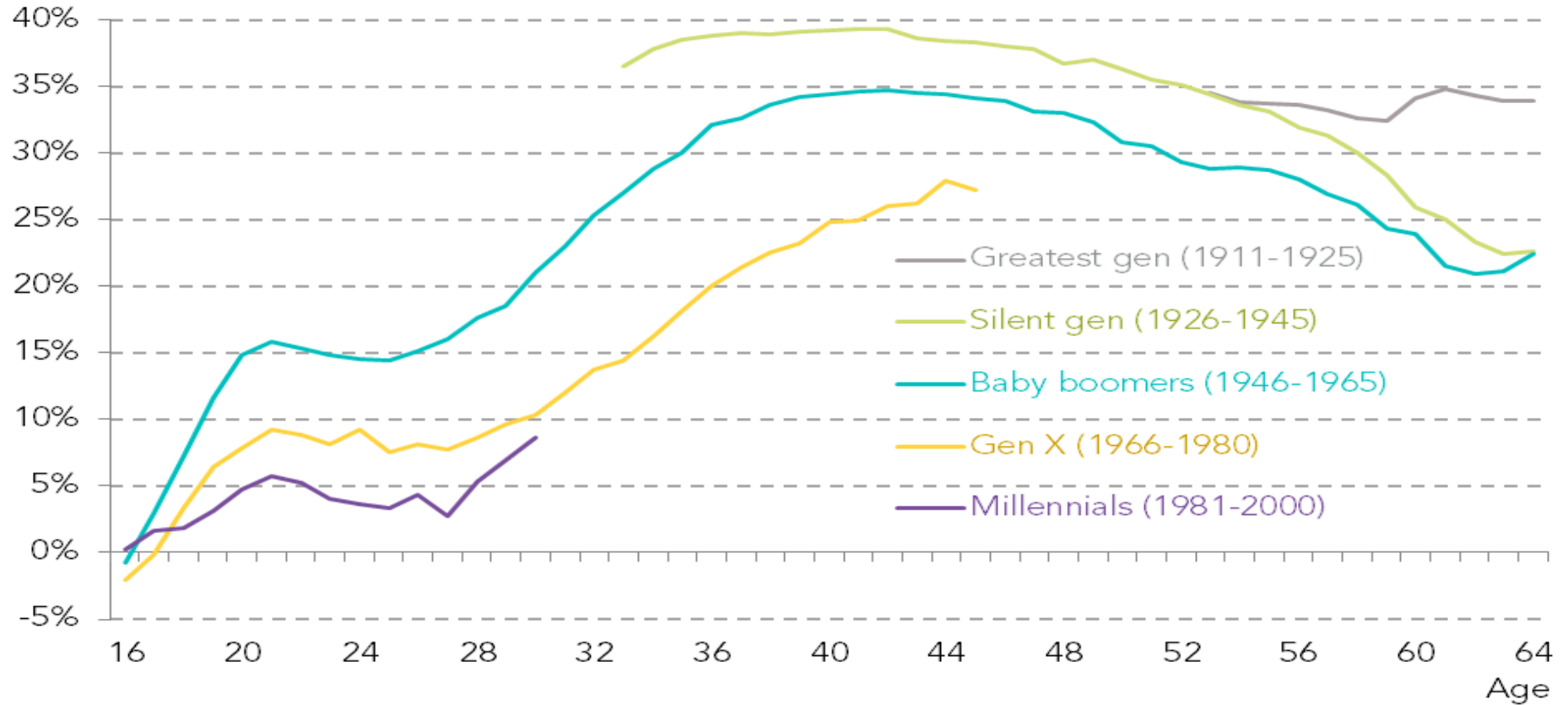
Convergence
in the raw
male/female
wage gap
(Kunze, 2017)



- 0.4-0.5 percentage point decline in median gender pay gap per year
- Faster convergence in countries with bigger initial gap (UK, US, Japan)
- Still a sizeable gap


Gender wage gap by age and cohort

Gender pay gap for median gross hourly earnings, by generation: UK, 1975-2016




Notes: The gender pay gap is the difference between the median hourly earnings of men and women as a proportion of men's median hourly earnings; figures for each generation are derived from a weighted average of estimates by single year of age for each single-year birth cohort within that generation; generations are included if at least five birth years are present in the data; for the years in which it is available, published Annual Survey of Hours and Earnings pay estimates (which cover the UK as a whole, as opposed to the microdata which only covers Great Britain) are used as control totals, and the results from each individual dataset are indexed to those from the Annual Survey of Hours and Earnings to create a consistent series over time.

Source: RF analysis of ONS, *Quarterly Labour Force Survey*; ONS, *Annual Survey of Hours and Earnings*; ONS, *New Earnings Survey Panel Dataset*



What has
been
changing

- Convergence in attributes (experience, education)
- Selection into labour market
- Social norms



How much is discrimination?

- Tricky to capture
- Find it in hiring
 - Correspondence studies
- Discriminatory attitudes continue to prevail
 - Less so than before?
- Statistical?
- Women still winning equal value cases
- We see reduction in taste-based and statistical discrimination with respect to race in sport
 - Need productivity to be sure
- Lots is within occupation of highly educated people
 - But is it discrimination or compensating differentials?



Policy Interventions

- Equal pay legislation
 - Usually relies on comparator
 - Problem if unequal access to jobs in first place
 - Equality on pay and non-pay terms
- Minimum standards
 - Disproportionately benefit those at the bottom
- Job evaluation
 - Work of equal value
- Equal treatment
 - Employment protection legislation
 - In hiring, firing, promotion
 - Unfair dismissal, wrongful dismissal
 - Beware unintended consequences eg [Ban the Box](#)
- Quotas eg. women on the board
- Corporate reporting eg. gender pay gap

Further
Information

<https://www.ucl.ac.uk/ioe/departments-and-centres/centres/quantitative-social-science/gender-wage-gap-evidence-cohort-studies>