

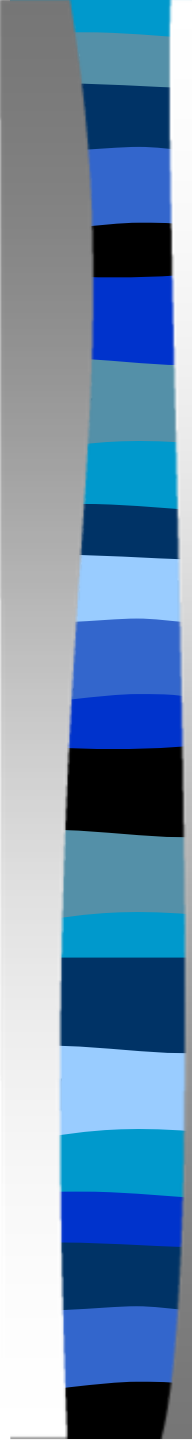
Not my mother's labour market:

The evolution of gender pay differences



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Why is the role of women in the labour market so important?

- Changing employment patterns == changing family
- Rise in dual earner families
- Increase in the percentage of wives earning more than their husbands
- Growing contribution of women's earnings to total family income
 - If not for the contribution of women's earnings, 18% of families would be living in low income



In 2008, Canadian women earned, on average ... cents for every dollar earned by men.

- A. 64.7 ¢
- B. 71.9 ¢
- C. 83.4 ¢
- D. 85.8 ¢
- E. 93.4 ¢

- It depends !!
- No single definitive answer



Measurement matters

M.Drolet 2002 'New evidence on Canadian Gender Pay Differentials: Does measurement matter?'
Canadian Public Policy, 2002, Volume XXVIII, Number 1

- Based on annual earnings:

= (hourly wage * number of hours worked) from *all* jobs

For every dollar earned by men,

- ✓ Women earned **64.7¢** among all workers

- ✓ Women earned **71.9¢** among all full-year full-time

- Caveats:

- Different analytical populations

Covers 76% of male and 60% of female workforce

- Differences in work volume

Men work 43 hours per week, women work 39 hours

- Based on hourly wage rates:

= dollar value per unit of labour supplied for a *specific* job

- ✓ Women earned **83¢** for every dollar earned by men, on average



So, what “explains” the pay gap?

✓ Work Experience

- Men have 18 years of FYFT work experience (vs. 14 yrs for women)
- Accounts for **11%** of pay gap
- Thinking critically ... missing information on
 - **continuity** of work experience, **duration**, **frequency** and, **timing** of withdrawals

✓ Education and major field of study

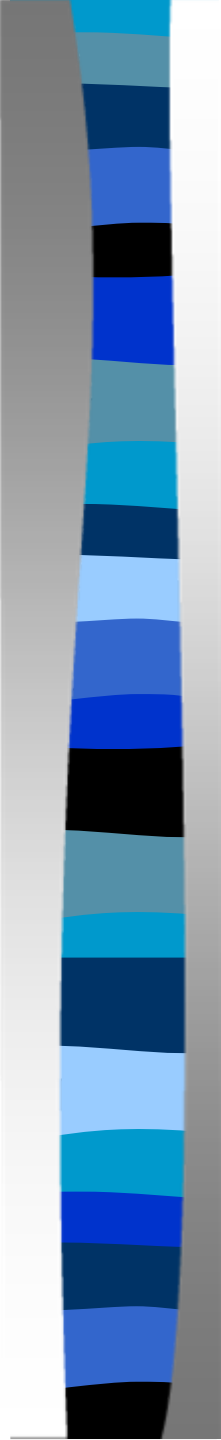
- Gender composition of major fields of study differs
 - Engineering predominantly male Health predominantly female
- Accounts for **4%** of pay gap

✓ Where men and women work

- Women are concentrated in low wage workplaces
 - Women earn **18% less** than men when there are no controls for the workplace and **11% less** when controls for the workplace are included

✓ Adjusted Ratio

- Women earn, on average **93¢** for every dollar earned by men



But a substantial portion of the pay gap cannot be “explained”

- Often interpreted as a measure of labour market discrimination
 - Employers use of “statistical discrimination”
- Choice OR differential treatment based on sex
- Other factors that are not accounted for in these studies may contribute to the gap
 - Pre-labour market experiences and expectations
 - Better measures of skills used on the job
 - Initial wages and career progression

The choice of non-discriminatory wage structure matters

M.Drolet 'The male-female wage gap' *Perspectives on Labour and Income*, Statistics Canada, Dec. 2001.

- 'Unadjusted' ratio
= 0.804
- 'Adjusted' ratio
can vary between
0.814 and 0.917

Pay structure	Explained	Unexplained	Adjusted
Male	49.3%	50.7%	0.894
Female	5.9%	93.6%	0.814
Weighted	30.5%	69.5%	0.858
Pooled	61.1%	39.1%	0.917



Does the gap vary *across* the distribution?

M.Drolet 'The male-female wage gap' *Perspectives on Labour and Income*, Statistics Canada, December 2001.

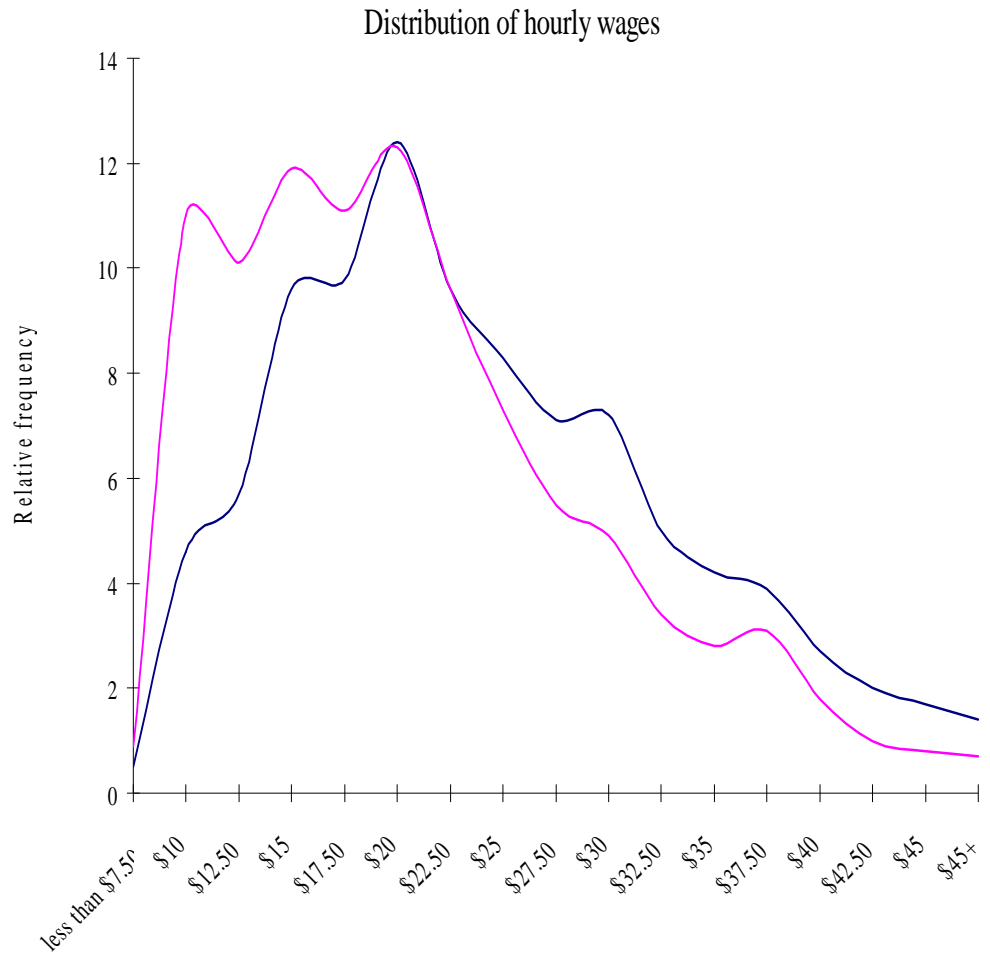
- Analysis on the **average** assumes that the size of pay gap is **CONSTANT** along wage distribution

- Size:
 - Upper end: women earn 25% less than men ==
Glass Ceiling
 - Lower end: women earn 18% less than men ==
Sticky Floors

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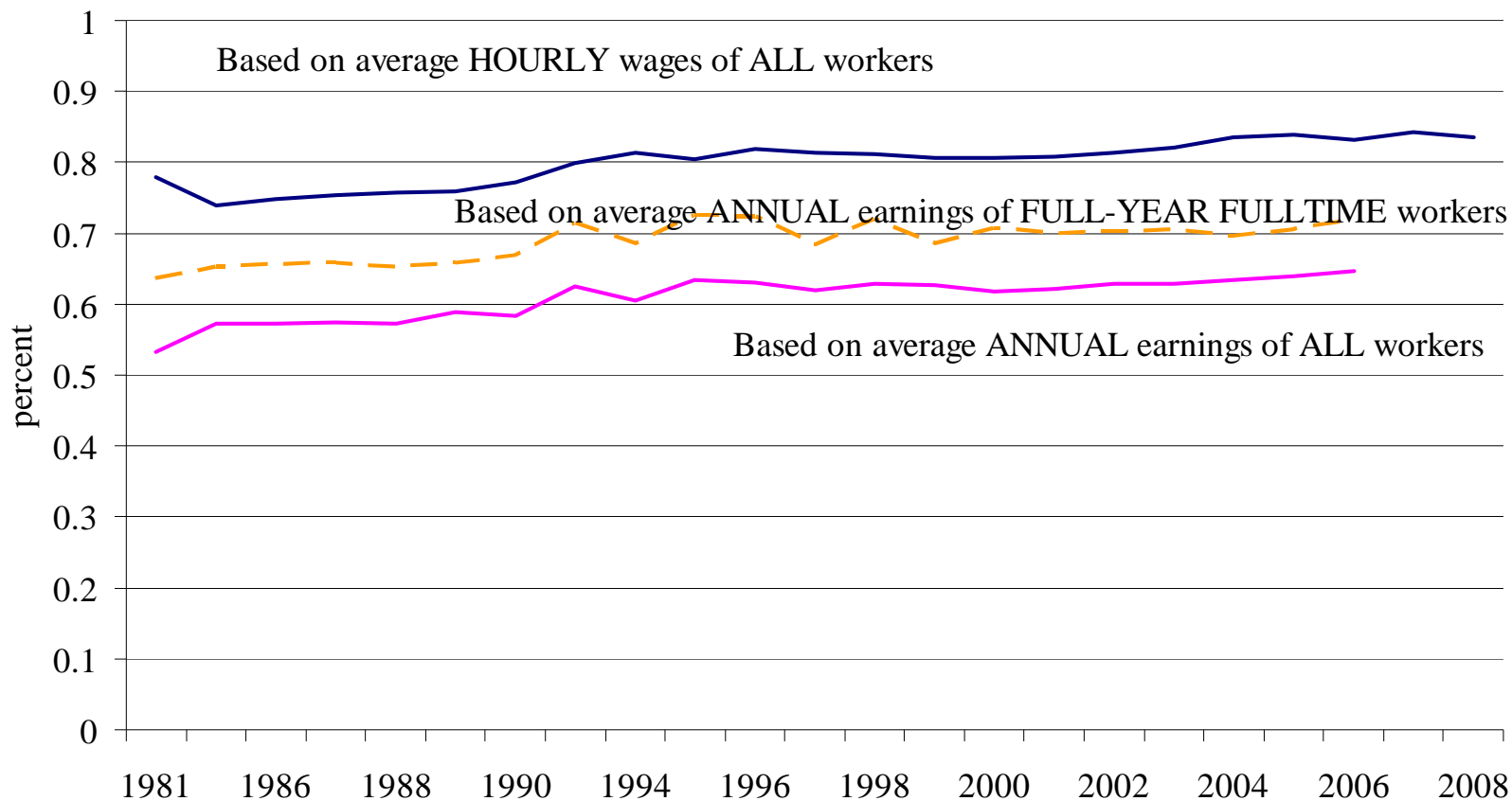
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Ratio of women's men's earnings rising

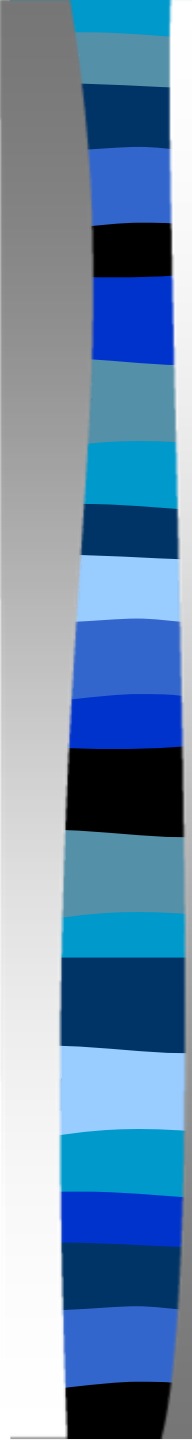
Between 1984 -2008, the gender wage gap narrowed by 9.6 percentage points or in relative terms, by 13%



Is the narrowing of the gap a cohort story?

	25-34	35-44	45-54
1984	↓ 0.806	→ 0.713	→ 0.657
1994	↓ 0.899	→ 0.788	→ 0.734
2004	↓ 0.902	→ 0.825	→ 0.779

- Following workers *across* cohorts:
 - (1) relative improvements with each successive cohort →
 - (2) gap widens with age →
- Following workers *within* a cohort shows little widening of the gap as workers age →
- Correlation between age and earnings ratio is **OVERSTATED** in **CROSS-SECTIONAL ANALYSES**



Is the narrowing of the gap due to a widespread convergence in wages *within a cohort*?

■ Theoretical

- Enhanced work effort improves earnings capacity
- Widespread decline in differential treatment by employers
- Spillover effects of employment and pay equity

■ Empirical evidence

- Job stability: No gender difference in retention rates, short duration
- No gender difference in quit rates, absenteeism
- Improvement in women's relative earnings
 - University participation, shift to higher-paying occupations
- Falling real wages of young men, stagnation for rest
 - De-unionization, shift away from high-paying industries
 - Global economic pressures



Has the Canadian labour market changed or have women?

Both !!

- Real average hourly wages of women increased by 12.6% compared to 2.2% for men
- ✓ Women have changed
 - Shifts in marketable characteristics account for 56% of the NARROWING of the pay gap
- ✓ Labour market has changed
 - Remaining 44% due to a decline in the pay differences between men and women for a given attribute



Concluding thoughts

- Gender wage inequality is complex
- Measurement matters
- On one hand == improvements
 - Growing employment rates of women
 - Improvements in job stability
 - Women's economic contribution to the household
 - Decline in gender pay differences
- On the other hand == fall behind men
 - Persistent pay differentials