



Osher Lifelong Learning Institute, Fall 2023

Contemporary Economic Policy

University of Connecticut
January 2024

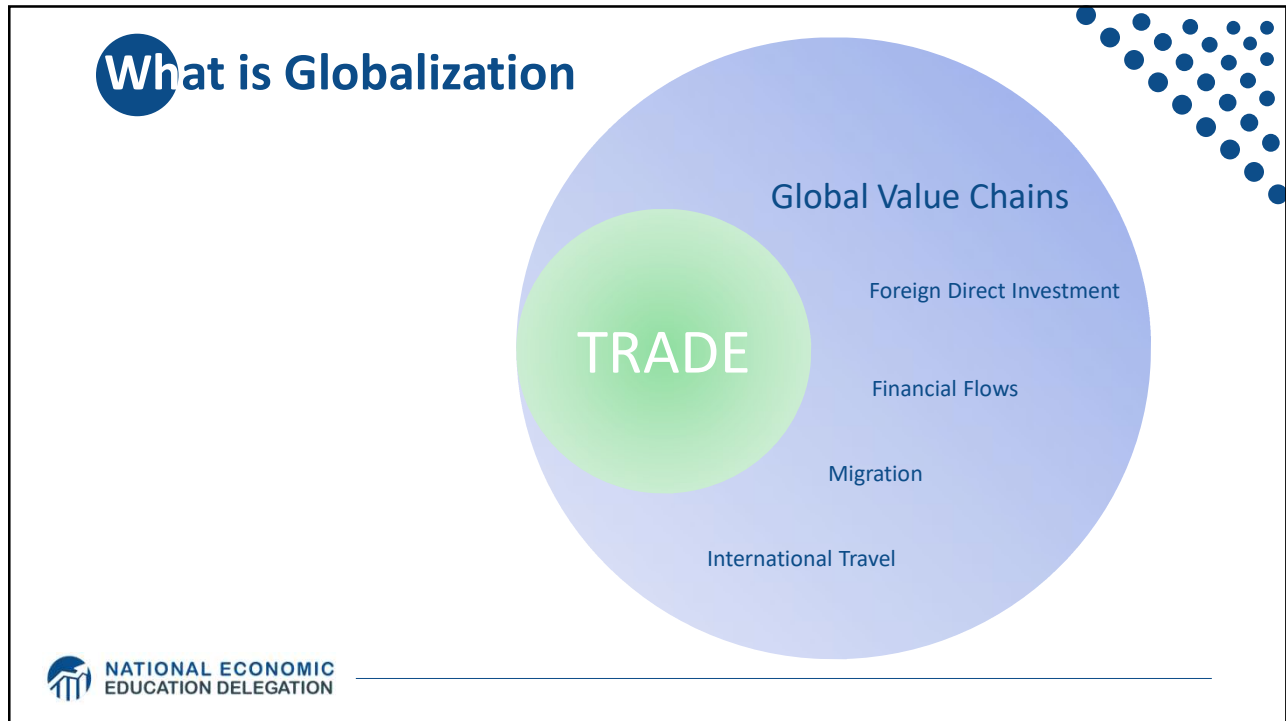
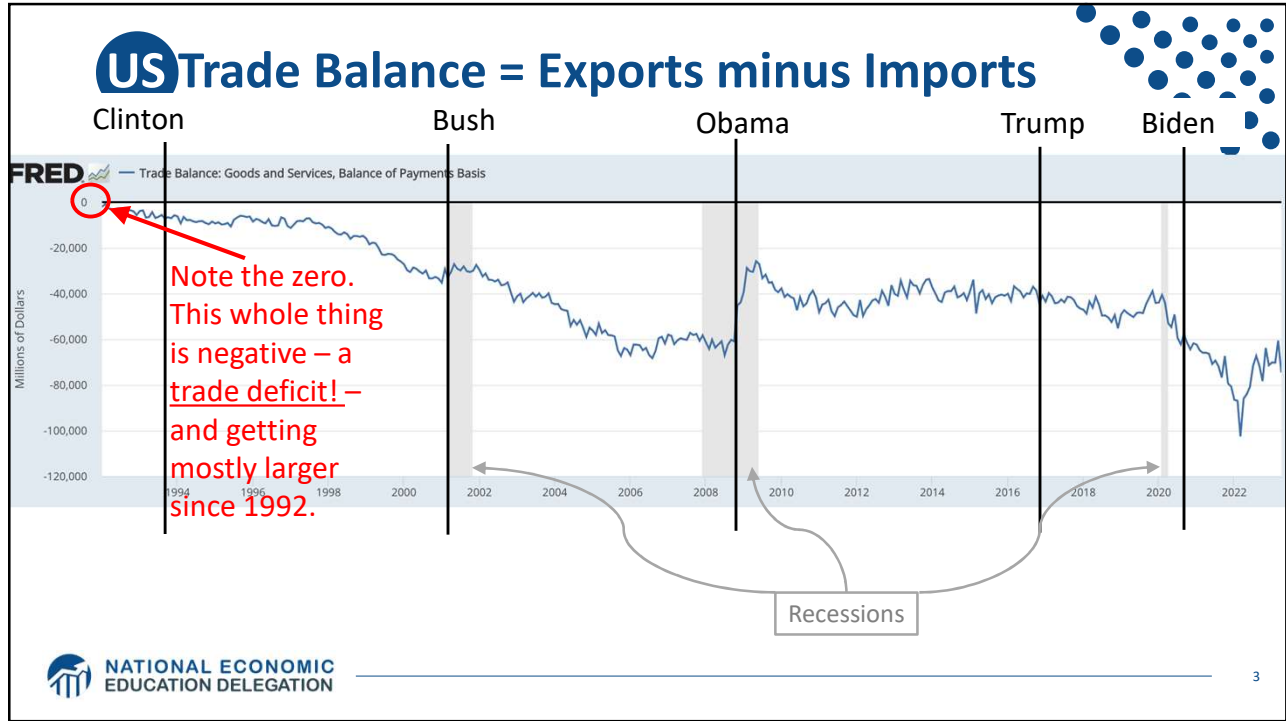
Jon Haveman, Ph.D.
National Economic Education Delegation



Course Outline

- **Contemporary Economic Policy**

- Week 1 (1/08): Economic Update (Geoffrey Woglom Amherst College)
- **Week 2 (1/15): Gender Pay Gap (Mallika Pung University of New Mexico)**
- Week 3 (1/22): Trade Deficits and Exchange Rates (Alan Deardorff U of Michigan)
- Week 4 (1/29): Trade and Globalization (Avik Chakrabarti U of Wisconsin Milwaukee)





Gender Wage Gap

OLLI at University of Connecticut

Mallika Pung, Ph.D.
University of New Mexico
January 15, 2024



Outline

- What is gender wage gap?
- Gender wage gap in numbers.
- What are the potential causes for this gender wage gap?
- What can we do?



The Issue of Gender Wage Gap

“We have to pass pay equity for women workers. It is not acceptable that women are making 78 cents an hour compared to men.”

-- Sen. Bernie Sanders (I-Vt.), [speech to the National Press Club](#), March 9, 2015

“..42% [women] in the United States say they have faced discrimination on the job because of their gender... One of the biggest gender gaps is in the area of income: ...25% [women] say they have earned less than a man who was doing the same job..”

-- 2017 Pew Research Center [survey](#)



Popular Theories

- Biased managers and co-workers
- Occupational segregation
- Inferior bargaining skills
- Lack of competitiveness
- And more

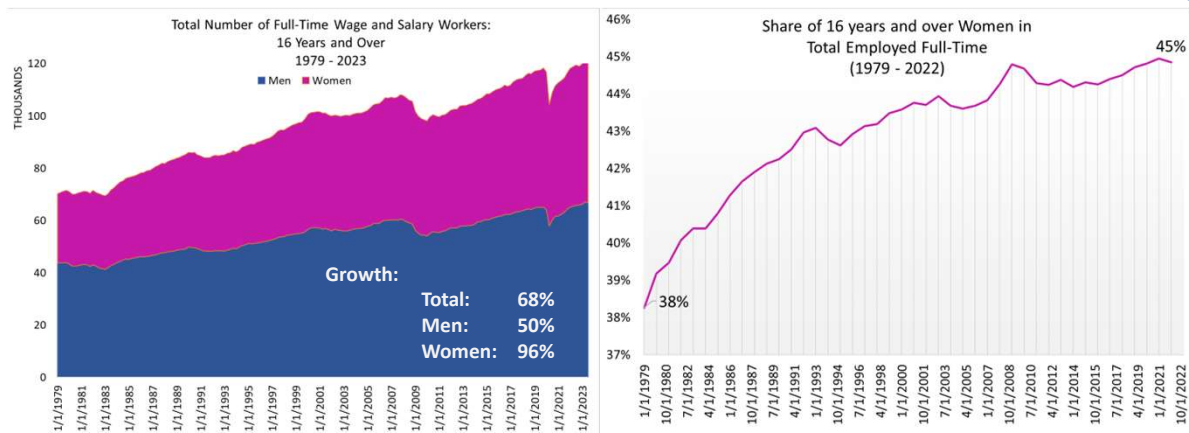
We will delve deeper into what is meant by gender wage gap and how economists think about the issue.



Significant strides have been made

- Progress made in combating gender inequality and discrimination against women in workplace since the 1970s
 - The Fair Labor Standards Act of 1938,
 - The Equal Pay Act of 1963,
 - Title VII of the Civil Rights Act of 1964, and
 - The Pregnancy Discrimination Act of 1973 in conjunction with
 - Providing Urgent Maternal Protections (PUMP) for Nursing Mothers Act
 - Pregnant Workers Fairness Act
- “Gender Revolution”

Composition of the Full-Time Workforce

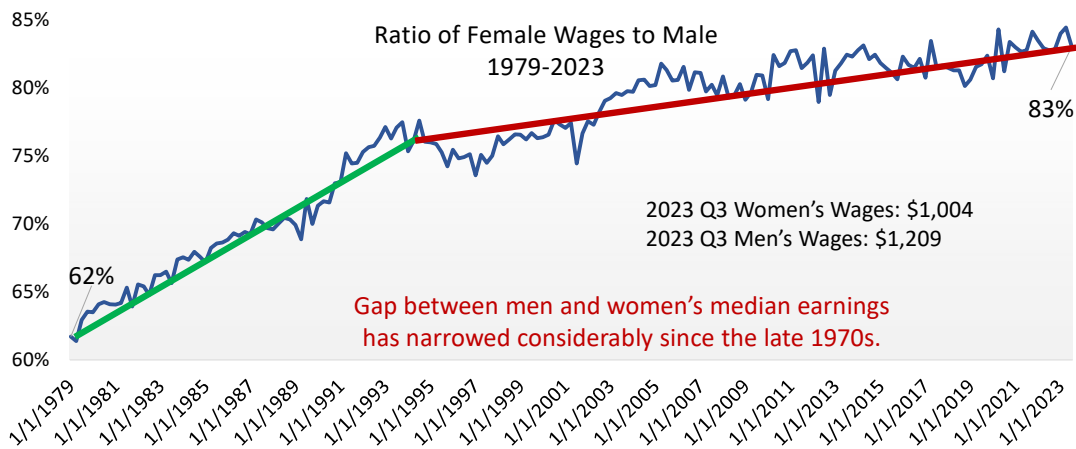


What is Gender Wage Gap?

- Gender wage gap represents the difference in average earnings of women relative to those of men.
- The gap is usually calculated as a ratio of women’s earnings to men’s earnings.
 - For example, in the third quarter of 2023, median weekly earning for full-time women workers was \$1,004, and that for men was \$1,209.
 - Therefore, the gender wage gap in Q3, 2023 was:

$$\frac{\$1,004}{\$1,209} = 83.04\%$$

Relative Wage Gap Over Time

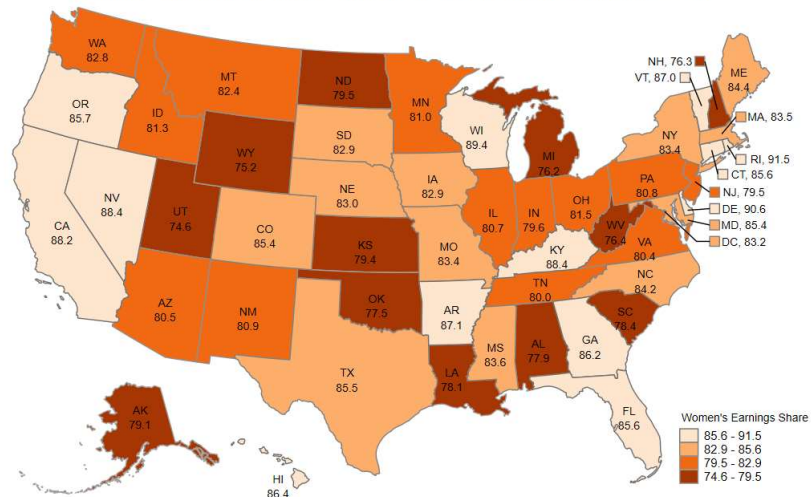


Sources of Reduction

- **Relatively more women in jobs with collective bargaining.**
 - Falling for both since 1981, but more for men than women.
- **Women are getting more education than men.**
- **Women’s devotion to the labor market is growing.**

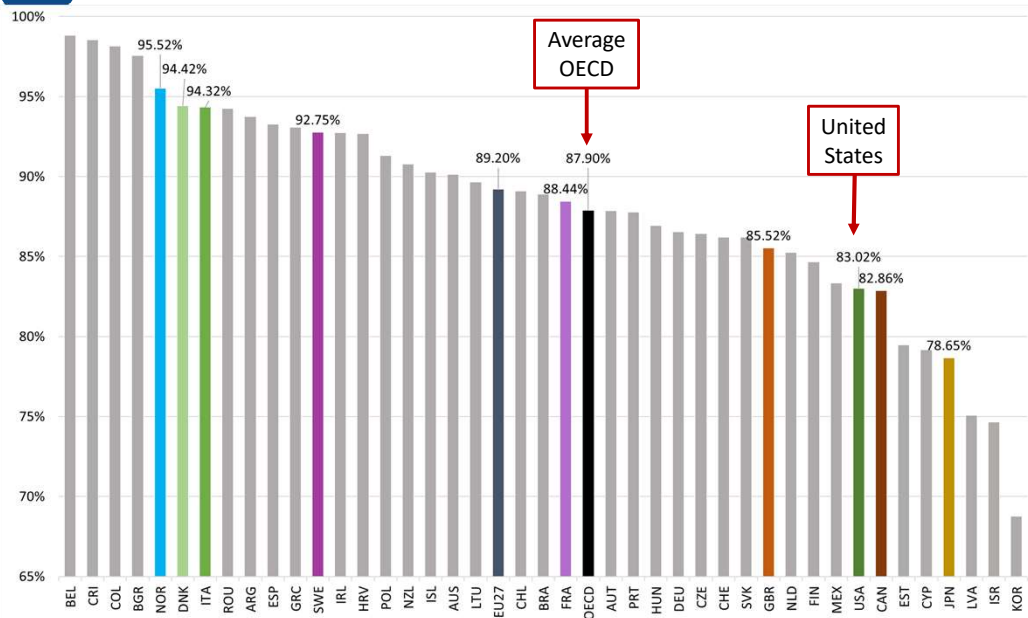
Wage Gap by State

Women's Median Weekly Earnings as a Percentage of Men's, 2021



Women's median weekly earnings, in the United States, accounted for 83.1% of men's earnings in 2021.
Source: U.S. Bureau of Labor Statistics

Wage Gap Across the Globe



15

What is NOT included in these calculations?

- These are unconditional or uncontrolled or raw wage gap.
- The difference doesn't account for differences in:
 - Age and Experience
 - Occupation
 - Educational attainment
 - Job skills and responsibilities
 - Specialization

16

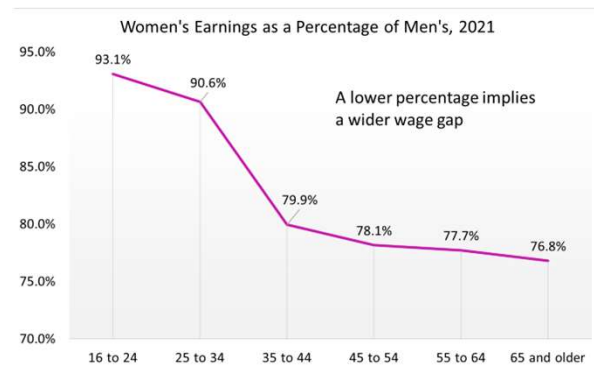
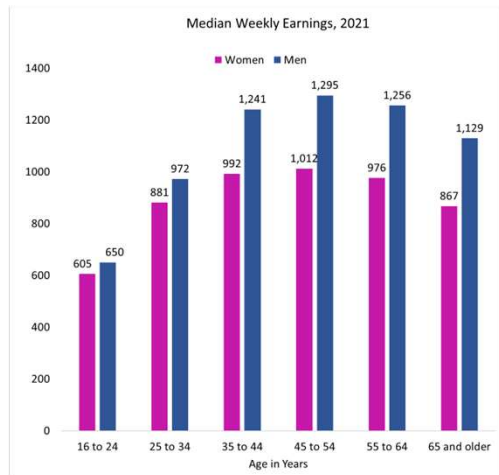
The Wage Gap

- **Gender wage gap is not a single statistic; it's dynamic.**
- **Average wage comparison based on a limited sample. Men and women:**
 - Working full time
 - Working year round
- **Wage gap is not: Apples to Apples**
 - Does not compare wages of men and women in the same occupation or industry.

Wage Gap by Age

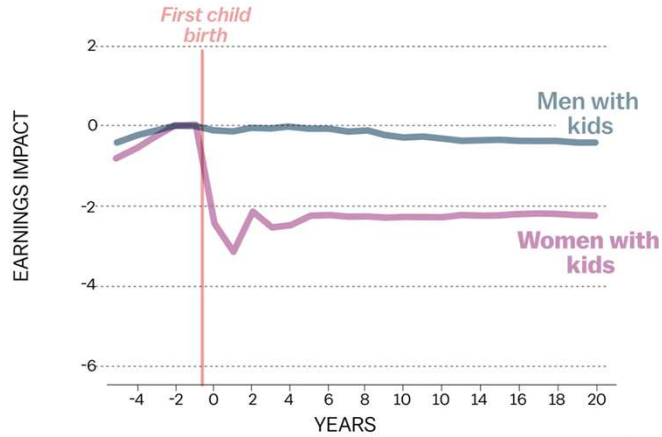
In 2021, median weekly earnings for:
 Women - \$912
 Men - \$1,097

The gap between men and women's median earnings was the largest among those aged 45 years or older.



The Kid Effect

Women's earnings drop significantly after having a child. Men's don't.

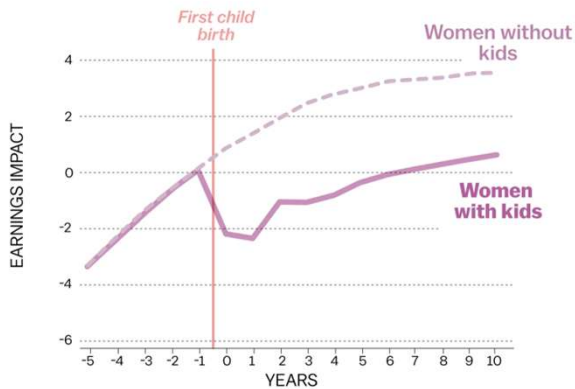


Source: "Children and gender inequality: Evidence from Denmark," National Bureau of Economic Research



The Kid Effect

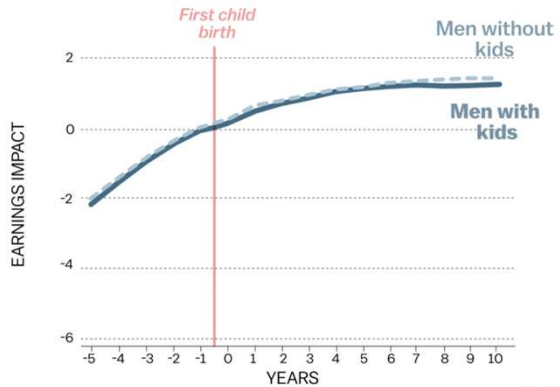
Having a kid correlates with lower earnings for women



Source: "Children and gender inequality: Evidence from Denmark," National Bureau of Economic Research



Having kids doesn't affect men's salaries



Source: "Children and gender inequality: Evidence from Denmark," National Bureau of Economic Research

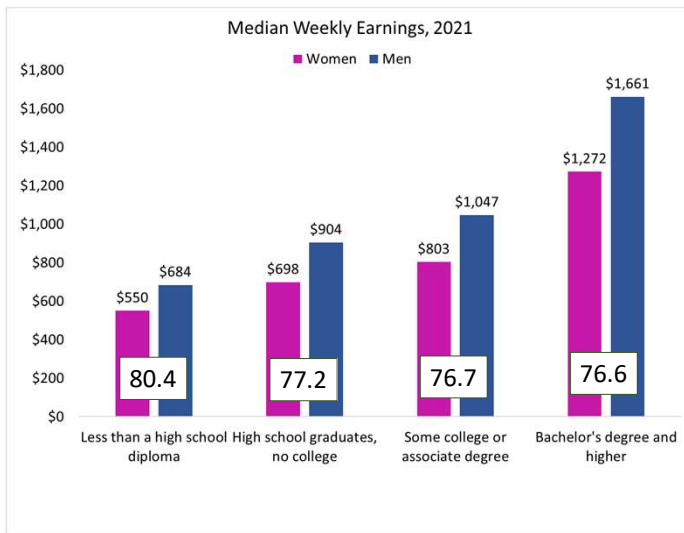


Wage Gap by Race/Ethnicity



Earnings differences between women and men were largest among Asians and among Whites.

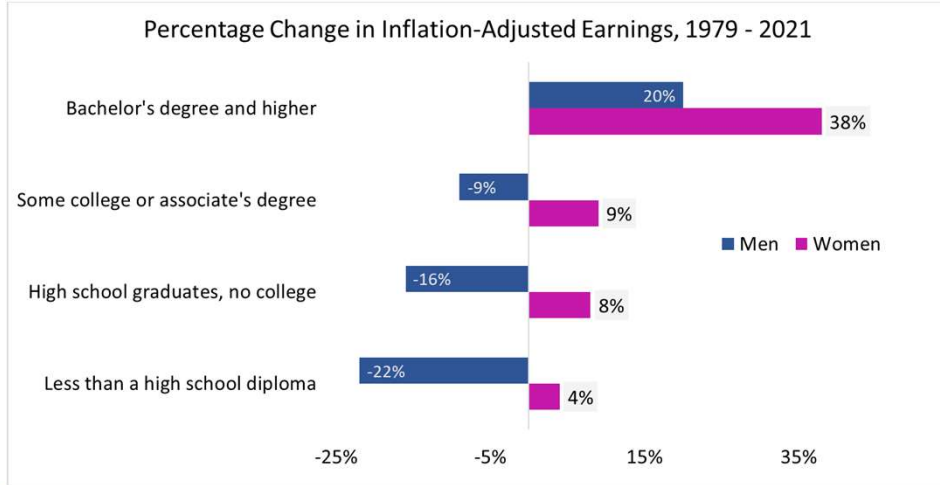
Wage Gap by Level of Education



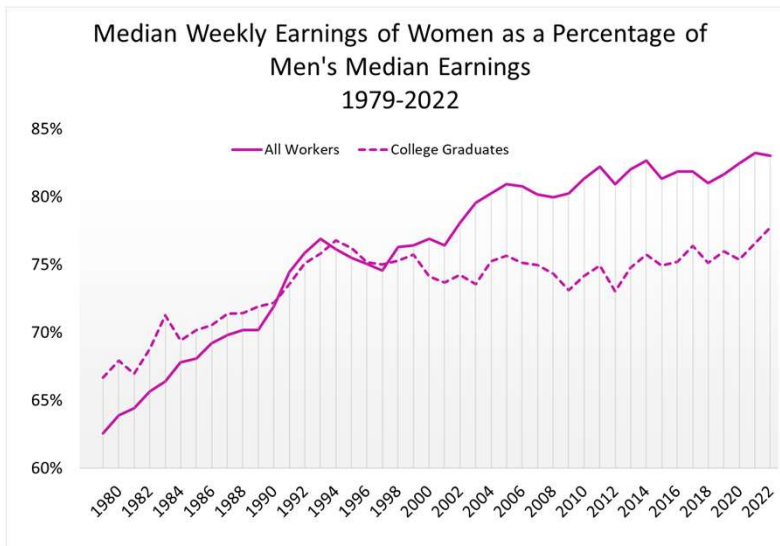
- College pays – among all workers, median earnings of those with at most a HS degree were 56% of those with at least a bachelor's degree.
- The gap between men and women's median earnings was the largest among college graduates, with women's median earning at only 76.6% of men's.

Wage Change by Level of Education

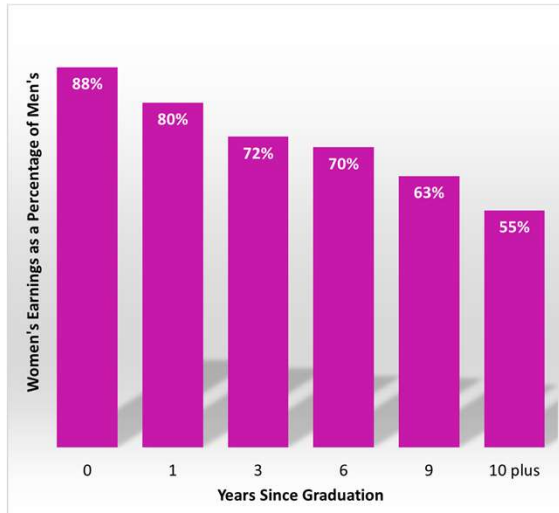
Long-term trend in inflation-adjusted earnings has been more favorable for women than for men.



Gender Wage Gap Over the Years – College Graduates



Wage Gap Widens with Age and with Years After Leaving School



- From Bertrand, Goldin, Katz (2010)
- Directly following MBA receipt, average earnings are comparable among men and women, but they soon diverge.
- In the first 9 years after graduation, women's average earnings increase by 117%, while those of men increase by 208%.



Wage Gap Among MBA Graduates Not Random

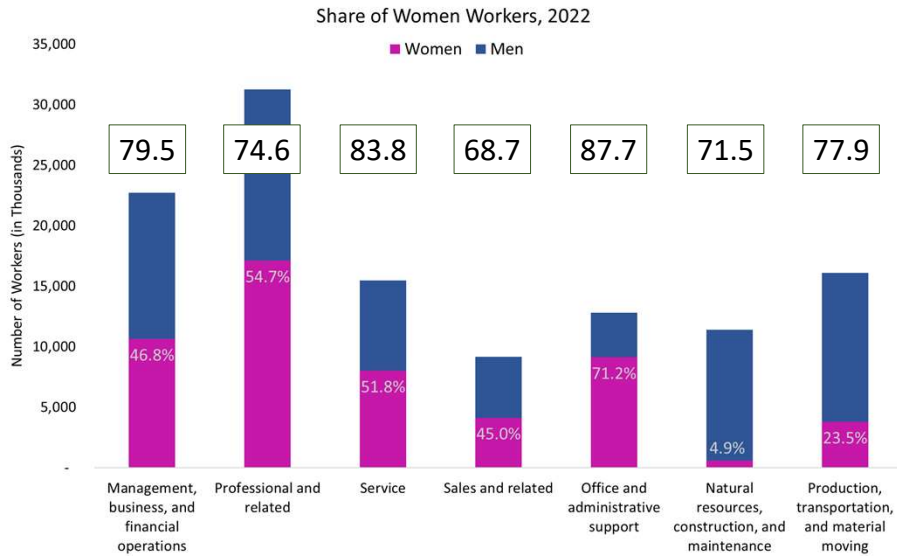
- The sample controls for ability, training and education
- Almost all the gap can be explained by:
 - Career interruptions
 - Differences in average weekly work hours
 - o 49 hrs vs 57 hrs for men
 - o More part-time, self-employed workers
- The gap grows largely with the arrival of children
 - Well-intentioned paternalism by supervisors
 - Husband's position on the earnings distribution
- Several studies, even those from Nordic countries, support these results



Weekly Earnings by Occupation



Gender Distribution of Occupations



Occupations with the Lowest Wage Gap, 2022

Occupation	Female-Male Median Weekly Earnings Ratio	Share of Women in the Occupation	Share of Women Workforce
Compliance officers	104%	55%	0.3%
Licensed practical and licensed vocational nurses	103%	87%	0.8%
Wholesale and retail buyers, except farm products	102%	51%	0.1%
Teaching assistants	100%	86%	1.4%
Educational, guidance, and career counselors and advisors	100%	75%	0.5%
Other life, physical, and social science technicians	98%	50%	0.2%
Physical therapists	98%	64%	0.3%
Special education teachers	97%	82%	0.5%
Office clerks, general	96%	87%	1.6%
Social workers, all other	95%	81%	1.0%
Security guards and gambling surveillance officers	95%	26%	0.4%
Packers and packagers, hand	94%	58%	0.6%
Industrial truck and tractor operators	94%	9%	0.1%
Stockers and order fillers	94%	36%	0.8%
Loan interviewers and clerks	94%	68%	0.2%
Market research analysts and marketing specialists	93%	58%	0.4%
Shipping, receiving, and inventory clerks	93%	35%	0.4%
Packaging and filling machine operators and tenders	93%	51%	0.3%
Office and administrative support workers, all other	91%	74%	0.7%
Software developers	90%	21%	0.8%
Production, planning, and expediting clerks	90%	49%	0.2%
Elementary and middle school teachers	90%	79%	4.6%
Total			15.7%

Occupations with the Highest Wage Gap, 2022

Occupation	Female-Male Median Weekly Earnings Ratio	Share of Women in the Occupation	Share of Women Workforce
Real estate brokers and sales agents	63%	54%	0.5%
Personal financial advisors	63%	38%	0.3%
Sales managers	68%	35%	0.4%
Financial managers	69%	55%	1.3%
Inspectors, testers, sorters, samplers, and weighers	70%	40%	0.5%
Recreation workers	71%	56%	0.1%
Insurance claims and policy processing clerks	74%	82%	0.4%
Medical and health services managers	74%	72%	0.9%
Sales representatives of services, except advertising, insurance, financial services, and travel	75%	28%	0.3%
Total			4.8%

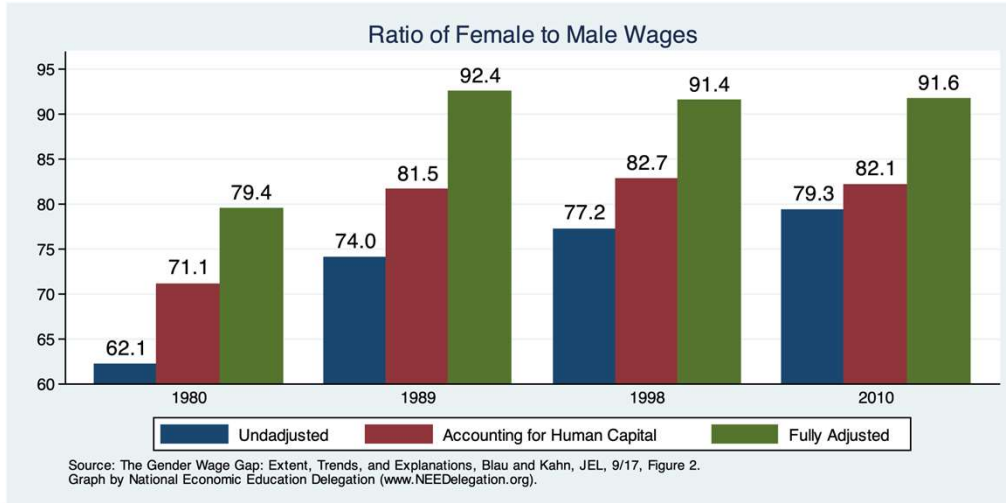
These are still unadjusted wage gap numbers

- Controlled for one or two factors at a time
- May still not fully explain earnings differences
- For example, when comparing median earnings differences by occupation, we still would like to know if these differences can be further explained by differences in other key factors such as
 - age,
 - job responsibilities,
 - work experience, and
 - other individual life choices such as marital status or to have children and to take time off to raise them.

Adjusting the Wage Gap

- **Men and women make different choices. It is possible to account for some of those choices to explain the wage gap.**
- **Two possible adjustments:**
 - **Adjustment 1 accounts for human capital:**
 - Education
 - Experience
 - Geographic region
 - Race
 - **Adjustment 2 also accounts for:**
 - Unionization
 - Industry
 - Occupation

Wage Gap With Adjustments



What do the Adjustments Tell Us?

- **Human capital decisions, as well as region and race, matter for the wage gap.**
- **Ultimate job matters:**
 - Is it unionized?
 - Is it an industry with a large gap?
 - Is it an occupation with a large gap?
- **Still 10% unaccounted for.**
 - Is this discrimination?
 - Perhaps, but not all of it.
 - Labor market decisions are influenced by discrimination or perceptions of women's vs men's majors, occupations, or industries.



Gap Occurs Primarily WITHIN Occupations

Occupational differences and wage gap

	Between Occupations	Within Occupations
All Workers	15%	85%
College Graduates	35%	65%

Non-Linearities in Pay and the Wage Gap

- **Pay increases with the number of hours worked each week.**
 - Why?
 - In some occupations, workers are not good substitutes for each other.
 - To ensure continuity, employers value individual workers working more hours.
 - Implications:
 - Households divide the work.
 - Rather than both working 40 hours, perhaps one works 80 and the other does not work.
 - Women are more likely to be the ones working fewer hours, receiving less pay.

Explaining Gender Wage Gap by Occupation

- **Women, traditionally, the “on-call” parent – Goldin [2021]**
- **Prefer occupations with**
 - shorter hours,
 - fewer “on-call” hours,
 - predictable schedules
 - standardized products/services
 - greater substitutability of workers within teams
- **Men, traditionally, opt for jobs with greater time demands but pay more**
- **Appear to care less about time flexibility**
 - Ready to work evening/weekend hours to meet clients

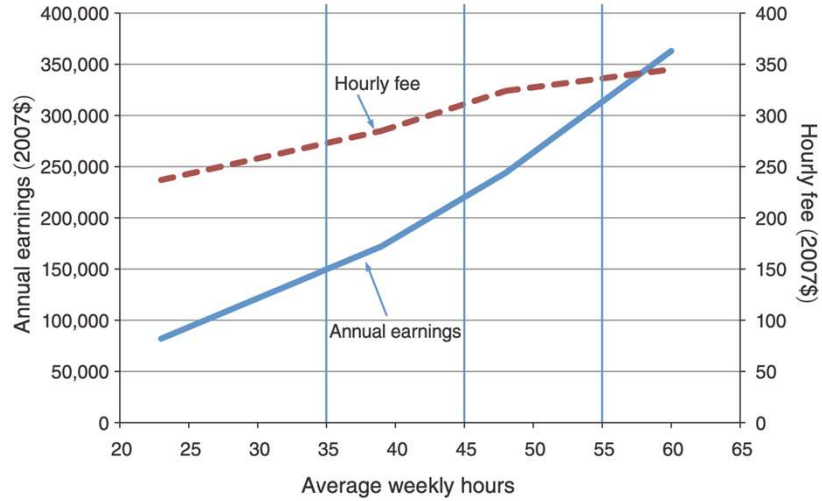
Gap Occurs Primarily WITHIN Occupations

- **Not all occupations have the same pay gap.**
 - Depends on how substitutable workers are.

	Wage Gap
Science and Health Professions	89%
Business and Finance	79%
Law	82%
Overall	78%

Evidence on Non-Linearities from Law Firms

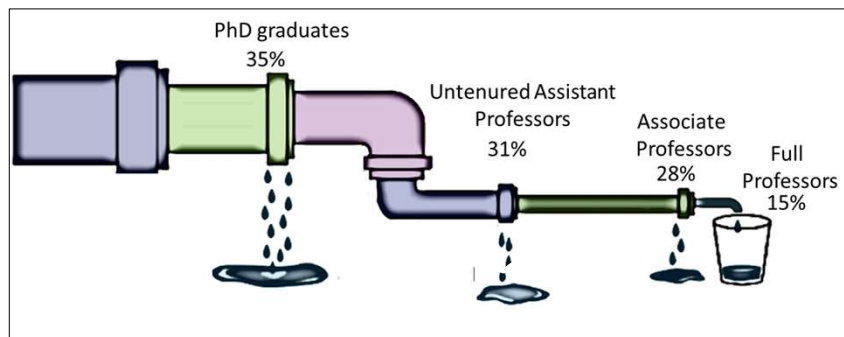
Lawyers:
Hours go up
So does hourly pay



The Leaky Pipelines Phenomenon

- In many professional occupations
 - There's a more equitable gender distribution at entry level,
 - But at the higher ranks, number of female workers plummets.
- Time demands – likely explanation?

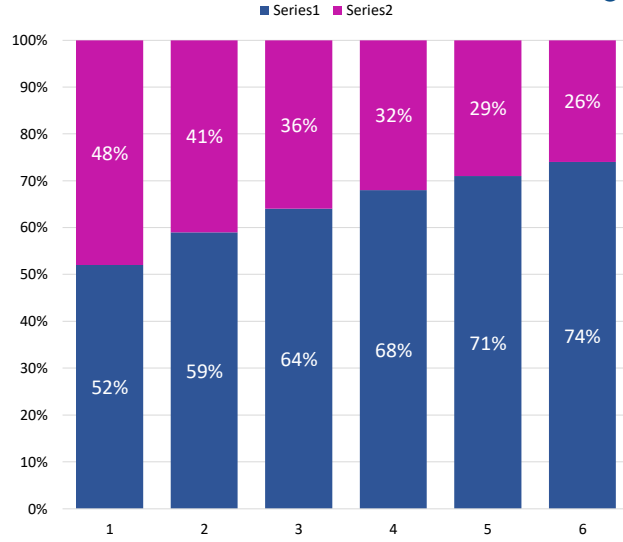
The Leaky Pipelines In Economics
Share of Women in Economics, 2020



The Broken Rung and the Great Breakup

Share of Men and Women in Corporate Role, 2022

- Women are significantly underrepresented in leadership.
- A broken rung at the first step up to manager is holding women back.
- For every 100 men who are promoted from entry-level roles to manager positions, only 87 women are promoted
- The Great Breakup
 - **New Pipeline Problem**
 - More women leaders are leaving their companies



Source: Women in the Workplace 2022, LeanIn.Org and McKinsey, 2022

Solutions to the gender wage gap issue

- **Debiasing the labor market**
 - Diversity training for supervisor and manager
 - Changing the organizational culture
 - Gender blind hiring/evaluation procedures
- **Training women to be more competitive and removing unconscious bias**
- **Legislative actions by federal and state governments**



The system not individual bias is the culprit

- **The “system” is characterized by:**
 - Decisions made by ordinary couples in terms of being on-call at work or at home
 - Cost of time flexibility at work
- **The higher the cost of temporal flexibility, the higher is the likelihood of a couple to forego equity in favor of higher family income.**
- **Substitution among workers needs to be encouraged in occupations with high gender pay gaps**

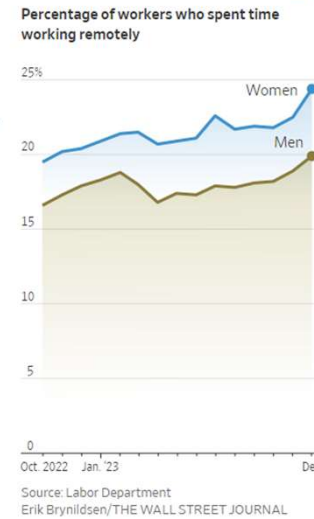
Private Sector is Responding... Slowly

- **With more women entering the profession**
- **More men wanting equitable relationships with their life partners**
- **Costly job training**
- **Valuable client-employee relationships formed by the women in early years**

Firms have more incentive to retain the female employees now than ever.

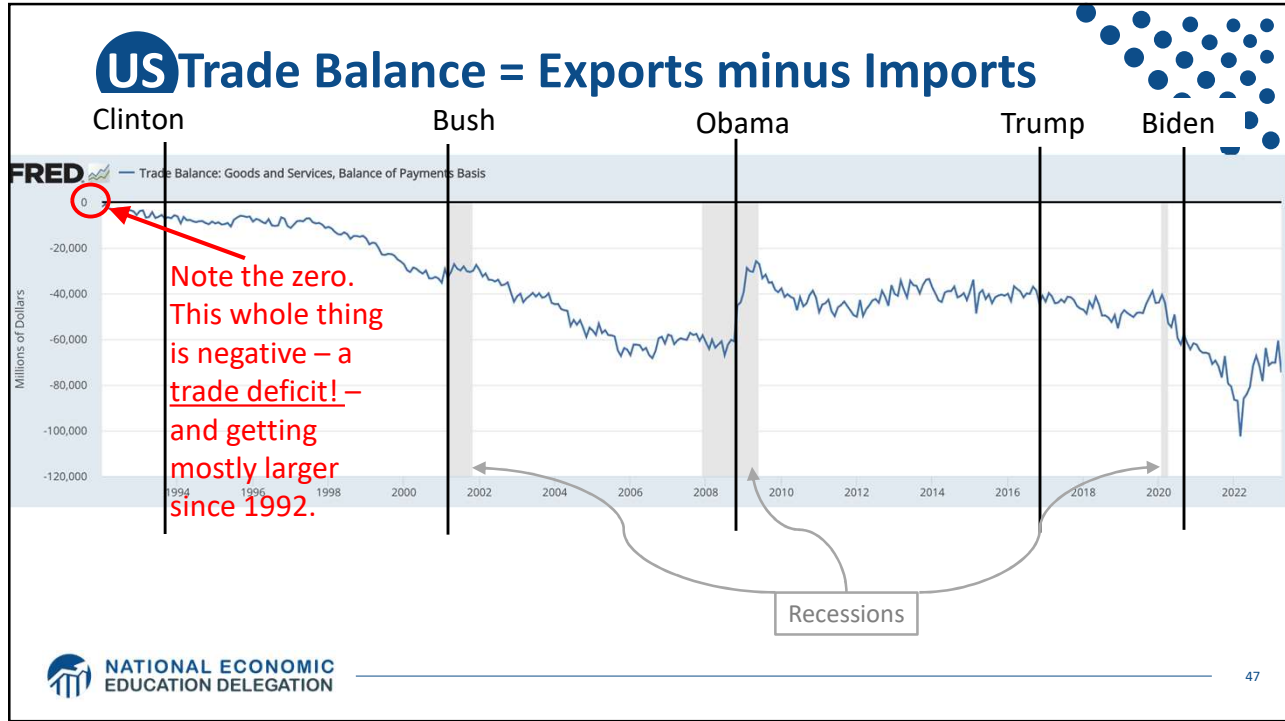
Time Demand Tradeoffs and COVID-19

- **COVID-19 accelerated trends towards more workplace flexibility.**
- **Remote work may have lasting beneficial impact on all workers, including women.**
- **But there may also be losses.**
 - WFH = Working from Home or Working from Hell?
 - Promotions
- **Women's attachment to labor market at risk due to:**
 - Difficulty in obtaining affordable, dependable childcare



What Have We Learned?

- **The gap is significant and seemingly stubborn.**
 - Some, but not very much progress in the last 20 years.
- **Discrimination clearly plays a role, but we can't identify how much.**
 - In wage setting, in people's choices, as a result of market structures.
- **Gender roles in child rearing play an enormous role.**
- **Government policy can help, by:**
 - Implementing policies that reduce the child-bearing penalty for women.
 - o Access to childcare, for instance.
 - Influencing the structure of labor markets, the workplace, hiring practices, and job flexibility.
 - Generally, address the hours/compensation relationship.



Thank you!

Any Questions?

www.NEEDecon.org
Mallika Pung, Ph.D.
MallikaPung@gmail.com
Contact NEED: info@NEEDecon.org

Submit a testimonial: www.NEEDecon.org/testimonials.php

Become a Friend of NEED: www.NEEDecon.org/friend.php

NATIONAL ECONOMIC EDUCATION DELEGATION

48