

The Gender Pay Gap

This Month in the Economy

Pre-Class Readings

I. Economic consequences of the gender pay gap

Read the full article:

[Lee, Jihye. "Gender pay gap could cost the world economy \\$7 trillion, Moody's says." CNBC \(Mar 5, 2023\)](#)

II. What causes the gender pay gap?

[excerpt from: Payscale. 2023. *2023 Gender Pay Gap Report*.

<https://www.payscale.com/research-and-insights/gender-pay-gap/>]

Analysis indicates that the causes of the gender pay gap are systemic, meaning they stem from perceptions — conscious or unconscious — that people have about the value of women's work versus men's work and the types of work that women are suited for. These perceptions lead to women being funnelled into lower-paying positions, often on the presumption that women do not have to work or that the work they do should relate to childcare, homemaking, and nurturing, which are valued less. Historically, dominant opinions about women and their place in society guided how women's work was valued rather than the other way around. The pervasiveness of gender bias impacts women's choices as well as their opportunities, which is illuminated by gender pay gap research.

Interestingly, work designated as "women's work" is perceived as less valuable only until men enter those occupations. For example, women were the original "computers," but [computing positions earned low wages until men entered the field](#). Conversely, when women enter fields previously dominated by men, the pay drops, [which has happened](#) with parks and recreation and interior design as well as other occupations.

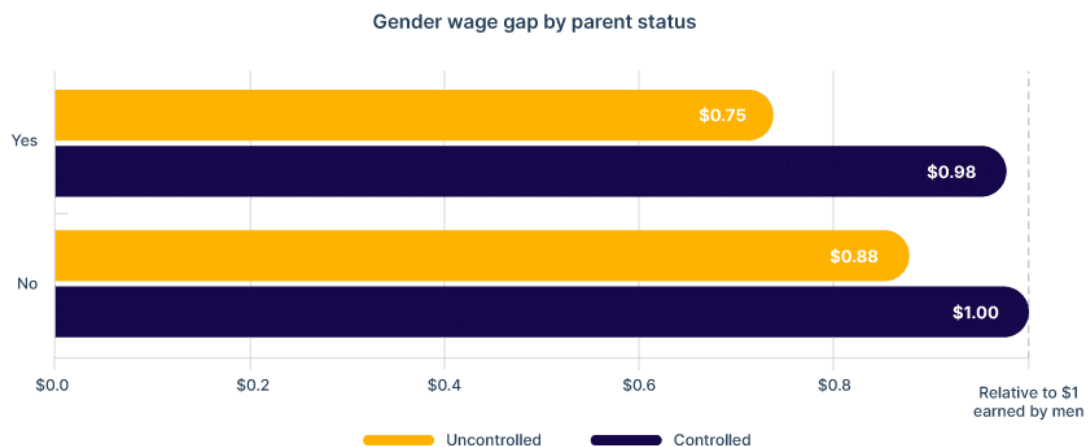
The motherhood penalty

Women who are parents experience a larger pay gap

Our analysis shows that women who return to the labour market after having children incur a wage penalty. In our [online salary survey](#), we asked respondents to identify if they were a parent and leveraged this sample to analyse pay gaps amongst men and women with or without children. The wider gap amongst women with children compared to those without children is called “the motherhood penalty” or “childbearing penalty.” When women indicated they were a parent or primary caregiver, we observed an uncontrolled pay gap of \$0.75 for every dollar earned by a male parent, which is a one cent increase from last year. When we hold all else equal, mothers earn \$0.98 for every dollar earned by fathers with the same employment characteristics.

Conversely, the gender pay gap shrinks considerably between men and women who are not parents. The uncontrolled pay gap decreases to \$0.88 on the dollar, suggesting women without children face fewer social barriers in climbing the corporate ladder or securing demanding, higher-paying jobs (despite mothers being just as capable). When we control gender pay gap analysis for job characteristics, we observe pay parity in our sample. Earnings of women without children keep pace with earnings of men without children. This supports research that suggests that having a child is the [primary or true cause](#) of gender pay disparities.

There are a range of disadvantages that impact wage progression for mothers. [Research](#) shows women’s income decreases because they reduce their working hours to balance childcaring responsibilities more than men. Women also [face biases](#) around parenthood, such as the notion that working mothers are less committed to their jobs, which can inhibit career progression. Meanwhile, [men are sometimes paid more](#) after having children.



As we detail below, the opportunity gap widens as women progress through their careers – with 60 percent of women over the age of 45 occupying individual

contributor roles compared to 45 percent of men in the same age group. Likewise, we measured just 4 percent of women in executive positions compared to 8 percent of men. Since the uncontrolled gender pay gap shrinks amongst women without children, we can point to motherhood as a powerful variable in career progression for women.

The unemployment penalty

The longer people are unemployed, the lower their wages when they return to work — a gap which is wider for women

The unemployment penalty illustrates the percentage difference in pay experienced by an individual (regardless of gender) who is currently employed compared to one who is unemployed at the time of the job offer, with all else being equal. We see that this penalty becomes more severe the longer the unemployment period continues. Economists refer to this phenomenon as “unemployment scarring,” given the [body of evidence](#) that shows interruptions to employment have both an immediate and sustained negative impact on earnings.

In our analysis of the unemployment penalty, we restrict the sample to those who were unemployed for reasons other than career development. Observations indicate that the unemployment penalty is generally more severe for women than it is for men. Among those who have been unemployed less than three months, the uncontrolled gender pay gap is \$0.85 — but this widens to \$0.79 when that period is more than 24 months. This suggests that women facing longer periods of unemployment have a harder time securing higher-paying, higher-level jobs than unemployed men do.

When asked about the primary reason for their unemployment in our online salary survey, 86 percent of those who reported that they were caring for a child were women – compared to just 14 percent for men. Women also reported caring for a family member other than a child at more than twice the rate of men. The gender pay gap, both controlled and uncontrolled, was widest for child caregivers compared to those with other reasons for unemployment.

There are differences between full-time workers and part-time workers too. According to the Bureau of Labor Statistics (BLS), women who work full time make up 44 percent of the labour force. However, this climbs to 64 percent for part-time workers who are not full-time due to non-economic reasons.

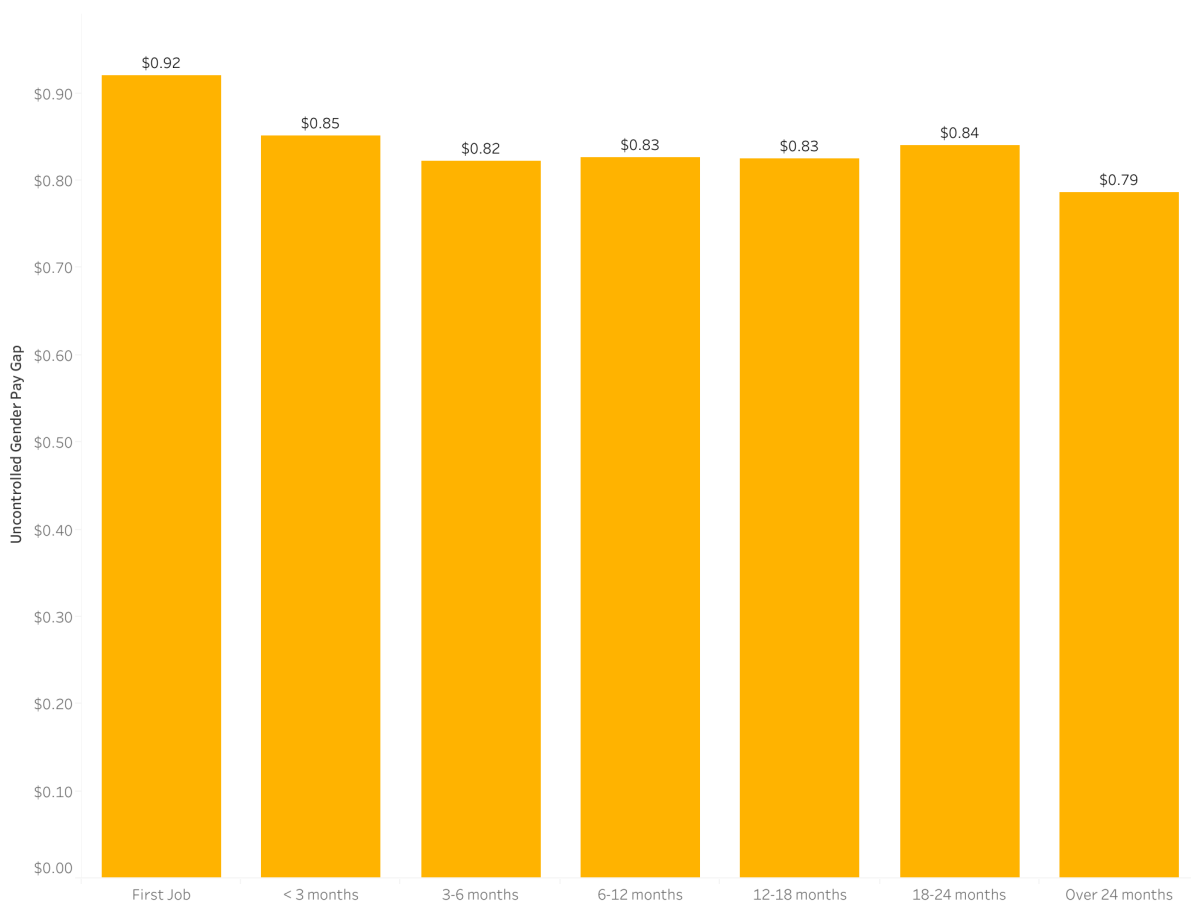
Uncontrolled GPG

Question

How long has it been since you were last employed?

Measure

Uncontrolled GPG



III. Understanding the gender pay gap: definition and causes

[excerpt from: European Parliament. 2022. Understanding the gender pay gap: definition and causes.

<https://www.europarl.europa.eu/news/en/headlines/society/20200109STO69925/understanding-the-gender-pay-gap-definition-and-causes>]

Causes of the gender pay gap

Part-time work

On average, [women do more hours of unpaid work](#), such as childcare or housework.

This leaves less time for paid work. According to [figures from 2020](#), almost one-third of women (30%) work part-time, while only 8% of men work part-time.

When both unpaid and paid work are considered, women work more hours per week than men.

Career choices influenced by family responsibilities

Women are also much more likely to be the ones who have [career breaks](#): in 2018, a third of employed women in the EU had a work interruption for childcare reasons, compared to 1.3% of men. Some career choices made by female workers are influenced by [care and family responsibilities](#).

More women in low-paying sectors

About [30% of the total gender pay gap](#) can be explained by an overrepresentation of women in relatively low-paying sectors, such as care, sales or education. The number of women in science, technology and engineering has increased. Women accounted for 41% of the workforce in [2020](#).

Fewer and less-paid female managers

Women also hold fewer executive positions: in 2020 they made up a third (34%) of [managers](#) in the EU and accounted for less than 50% in all EU countries. If we look at the gap in different occupations, [female managers are at the greatest disadvantage](#): they earn 31% less per hour than male managers, according to 2018 data.

A combination of factors

Women do not only earn less per hour, but they also perform more unpaid work as well as fewer paid hours and are more likely to be unemployed than men. All these factors combined bring the difference in overall earnings between men and women to [almost 37% in the EU](#) (in 2018).

IV. The Toxic Culture Gender Gap

[excerpt from Robinson, Bryan. 2023. The Pay Equity Gap Between Genders Is Widening In 2023, New Study Shows. Forbes.

<https://www.forbes.com/sites/bryanrobinson/2023/03/15/the-pay-equity-gap-between-genders-is-widening-in-2023-new-study-shows/?sh=389594ac634e>]

The Toxic Culture Gender Gap

According to new research released in [MIT Sloan Management Review](#), women are 41% more likely than men to experience toxic corporate culture. The toll of the pandemic appears to have widened the toxic culture gender gap. Over the six years

from 2016 to 2021, women were 35% more likely to negatively mention toxic culture compared to men. Additional findings from the MIT Sloan Management Review include:

- The toxic culture gap does not appear to diminish with seniority. Across self-reported C-level roles, women are 53% more likely to experience toxicity than men—higher than the average across all job categories.
- The occupation of chef exhibits the largest gender gap in toxic culture in our data, with female chefs 81% more likely to experience toxic culture than their male counterparts.
- Chefs exhibit the largest gender gap in toxic culture, and women chefs are nearly twice as likely to discuss toxic culture in their reviews.
- 14 of the 16 occupations with the smallest toxic culture gender gap are jobs with a high percentage of female employees, including childcare workers, psychologists, social workers and communication associates. Even in most of these cases, the toxic culture gender gap exists. It is just smaller.
- The four sectors with the largest toxic culture gender gap are retail, transportation, investment services and restaurants. Investment services (including brokerages, venture capital, private equity, investment banking and asset management) stand out among white collar industries for the size of the gap between men and women experiencing toxic culture. It's worth noting that more traditional financial institutions, including insurance firms, banks, and credit unions all have gaps below the average of all industries.
- The women in the sample used more than 14,000 distinct words, terms and phrases to describe elements of a toxic culture, and the two most frequently mentioned were "favouritism" and "clique."
- Women and men discuss one element of toxic culture—unethical behaviour—with roughly the same frequency.

V. Recruitment and promotion practices

[excerpt from Government of Australia. Commission for Gender Equality in the Public Sector. 2021. "Recruitment and promotion practices" in *Baseline report - 2021 workplace gender audit data analysis*.

<https://www.genderequalitycommission.vic.gov.au/baseline-audit-report-2021/recruitment-and-promotion-practices>]

Discrimination in recruitment and selection processes is pervasive

Discrimination in recruitment and selection processes and development opportunities continues to be a pervasive problem.¹⁶¹

Gender-coded language and imagery in job advertisements can filter people into different occupations or industries.¹⁶²

Conscious and unconscious bias in the processing of candidates' information can lead to suboptimal personnel decisions and discrimination among evaluators.¹⁶³ Research has also shown that the CVs of women as well as minority groups are often unwarrantedly screened out in recruitment processes, particularly when these groups are underrepresented in specific industries or occupations.¹⁶⁴

Compared to similarly qualified men, women receive fewer interview invitations, are perceived as less 'hireable' during recruitment and less 'likeable' when negotiating their salary, and are assumed to have lower levels of career motivation, therefore receiving fewer challenging work projects and development opportunities.¹⁶⁵ As an example, research has found that women are more likely to leave STEM careers compared to men due to the lack of mentoring and networks, as well as discrimination by managers and colleagues impacting on their career development opportunities.¹⁶⁶

Intersectionality compounds gender discrimination

Discrimination in hiring practices is a key barrier to entry and career progression for women from diverse backgrounds.

In a recent workplace survey conducted by Women of Colour Australia almost 60% of respondents reported that they had faced discrimination related to their identity as a woman of colour, including being passed over for promotion and having their 'cultural fit' raised as a reason they were less likely to be hired for the role.¹⁶⁷

Similarly, women with disability report that they are not afforded the same employment and development opportunities as people without disability and are often disadvantaged by inaccessible recruitment practices and employer misconceptions about the cost of workplace modifications, equipment and concerns about additional human resources work.¹⁶⁸

Recent research has found that Aboriginal and Torres Strait Islander women are likely to be assigned or accept heavier unpaid cultural workloads (for example, by advising on Indigenous issues, initiatives, or content) than Aboriginal and Torres Strait Islander men.¹⁶⁹ Mainstream research has found that additional and unpaid work assignments can be undervalued in comparison to traditional workloads and therefore form a contributing factor to slower promotion of women than men.¹⁷⁰

Women also face growing barriers as they age, with research finding women are subject to negative age stereotypes about 'employability' from a younger age than men.¹⁷¹