

# **Econ 133 – Global Inequality and Growth**

## **Gender inequality in the labor market**

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## What we've learned so far:

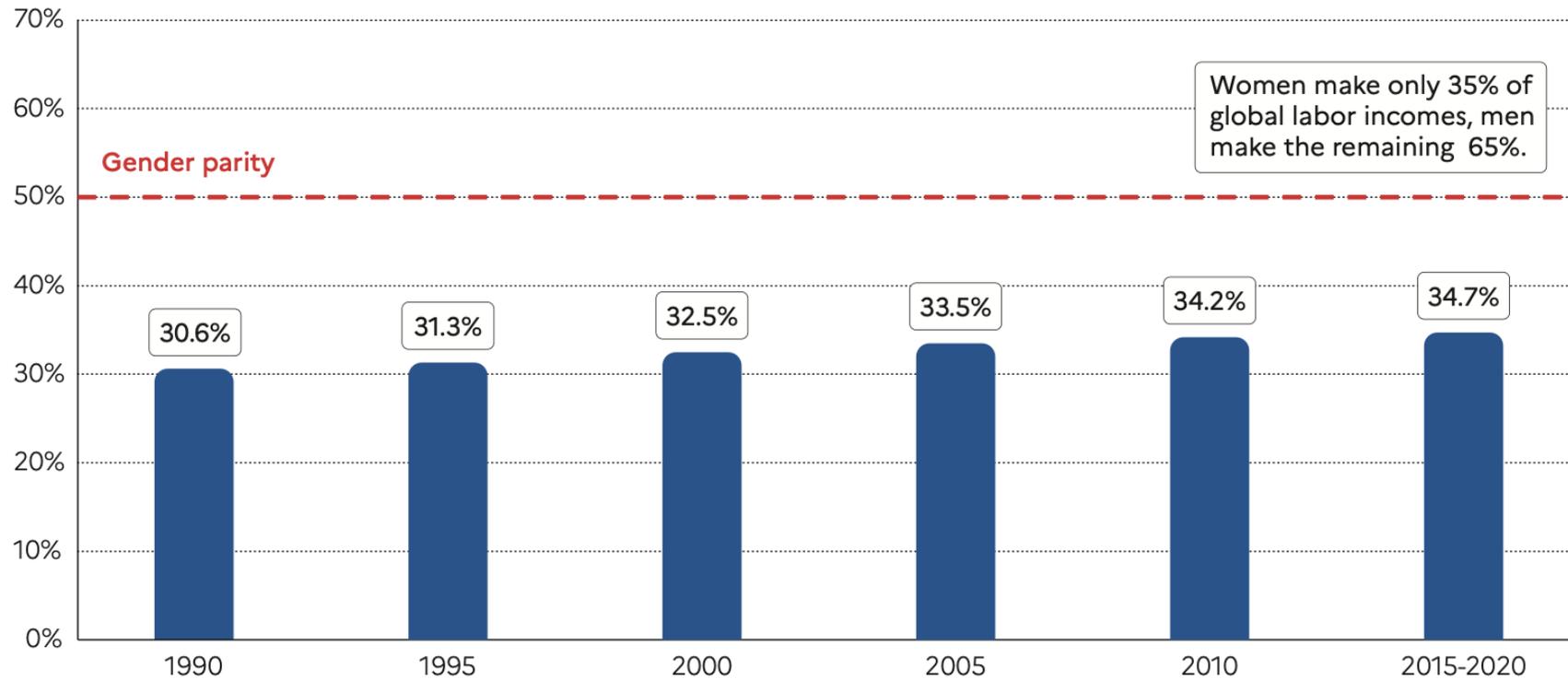
- Supply / demand determinants of wage inequality
- Institutional determinants: Changes in minimum wage, unions, market power
- All of this was silent on key dimensions of labor income inequality: between genders & ethnicities

## Roadmap

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

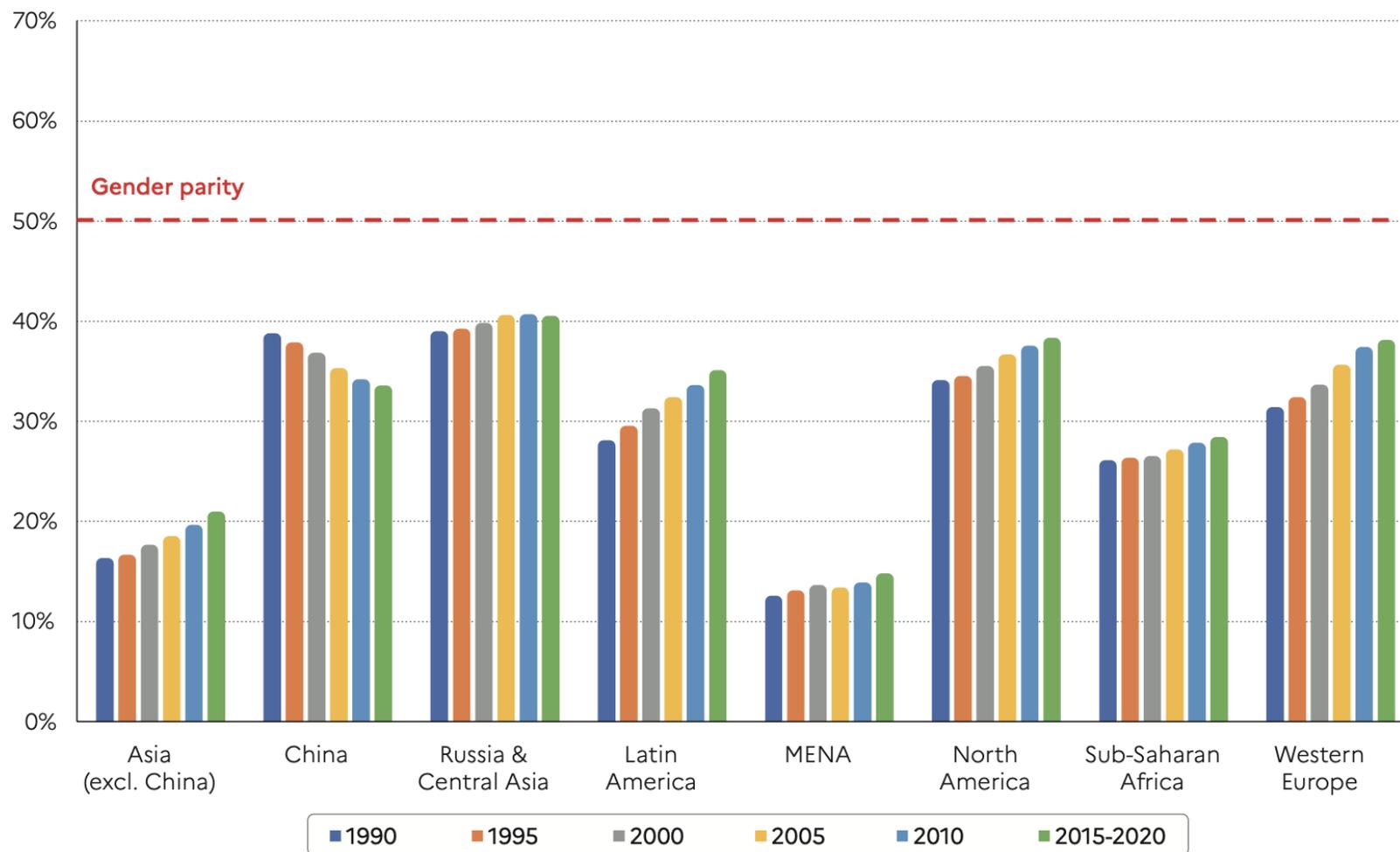
# 1 The gender gap

- Most extensive definition of the gender gap = difference btw labor income of men & women
- Can be summarized by looking at share of women vs. men in total labor incomes
- Let's start with a global perspective, then focus on US

**Figure 12** Female share in global labor incomes, 1990-2020

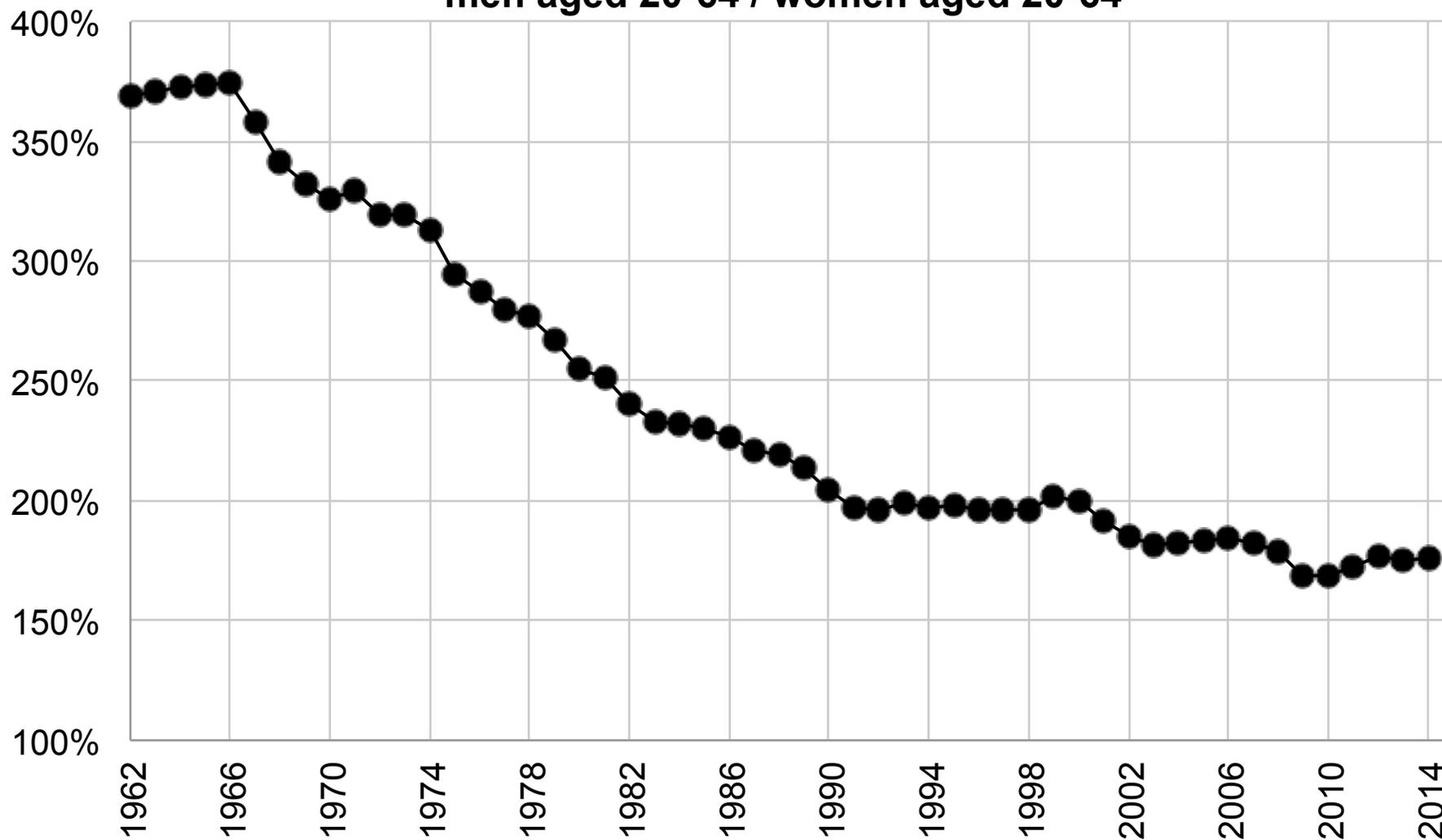
**Interpretation:** The share of female incomes in global labour incomes was 31% in 1990 and nears 35% in 2015-2020. Today, males make up 65% of total labor incomes. **Sources and series:** [wir2022.wid.world/methodology](http://wir2022.wid.world/methodology) and Neef and Robilliard (2021).

**Figure 13** Female labor income share across the world, 1990-2020



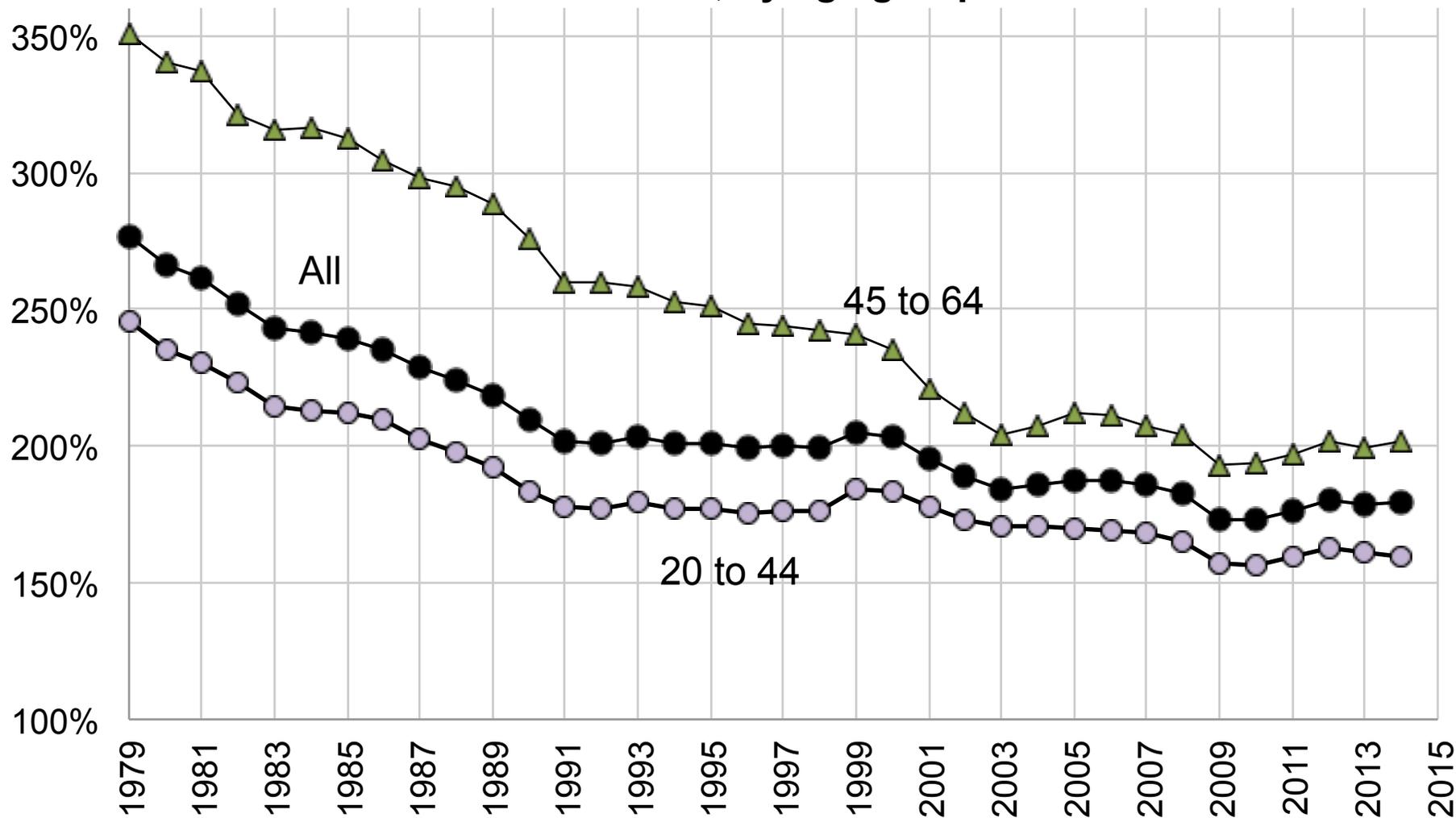
**Interpretation:** The female labour income share rose from 34% to 38% in North America between 1990 and 2020. **Sources and series:** [wir2022.wid.world/methodology](https://www.wid.world/methodology) and Neef and Robilliard (2021).

### 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

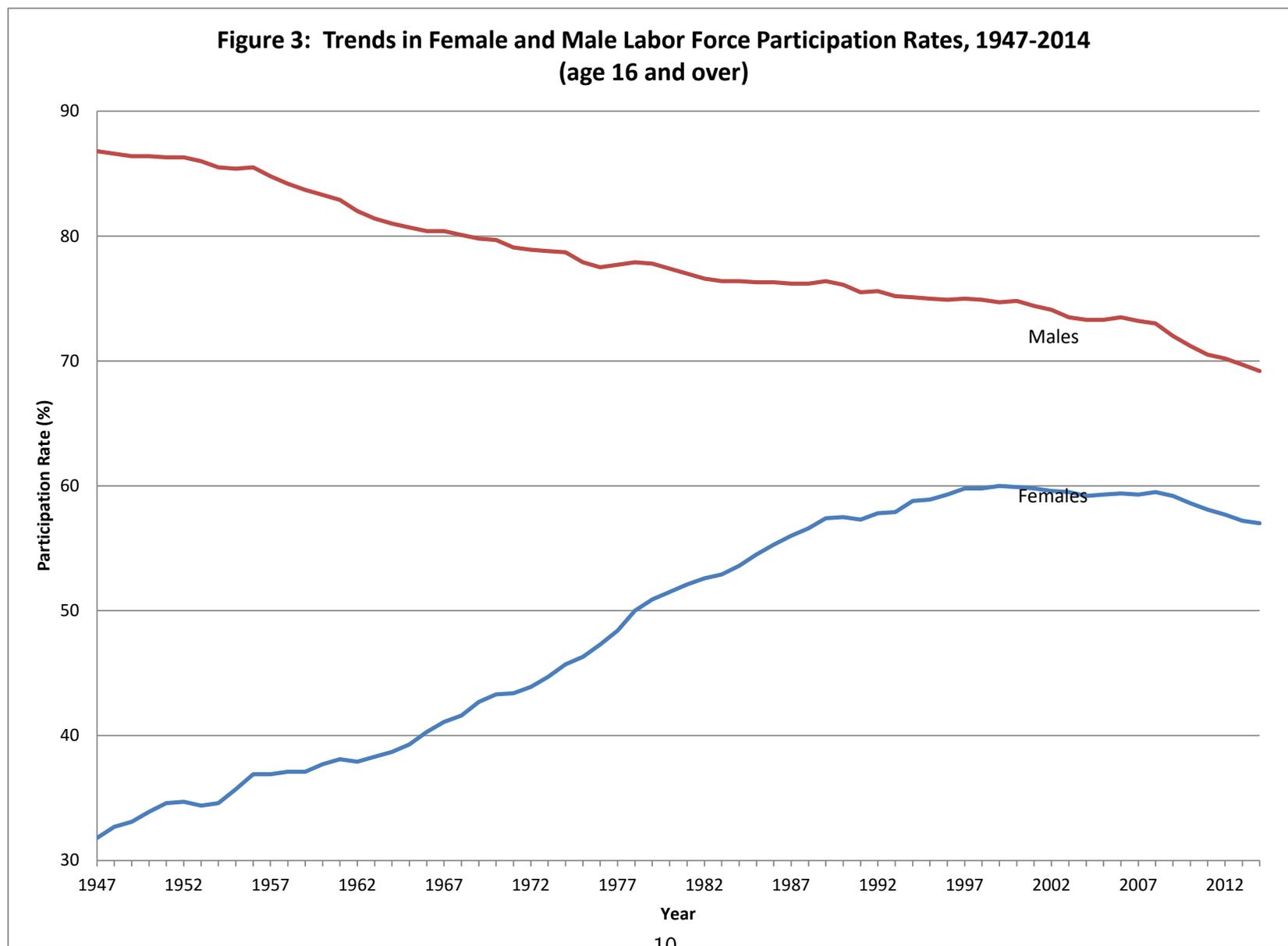


Source: Piketty, Saez and Zucman (2016)

## 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 women with higher level of education



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

## Why did women labor force participation rise from 1950s to 1990s?

- ↗ 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: differences in 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 ( $\approx$  half of hourly wage gap)
- Discrimination

## 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
- Particularly large effect of parenthood (Kleven et al., 2019) [also affects hourly wage and labor force participation]

Figure 2: Child Penalties in Earnings in English-Speaking Countries

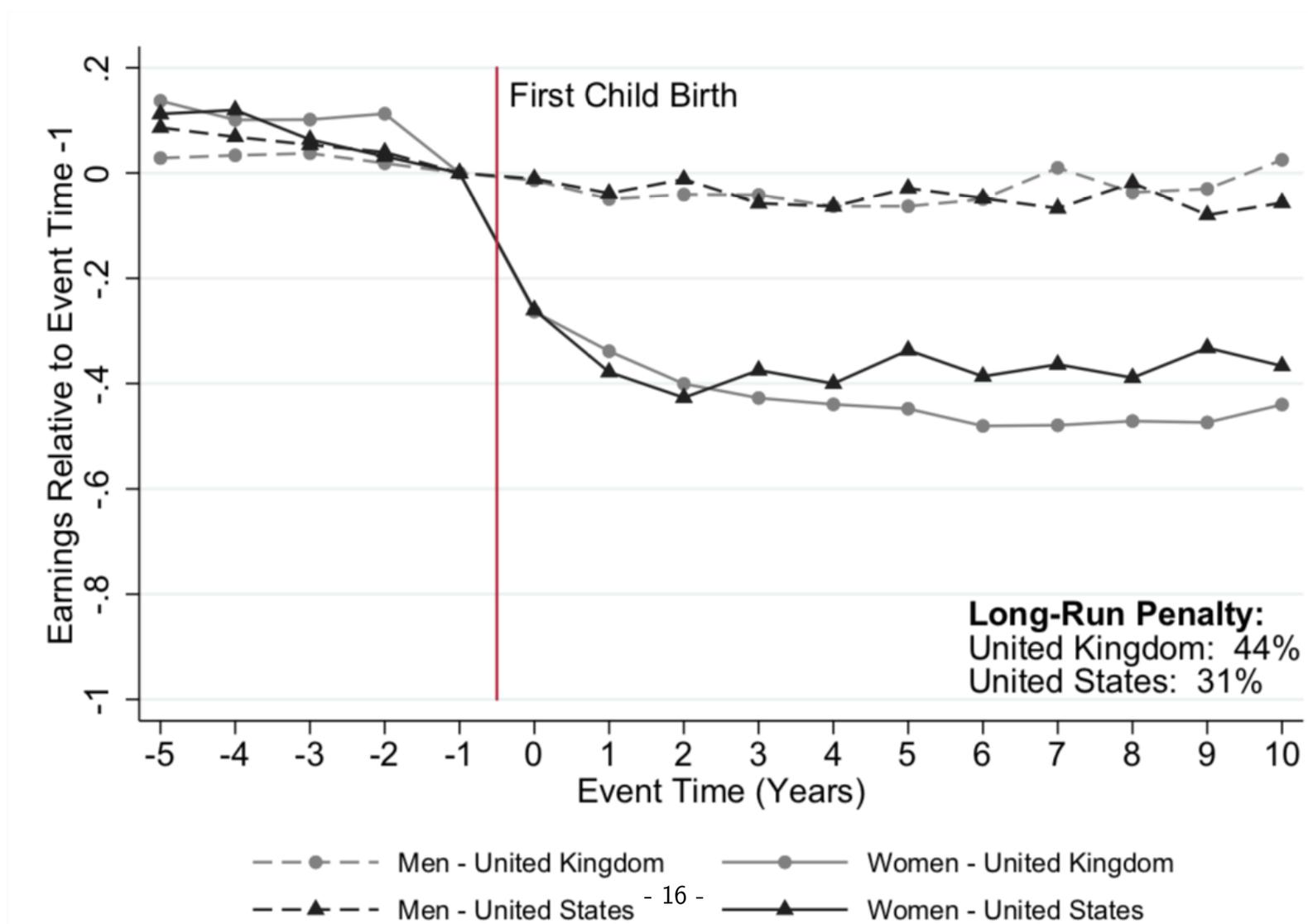


Figure 3: Child Penalties in Earnings in German-Speaking Countries

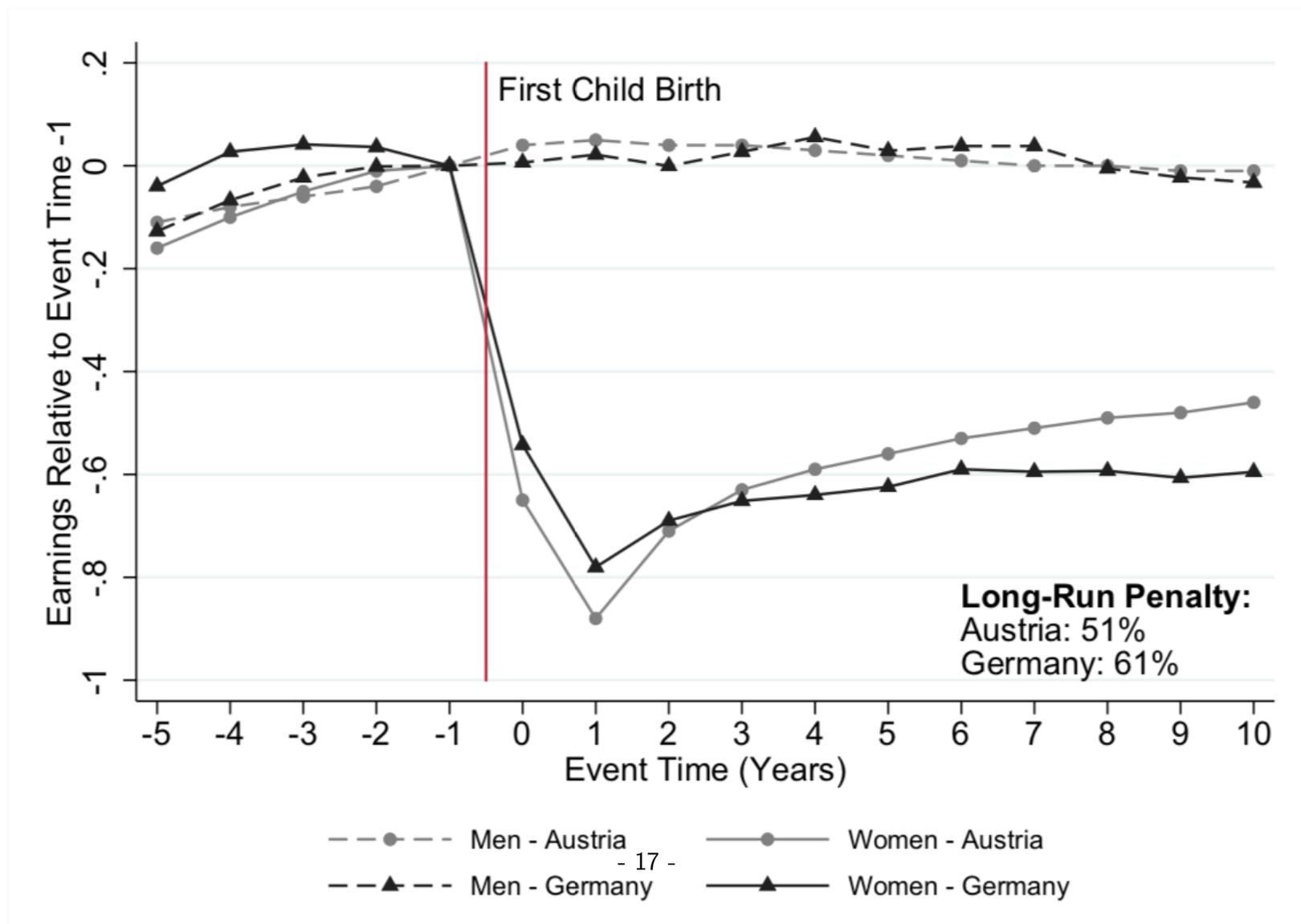
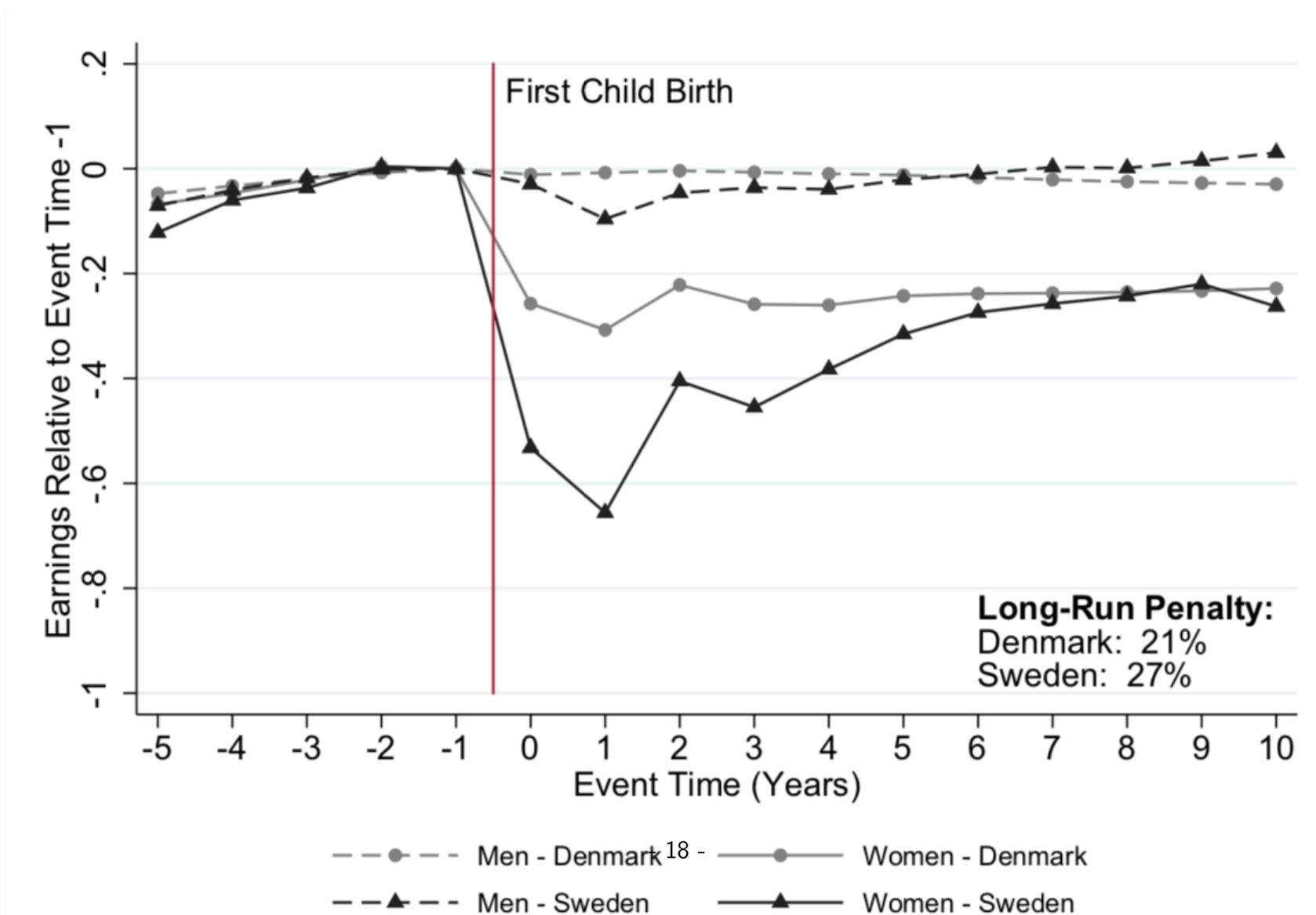


Figure 1: Child Penalties in Earnings in Scandinavian Countries



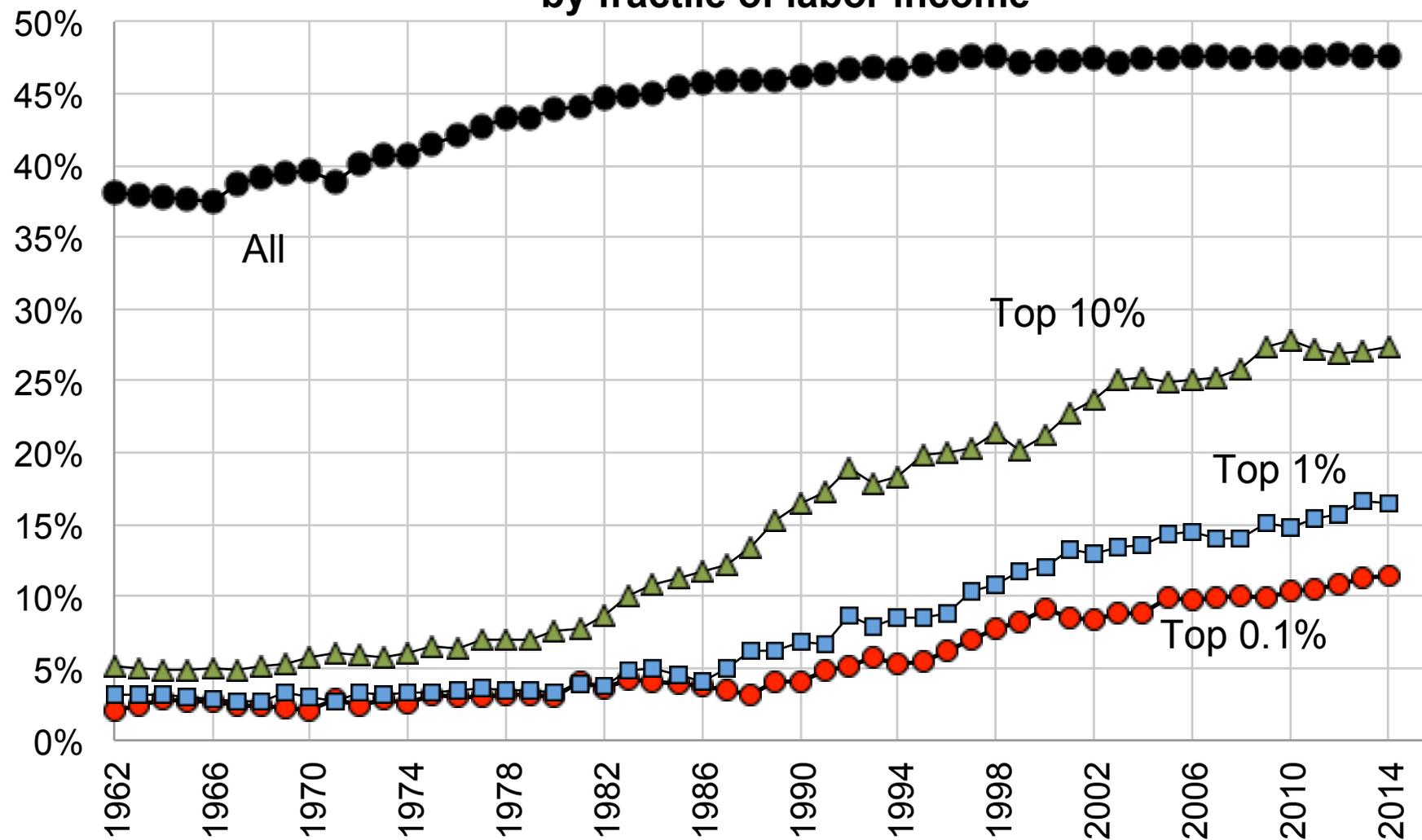
## Indirect negative effects of gender norms:

- Lower incentives to acquire firm-specific skills & relatively lower experience → lower hourly wage
- Knowing this, some employers discriminate against women
- Sorting into high-flexibility-low-paying jobs (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 (discrimin. + 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 fewer 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)

Kleven, Henrik, Camille Landais, Johanna Posch, Andreas Steinhauer, Josef Zweimuller, “Child Penalties Across Countries: Evidence and Explanations”, American Economic Association P&P, 2019 (web)

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