

## The Gender Pay Gap over Women's Working Lifetime

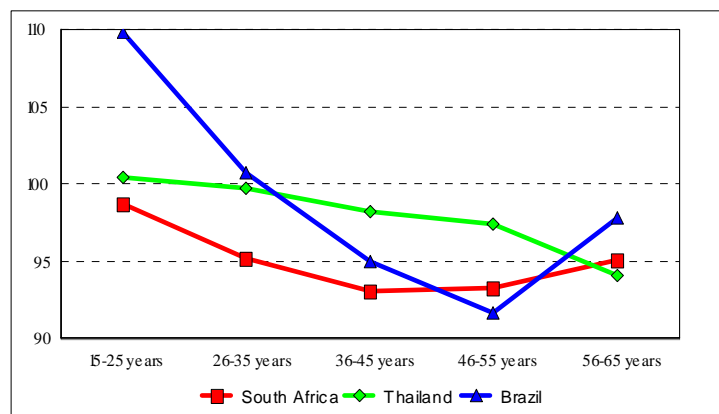
by Hyun H. Son and Nanak Kakwani  
International Poverty Centre

**The gender pay gap** exists universally but its size might vary from one country to another. A variety of factors cause the gender pay gap but two important ones are occupational segregation and gender discrimination in labour markets. It is common to observe gender differences by occupations and industries. These differences imply large variations in the jobs worked by women and men. For instance, female workers are in general more likely to be in clerical and service occupations or professional services such as education and training.

Gender discrimination occurs when people who provide labour market services and are equally productive are treated unequally because of gender. Inequality means that these people receive different wages for the same work or face different demands for their labour services at a given wage. Many economic theories suggest that labour market discrimination not only lowers the wages of the disadvantaged group but also raises the wages of the advantaged group.<sup>1</sup>

The figure presents the ratio of average hourly female wages to average male wages over a working lifetime. The hourly wage is adjusted for years of schooling, geographical locations (e.g., provinces or urban/rural) and race. The calculations are done for three countries: Brazil, South Africa, and Thailand.

**Average hourly female wage as a percentage of average hourly male wage, all workers**



Source: authors' calculation based on household surveys.

Two interesting patterns emerge from this figure: 1) the gender pay gap widens up to a certain point and then narrows for Brazil and South Africa (in Brazil women get even higher wages than men initially but then experience a sharp decline in wages; 2) a continuous but gradual increase in the pay gap between men and women over a working life span for Thailand. Another interesting point is that while the gender pay gap opens early in South Africa, it does so much later in Brazil and Thailand. These findings invite us to think beyond conventional analyses of the gender gap.

Social and cultural factors can play an important role in explaining a persistent gender pay gap. A recent study shows that the hourly pay of women relative to that of men tends to assume a U-shape over women's lifetime in the United Kingdom.<sup>2</sup> Women make choices to sacrifice their careers when they have children, with consequences for a reduction in their lifetime earnings. Thus, gender differences in the formal labour market stem from the division of parental duties between mothers and fathers in the home, with mothers being primarily responsible for the care of children.

Another reason for the pay gap is that men and women make different education and career choices. At school, boys and girls study different subjects, but boys' chosen subjects lead to better paying careers. Later, men and women specialize differently and work in different professions. As a result, average hourly pay for a female worker at the start of her working life is, in general, likely to be lower than that of a male worker (as observed for South Africa), even though she may be more qualified.

In order to narrow gender gaps, governments can provide affordable child care, so as to reduce the opportunity costs of working and raise women's productivity as formal workers. Governments can also pursue programmes that enhance girl's subject choices and improve career advice at school to ensure that girls are encouraged to pursue fields such as mathematics and science. Such public actions can help reduce the gender gap over a working life time.

### References:

1. Oaxaca, R. and M. Ransom (1994) "On discrimination and the decomposition of wage differentials", *Journal of Econometrics* 61, pp.5-21.
2. Institute for Fiscal Studies (2006) "Newborns and new schools: Critical times in women's employment", Research Report No. 308.