

Econ 133 – Global Inequality and Growth

Gender inequality on the labor market

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What we've learned so far:

- Supply / demand determinants of wage inequality
- Institutional determinants: Changes in minimum wage, unions, market power
- All of this was silent on a key dimension of labor income inequality: gender

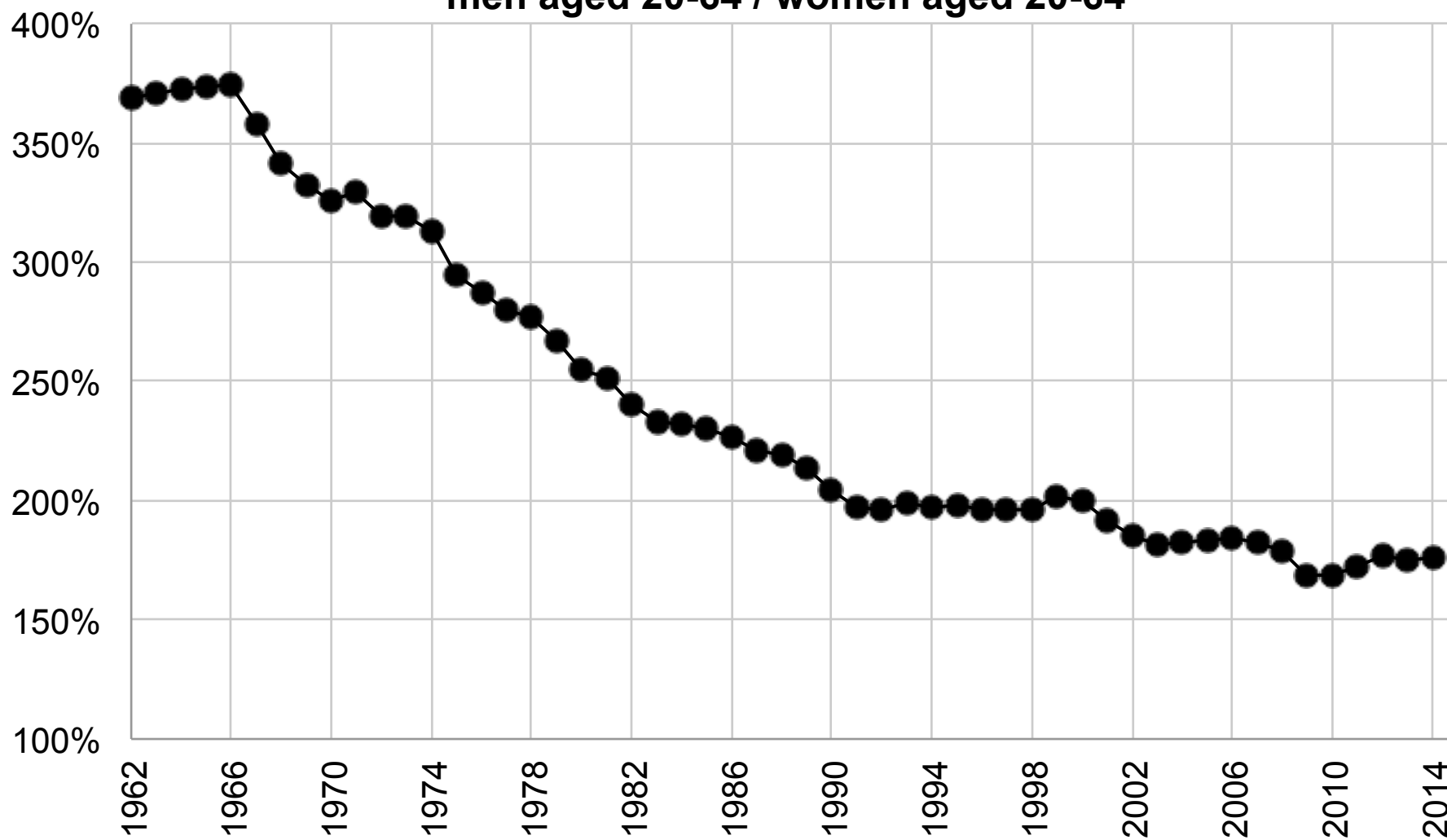
Roadmap

- The gender gap: definition and evolution
- Decomposing and explaining the gender gap
 - Labor market participation
 - Hourly wage
 - Hours of work

1 The gender gap

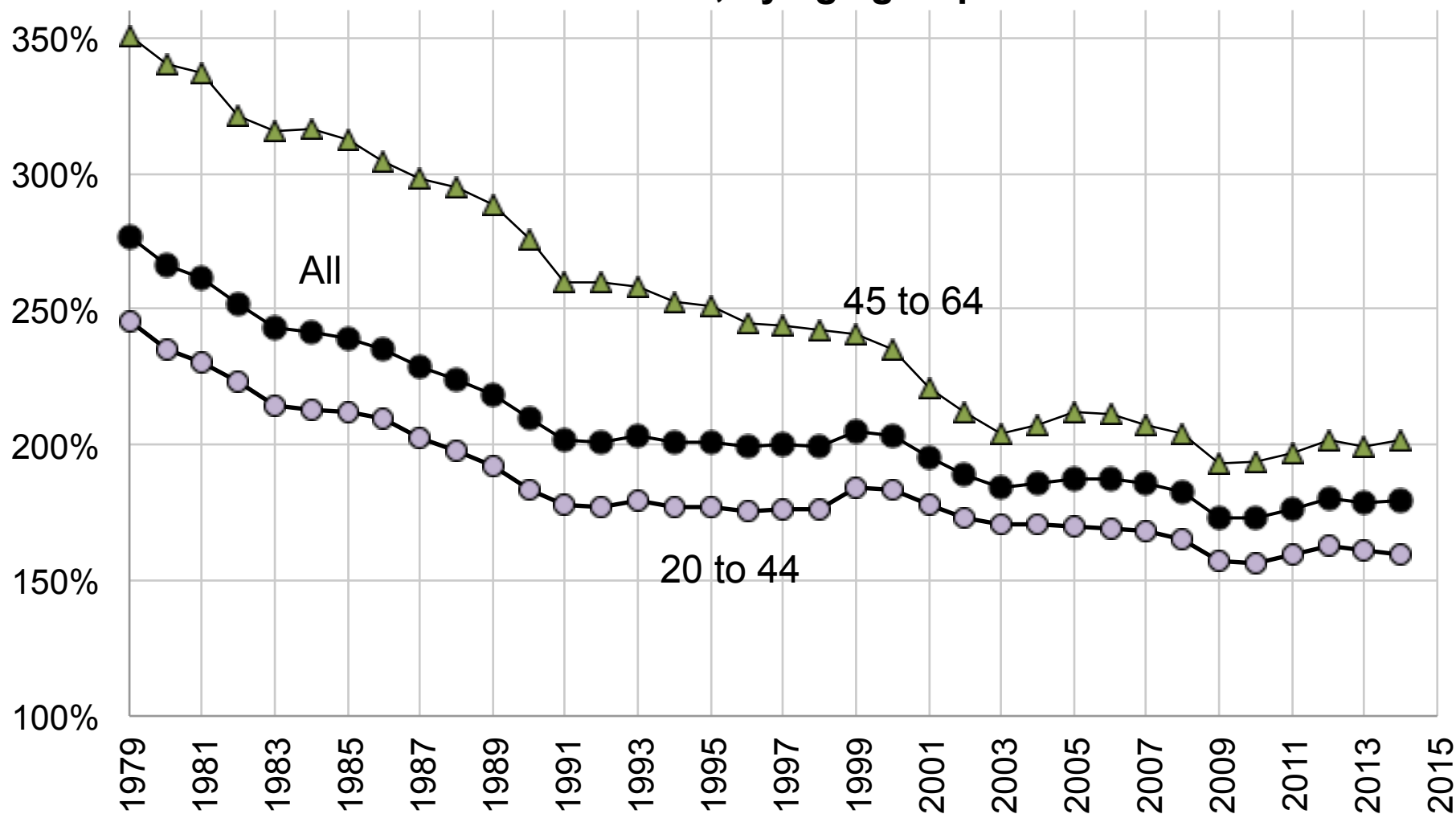
- Most extensive definition of the gender gap = difference btw labor income of men & women
- Today, men earn on average about 1.75 times more than women in the US
- Gender gap has declined since 1960s but still high and persisting

Average pre-tax labor income of men aged 20-64 / women aged 20-64

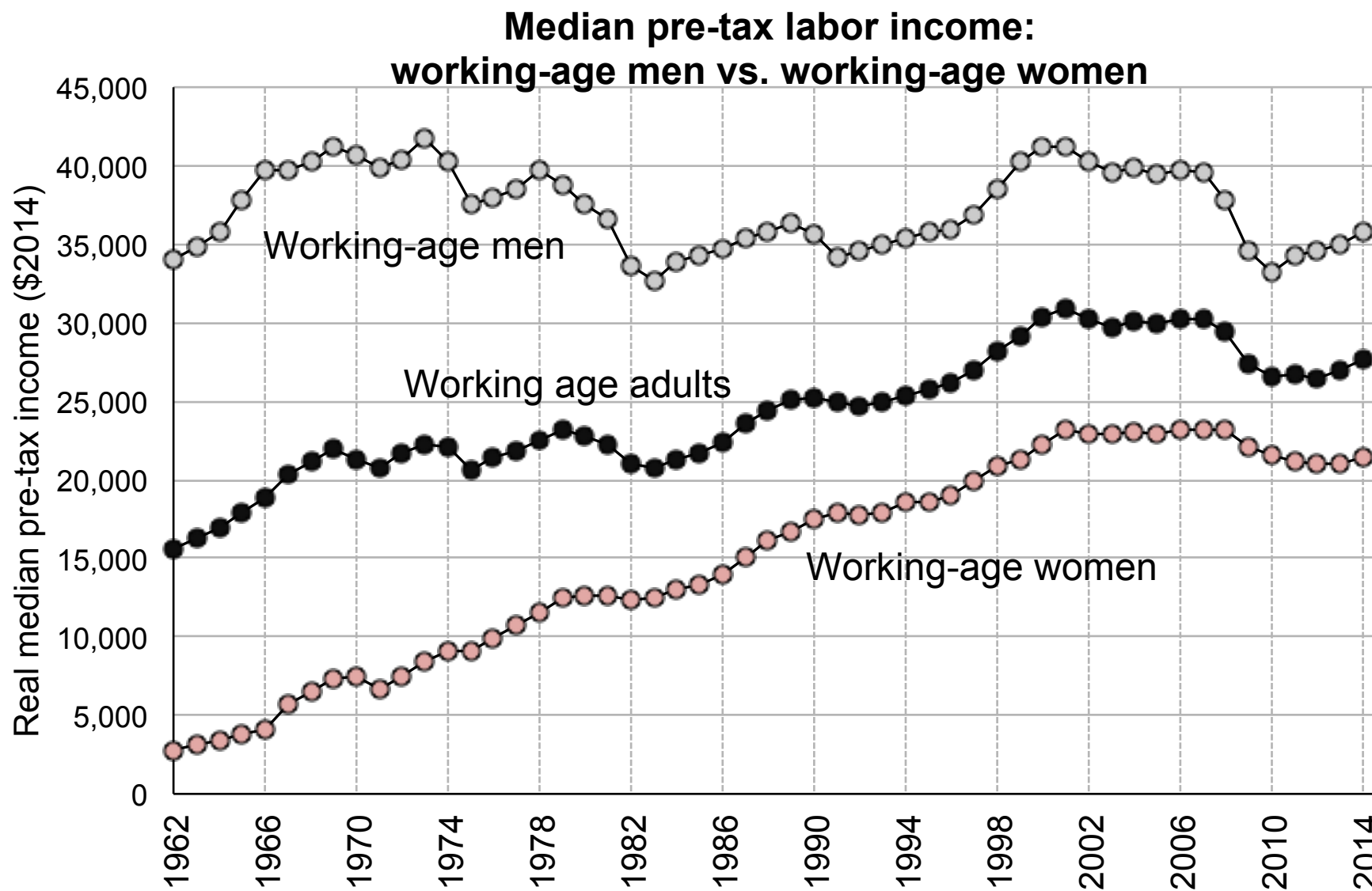


Source: Appendix Table II-F1.

Average labor income of all men aged 20-64 / all women aged 20-64, by age group



Source: Piketty, Saez and Zucman (2016)



Source: Appendix Table II-B13.

The gender gap is

A — The difference between men's and women's labor income

B — The difference between men's and women's hourly wage

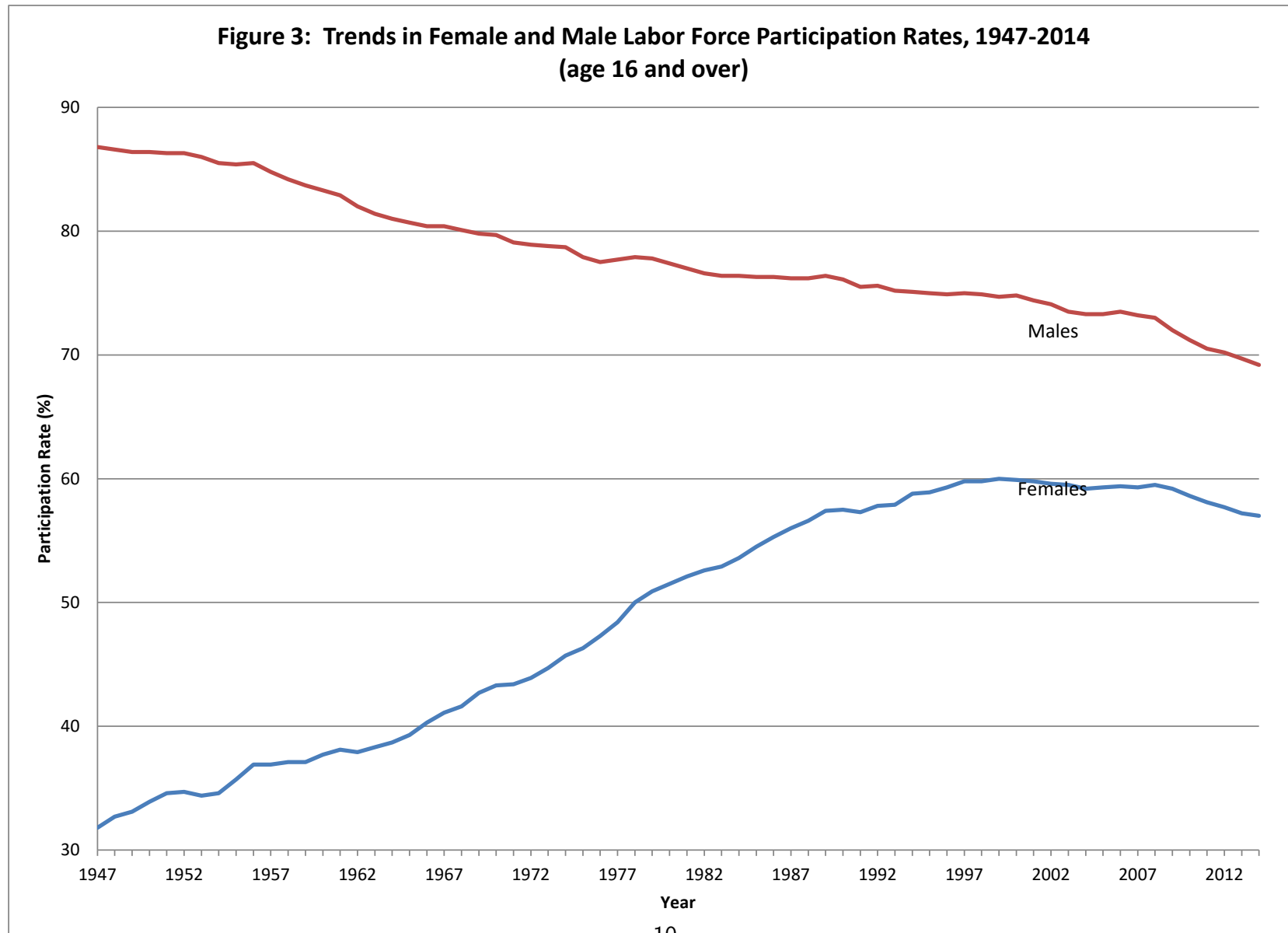
C — The difference between men's and women's labor market participation

D — The difference between men's and women's wealth

2 Labor market participation

Big increase in women's labor force participation rates since WWII

- Doubling of rates of labor force participation for women from 1950s to today
- Rise in participation stronger for more educated women



Notes: Updated version of Figure from Blau, Ferber and Winkler (2014) based on data from the Current Population Survey available at www.bls.gov and Employment & Earnings, various issues.

Why did labor force participation (almost) converge?

- ↗ real wages & educational attainment for women: substitution effect dominating income effect (↗ men's wage)
- Greater availability of market substitutes for home work; development and dissemination of the birth control pill
- Demand shifts that favored occupations like clerical work
- But purely economic factors explain relatively little

3 Differences in hourly wage

- Declining but still high hourly wage differentials between men and women, especially at the top
- Traditional explanation: human capital factors (= education and experience).
- Important post-WW2, but don't explain much today, because of
- 1. reduction in experience gap

- 2. reversal of the education gap between men and women

- Women have now become more highly educated than men in the overall population. In 2011, they earned
 - 57 percent of bachelor's degrees

 - 61 percent of master's degrees

 - 51 percent of Ph.D's

- So what explains the hourly wage gap today?
- Role of unions has disappeared: same unionization rates today for men and women
- Difference in occupation & industry explain more than half of hourly wage gap
- Discrimination

If there was no difference in hourly wage across genders, then women would earn as much labor income as men

A — Yes

B — No

4 Differences in hours of work

Subsistence of traditional division of labor by gender in the family → women bear greatest share of family responsibilities

- Direct effect: fewer hours worked (work force interruption; part-time work) → less labor income
- Indirect effect 1: lower incentives to invest in human capital (esp. firm-specific skills) & reduced experience → lower hourly wage

- Indirect effect 2: Knowing this, employers discriminate against women

- Indirect effect 3: sorting into high-flexibility-low-paying jobs
 - Workers place different values on temporal flexibility (with women placing a higher value than men)

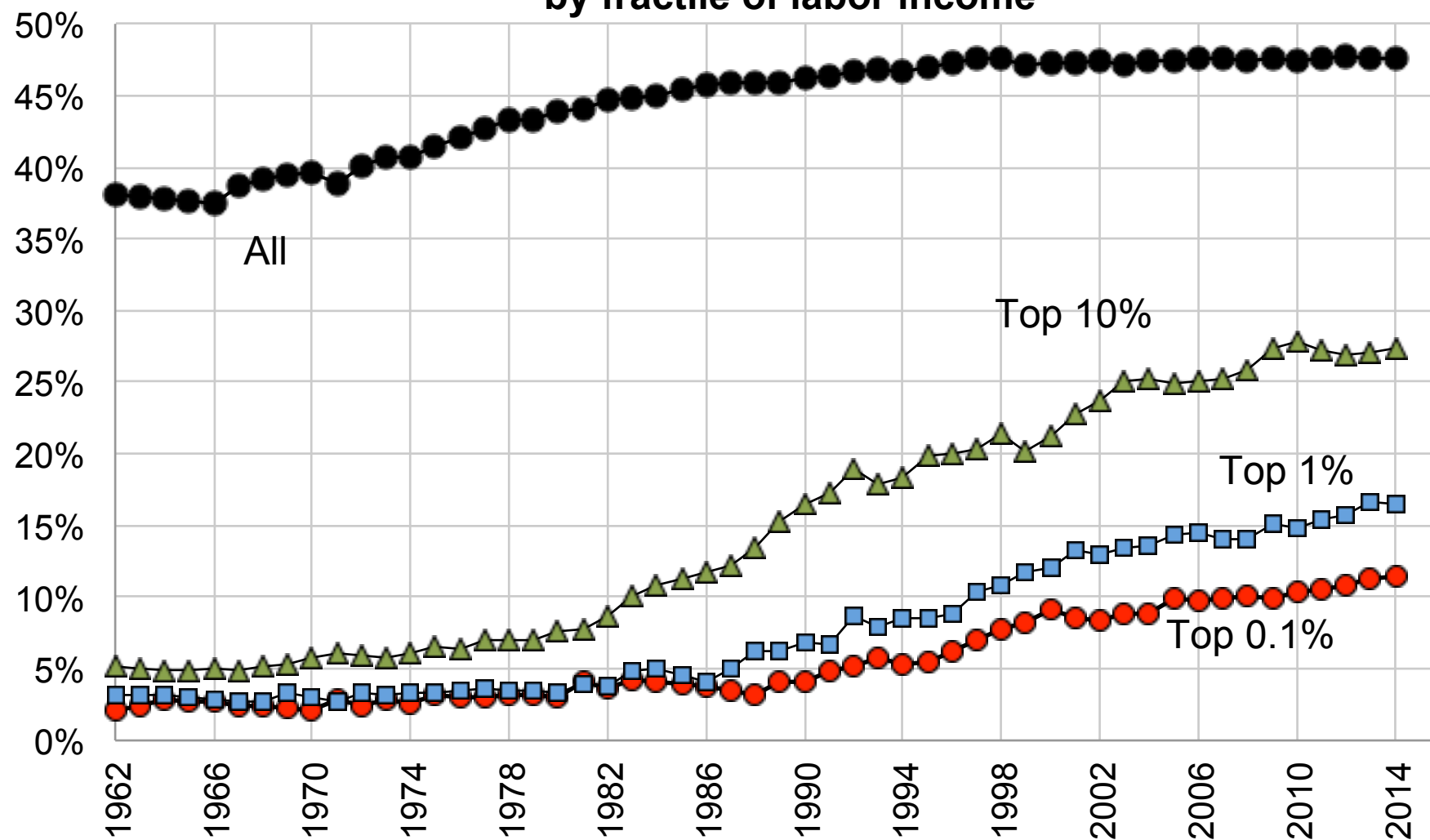
 - Firms or sectors confront different cost to providing it

 - Workers sort across workplaces accordingly (Goldin 2014)

5 The glass ceiling

- Glass ceiling: women face barriers in entering the top levels of the labor market
- Still very strong today in the US, despite fact that women are more likely to have advanced degrees
- Potential explanations: high penalties for flexibility (shorter hours and work force interruptions); discrimination

Share of women in the employed population, by fractile of labor income



Source: Appendix Table II-F1.

Ex.: Bertrand, Goldin, and Katz (2010) examine earnings of MBAs who graduated between 1990 and 2006 U. of Chicago business school

- Small gender differential at the outset of the career
- But by 10-16 years post-degree, men earn 82% more
- Two potential effects: lower labor supply of women over the career, in turn related to career-family tradeoffs
- Additional hourly wage gap (discrimt. + penalty for shorter hours)

6 Summary

- Despite a convergence in rates of labor force participation, women still earn significantly less labor income than men
- Part of this gap owes to lower hours worked, in turn reflecting prevalence of gender norms regarding division of labor within family
- Part of it owes to lower hourly wages, in turn reflecting penalties for flexibility and discrimination

References

Bertrand, Marianne, Claudia Goldin, and Lawrence F. Katz, “Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors.”, *American Economic Journal: Applied Economics* 2014, 2 (3): 228–55. (web)

Blau, Francine D. and Lawrence M. Kahn, “The Gender Wage Gap: Extent, Trends, and Explanations”, NBER working paper, 2016 (web)

Goldin, Claudia, “A Grand Convergence: Its Last Chapter”, *American Economic Review* 2014, 104 (4): 1091-1119. (web)

Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman, “Distributional National Accounts: Methods and Estimates for the United States”, working paper, 2016 (web)