The gender wage gap

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Presentation to Government Equalities Office
21st September 2016
Introduction

• Will present main results from a recent IFS Briefing Note
  www.ifs.org.uk/publications/8428

• Sets out
  • What has been happening to the gender wage gap
  • How it relates to family formation and career patterns

• A relatively simple first step
  • Part of bigger project in which we estimate an economic model linking men’s and women’s career patterns, child-rearing and wage dynamics
  • Main output will be next year
Gender gaps in earnings and wages

‘Young’ adults are defined as aged 22-35.
Hourly wages for men and women over time
All employees, real terms (January 2016 prices)

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All else equal we would expect a falling gender wage gap due to trends in education...
...so fall in gap less impressive once you compare similarly-educated people
Tracing the gap by age, comparing people born in different decades (‘birth cohorts’)
Again can see that a continuing fall in the gap is driven only by the lowest-educated

Gender wage gap widens over the lifecycle
Association between age and wages breaks down for women in their 30s

Important note: these are in constant wage terms (effects of economy-wide wage growth are stripped out)
The arrival of children has a lot to do with this

Wage gap around childbirth for those who have children

British Household Panel Survey, 1991-2008
Breaks in careers are one factor, unsurprisingly
Employment rates before and after birth of first child

BHPS 1991-2008

GCSEs

A levels

Degree

Men  Women
Time spent out of paid work associated with lower wages when returning

• Take women who are observed moving out of paid work and then later moving back in to paid work
• Of these, compare women whose career gaps were of different lengths
  • Controlling for past work experience
• How does the length of gap relate to the change in hourly wages between before/after the gap?
• Answer:
  • Each extra year out is associated with 2% lower wages when returning
  • But this association is essentially zero for the low-educated...
  • ...and 4.5% per year for those with A-levels and graduates
• Makes sense because the low-educated have less wage progression to miss out on
What about reduced hours of work?

Proportion of men/women in half-time work ($\leq 20$ hours per week)

**GCSEs**

- Years before/since birth of first child
- Proportion: Men (orange) vs. Women (blue)

**A levels**

- Years before/since birth of first child
- Proportion: Men (orange) vs. Women (blue)

**Degree**

- Years before/since birth of first child
- Proportion: Men (orange) vs. Women (blue)

BHPS 1991-2008
A ‘part-time wage penalty’ is an important part of the gender wage gap

- But does **not** appear to be an instantaneous effect of PT work
  - Women who switch from FT to PT work do not see immediate fall in hourly wage: actually grows quicker than those who stay FT
- Story is more subtle
  - Working PT is associated with lack of wage *progression*
- On average, women working > 20 hours see real wage growth (over and above economy-wide growth) of 3% per year for low-educated and 4% per year for high educated
  - These growth rates reduce to zero (for all education groups) for those working few hours

- PT workers earn less than FT workers not because they work PT now, but because more likely to have worked PT in the past
Questions we are considering for further work

• Precisely how much of the gender wage gap can we explain from differences in accumulated (PT and FT) experience?
  • related to that, how much due to childbearing
  • estimating an economic model to get causal effects

• What is behind the lack of wage progression for PT workers?
  • may be able to incorporate ‘monopsony power’ in our modelling
  • a parallel project looking at role of training

• Differences between full-time workers (40 hours vs 70 hours)
• The role of occupational differences (hard to do really well!)
• Using our estimated model to identify drivers of past changes in gender wage gap for different education groups