

Introduction on labor market differentials

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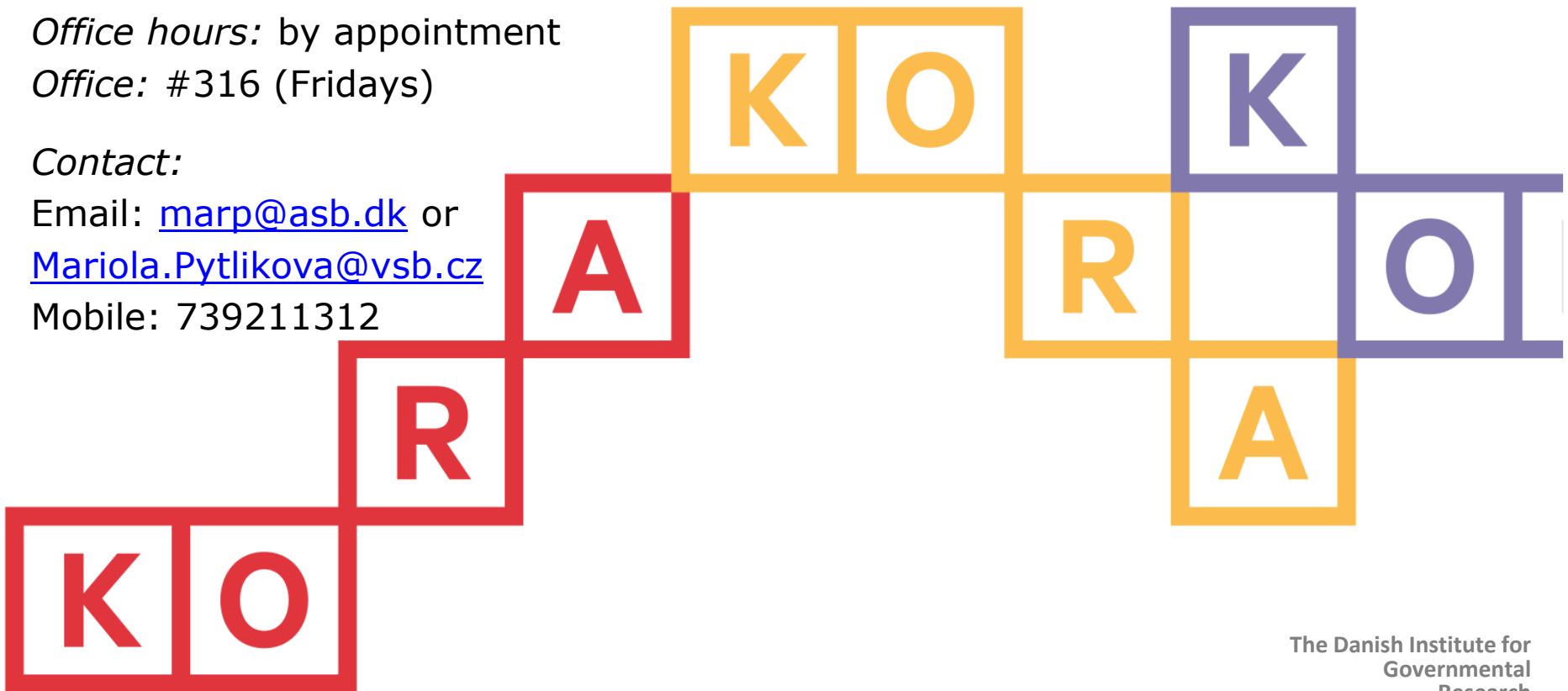
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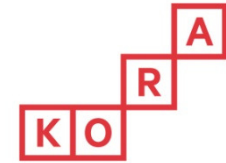
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The Danish Institute for
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Research

Reading list



- J. Altonji and R. Blank. (1999) "Race and Gender in the Labor Market." In O. Ashenfelter and D. Card, eds., *Handbook of Labor Economics*, vol. 3C, 3143-259.
- M. Bertrand. (2010) "New Perspectives on Gender," *Handbook of Labor Economics*, vol. 4B, 1543-90.
- Ehrenberg and Smith: "Modern Labour Economics: Theory and Policy"; Chapters 8 and 12. not compulsory
- F. Blau and L. Kahn. (2003) "Understanding International Differences in the Gender Pay Gap," *Journal of Labor Economics* 21. not compulsory
- Slides of the lectures (provided one day in advance or on the day of the class)
- All materials provided on: <http://home.cerge-ei.cz/munich/labor13/>

OUTLINE

- 1. Differences on labour markets by gender and ethnicity: some facts and evidence**
- 2. Factors explaining wage differentials**
 - 1. Workers characteristics**
 - 2. Job and firm characteristics**

In the next lectures on January 31st:

- **Compensating wage differentials**
- **Discrimination – theory and empirics;**

DIFFERENCES ON LABOUR MARKETS by GENDER

Women are more likely to not to work; when they do have jobs, they earn less than men

- Labour force participation
- Earnings
- Glass ceiling: share of women on boards



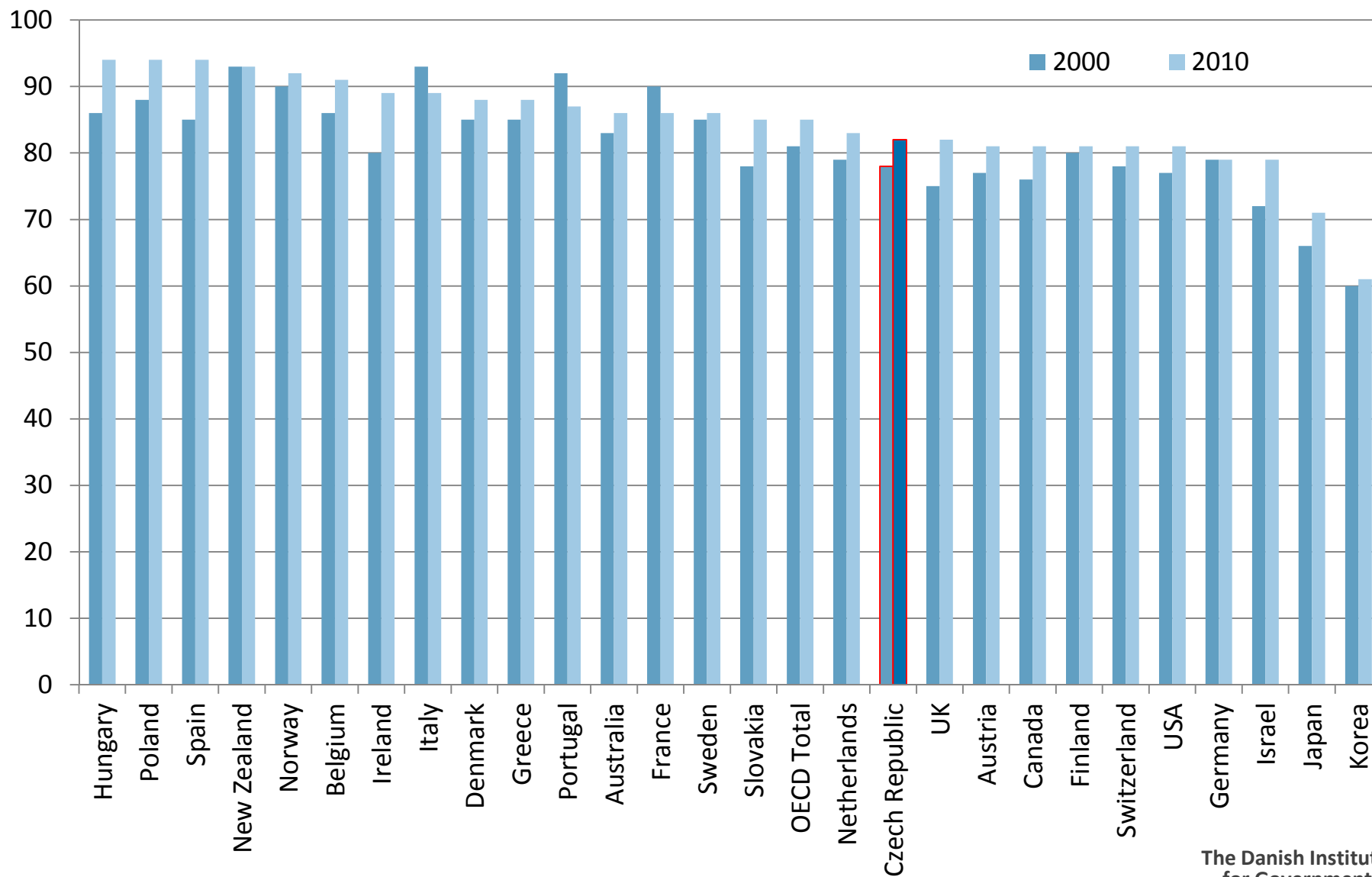
DIFFERENCES ON LABOUR MARKETS – gender

Gender labour force participation gap, OECD countries, 2000 and 2011

	2000		2011			2000		2011	
Country	Female	Male	Female	Male		Female	Male	Female	Male
Australia	65	83	71	83	Japan	60	85	63	84
Austria	62	80	70	81	Korea	52	77	55	77
Belgium	57	74	61	72	Netherlands	65	83	73	84
Canada	70	82	74	81	New Zealand	67	83	72	84
Czech Rep.	64	79	62	79	Norway	76	85	76	80
Denmark	76	84	76	82	Poland	60	72	59	73
Finland	72	78	73	77	Portugal	64	79	70	79
France	62	75	66	75	Slovakia	63	77	61	77
Germany	63	79	72	83	Spain	53	80	68	81
Greece	50	77	58	78	Sweden	76	81	78	83
Hungary	53	67	57	69	Switzerland	72	89	77	89
Ireland	56	80	63	77	United Kingdom	69	84	70	83
Israel	56	67	61	68	United States	71	84	68	79
Italy	46	74	51	73	OECD Total	59	81	62	79

DIFFERENCES ON LABOUR MARKETS – gender

Female/male median wage ratio, OECD countries, 2000 and 2010, in %



DIFFERENCES ON LABOUR MARKETS – gender

Female Earnings in the U.S. as a % of Male Earnings, by Age and Education, Full-Time Workers, 2008

Female Earnings as a Percentage of Male Earnings, by Age and Education, Full-Time Workers, 2008

Age	High School Graduate (%)	Bachelor's Degree (%)	Master's Degree (%)
25–34	75	74	79
35–44	65	71	67
45–54	68	63	59
55–64	79	60	66

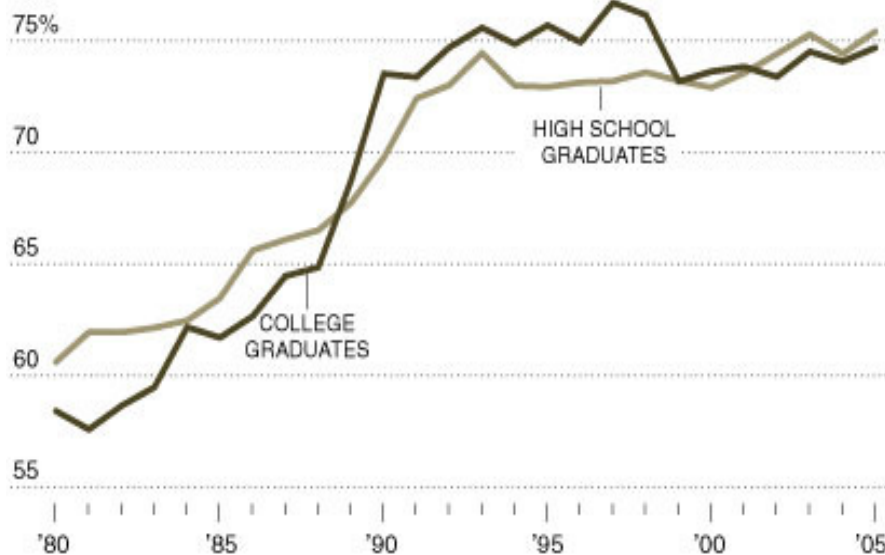
Glass Ceiling - Trend in the US

Few Cracks in the Glass Ceiling

While the gap in pay between men and women narrowed in the 1980s and 1990s, some groups of women are actually losing ground. Highly educated women are faring less well than a decade ago, and women making the most face a larger gap than those with lower income.

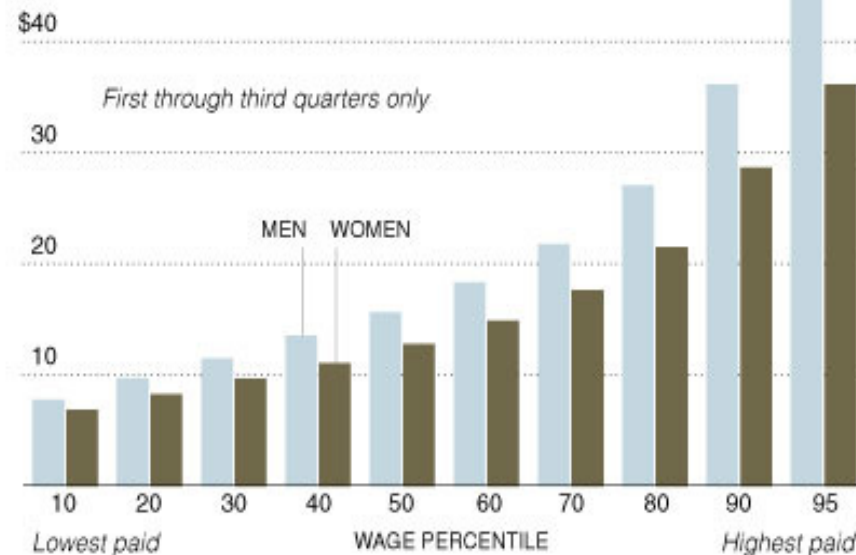
Women's pay as a percentage of men's at different education levels

Wage and salary workers, 36- to 45-year olds



2006 hourly pay at each wage ranking

Wage and salary workers, 18- to 64-year olds



Sources: Economic Policy Institute; U.S. Department of Labor

The New York Times

Glass Ceiling - Trend in the EU

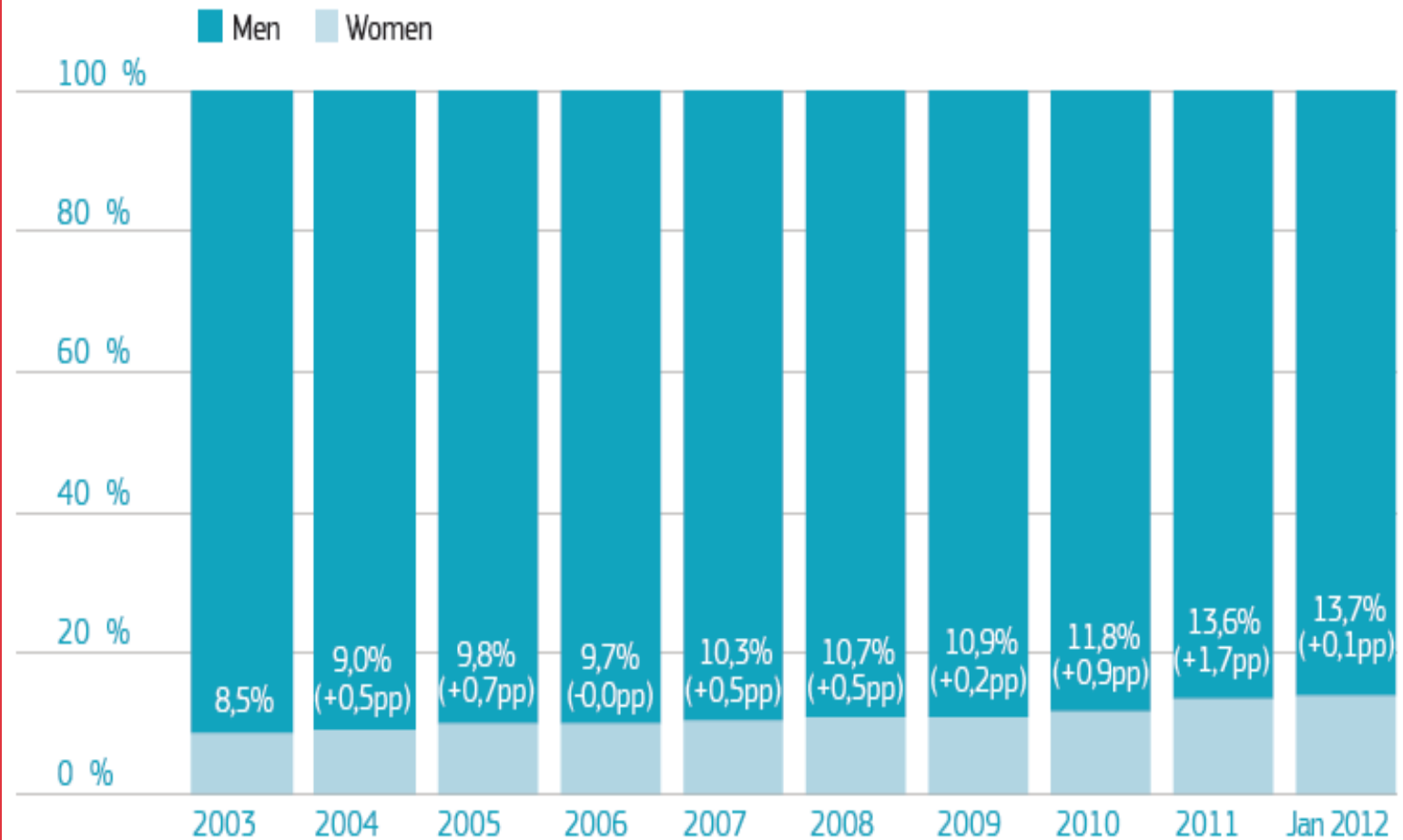
- Under-representation of women in management positions
- Some progress of women reaching senior management positions over time, but very slow



Glass Ceiling - Trend in the EU

According to GMI Ratings' 2013 Women on Boards Survey 'progress on most measures of female representation continues to be slow': 11% of board seats at the world's largest companies, up from 1.7 pp. since 2009

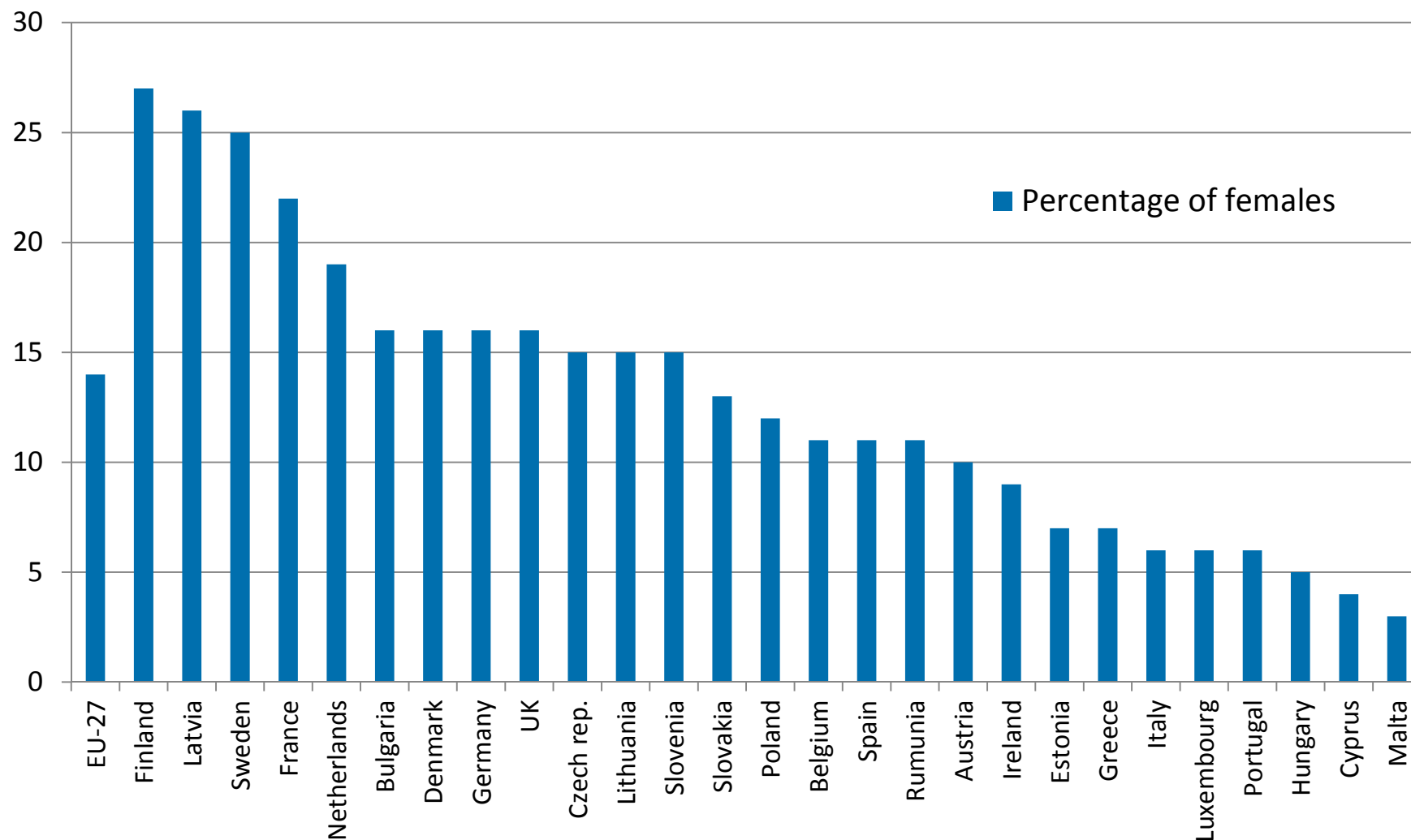
Figure 2 – Women and men on corporate boards in the EU, 2003-2012



Source: European Commission, Database on women and men in decision making

Glass Ceiling – differences across EU countries

Percentage of females on boards of large companies listed on stock market, 2012

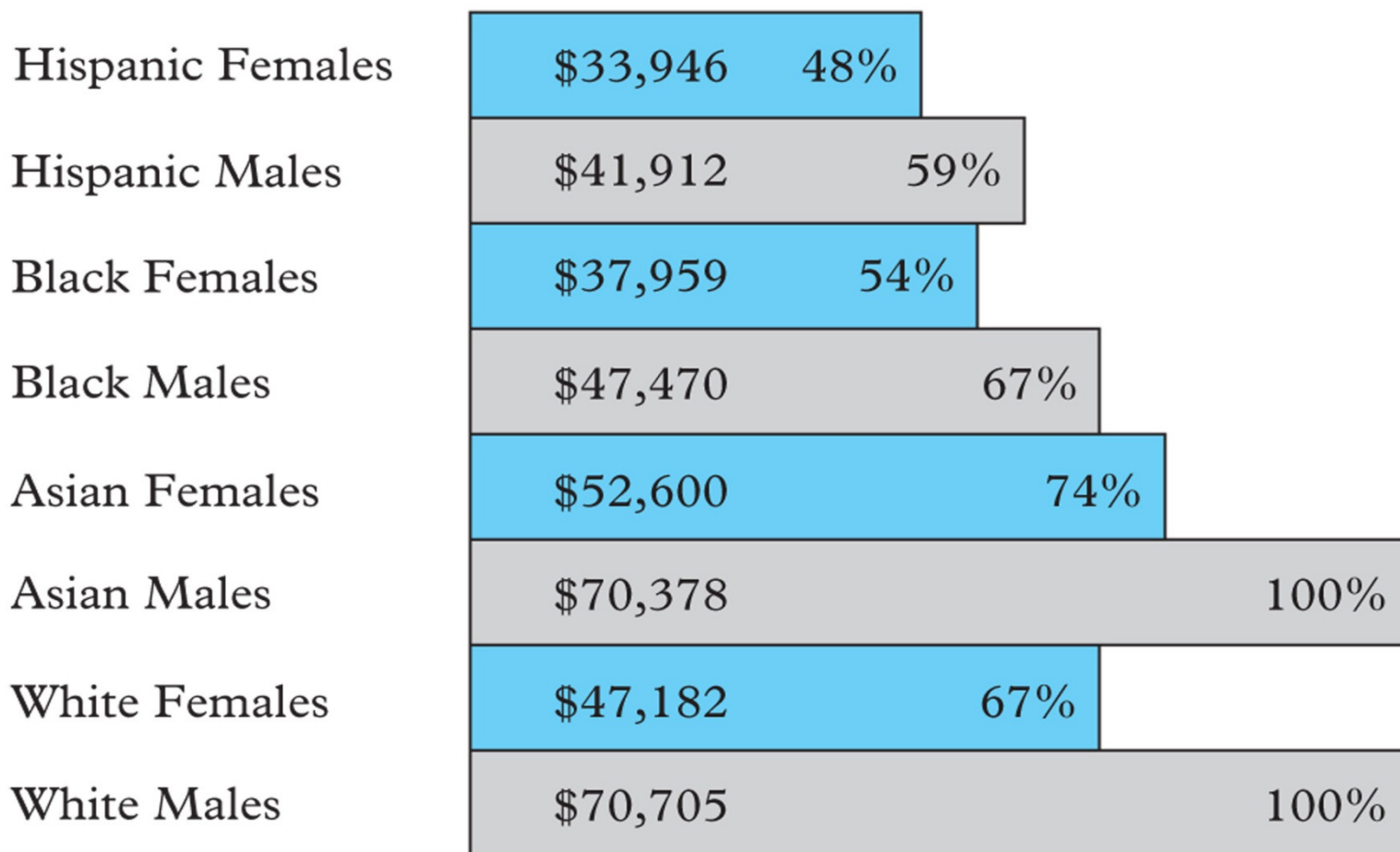


DIFFERENCES ON LABOUR MARKETS by ETHNICITY and RACE

- Earnings
- Labour force participation

DIFFERENCES ON LABOUR MARKETS – ethnicity

**Mean Earnings in the U.S. as a Percentage of White Male Earnings,
Various Demographic Groups, Full-Time Workers over 24Years Old, 2008**



DIFFERENCES ON LABOUR MARKETS – Race and gender

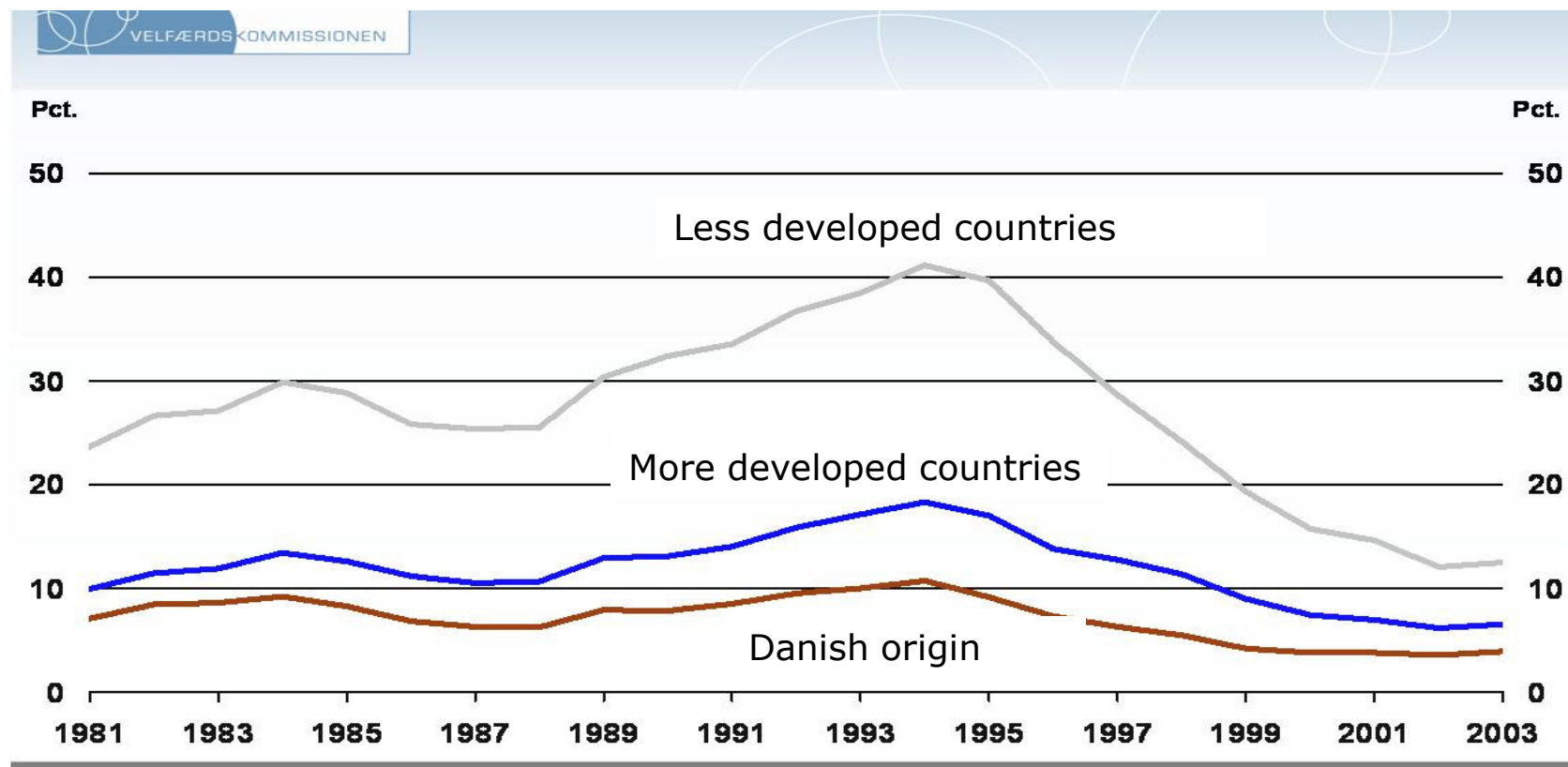
Employment Ratios, Labor-Force Participation Rates, and Unemployment Rates in the U.S., 1970–2009

Employment Ratios, Labor-Force Participation Rates, and Unemployment Rates, by Race and Gender,^a 1970–2009

Employment Ratio		Labor-Force Participation Rate		Unemployment Rate		
<i>Men</i>						
Year	Blacks (%)	Whites (%)	Blacks (%)	Whites (%)	Blacks (%)	Whites (%)
1970	71.9	77.8	77.6	81.0	7.3	4.0
1980	62.5	74.0	72.1	78.8	13.3	6.1
1990	61.8	73.2	70.1	76.9	11.8	4.8
2000	63.4	72.9	69.0	75.4	8.1	3.4
2009	53.7	66.0	65.0	72.8	17.5	9.4
<i>Women</i>						
1970	44.9	40.3	49.5	42.6	9.3	5.4
1980	46.6	48.1	53.6	51.4	13.1	6.5
1990	51.5	54.8	57.8	57.5	10.8	4.6
2000	58.7	57.7	63.2	59.8	7.2	3.6
2009	52.8	54.8	60.3	59.1	12.4	7.3

DIFFERENCES ON LABOUR MARKETS – ethnicity

Unemployment in Denmark by region of origin



Source: Velfærdskommissionen, "Fremtidens velfærd og globaliseringen", 2005

Det Nationale Institut
for Kommuner og Regioners
Analyse og Forskning

FACTORS EXPLAINING WAGE DIFFERENTIALS

Why do different workers get paid differently?

- **Worker characteristics** - differences in the attributes that different workers bring with them:

1. Human Capital – *and factors that we can measure*: Age, education, work experience/tenure, being a specialist
2. Effort, ability, trust, work ethics;
3. Social preferences, Gender identity
4. Personality traits – big five and others
5. Attitudes towards negotiations

FACTORS EXPLAINING WAGE DIFFERENTIALS

Job characteristics:

1. Unpleasantness of job
2. Risky jobs (risk of injury, risk of unsafe sex)
3. Attractiveness of job (comfort, prestige, but also geographical)
4. Work flexibility (flexi-time, flexi-place, firm-childcare, time-banking etc.)

Firms with unpleasant, risky, not-attractive, not-flexible working conditions must offer *some offsetting advantage* in order to attract workers. OR for the opposite case of attractive/desirable job -a given worker would be willing to accept a *lower* wage for an especially desirable job, relative to other jobs. In addition, workers have different preferences =>

Compensating wage differentials theory tells: how workers and firms “match and mate”.

More on compensating wage differentials during the next lectures on January 31st

FACTORS EXPLAINING WAGE DIFFERENTIALS

2. Non-compensating wage differentials

1. Barriers to mobility – geographical, legislation.
2. Discrimination

- **Discrimination** exist if individuals who have identical characteristics are treated differently because of the demographic groups to which they belong.

More on discrimination (theories and empirics) on the next lectures on January 31st

FACTORS EXPLAINING WAGE DIFFERENTIALS

- a gender perspective

Human capital model (Mincer & Polachek, 1974; Becker, 1985)

- E.g. gender differences in qualification - given the traditional division of labour by gender in the family:
 - Women tend to accumulate less labour market experience than men;
 - Women anticipate shorter & discontinuous work lives, they have lower incentives to invest in market-oriented formal education and on-the-job training (*changing*);
 - The longer hours women spend on housework may also decrease the effort they put into their market jobs compared to men;

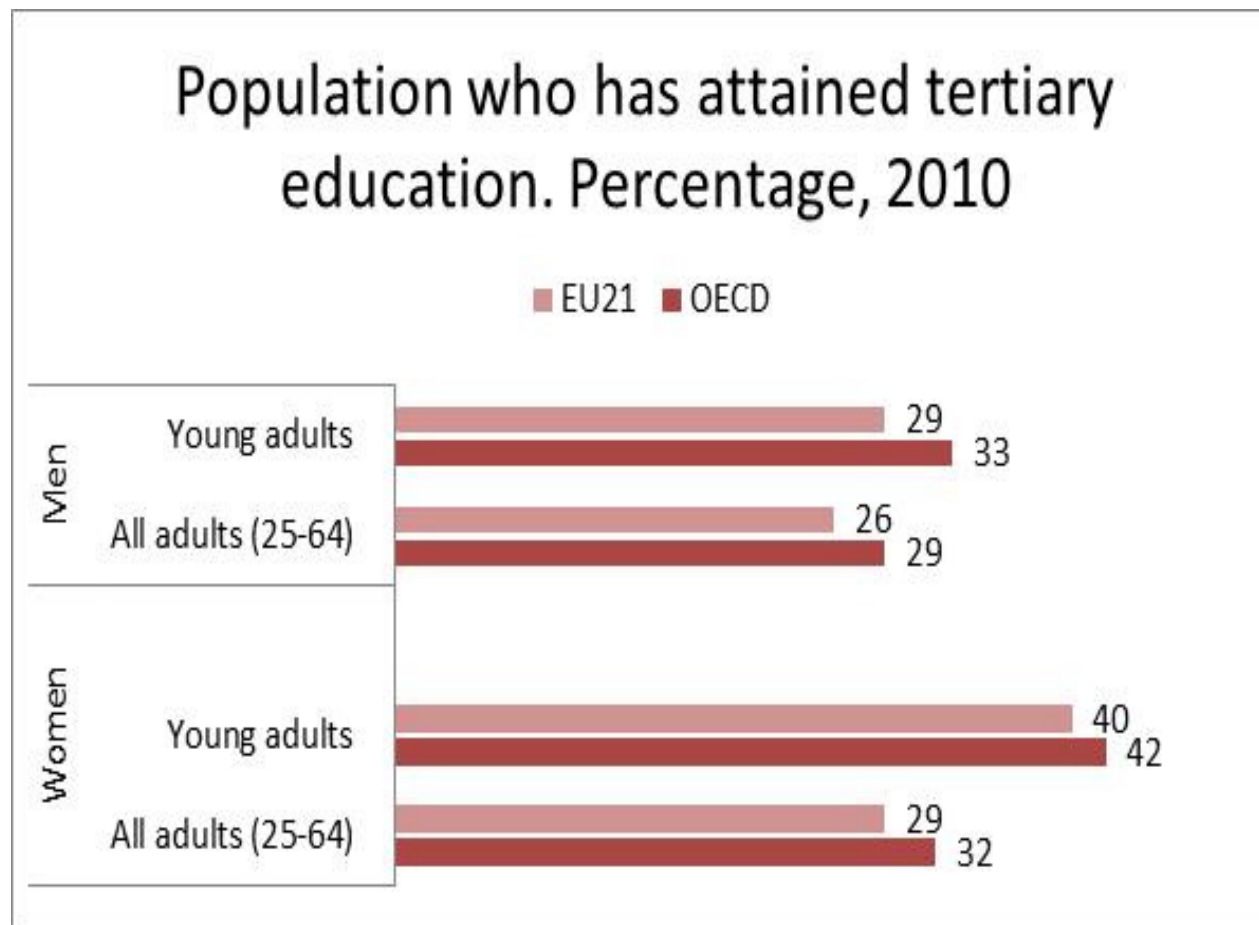
MORE on HC model in a separate lecture by DM. But now a few observations from the gender perspective...

Gender - Age and education

- Women used to have less education than men, but the differences have vanished over time; more recent cohort of females have similar and even higher education levels than men

Gender and education:

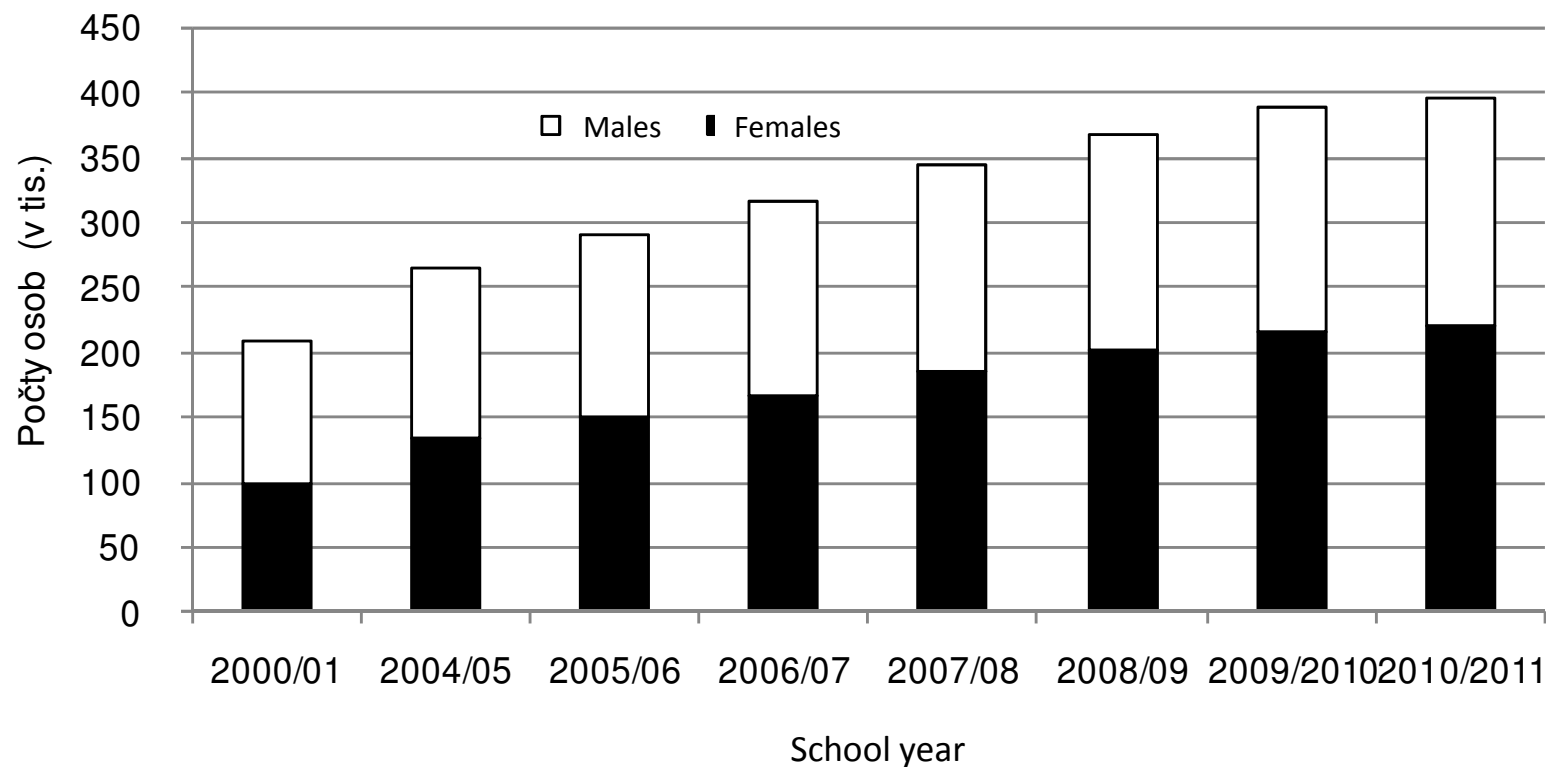
In 2000, adult men had higher tertiary attainment rates than adult women in OECD countries. In 2010, the situation was reversed



Gender and education – situation in the Czech republic



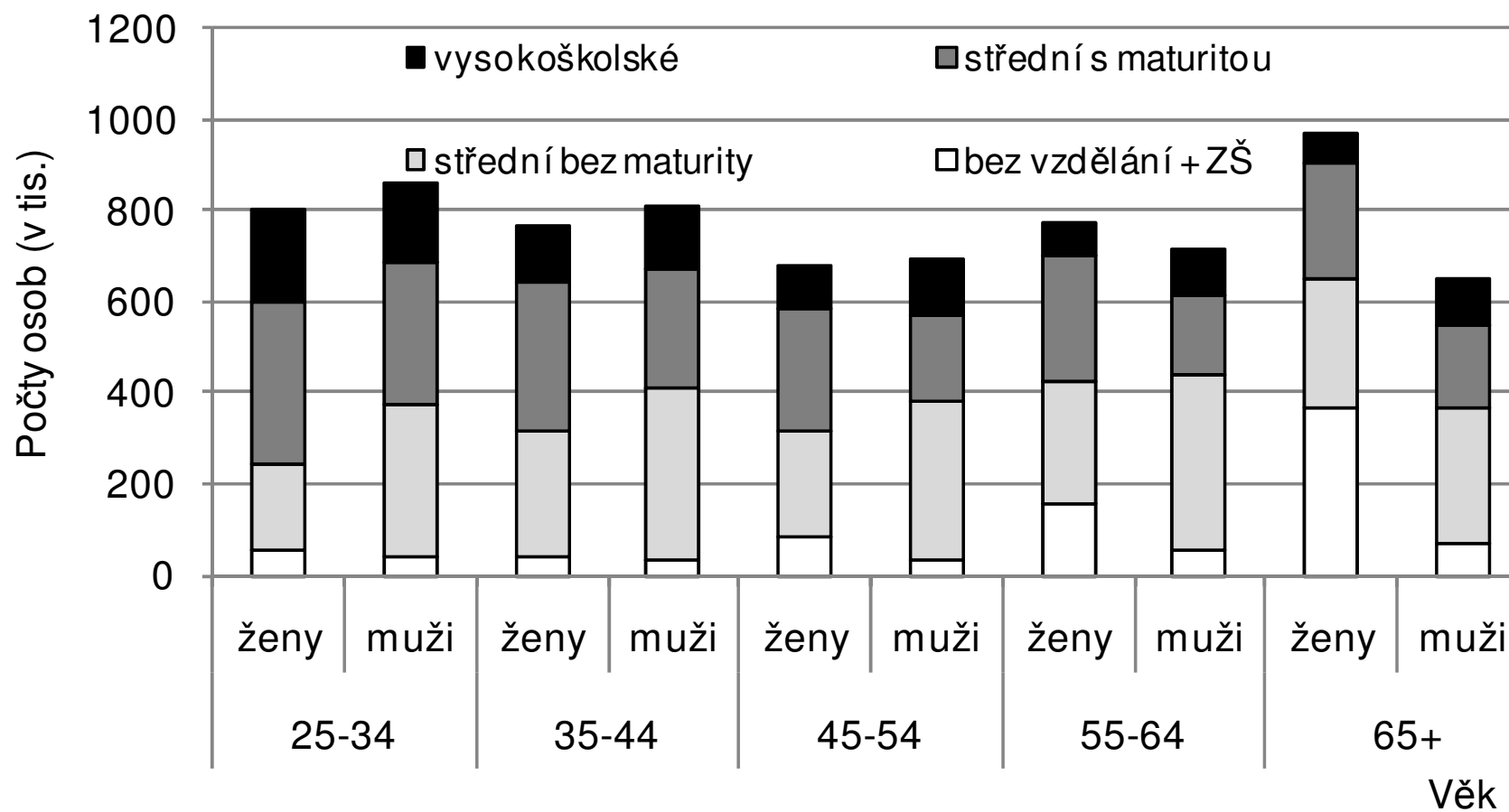
Number of students enrolled at universities – by gender



Source: CZSO

Gender and education – situation in the Czech republic

Population by age and education , year 2010



Source: CZSO

Gender - Age and education

- Women used to have less education than men, but the differences have vanished over time; more recent cohort of females have similar and even higher education levels than men
- Women's age/earnings profiles are flatter than men's (less training?)
- However, age and education do not fully explain the earnings differential between men and women

Gender - Occupation

- Men and women do not generally choose to work in the same occupation
- Much of the gender wage gap is due to differences in occupational choice
- Those occupations that are disproportionately filled by women offer lower wages, on average, than those occupations that are disproportionately filled by men
- One issue that is not easy to resolve is whether this difference in occupational choice is due to differences in preferences and planned lifetime labor force activities (and compensating wage diff) or whether it is due to discriminatory employment practices in higher paid occupations.

Men and women comparison by occupations (US, 2009)

Female/Male Earnings Ratios and Percentages of Female Jobholders, Full-Time Wage and Salary Workers, by Selected High- and Low-Paying Occupations, 2009

	Percentage Female in Occupation	Female-to-Male Earnings Ratio
<i>High-Paying^a</i>		
Chief executives	24	0.75
Computer software engineers	21	0.85
Lawyers	37	0.75
Pharmacists	43	0.76
<i>Low-Paying^a</i>		
Cashiers	71	0.86
Cooks	37	0.93
Food preparation	52	0.95
Waiters and Waitresses	66	0.87
Personal and home care aides	83	0.96

Gender - Experience and Hours of Work

- Women typically have less work experience than men at the same age
- Empirical analyses show that labor market experience is very important factor explaining differences between men and women's wages (within the same occ.)
- Women with children more often work part time and are away from the labor market in periods
- Women are less flexible on the labor market
- Women self-select into family-friendly jobs with flexible working schedules
- Women are less likely to be promoted

GENDER IDENTITY – SOCIOLOGICAL RESEARCH

Preferences – C. Hakim (2000, 2008)

The preference theory puts forth a typology of women based on their relationship to family and paid work. Hakim distinguishes 3 types of women based on lifestyle preferences:

- *Home-centred women*, prefer to devote themselves to the family and household and tend to have larger families; they only seek work if it is necessary to maintain the family budget.
- *Work-centred women*, who realize themselves more through work than through family; they form a kind of counterpart to the preceding type.
- *Adaptive women*, who try to combine their work at the workplace and at home; they are a kind of mixture of types 1 and 2.

The empirical data from UK and Spain produce a normal distribution curve and show that 20% of women are home-centred, 60% adaptive, and 20% work-centred (*Hakim, 2000: 6*).

PERSONALITY TRAITS

Differences in Psychological factors, e.g.:

- Risk attitudes: individuals that are less willing to take risk tend to sort into occupations with more stable earnings; these occupations, due to compensating wage differentials in environments with risk-averse agents, also tend to pay less on average; Research shows gender differences in risk-aversion
- Competitiveness - high-earning occupations often take place in highly competitive settings where winners and losers are singled out and winners are disproportionately rewarded; women less competitive.
- Other:
 - Locus of control
 - Grit
 - Self-esteem

ATTITUDES TOWARDS NEGOTIATION

- Research on gender differences in competition and gender differences in social preferences has been linked to an earlier literature on gender differences in negotiation.
- Women –less performance in negotiation (a traditional saying “WOMEN DON’T ASK” for pay increase or promotion).
- Research shows that women’s performance in negotiation improves significantly when negotiating for someone else as opposed to for themselves; whereas men negotiate for themselves or for others has little effect on their negotiation performance.

THE NEXT LECTURE: 20.1.2014 with Daniel Münich (Labor supply)

OUR LECTURE: 31.1.2014

- Compensating wage differentials
- Discrimination – theory and empirics; methodology – decompositions, experiments..; IF TIME: empirical evidence from the Czech rep.