

Institute for
Fiscal Studies

The gender wage gap

Robert Joyce and Monica Costa Dias, Institute for Fiscal Studies

Presentation to Government Equalities Office

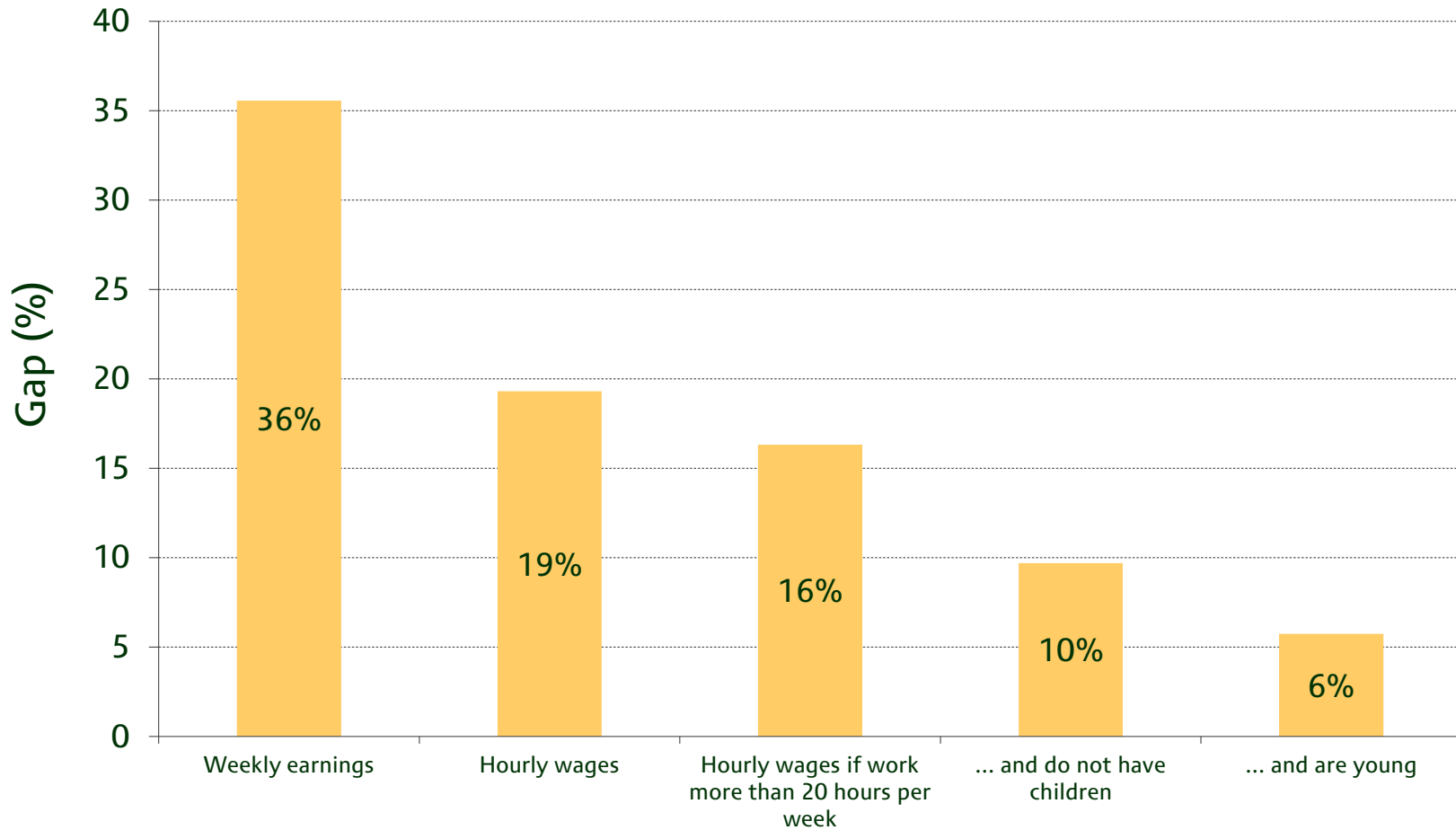
21st September 2016



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

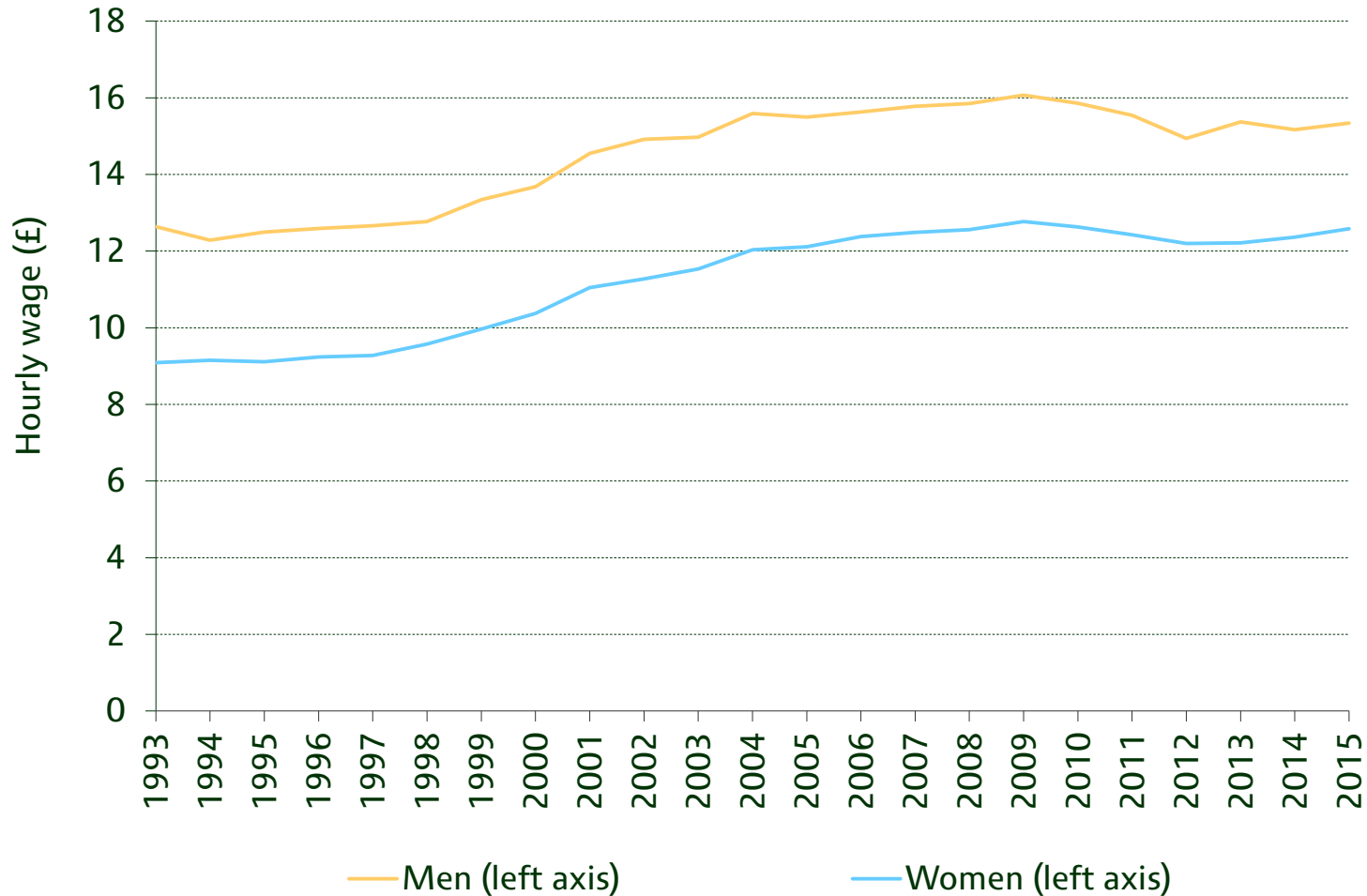
Gender gaps in earnings and wages



Labour Force Survey, 2013Q1-2015Q3.
'Young' adults are defined as aged 22-35.

Hourly wages for men and women over time

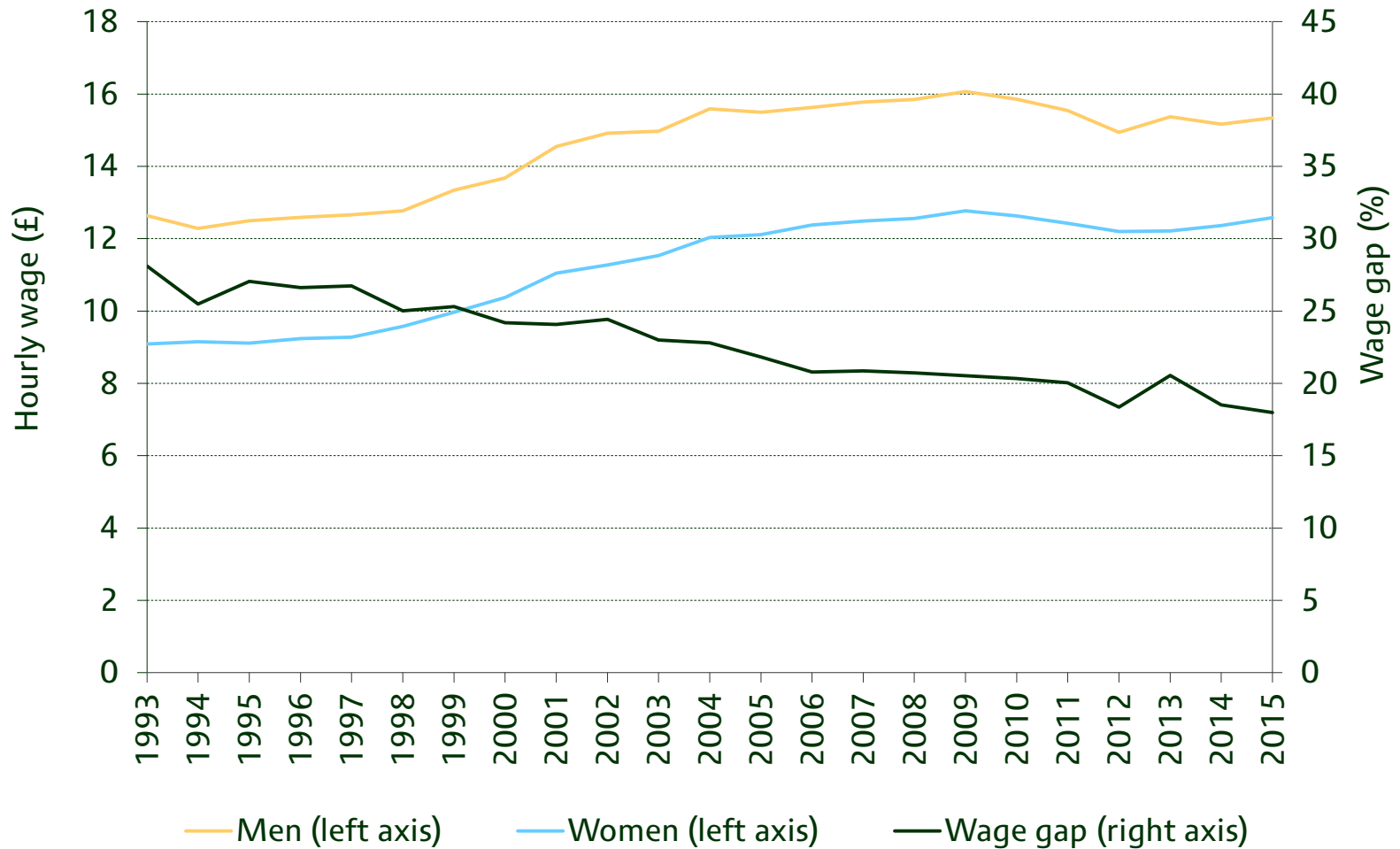
All employees, real terms (January 2016 prices)



Labour Force Survey, 1993Q1-2015Q3

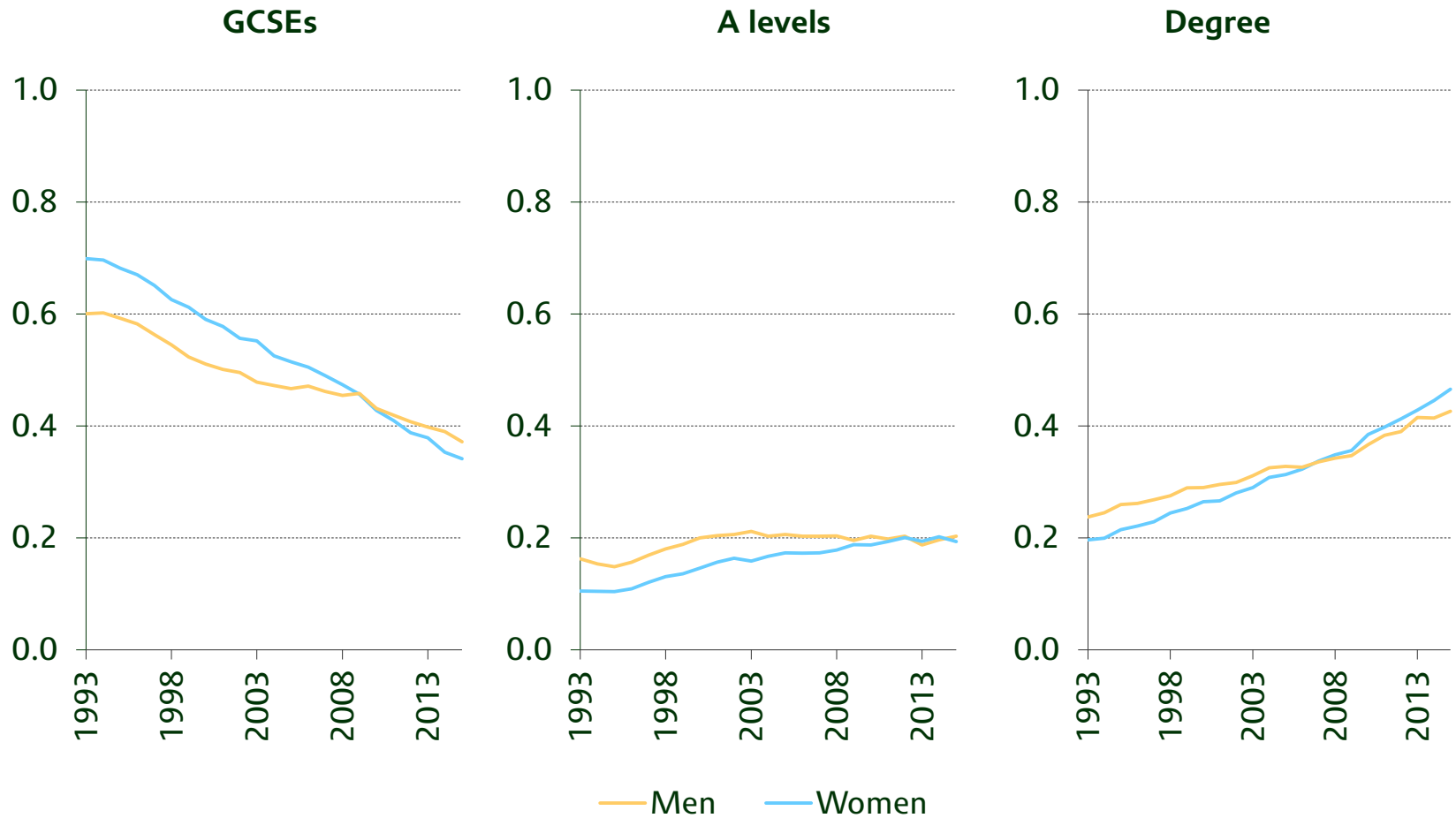
Hourly wages for men and women over time

All employees, real terms (January 2016 prices)



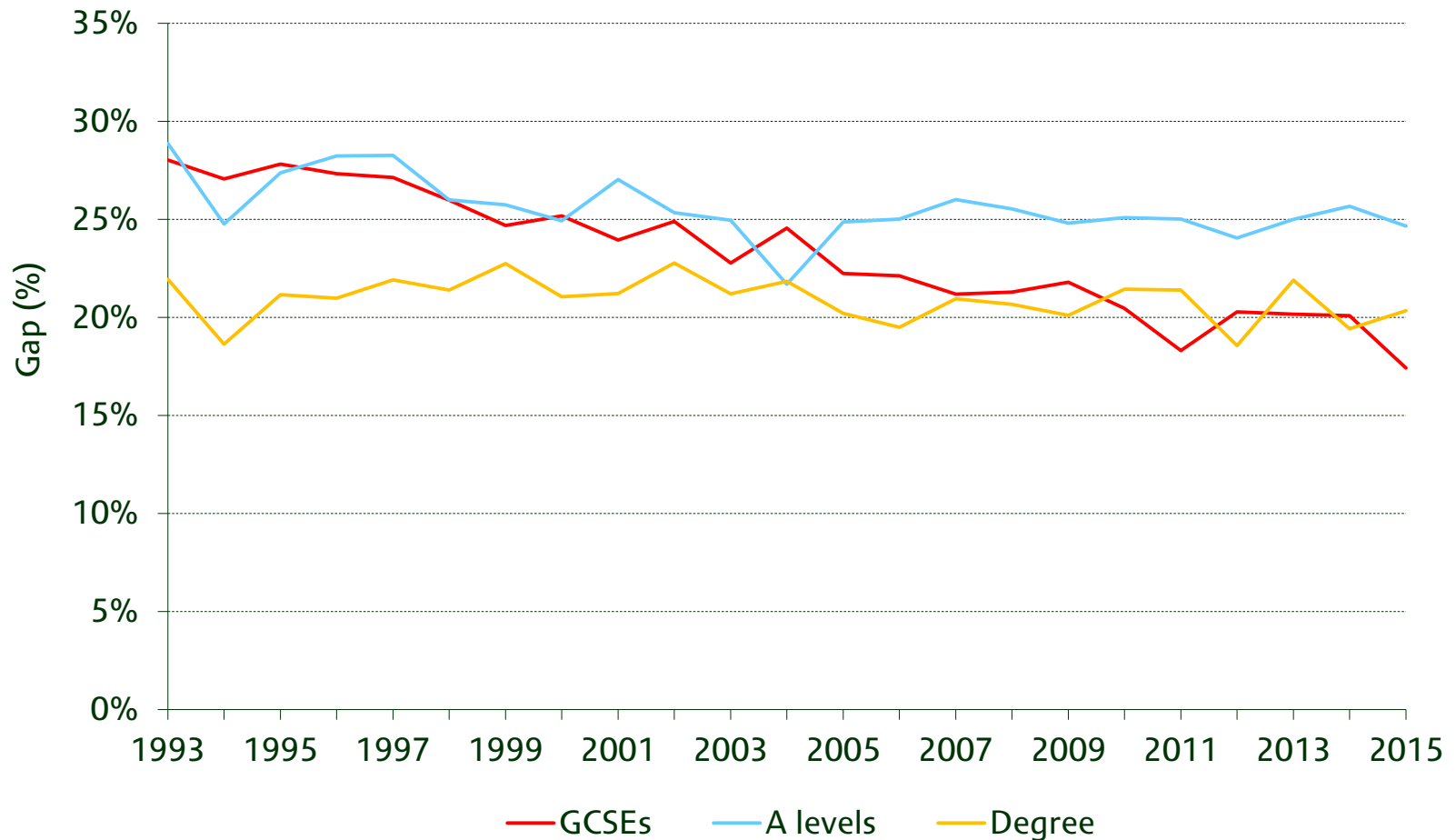
Labour Force Survey, 1993Q1-2015Q3

All else equal we would expect a falling gender wage gap due to trends in education...



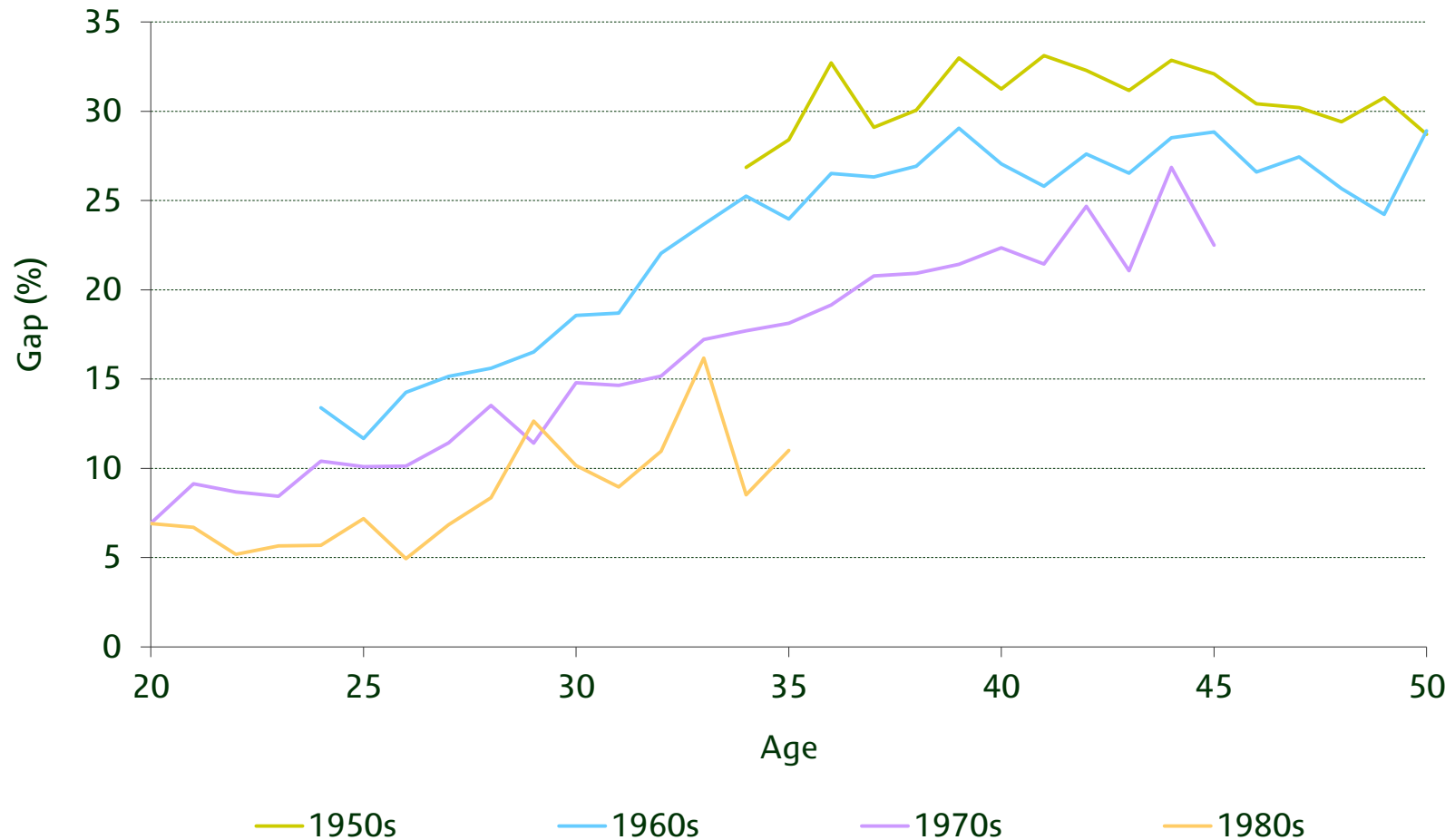
Labour Force Survey, 1993Q1-2015Q3

...so fall in gap less impressive once you compare similarly-educated people



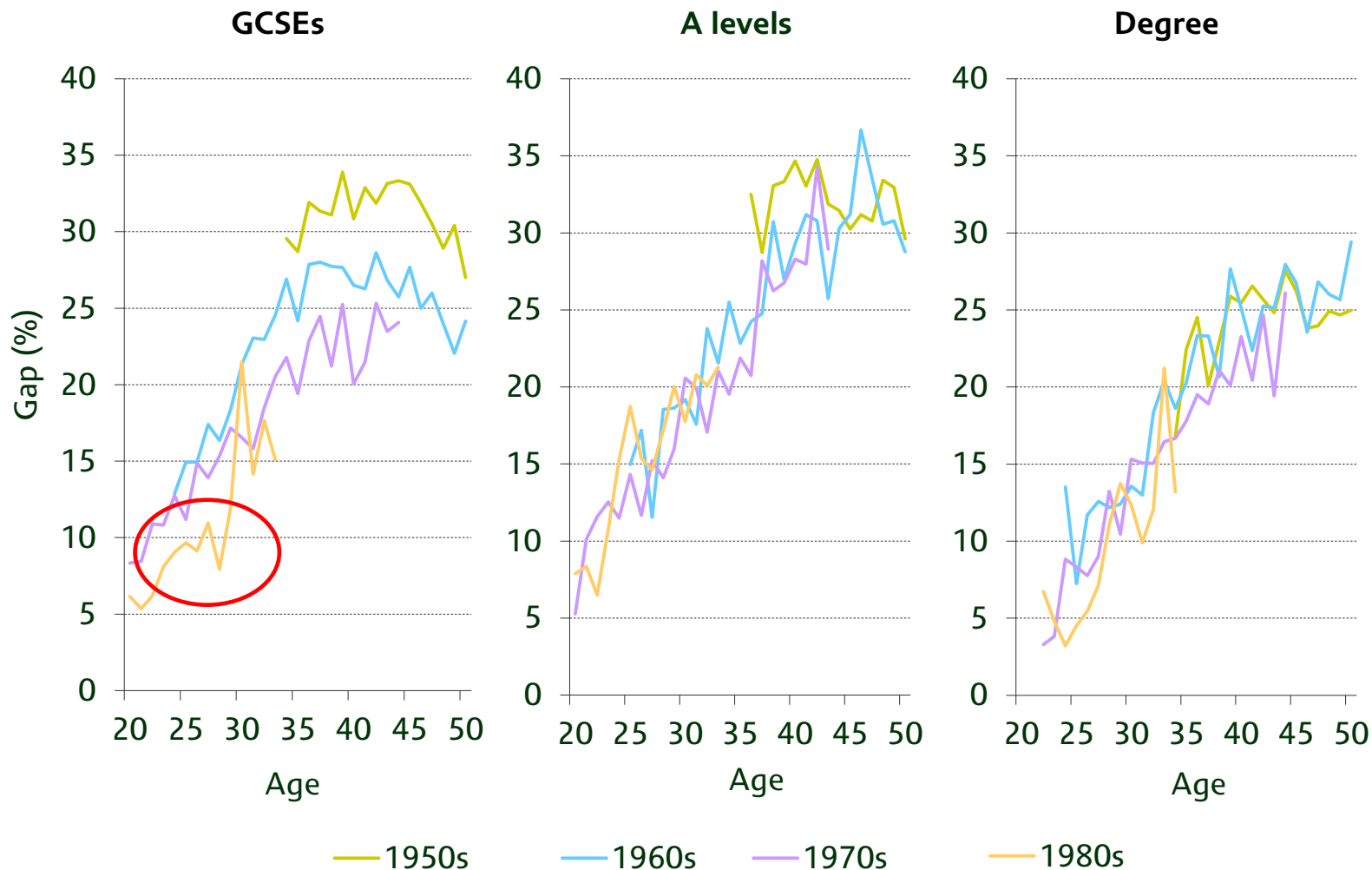
Labour Force Survey, 1993Q1-2015Q3

Tracing the gap by age, comparing people born in different decades ('birth cohorts')



Labour Force Survey, 1993Q1-2015Q3

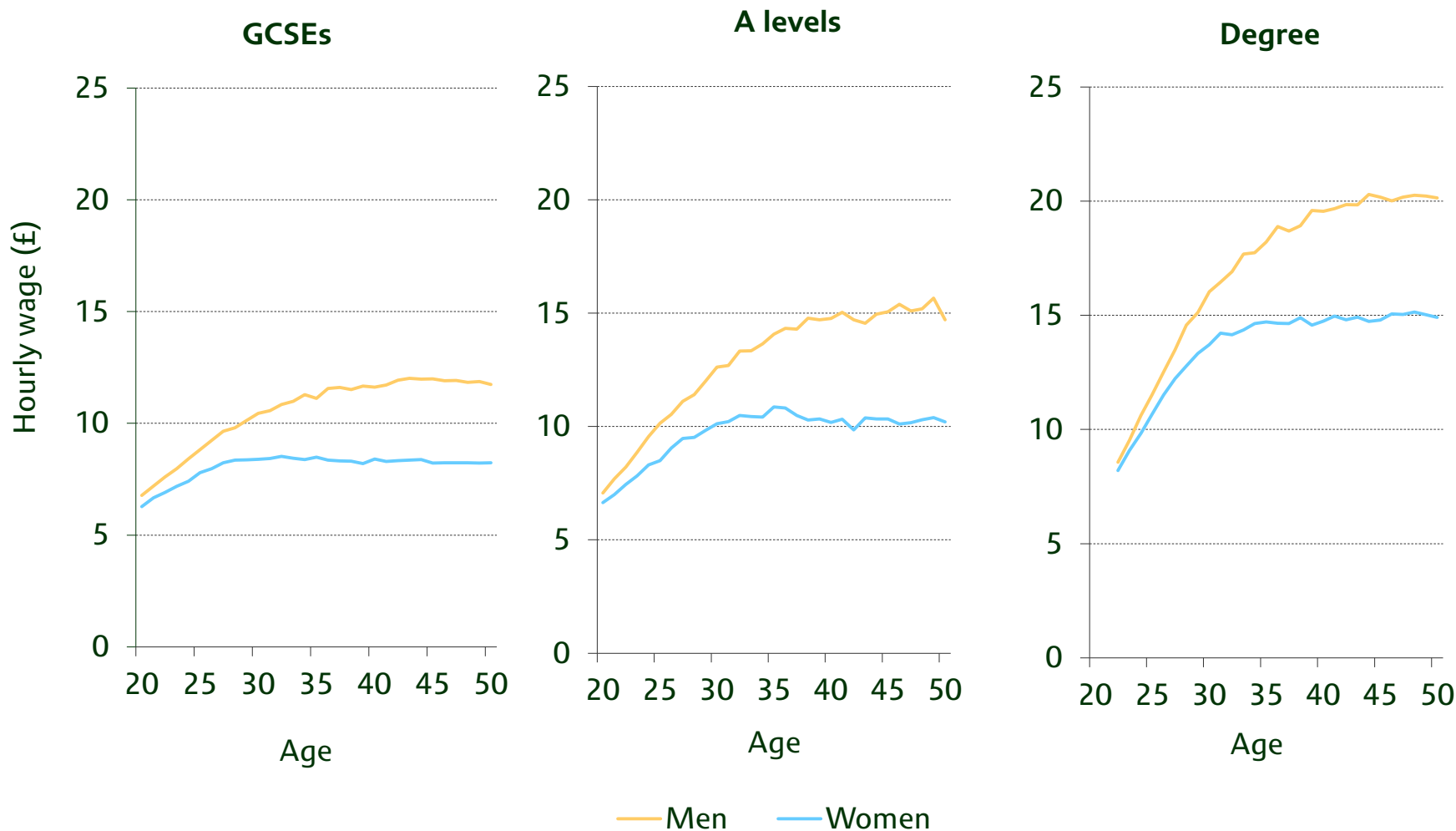
Again can see that a continuing fall in the gap is driven only by the lowest-educated



Labour Force Survey, 1993Q1-2015Q3

Gender wage gap widens over the lifecycle

Association between age and wages breaks down for women in their 30s

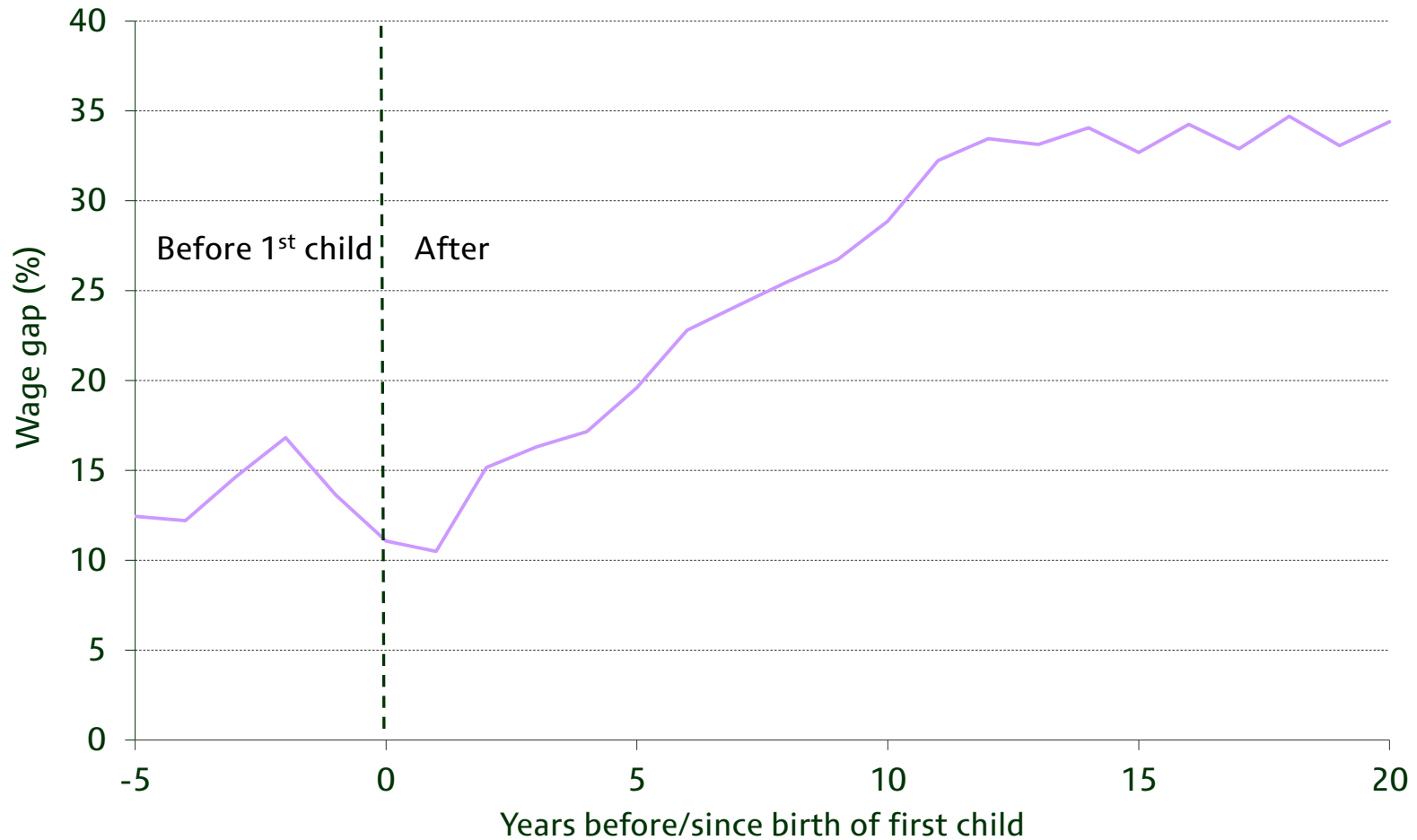


LFS 1993Q1-2015Q3.

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

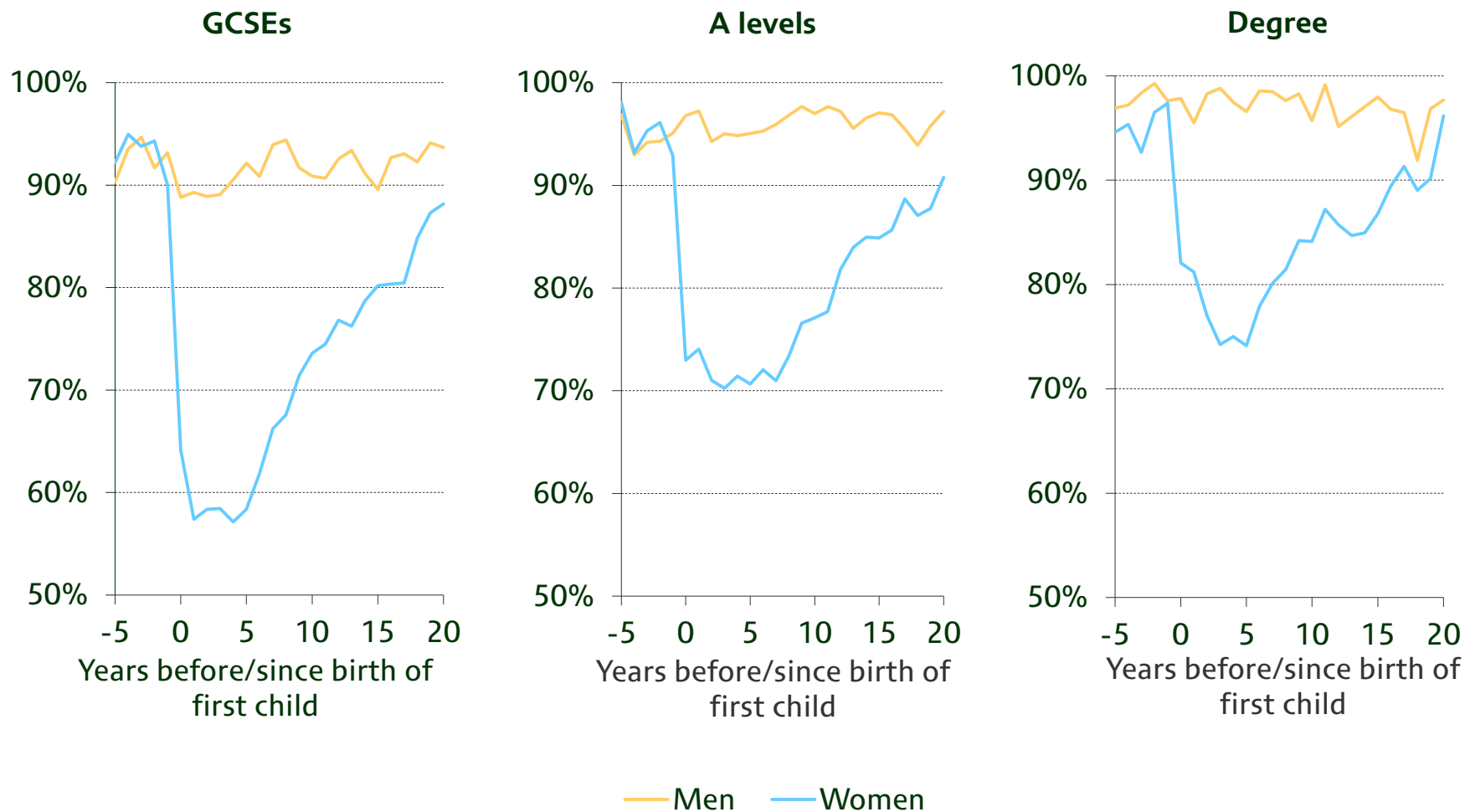
Wage gap around childbirth for those who have children



British Household Panel Survey, 1991-2008

Breaks in careers are one factor, unsurprisingly

Employment rates before and after birth of first child



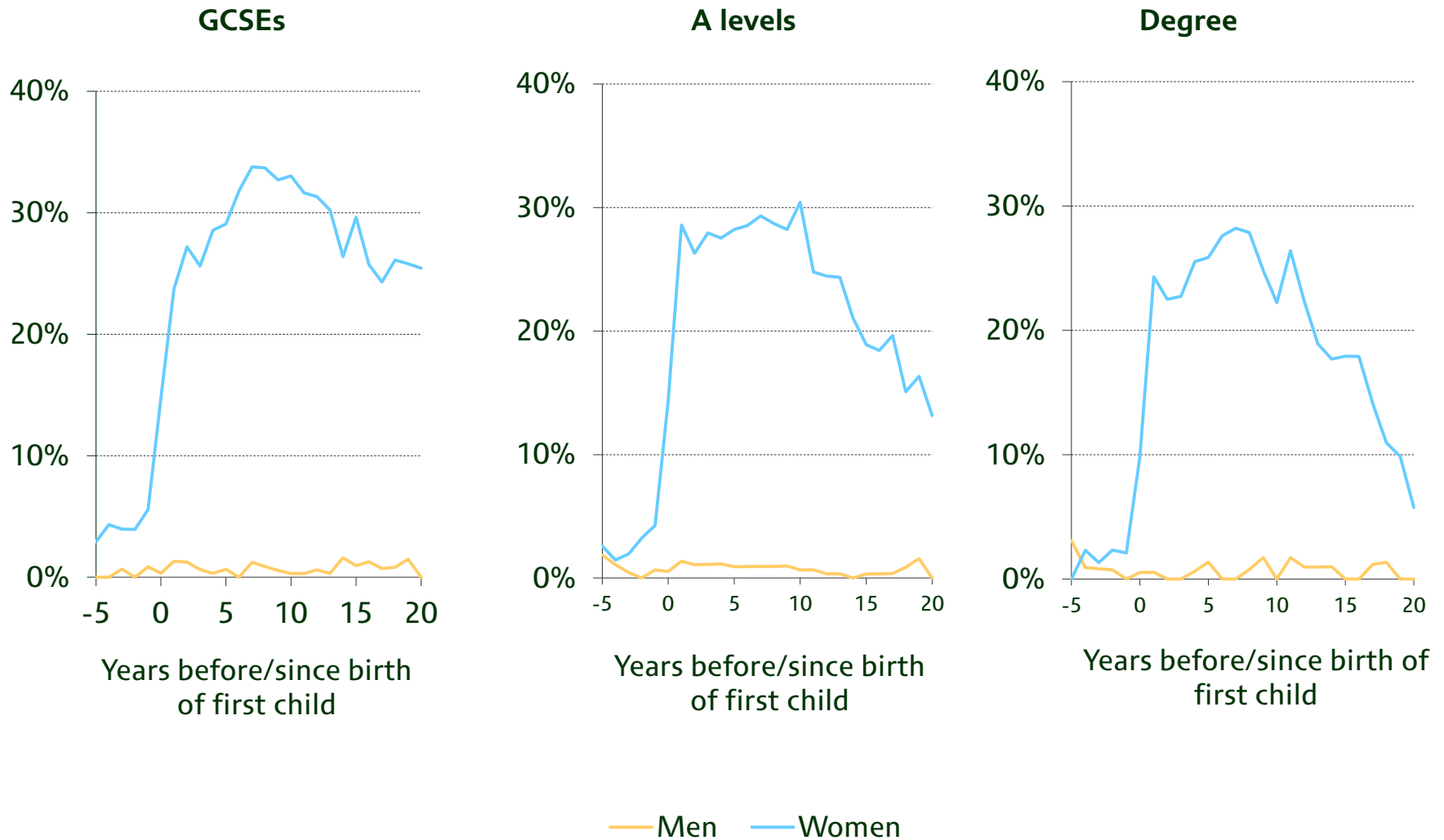
BHPS 1991-2008

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 (≤ 20 hours per week)



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