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THE UNDERCOVER ECONOMIST

The price of being female

‘Gender-based mark-ups may not be an economy-wide phenomenon. But they seem to exist for certain products’

Does a dollar in my pocket buy more than a dollar in my wife’s? It seems so, according to a report released just before Christmas by New York City’s Department of Consumer Affairs, which was much covered in the US media. The DCA report found that men often paid less for clothes and items such as razor blades and shampoo. Even boys’ toys are cheaper than those aimed at girls. The report led with a striking example from a department store website: while a red “My 1st Scooter Sport” costs \$24.99, a pink “My 1st Scooter Girls Sparkle” is twice as much. Beneath the paint job, the products appear to be identical — surely glitter cannot be that expensive?

The sparkly scooter was sold at an astonishing mark-up but it’s not a typical case. The DCA report looked at 22 bikes and scooters, finding that on average the product aimed at girls or women cost 6 per cent more. Across 800 products, the DCA found that while men sometimes paid more than women, on average women faced prices that were 7 per cent higher. Relative to profit margins this is still a large price difference but it’s a long way shy of 100 per cent.

What should we make of this? One response is that perhaps the price gap isn’t really there or at least not in any systematic way. Perhaps the DCA unwittingly cherry-picked examples. (Sports cars and hi-fi systems were not included.) Whether or not systematic gender-based pricing is widespread, it will always be easy to find examples that look sexist.

Still, other research has reached similar conclusions. For example, a study published in *Gender Issues* in 2011 by Megan Duesterhaus and others found that “gendered price disparities are not as widespread as . . . journalists have previously reported but it does appear that women pay more for certain goods (deodorant), services in hair salons (haircuts), and dry-cleaning of shirts”.

In the hope of getting a truly comprehensive overview, I spoke to the UK’s Office for National Statistics, which systematically collects price data to calculate inflation measures. Unfortunately, the ONS data aren’t designed to shed light on this question; they often do not distinguish between male and female products and services. The job of inflation indices, after all, is not to detect discrimination but to follow price changes over time.

So it is hard to be sure that gender-based mark-ups are an economy-wide phenomenon. But they may be. And they certainly seem to exist for particular kinds of product. Why? No single theory will suffice. Car insurers and nightclub owners both want to charge more to men, but not for the same reason.

Broadly, there are two types of explanation. One is that higher prices reflect higher costs. Maybe men's haircuts typically require less time and skill than women's haircuts. It's said that women's blouses cost more to clean and iron at a dry-cleaner's because they are delicate and need to be pressed by hand. Still: why not charge by the hour to provide a haircut? Or charge for hand-pressed clothes, regardless of gender? Restaurants do not charge men more on the grounds that they usually eat more; instead, they charge by the dish. I can only speculate as to why hairdressers act differently.

The alternative explanation is that companies are making fatter margins on women's products and services. Economists call this "price discrimination", and it would suggest that women pay more than men if and when they are less sensitive to prices. Perhaps manufacturers and retailers have found that if they try to raise the price of razor blades or shampoo, men will shop elsewhere or skimp on the product, while women will willingly pay the higher price.

This female insensitivity to price — if it really exists — might be driven by all kinds of things. Perhaps women tend to be busier and have less time to shop around. Or perhaps they care more about quality when it comes to deodorant or shampoo, whereas men just want something cheap.

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But even if women are potentially willing to pay extortionate rates for certain kinds of goods, it doesn't mean that companies can exploit that willingness. A lot of the businesses most regularly accused of sexist pricing — hairdressers, dry cleaners and nail salons — operate in the face of almost unlimited potential competition. If all of them are operating on razor-thin margins for men and fat margins for women, shouldn't they be desperately trying to win female customers away from each other? This competitive pressure will constrain attempts to discriminate on price. It is the big brands — such as Ferrari, Hermès and perhaps Gillette — who have the power to charge different mark-ups to different customers.

As soon as a company acquires some market power, it will try to give spendthrift customers an opportunity to display their spendthriftiness by offering costly variants on basic products. Publishers ask double for a book with hard covers; coffee chains charge a lot for squirting flavoured syrup in your latte. We can hardly be surprised if some of these special variants look pink and sparkly. And as consumers, male or female, our only resort is to keep searching for the products without those frills, literal or otherwise.