

Gender Wage Gap and Public Policy

Origins and Perspectives

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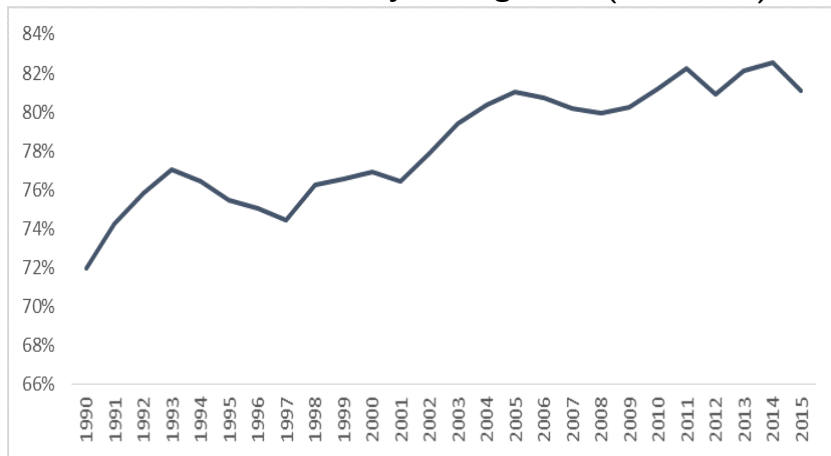
- (1) [▶ https://github.com/gmantas93/assignments](https://github.com/gmantas93/assignments) → Please, click here to see the cover page of our canon (README.md file)
- (2) [▶ https://github.com/gmantas93/assignments/blob/master/Canon.md](https://github.com/gmantas93/assignments/blob/master/Canon.md) → Please, click here to read the whole text in detail

Debate's Questions

- (1) **What is the role of Education in the gender wage gap?**
- (2) **Is it possible to vanish/reduce wage gap only through legislation?**
- (3) **What are yours expectations about the future trend?**

Evolution of the Gender Wage Gap

Women to men's weekly earnings ratio (1990-2015)



Source: Bureau of Labor Statistics, United States

Facts about Gender Wage Gap

- Brief Overview Wage Convergence

- ① Increased participation in both labor force and traditional male occupations
- ② Gender Gap diminished significantly during 1985 – 2000
- ③ During 90's the convergence towards wage parity has slowed down
- ④ In the last ten years Gender Wage Gap less likely to decrease, especially after the financial and European debt crisis

- Why Gender Wage Gap is important?

- ① Persistent and distortive phenomenon
- ② Undesired outcomes for women:
 - (a) Discrimination
 - (b) Systematic undervaluation of their work

Enhanced Pay Equity

Requires active policies and positive measures

Definition of Occupational Segregation

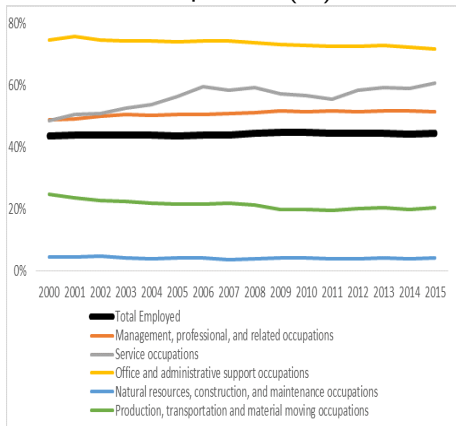
Occupational or employment segregation is an expression for the gendered division of labor in paid employment, where men and women are channeled into different types of occupational roles and tasks

(Hegewisch and Hartmann, 2014)

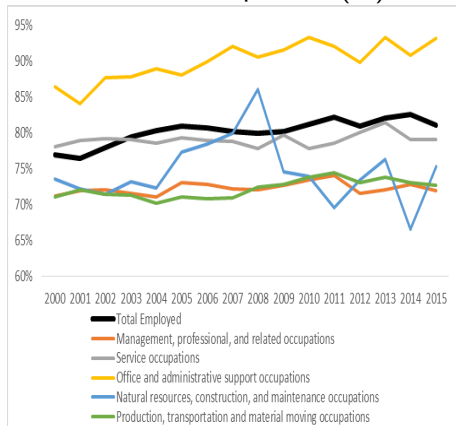
- Labor market splitted into predominant male and female occupations
- Negative correlation between occupational segregation and gender earnings ratio

Women's relevant participation and earnings

Proportion of women in selected occupations (%)



Womens to mens weekly earnings in selected occupations (%)



Source: Bureau of Labor Statistics, United States

Origins of Segregation + an Alternative Explanation

- Occupational segregation can be explained (not entirely) by observable characteristics:
 - ① Skills
 - ② Educational level & background
 - ③ Preferences (e.g. competition)
- Spectrum of Social Norms
 - ① Motherhood \Rightarrow affects **women's choices** and **allocation** through occupations
 - ② '*Potential Mothers*' \Rightarrow affects **employers' behaviour**
- As a result, the family responsibilities seem to be more severe for the professional career of females than their male counterparts

Family Responsibilities and Career: Women vs Men

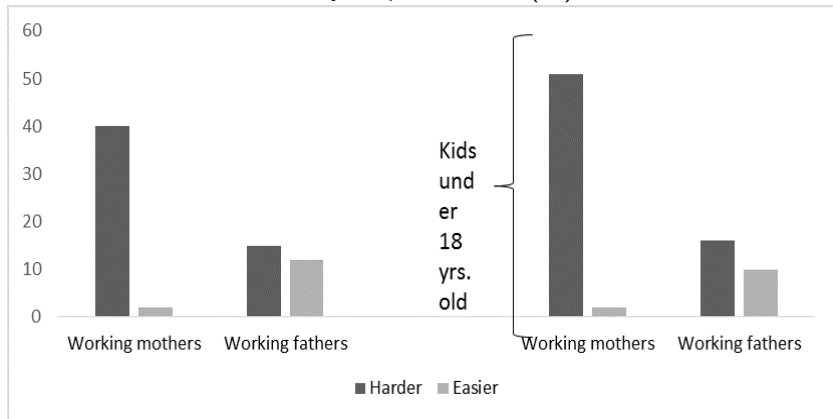
Respondents who have made changes in their professional careers due to family responsibilities(%)



Source: Pew Research Center (2013)

Family Responsibilities and Career: Women vs Men

Respondents who have made changes in their professional careers due to family responsibilities(%)



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Analysis of Causes: Direct Gender Discrimination

Description

From recent studies, direct gender discrimination is a phenomenon that involves nearly all occupational fields (*Hegewisch and Hartmann, 2014*) and deals with implicit social norms.

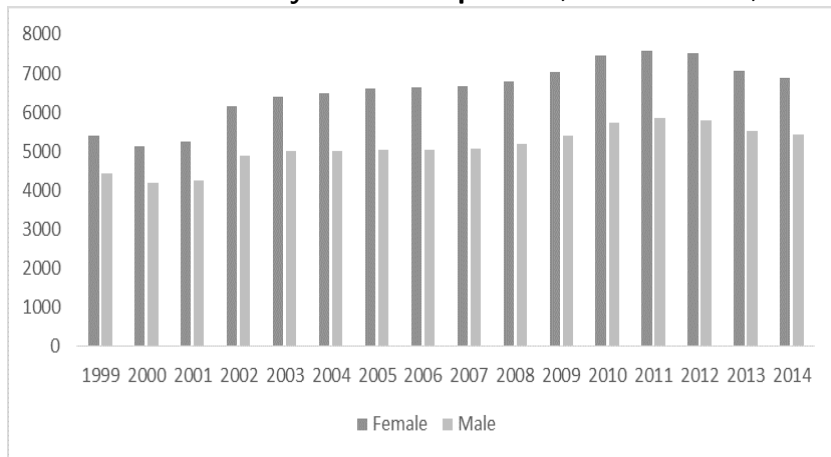
- In fact nowadays, **educational patterns** have changed considerably
- More women complete higher (tertiary) education
- Thus, segregation may be due to entry barriers for women (*Levine, 2004*)
- Still, hard to justify the discrimination, in terms of wages, against women by employers (i.e. taste-based discrimination)

Taste-Based Discrimination

Taste-based discrimination arises when the employer does not like women and feels that (s)he is paying more to his/her female employees than what (s)he is actually paying.

Example of contemporary educational pattern

Enrolment in Tertiary Education per 100,000 habitants, U.S.



Source: UNESCO Institute for Statistics

Detection and Measurement of Direct Discrimination

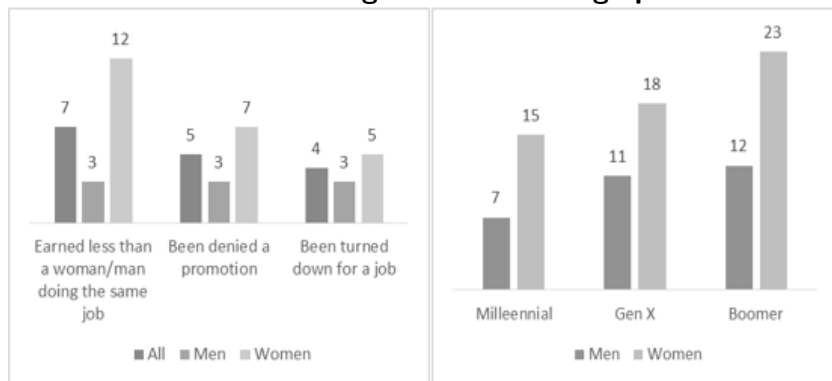
- **Wage-decomposition** approach is needed to measure discrimination
- It can be used for various fields or sectors
- This method is able to unveil:
 - ① *Explained Gap*: Originated by observable characteristics such as skills, level of education, work experience etc.
 - ② *Unexplained Gap*: Commonly interpreted as an estimate of the discrimination on womens earnings.

Example

Hill (2014) found that there is a 7% **unexplained wage gap** between the earnings, in the year after graduation, of male with respect to women and that it jumps to 12% after 10 years, however, this gap cannot be justified by any statistical reason.

Intuitive figures for the Direct Discrimination

Discrimination due to gender and demographic cohort



Source: Pew Research Center

- ① *Millennial*: Early 1980's → early 2000's
- ② *Gen X*: Early 1960's → late 1970's
- ③ *Boomer*: 1946 → 1964

Discrimination Is IRRATIONAL

Does discrimination constitutes an optimal decision for firms?

According to Noland et al. (2016), the inclusion of women in higher positions increases the firms performance and skill base, giving room for further growth.

Example

- Weber and Zulehner (2009) carried out an analysis of start-ups survival rates based on the **share of female employees**.
- Results showed: firms which employ more women in their workforce compared to the industry's average, **tend to have higher survival rates**.

Nonetheless, it is hard to find an objective reason to justify:

- 1 Why women kept out from certain occupations
- 2 Wage differences

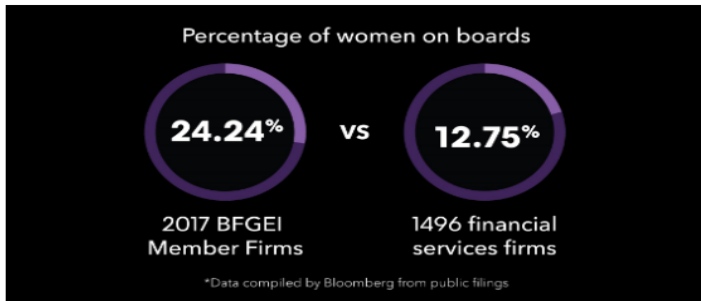
Progress of Deutsche Bank



Deutsche Bank @DeutscheBank

6d

Our progress in [#GenderEquality](#): 35% of our Supervisory Board and 2 of 11 Board members are female. [@Bloomberg](#) Gender-Equality Index 2017



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Source: Deutsche Bank's Twitter Account

Gender Wage Gap and the Role of Public Policy

- Introduction of public policies to ameliorate the Gender Wage Gap and Discrimination
- Comparable worth policies: People with equivalent jobs \Rightarrow Should earn the same wage
- However, comparable worth analysis **not always applicable**
- Potential feasible policy tools:
 - ① Minimum wage in female-dominated jobs
 - ② Parental leave policies
 - ③ Seminars for employers
 - ④ **Quotas**

Examples

- US Office of Personal Management publishes salaries of Federal employees \Rightarrow reduction of gender gap & better working environment
- White House Equal Pay Pledge (2009) \Rightarrow private firms commit equal payments \rightarrow Adopted by: Facebook, American Airlines, General Motors, Apple

Concentration: Quotas as Policy Tool

Definition

In the context of gender inequality in the labor markets, it simply implies that a **fixed percentage** of job-positions being reserved for women

Why Quotas are necessary?

- Augment participation of women in the workforce
- Increased participation \Rightarrow diminishes issues like:
 - ① Unequal pay
 - ② Sexual harassment
- Effective without negative sequences (*Balafoutas and Sutter, 2010*)
- **Caveat:** Effectiveness not guaranteed because economic experiments try to replicate reality with workplace scenarios

Policy-makers and ways of Inequality Alleviation

From the policy-makers' perspective, there are **two possible arguments** that serve as a form of reasoning to **alleviate inequality and discrimination**:

- ① Ensuring equality of income: All involved groups end up with same outcome—also called “last stage policy” (e.g. Quotas)
 - ② Ensuring equality of opportunity: This form of reasoning seeks to treat inequality in the first place
- In general, equalizing opportunities is preferable to equalizing outcomes, purely because the underlying causes of inequality are also treated (*Roemer and Trannoy, 2013*).
 - However, the **reason** why one might try and **balance outcomes** is because **opportunities are actually not equal and to change them is beyond the bounds of policy**. (*Phillips, 2005*).

Implications of Quotas in Politics and Private Corporations

Examining the consequences of quotas through **two** real life scenarios:

- ① Political leadership – The UN-led Beijing Declaration and Platform for Action adopted by the Fourth World Conference on Women: Action for Equality, Development and Peace (15 *September* 1995)

Outcomes:

- Increased representation of women in decision—making
 - Improved attitudes of both political leaders and voters
 - Less need for quotas in the long run
- ② Corporate board leadership — Having quotas for women in the corporate workplace is relatively novel.

Outcomes:

- More women in leadership positions
- Better short-term performance (*Ford and Pande, 2011*)

Norway, Germany and Spain → successful examples of mandatory gender based quotas

Conclusion

- Even though women have made considerable progress, they are still paid less than men
- Discrimination contributes to the persistent pay disparity
- Discrimination is irrational from economic point of view
- Further research on effective policies is needed
- Apparently, pay parity between both genders will benefit the society

Example

Costa and Silva (2008) constructed an economic model which predicts that by **diminishing gender wage gap and increasing participation of women** in the labor market will have positive effects for the whole economy:

- ① Economic growth
- ② Alleviation of poverty
- ③ Reduction of inequality

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