Sex Discrimination in the Labor Market
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Sex Discrimination in the Labor Market

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Abstract

This paper examines sources of gender pay disparity and the factors that contribute to this pay gap. Many researchers question the role of discrimination and instead attribute the residual pay gap to gender differences in preferences. The main issue considered in this paper is whether gender differences in choices, especially with respect to the family and household, are indeed responsible for the gender pay gap, or whether discrimination plays a role. On balance, the evidence indicates that sex discrimination remains a possible explanation of the unexplained gender pay gap. This is consistent with the continuing high profile sex discrimination litigation suggestive of on-going inferior treatment on the basis of sex.
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Introduction

Women have made huge advances relative to men in labor force participation, occupational status, and educational attainment. Women now comprise the majority of college students and half of the students in law school and medical school. Yet women continue to earn less than men, and while the gender pay gap has narrowed, a substantial gap remains. This survey article examines sources of this pay disparity and the factors that contribute to women’s relative advancement over time. Whether sex discrimination plays a role in the persistent gender pay gap is a topic of considerable debate in academic research as well as in the workplace. Although concerns over discrimination pervaded the debate over sex disparities in pay throughout the 1970s and 1980s, many observers now deny the possibility of discrimination and instead attribute the residual pay gap to gender differences in preferences, especially with respect to balancing market work with family responsibilities. The evidence presented in this survey shows that sex discrimination should not be dismissed as a source of the unexplained gender pay gap.

Arguments that pay gaps arise from choice seem sensible. Theoretical models of discrimination usually show the eventual elimination of...
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discrimination due to market forces. And models of optimal allocation of
time within a household imply that gender differences in household
and child-related responsibilities will lead men and women to make dif-
ferent choices with respect to the labor market and home, and these
choices may result in a gender pay gap. Differences in anticipated and
actual labor market commitment and in preferences will lead to gen-
der differences in investment in market-related characteristics, such
as education and training, and lesser amounts of market capital will
result in lower earnings. Some studies show that the presence of chil-
dren has a negative effect on women’s earnings. Women perform a
disproportionate share of housework, and time spent on housework has
been shown to have a direct negative impact on wages. Differences in
household responsibilities and preferences may also affect other dimen-
sions of labor market outcomes. For instance, women who are primarily
responsible for the household may accept employment in jobs that are
more compatible with household responsibilities, such as those closer to
home, with more flexible work schedules, offering generous maternity
leave policies, or with lower levels of injury or fatality job risk. Com-
pensating differentials associated with job characteristics may thereby
affect the pay gap.

Hence, it is easy to understand the appeal of choice-based explana-
tions of the gender pay gap. But the empirical evidence is not clear cut.
By definition, labor market discrimination is characterized by unequal
treatment of equally productive persons in a way that is related to
observable characteristics such as sex, race, or ethnicity. The bulk of
the literature on sex disparities in the labor market examines whether
an unexplained pay disparity remains after controlling for individual
characteristics that are expected to influence earnings, with control
variables serving as proxies for productivity. Thus, controlling for char-
acteristics that derive from choices of market work relative to fam-
ily should eliminate an unexplained pay gap. The literature, however,
documents gender disparities in pay that persist even with extensive
controls for education, actual work experience, training, family char-
acteristics, and so on. Unexplained disparities are often interpreted as
due to discrimination. But because there is always the possibility that
some unmeasured factor is actually responsible for any unexplained pay
disparity, such evidence on the existence or persistence of discrimination is not conclusive.

The main issue considered in this paper is whether gender differences in choices, especially with respect to the family and household, are indeed responsible for the gender pay gap, or whether discrimination plays a role. I begin Section 2 by documenting trends showing considerable convergence of men and women with respect to labor force participation, earnings, and occupational distribution. Sections 3 and 4 discuss measurement and empirical evidence on the unexplained gender pay gap and trends in occupational segregation, respectively. Even with extensive controls for characteristics that affect earnings, a considerable unexplained pay gap remains, and occupational crowding arising from segregation into occupations by sex is unlikely to be an important explanation of the gender pay gap.

Section 5 discusses the role of gender differences in turnover in explaining the pay gap. Notably, there is little difference between men and women in quit rates or in average job tenure. The evidence summarized in this section shows that gender differences in turnover do not explain the gender pay disparity. Section 6 describes evidence on the impact of family and housework on pay. While there is some evidence that the presence of children lowers women’s earnings, overall the evidence is mixed, and any effect varies by education and over the life cycle. There is more consistent support for a negative effect of housework time on earnings. However, contrary to popular belief, family and housework are not the major cause of the gender pay gap.

Section 7 looks at whether compensating differentials for attractive working conditions, such as flexible work schedules and safer jobs, explains the gap. Although an appealing explanation, compensating differentials are not responsible for the gender pay gap. Section 8 looks at the role of educational choices, particularly with respect to college major. While there is less segregation by sex in college major now than earlier, controlling for college major does not eliminate the gender pay gap except among new college graduates. Section 9 discusses studies that control for actual productivity, as this approach avoids the omitted-productivity-factor criticism.
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levied at wage equation studies. These studies show direct evidence of discrimination.

On balance, the evidence indicates that sex discrimination remains a possible explanation of the unexplained gender pay gap. This is consistent with the continuing high-profile sex discrimination litigation suggestive of ongoing inferior treatment on the basis of sex.


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