

The gender wage gap

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Introduction

Will present main results from recent research

- Summarised in accessible Briefing Note: "*Wage progression and the gender wage gap: the causal role of hours of work*"
www.ifs.org.uk/publications/10358
- Detailed in technical Working Paper:
www.ifs.org.uk/publications/10356

Builds on some initial descriptive work on the gender wage gap, family formation and career patterns over the lifecycle, which we published and presented here in late 2016

- The main extension is that we have now estimated the *causal* role of employment experience in driving gender wage gaps over the lifecycle

Main aims of this research

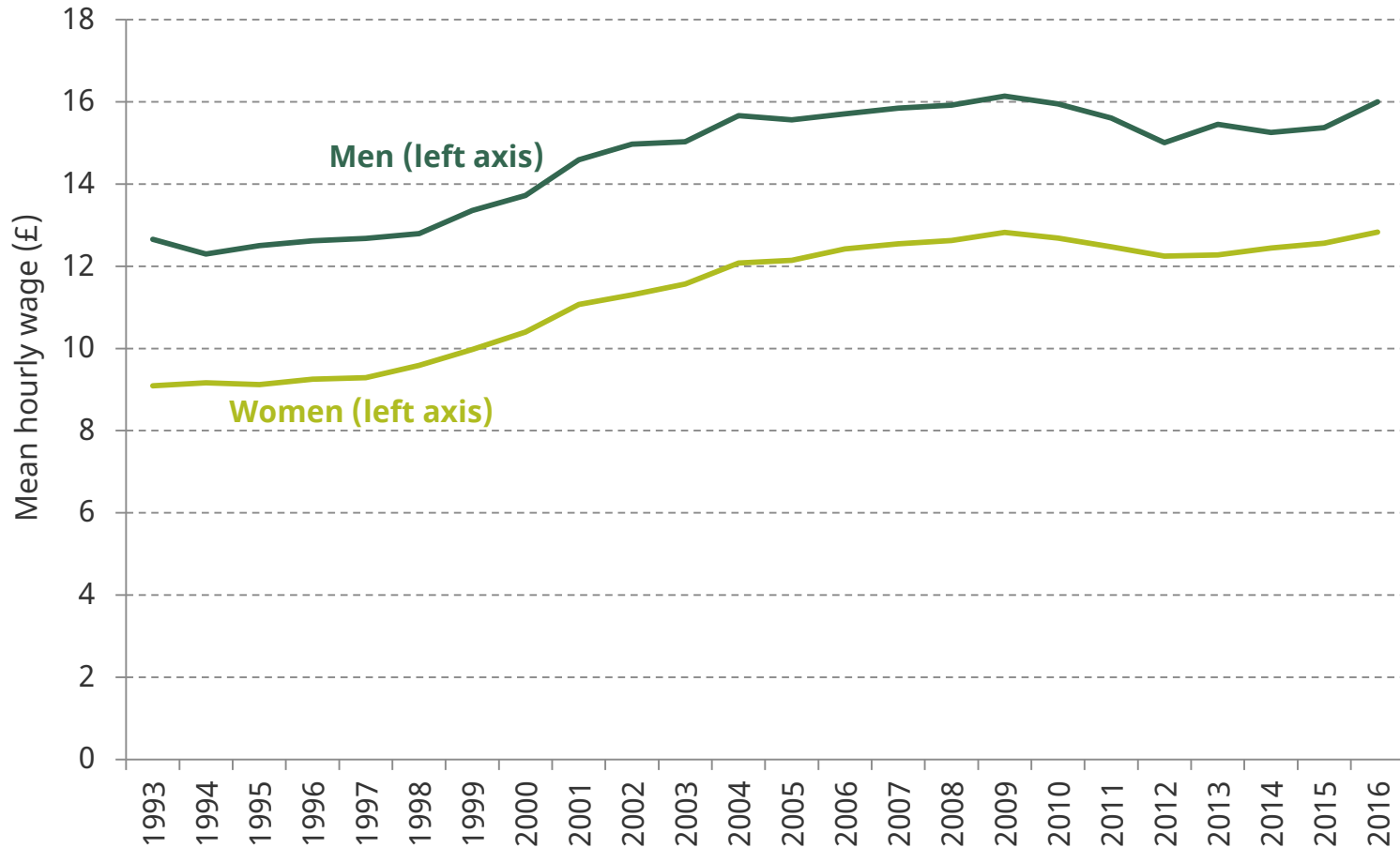
- 1. Isolate the *causal* role of full-time and part-time experience in determining the wages of men and women**
- 2. Draw out the implications for what experience differences can and cannot explain about the gender wage gap over the life cycle**
- 3. Examine how this differs between the top and bottom ends of the labour market (proxied by education level)**

This is part of a wider ongoing research agenda at IFS on the gender pay gap and wage/career progression in general

- Will briefly come back to this at the end

Context (1): the hourly wage gap over time

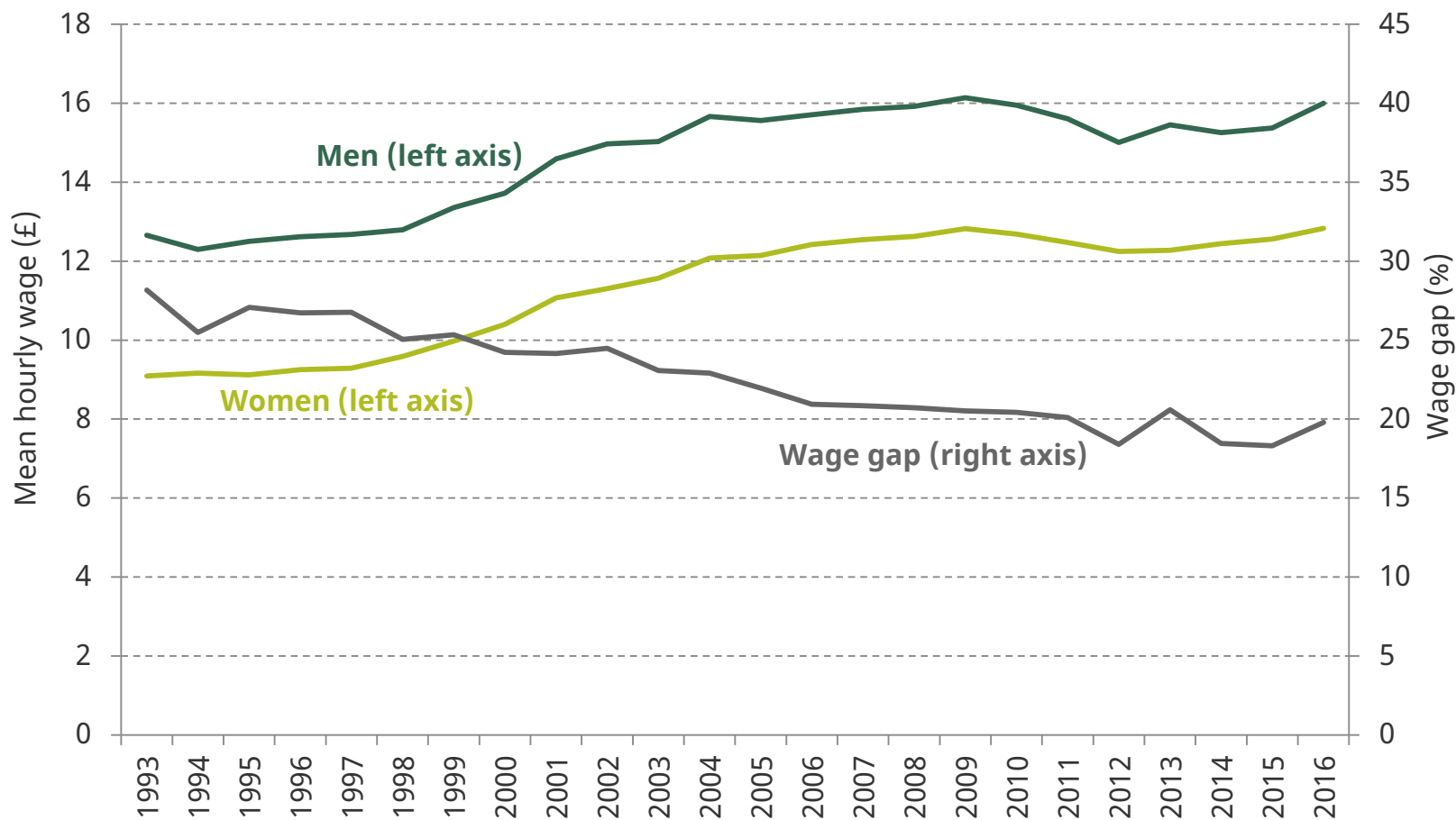
All employees, real terms (January 2016 prices)



Labour Force Survey, 1993-2016

Context (1): the hourly wage gap over time

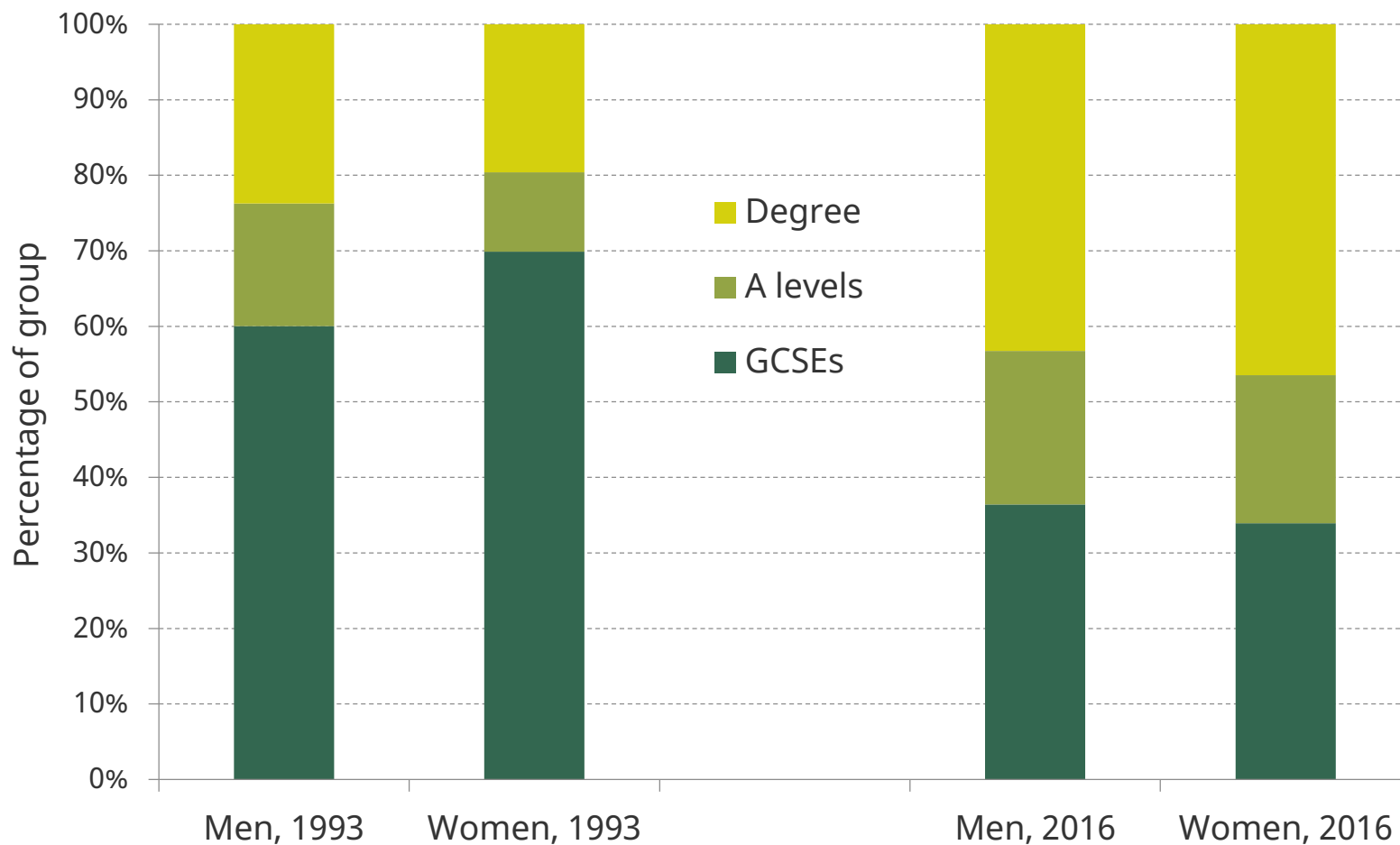
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Labour Force Survey, 1993-2016

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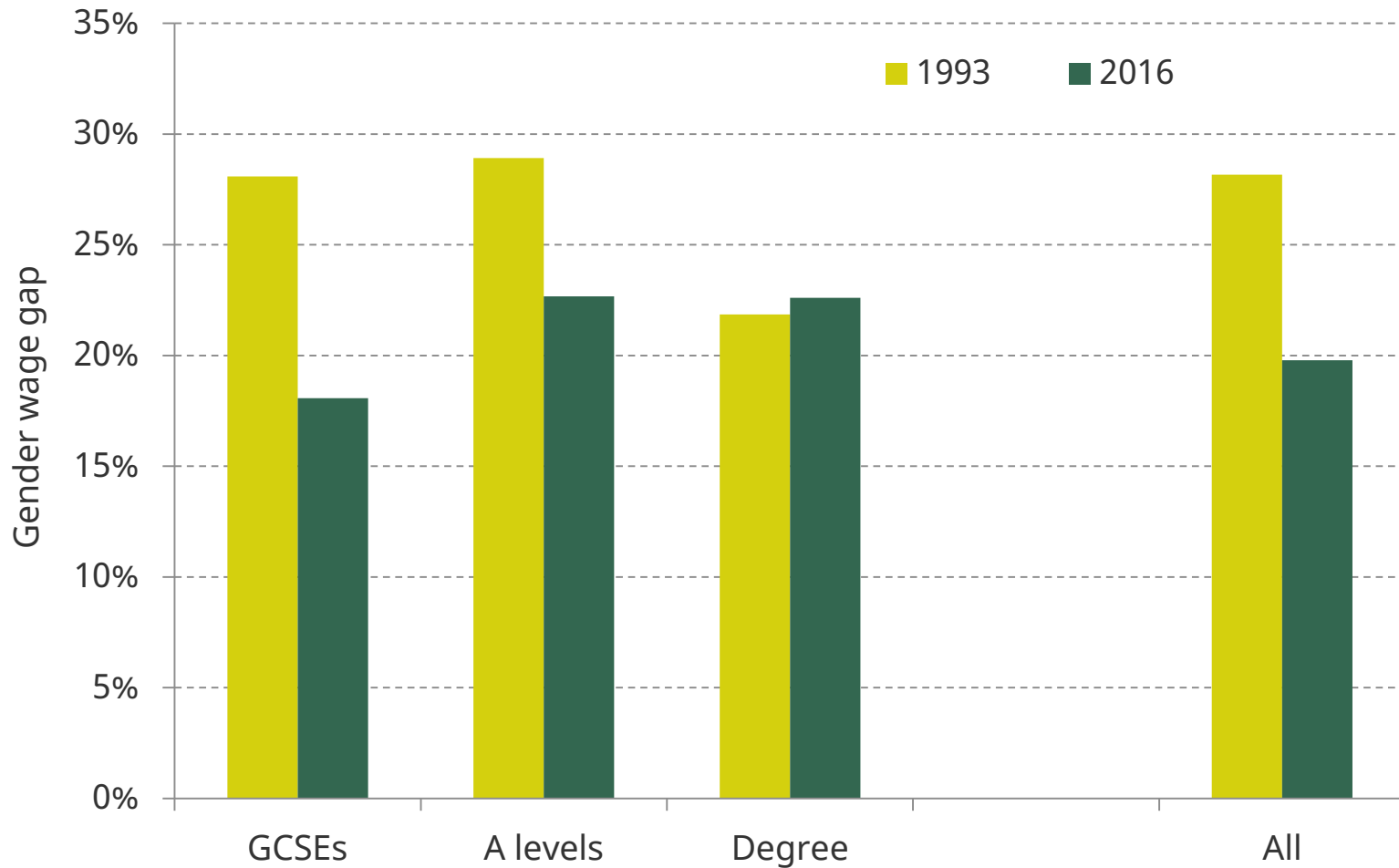
Context (2): Women's education levels have been increasing especially rapidly



Labour Force Survey, 1993 and 2016

From Figure 1 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

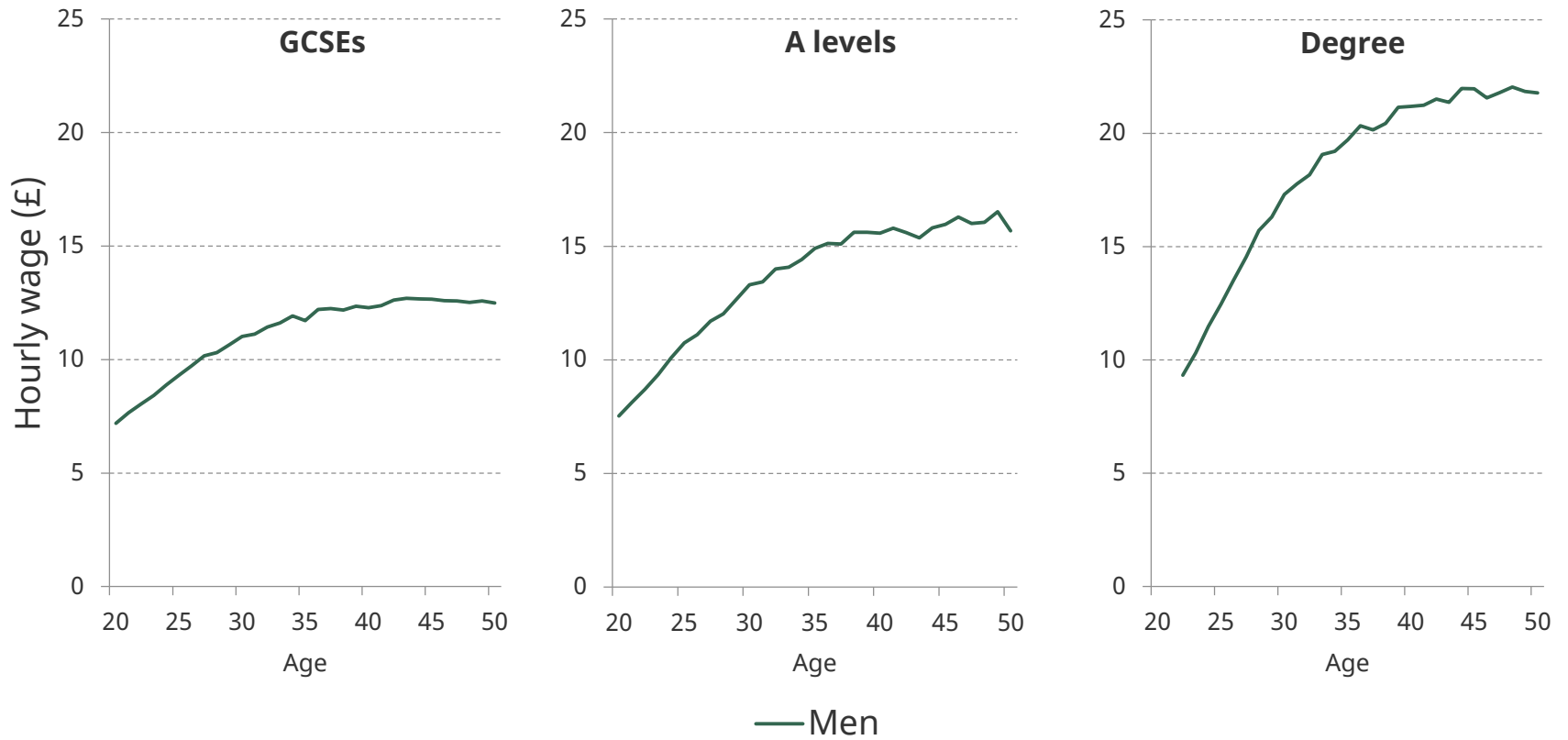
Context (3): Falls in gender wage gap confined to lower-educated groups; they now exhibit the smallest gap



Labour Force Survey, 1993 and 2016

From Figure 1 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

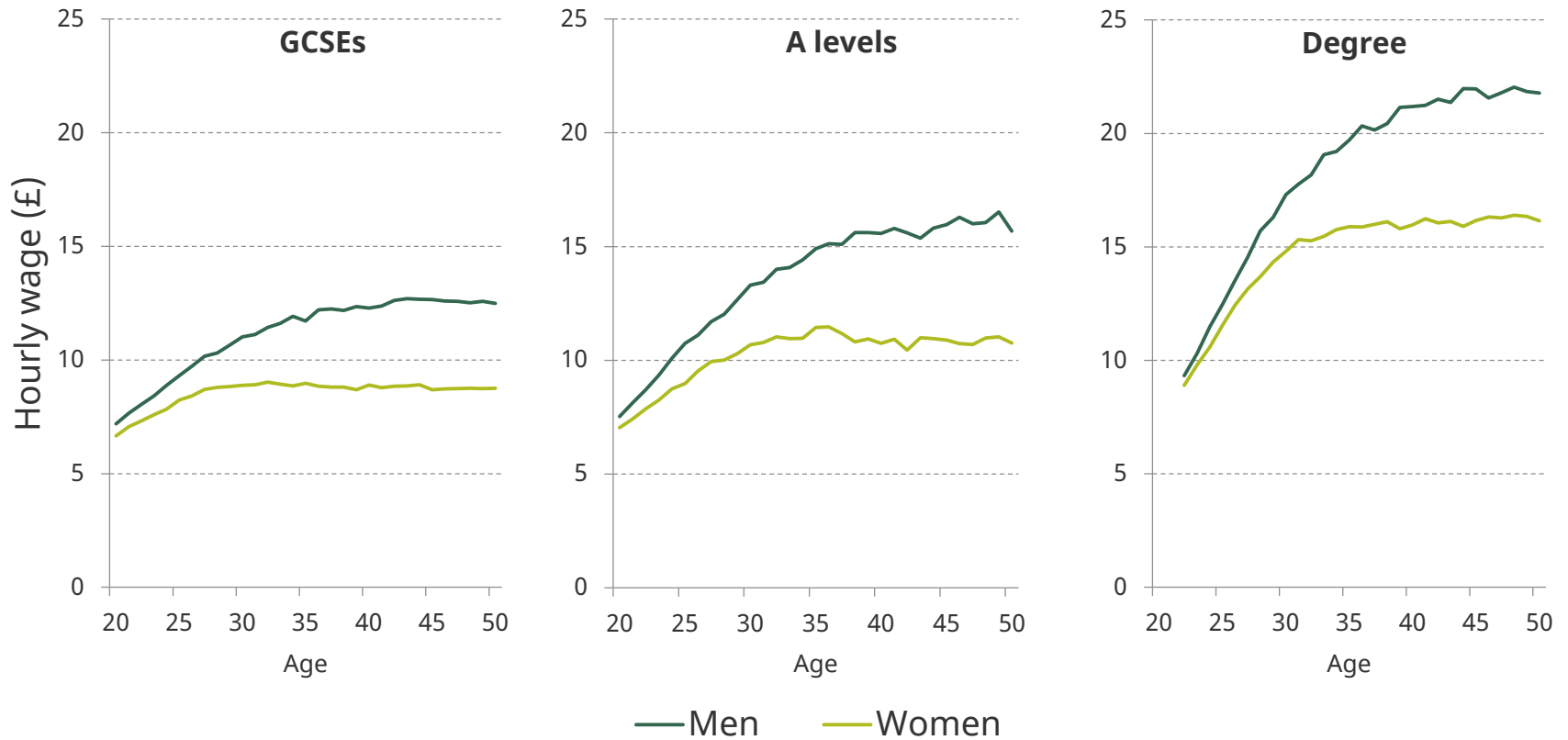
A lifecycle view of wages is an important starting point for understanding inequalities...



LFS 1993Q1-2017Q2

From Figure 4 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

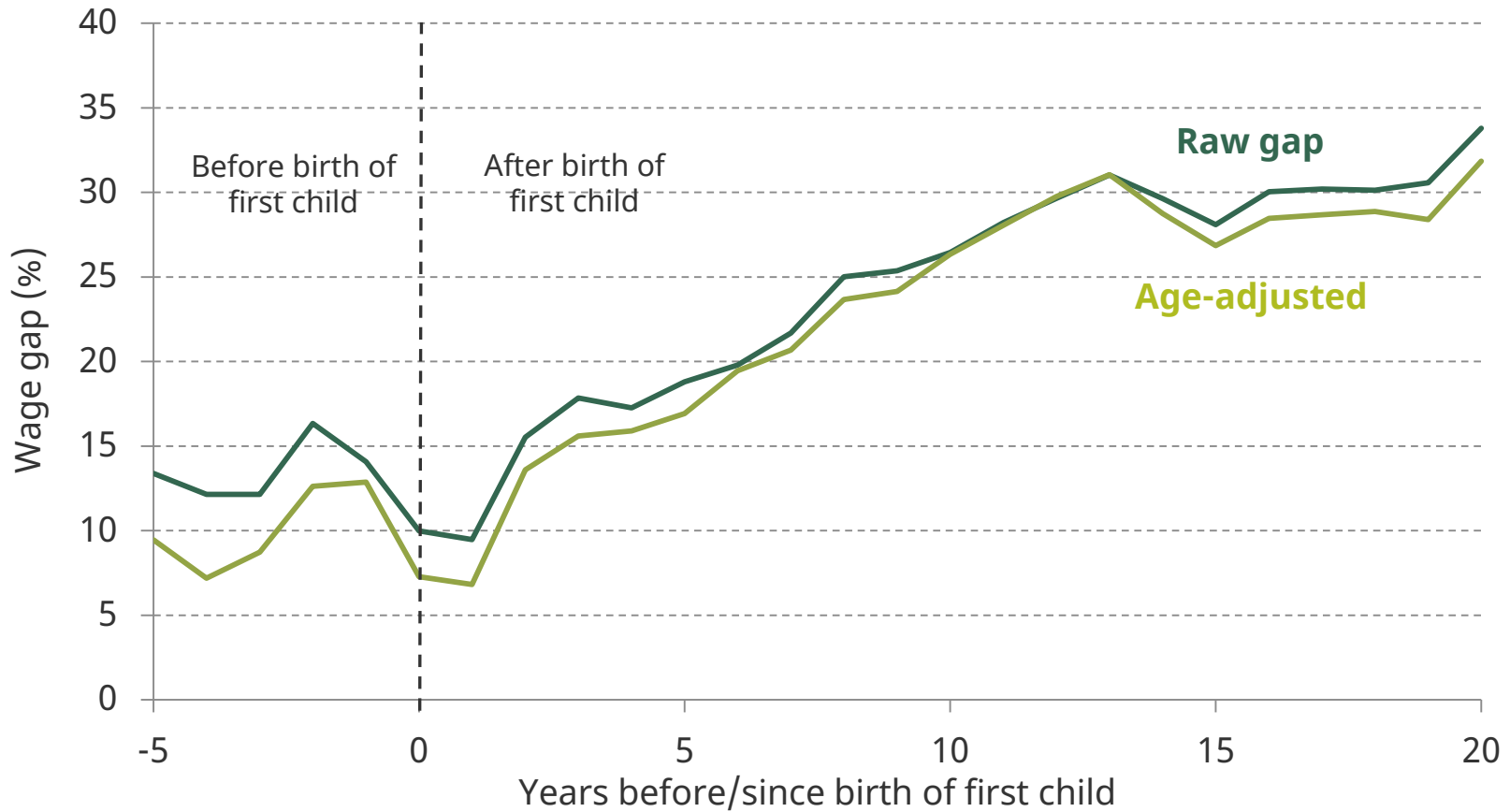
...because differences in progression are key



LFS 1993Q1-2017Q2.

From Figure 4 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

Arrival of the first child is a turning point: not via any sudden jump in the gap, but because it is the start of a long, gradual widening

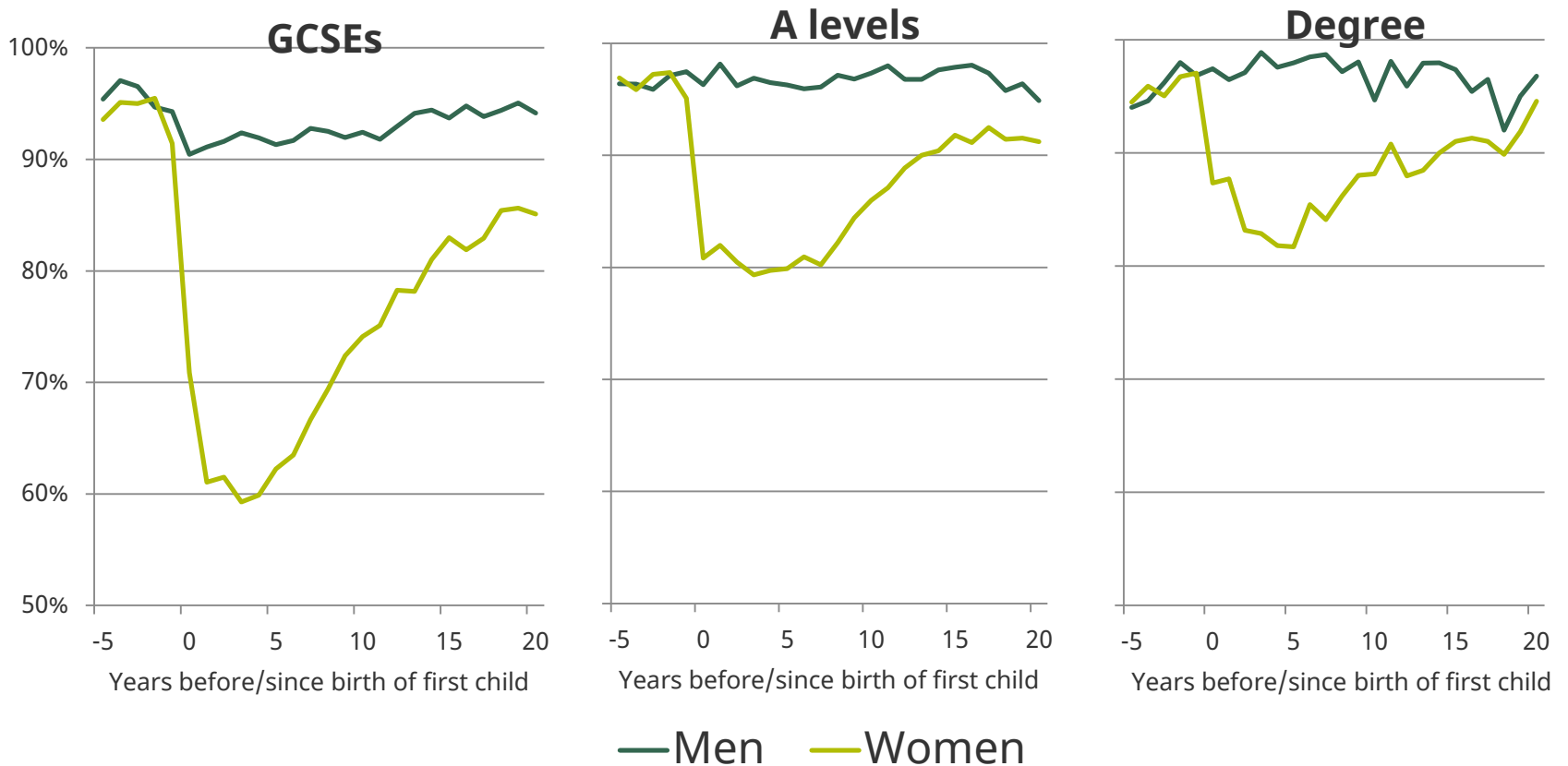


BHPS 1991-2008 and Understanding Society 2009-15.

From Figure 5 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

Female employment dips sharply after childbirth and this is very persistent; especially for low educated

Proportion of men and women in paid employment

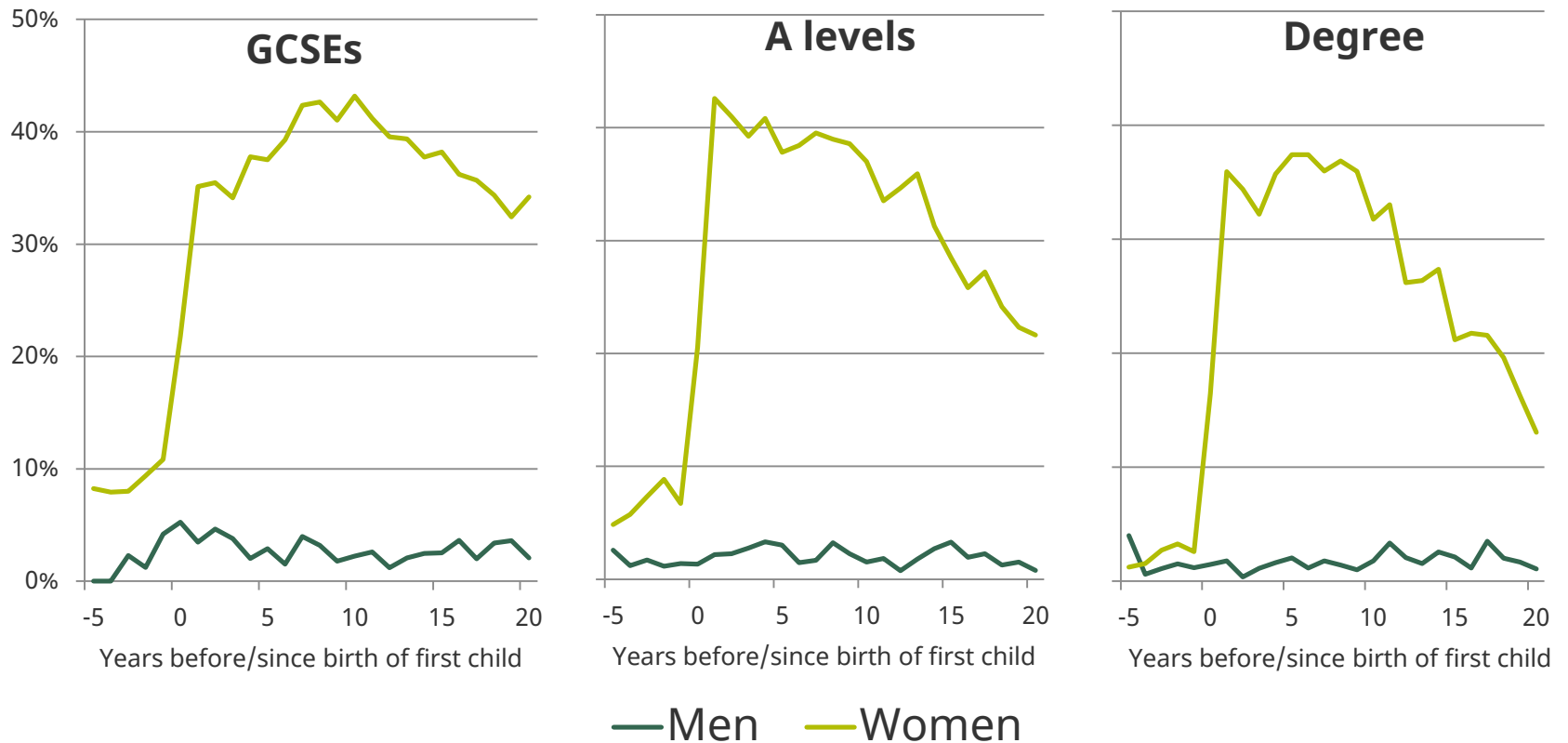


BHPS 1991-2008 and Understanding Society 2009-15

From Figure 6 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

Hours of work are crucial to the story too

Proportion of men and women in part-time paid work

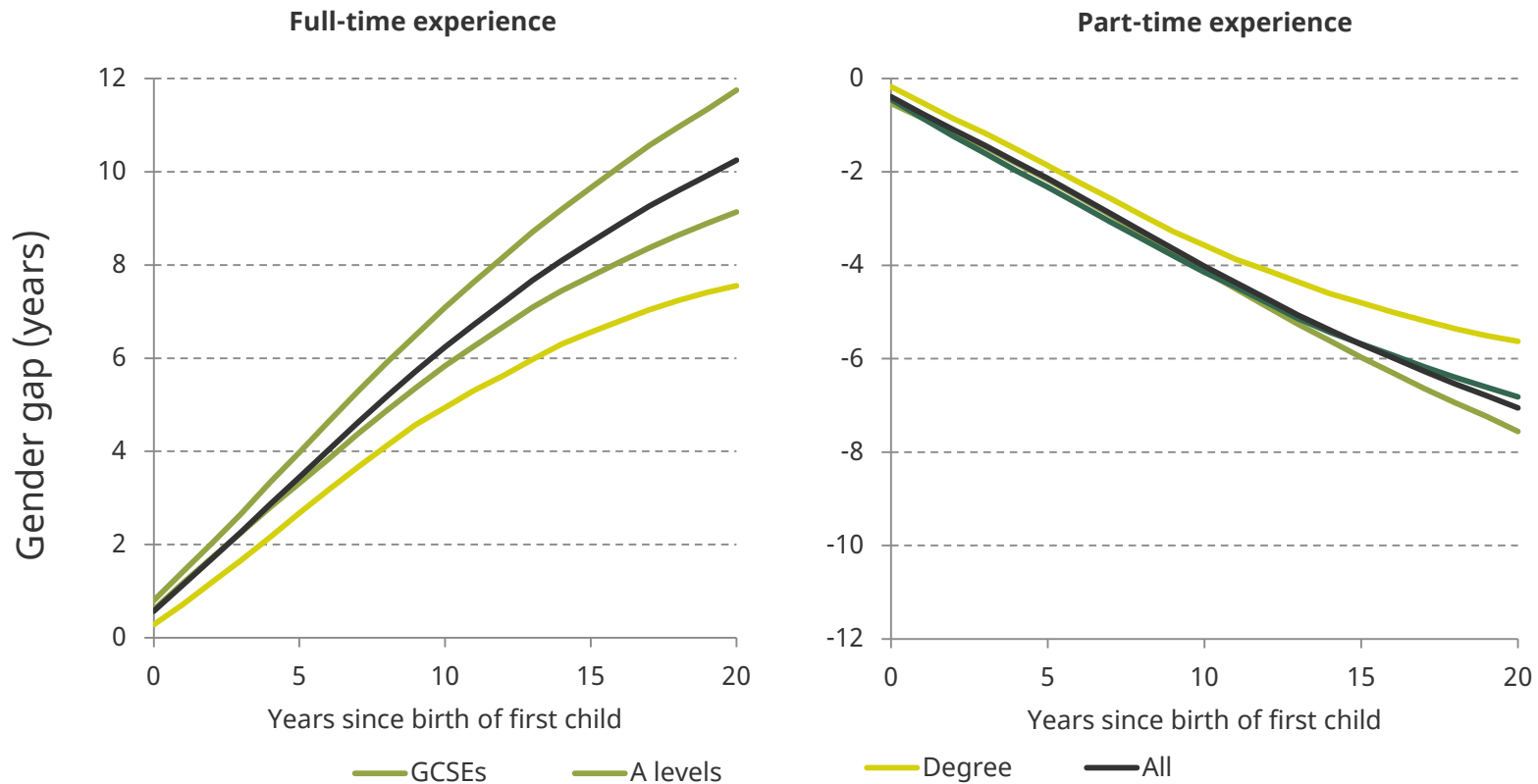


Part-time work is defined as no more than 25 hours per week.

BHPS 1991-2008 and Understanding Society 2009-15

From Figure 7 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

Result is a gradual widening of experience gaps after childbirth, similar to evolution of the wage gap Especially full-time experience



Part-time work is defined as no more than 25 hours per week.

BHPS 1991-2008 and Understanding Society 2009-15

From Figure 8 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

We focus on properly understanding the effects of experience on the wage gap

To know how much experience accounts for the gender wage gap, need:

- 1) Differences in experience between men and women (easy)
- 2) The effect of experience on wages (hard)

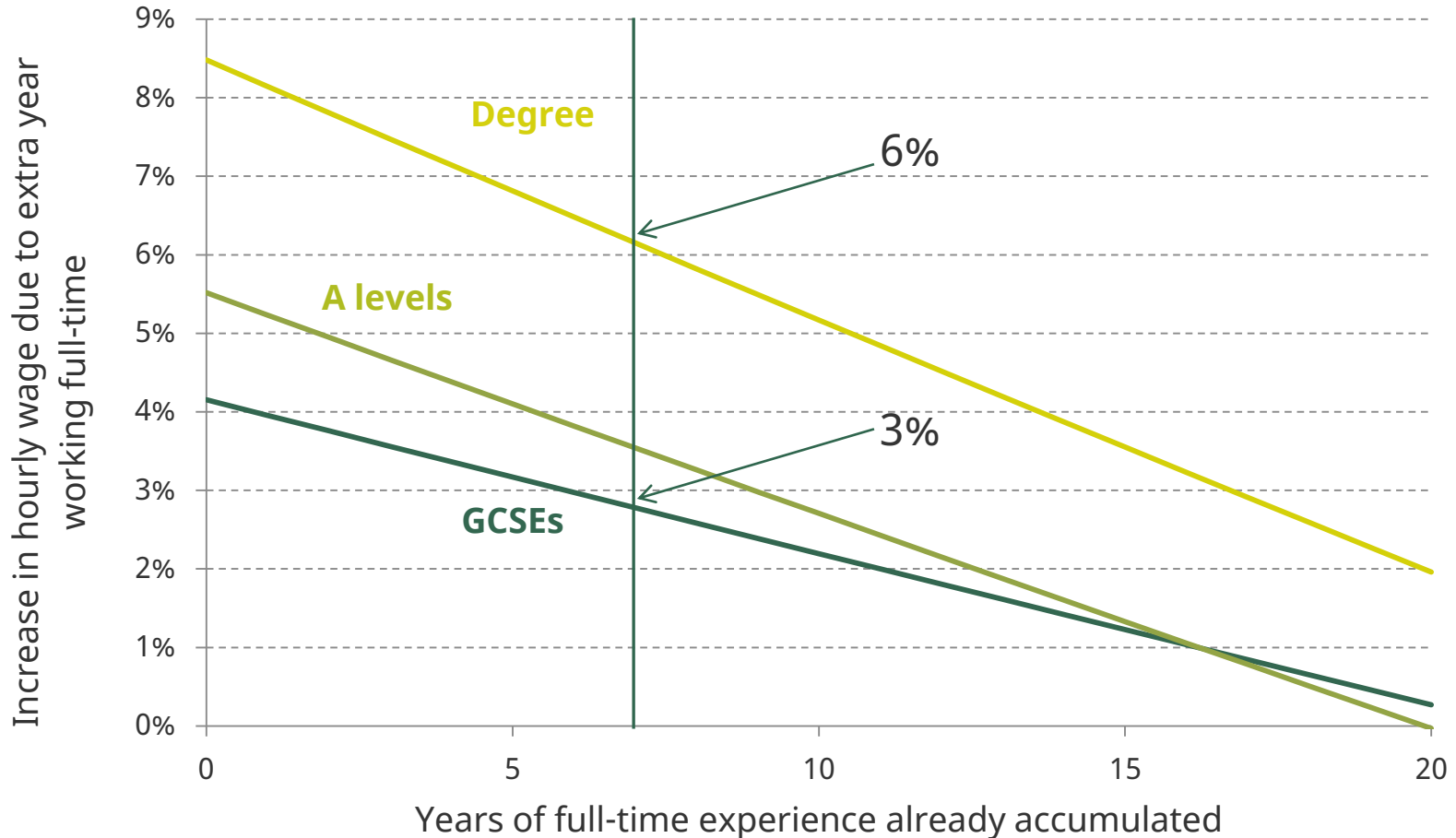
We have a standard “correlation vs causation” issue

- People with different experience might differ in other ways (e.g. ability)

Effectively, we exploit tax-benefit reforms to get around this problem

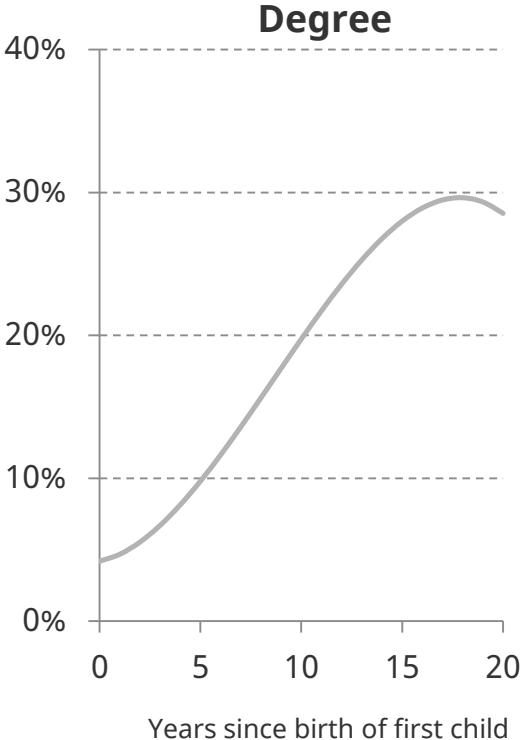
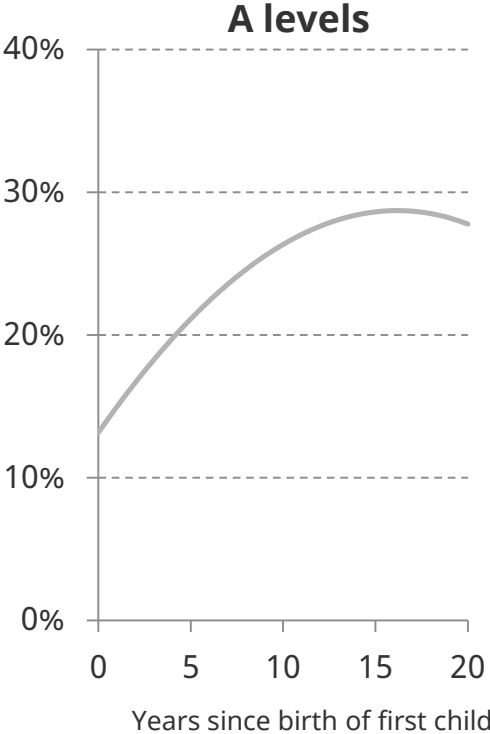
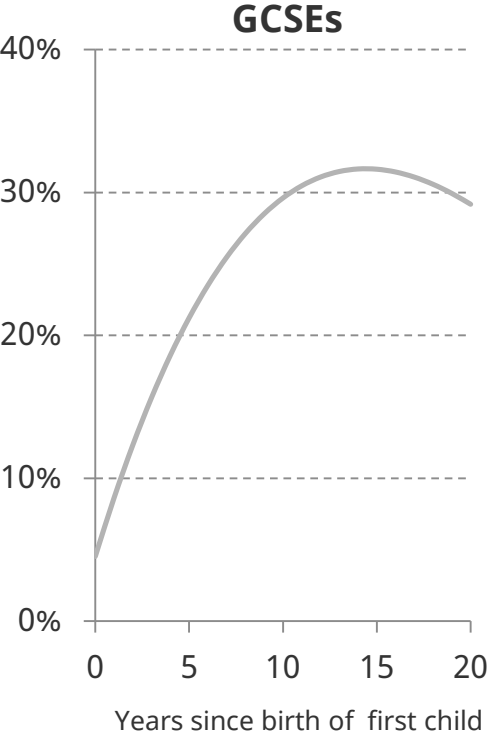
- Intuition: these change incentives to acquire experience (i.e. to work different numbers of hours) without changing things like ability – so if they affect wages down the line, this can be attributed to experience
- See working paper for details!

Full-time experience has big causal effect on wages – esp. for graduates



From Figure 11 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

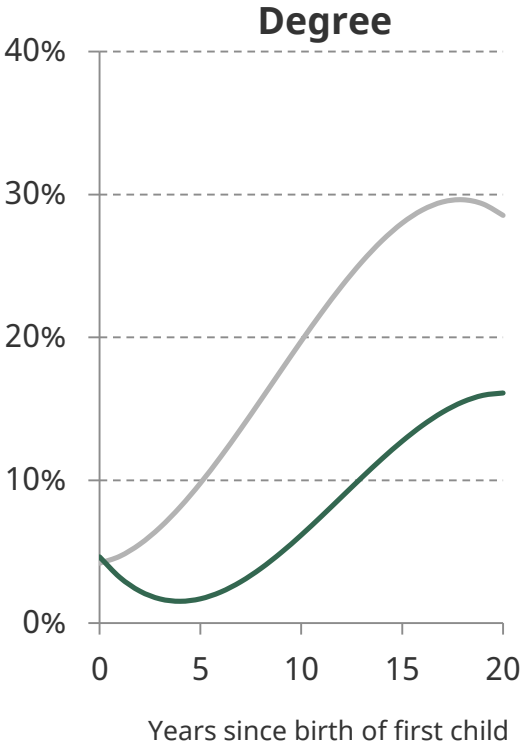
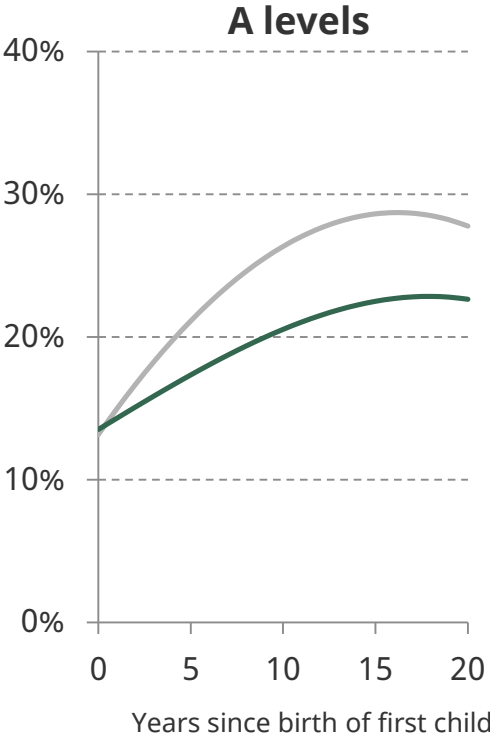
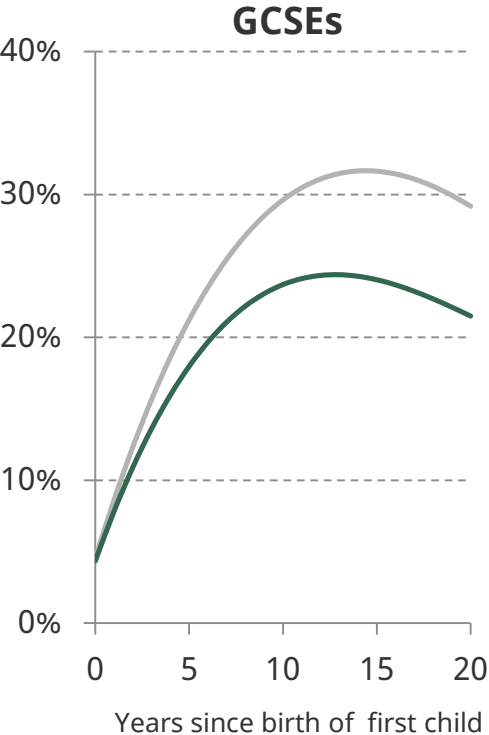
So what might gender wage gap be without these differences in hours of work after childbirth?



— Actual

From Figure 12 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

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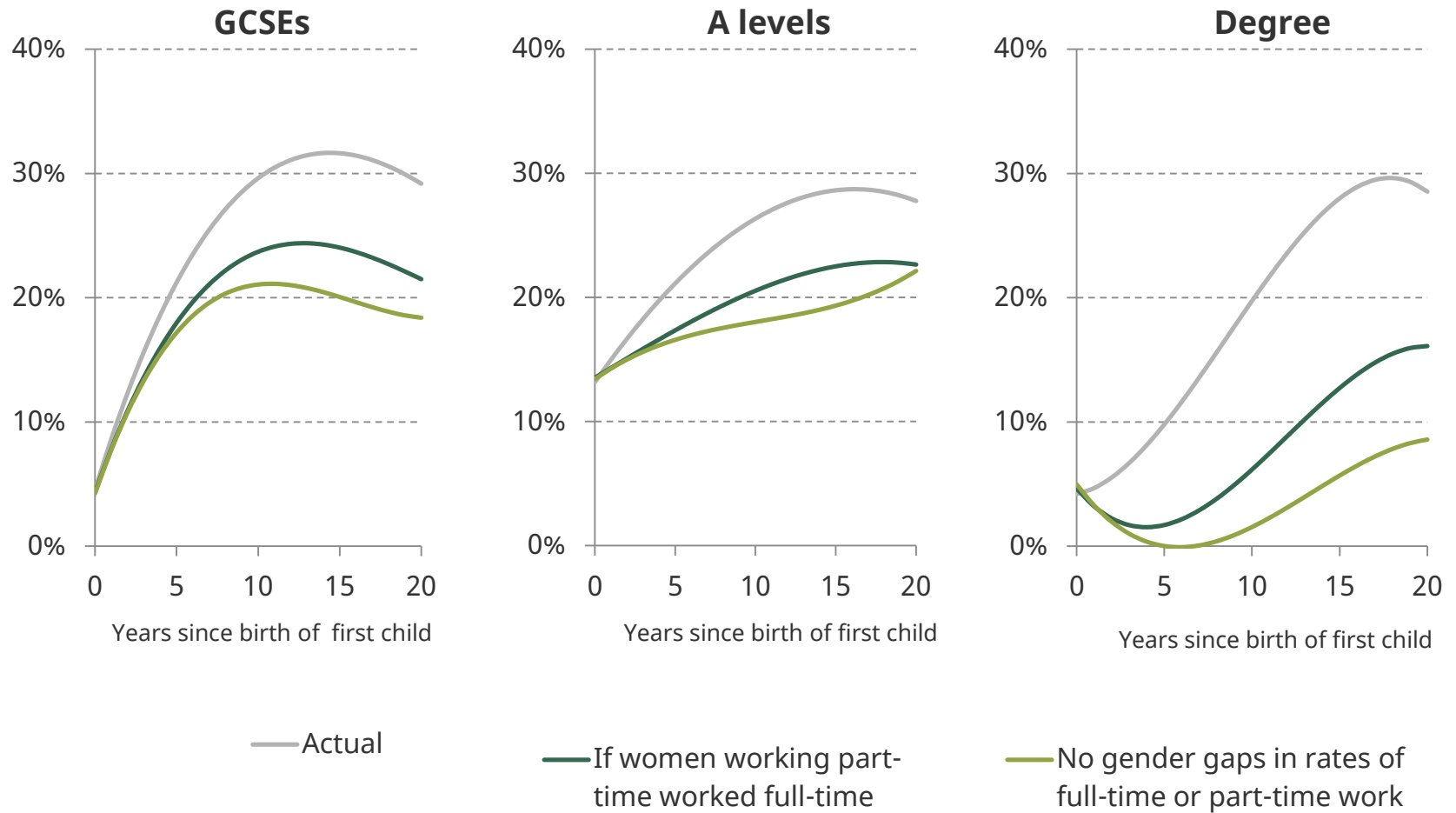


— Actual

— If women working part-time worked full-time

From Figure 12 of www.ifs.org.uk/uploads/publications/bns/BN223.pdf

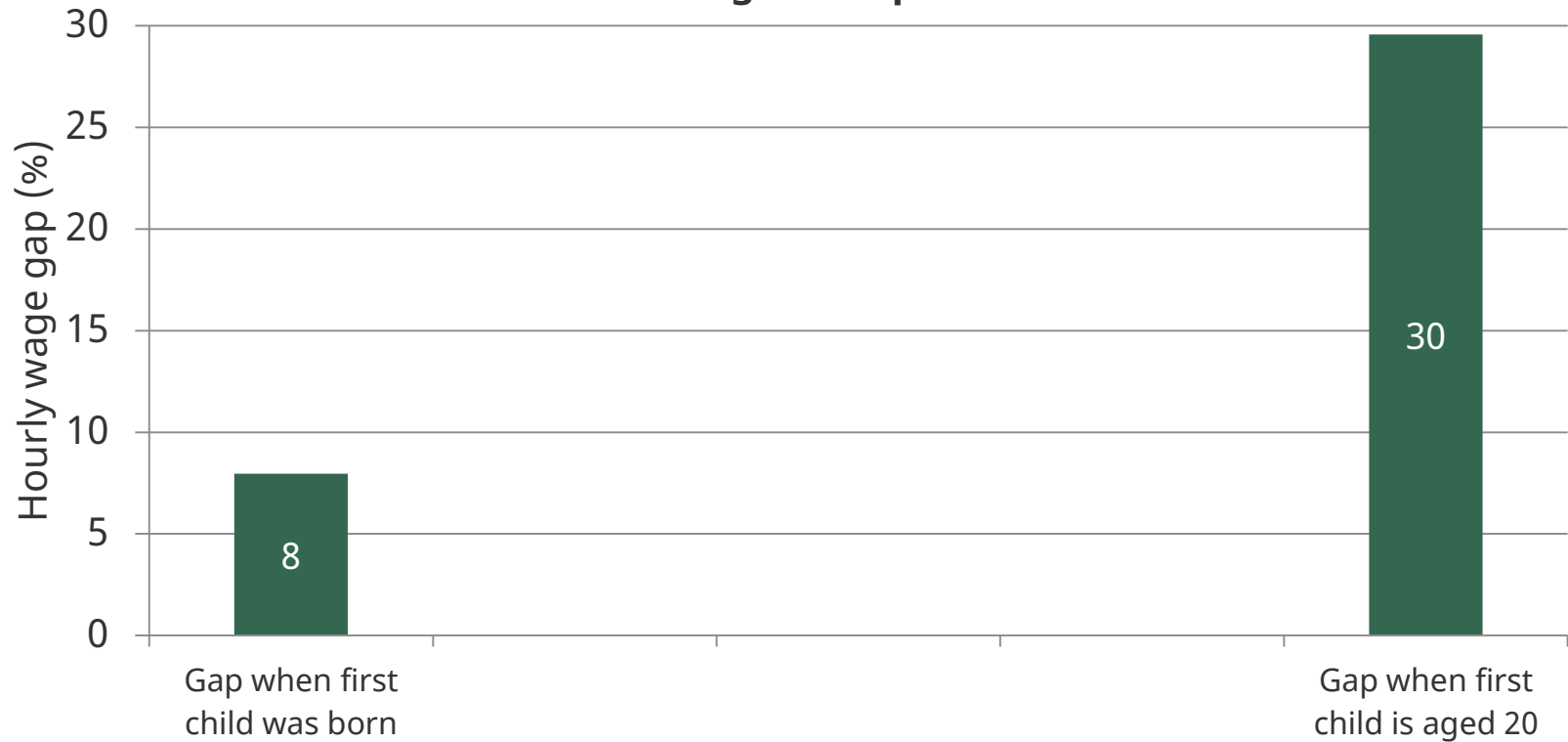
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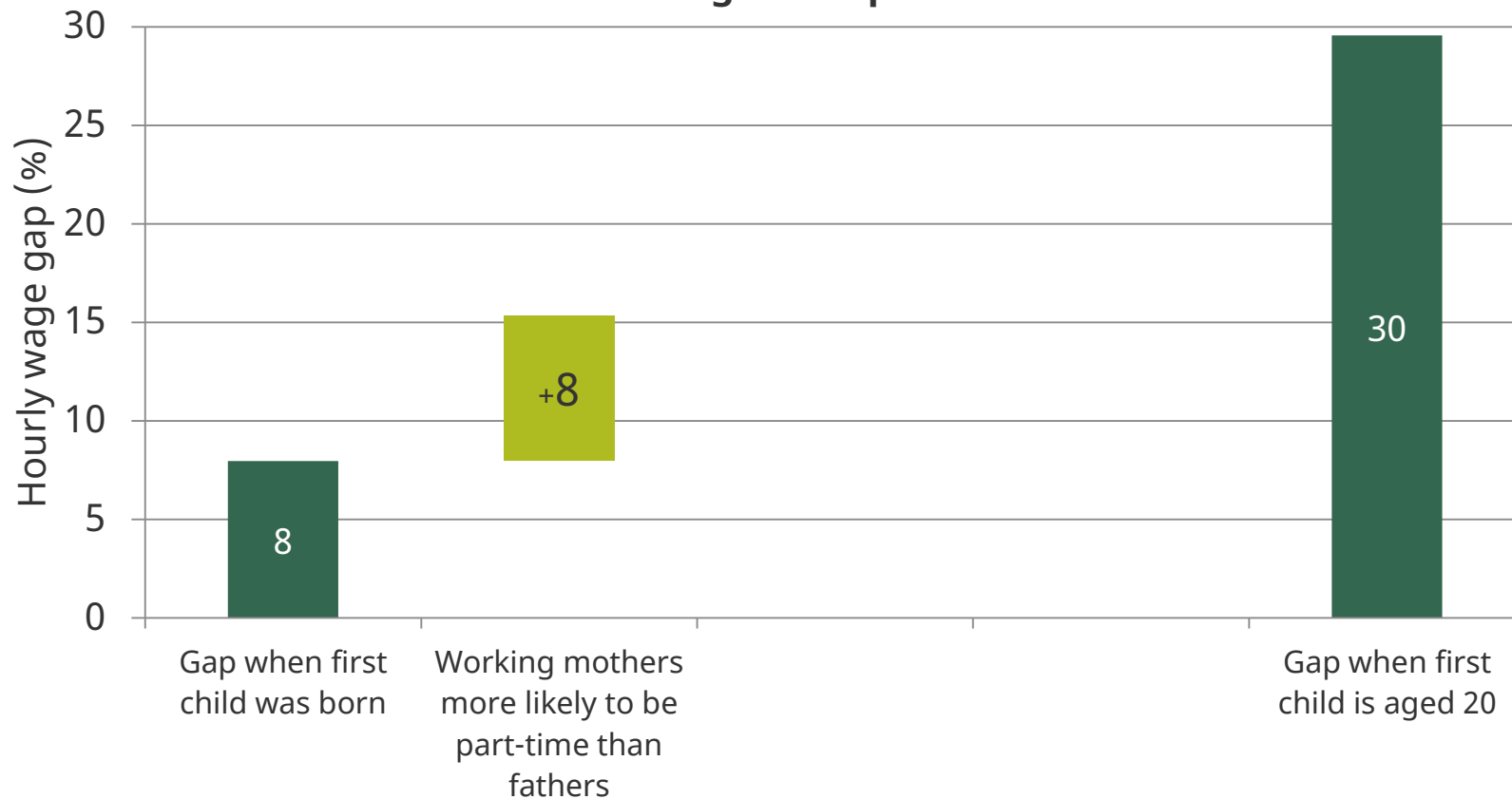
Putting that another way...

Decomposing the difference in hourly wages between mothers and fathers once the first-born child is grown up



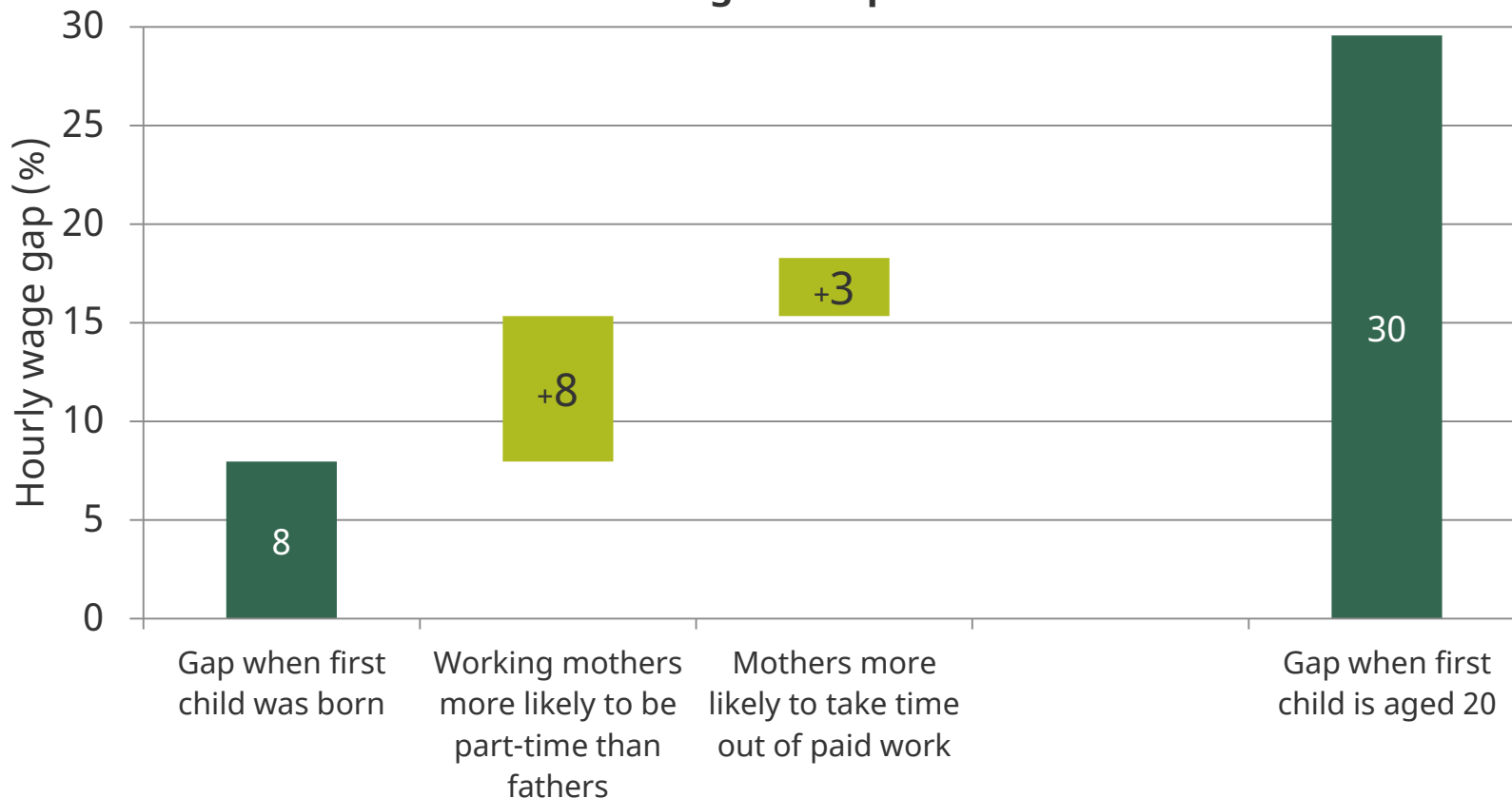
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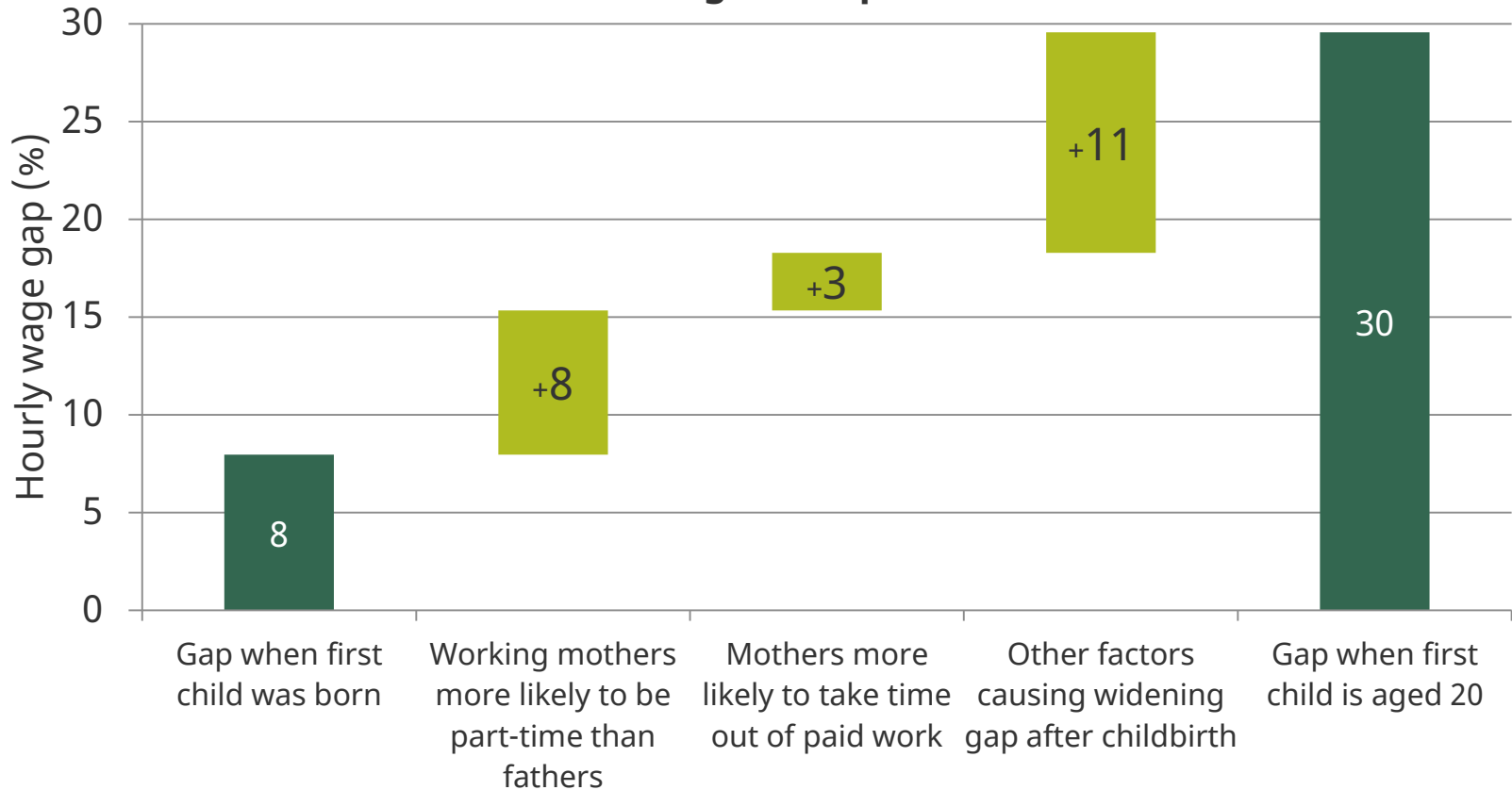
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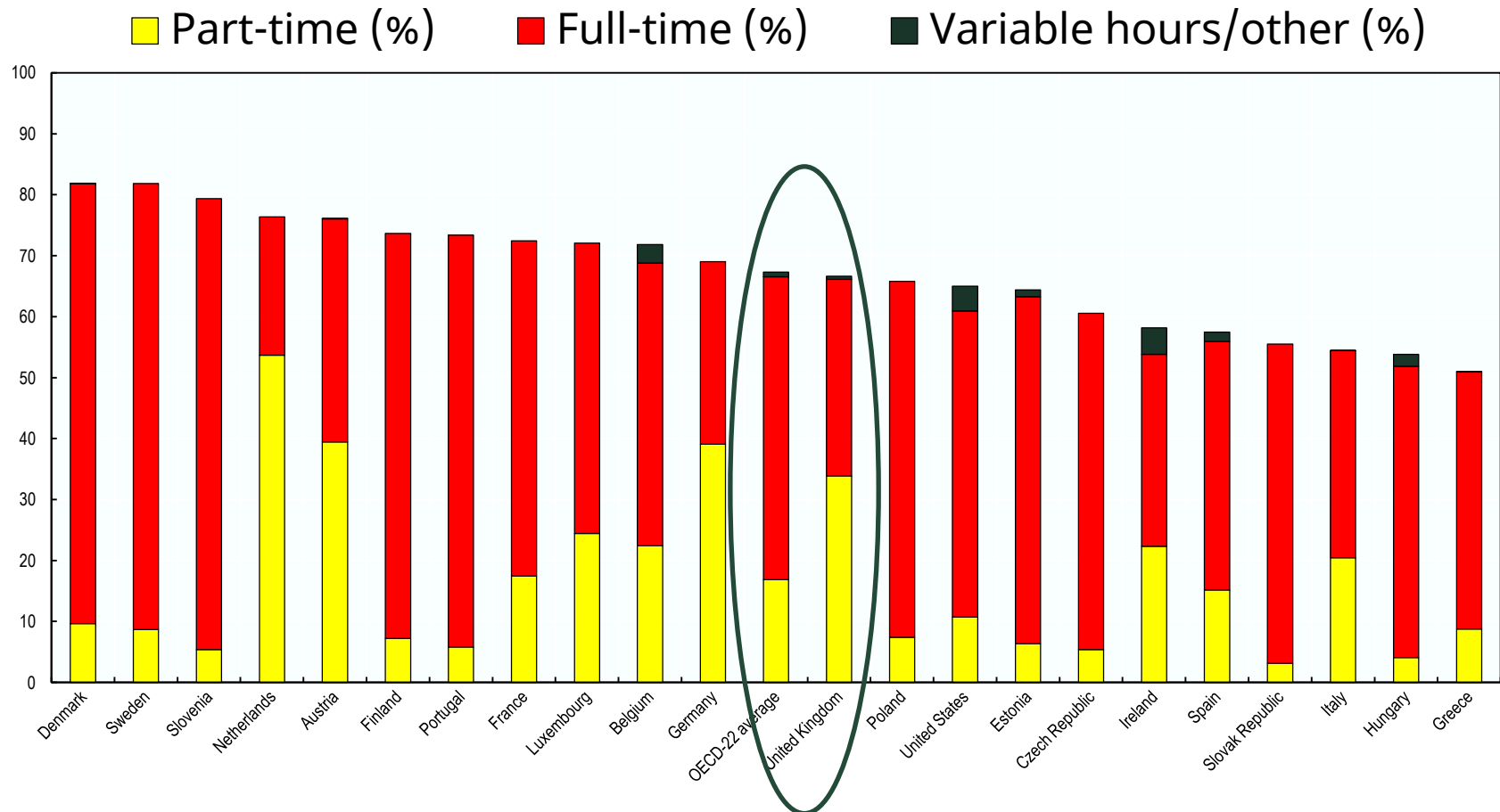
Summary

Experience matters for wages and it explains a substantial chunk of the gender wage gap, and its evolution over the lifecycle

The huge difference between the effects of part-time and full-time experience is key

- So for policy a priority should be to understand properly why wage progression in PT work is so low
- Of course an alternative/complementary response would be to consider why mothers are so much more likely to work PT in first place

Maternal employment rates across the OECD



Notes: Shows employment rates for women aged 15-64 with a dependent child under 15 (or under 18 in the US). Part-time employment defined as less than 30 usual hours per week in main job.

Source: OECD (2017), "Dare to Share: Germany's Experience Promoting Equal Partnership in Families", <https://tinyurl.com/yvcvtcpw>

Summary

Experience matters for wages and it explains a substantial chunk of the gender wage gap - especially its evolution over the lifecycle

The huge difference between the effects of part-time and full-time experience is key

- So for policy a priority should now be to understand properly why wage progression in PT work is so low
- Of course an alternative/complementary response would be to consider why mothers are so much more likely to work PT in first place

But we've also shown that focusing on employment or hours of work alone would still leave a significant gender wage gap

- Especially at bottom end of labour market

Next steps in this research agenda

Spatial / local labour market aspects

Mothers work within narrower radius of home after childbirth

- Seems to be especially true of lower-educated
- This may affect a) the kinds of firms and occupations which mothers sort into; b) their bargaining power over wages within a firm

Evidence from elsewhere suggests women do shift to lower-paying firms as they age (Card, Cardoso and Kline 2016)

Strands of research now underway are examining the links between family formation, spatial job search behaviour of women, the matching of female workers to different kinds of firms, and bargaining power over wages

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