

Explaining Utah's Gender Gap in Wages

A Report from Voices for Utah Children
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Matthew Weinstein
Curtis Miller





Recap of our January 2015 report, “Utah’s Gender Opportunity”

- Nationally, women earn \$0.79 for every dollar earned by men
- In Utah, the equivalent figure is \$0.70
- Utah has the 4th largest gender gap in the nation
- Utah’s wage gap has been closing, but at one of the slowest rates in the country

To follow up on that study, we investigated:

- Why does Utah fare so poorly in terms of wage equity?
- What are possible solutions to improve Utah women’s economic status?



Why the Wage Gap Exists

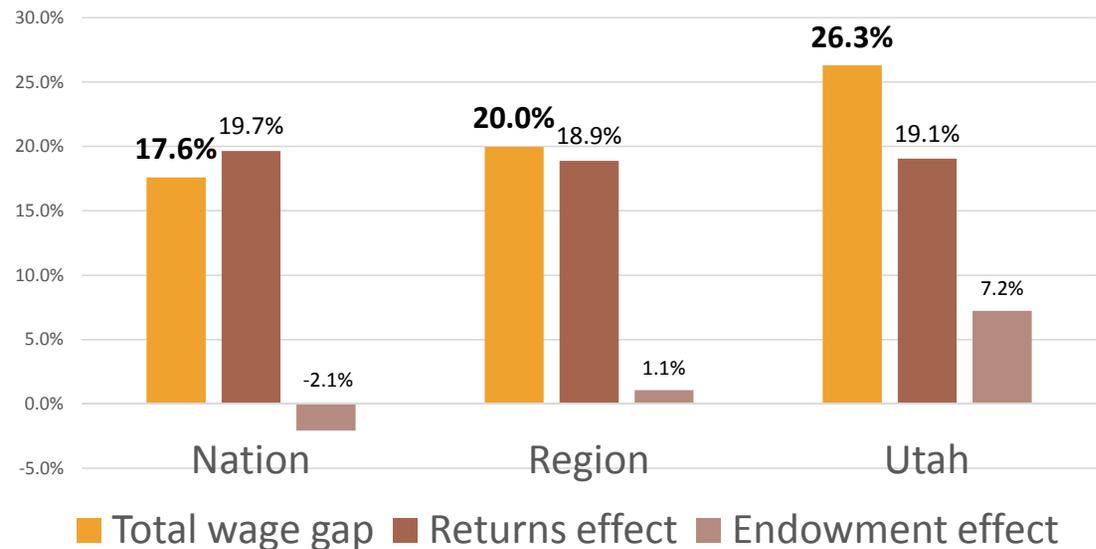
- We can think of the wage gap being the result of two factors:
 - Women may tend to possess characteristics and qualifications that lead to them being paid less on average (for example, less education than men, an unfavorable occupational distribution, less experience, more family responsibilities, etc.)
 - Employers pay women less than men with similar qualifications (discrimination)
- First, we quantify how much of the wage gap can be attributed to these two factors:
 - How much of the wage gap is due to observed and measurable differences between average attributes – qualifications and characteristics – of men and women (the “**endowment effect**”)?
 - The remainder of the wage gap would be due to variables not measured or controlled for in our regression, including discrimination (the “**returns effect**”)



Wage Gap Decomposition

- Utah has a larger total wage gap than the nation or the Intermountain region, with men earning 26.3% more than women, compared to 20% for the region and 17.6% for the nation
- Using the Oaxaca-Blinder decomposition, we break down the total wage gap into the returns and endowment effects
- In Utah, the **endowment effect** result shows men earn 7.2% more than women because of men's measured characteristics relative to women:
 - Men are more educated, have higher paying occupations, and work in higher paying industries
- Utah's **returns effect** result shows that the remaining difference (19.1%) is due to men and women being paid differently for the same qualifications (discrimination) and any other factors that our regression did not account for.

Decomposition of Male Wage Premium Among Full-Time Year-Round Workers, 2009-2014 Period



Data source: CPS March from ceprdata.org

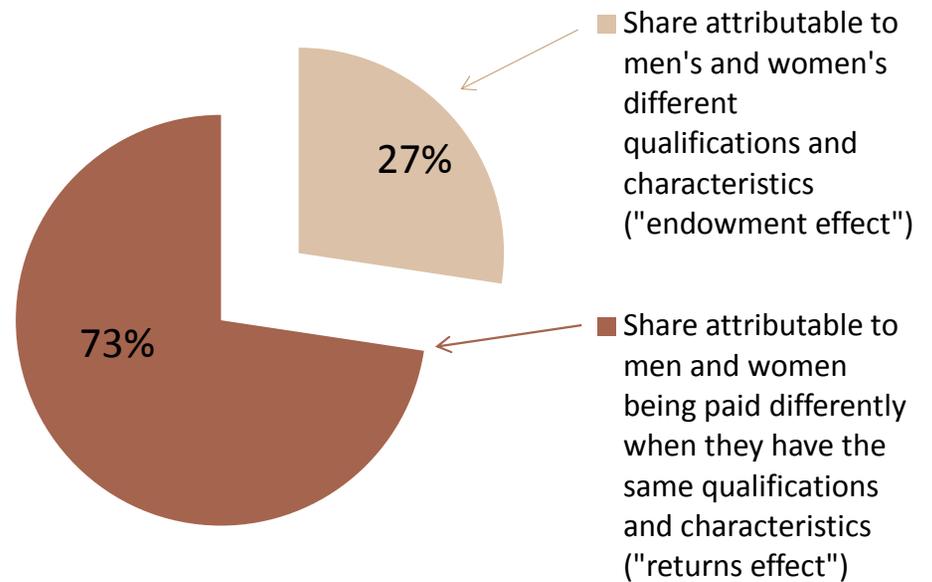


Utah Wage Gap Decomposition

Conclusion:

Thus, the returns effect, which is intended to measure discrimination, explains the vast majority of the gender wage gap in Utah, in the Intermountain region, and nationally.

Decomposition of Utah Male Wage Premium Among Full-Time Year-Round Workers, 2009-2014



Data source: CPS March from ceprdata.org

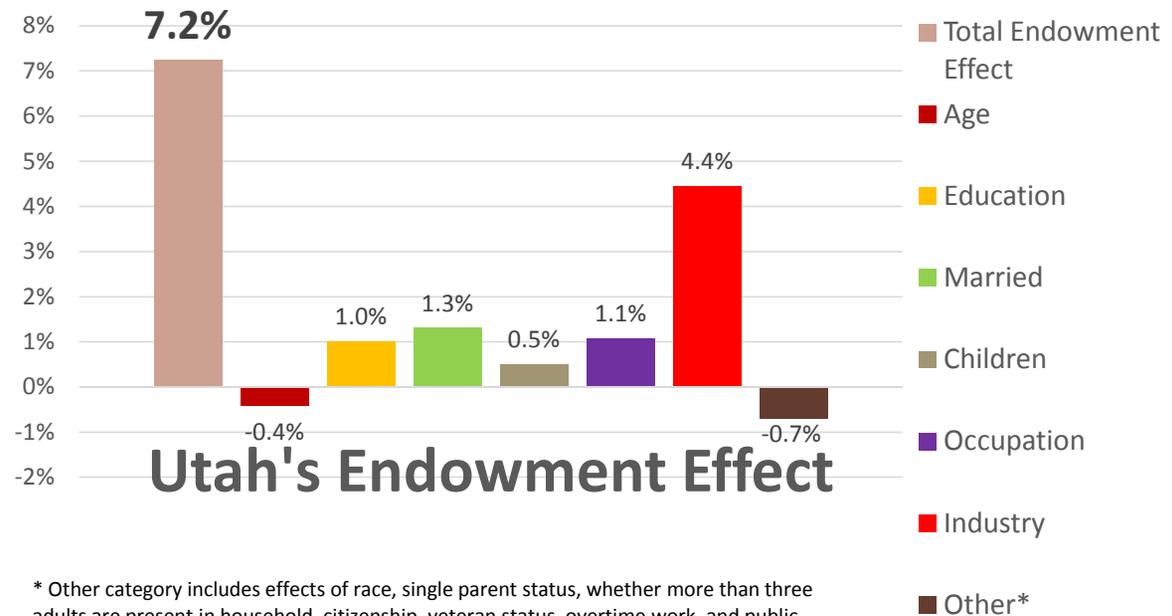
However, as we will see, this is only part of the story.



Breaking Down Utah's Endowment Effect

- This chart shows a breakdown of Utah's endowment effect.
- In Utah, measurable differences between men and women in level of education, occupational choices, and industrial distribution make the wage gap larger.
- At the national and regional levels, industrial composition serves to make the wage gap larger, while education and occupational choice make the wage gap smaller.
 - In other words, education and occupational choice work in the opposite direction in Utah than at the national or regional levels.

Decomposition of Male Wage Premium Among Full-Time Year-Round Workers Due to Average Differences in Measured Characteristics (Endowment Effect), 2009-2014



* Other category includes effects of race, single parent status, whether more than three adults are present in household, citizenship, veteran status, overtime work, and public sector work.



The Second Half of the Story: Why Is Utah Different?

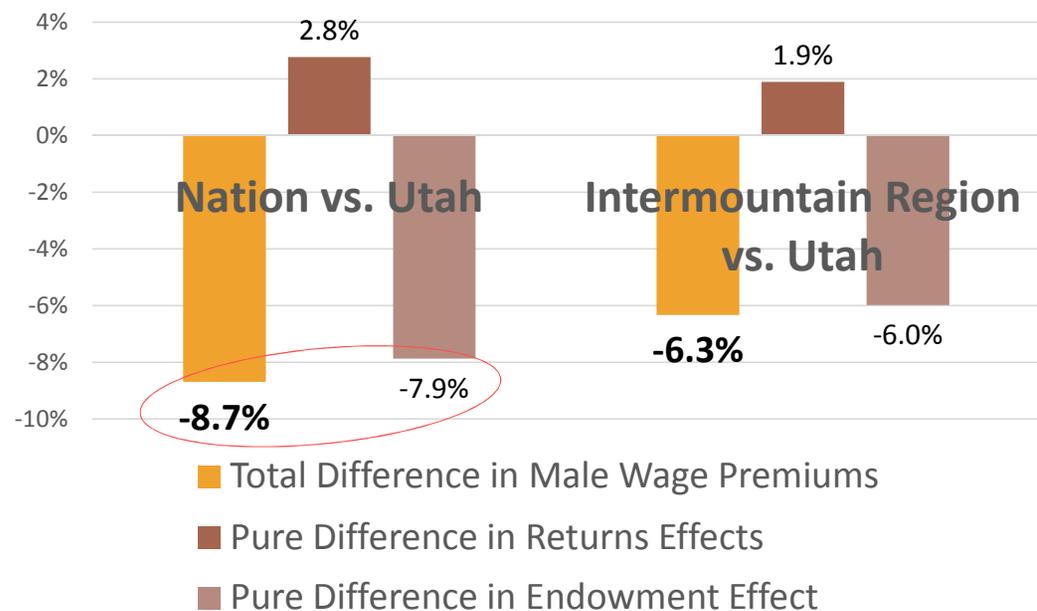
- Why does Utah has a larger wage gap than the nation or Utah's neighbors?
- Just as we decomposed the wage gaps, we can also decompose the difference between the wage gaps (Utah vs. its neighbors and Utah vs. the nation) into:
 - A part we can attribute exclusively to differences in qualifications and measured attributes ("pure endowment effect")
 - A part we can attribute exclusively to differences in how men and women are paid ("pure returns effect" which is the part that includes discrimination)
 - Interaction terms (omitted on next slide because they are small and not interesting on their own)



Decomposition of Wage Gap Differences

- Negative numbers indicate Utah's having a larger gap
- Utah has a larger wage gap than either the nation or Utah's neighbors.
- Utah has a larger wage gap mainly because of the endowment effect
 - **Utah women are disadvantaged due to education, occupation, and industrial distribution in Utah compared to women at the reg'l and national levels**
- The differences in the returns effect, which seeks to measure discrimination, do not appear to be statistically significant between Utah and the nation or between Utah and the Intermountain region.

Decomposition of Difference Between Male Wage Premiums Among Full-Time Year-Round Workers, 2009-2014



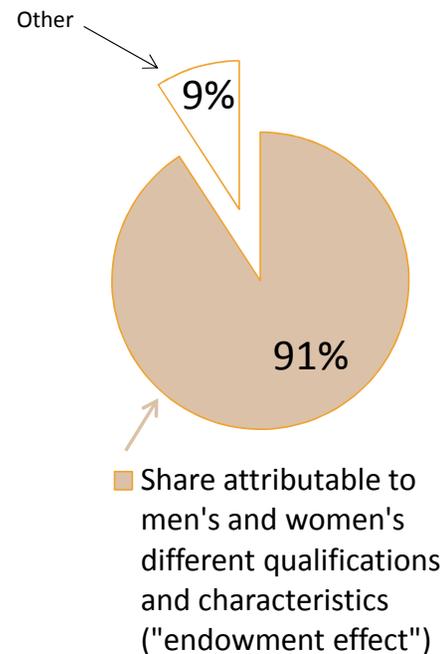
Data source: CPS March from ceprdata.org; Interaction effects not shown



Decomposition of Wage Gap Differences

Conclusion:

Thus, while the returns effect, which is intended to measure discrimination, explains most of Utah's gender wage gap, *the endowment effect explains almost all of why Utah's gap is so much worse than the nation's.*



*Differences between men's and women's qualifications and characteristics explain **over 90% of the difference** between Utah's wage gap and that of the nation.*



How Utah's Gap Has Changed Over Time

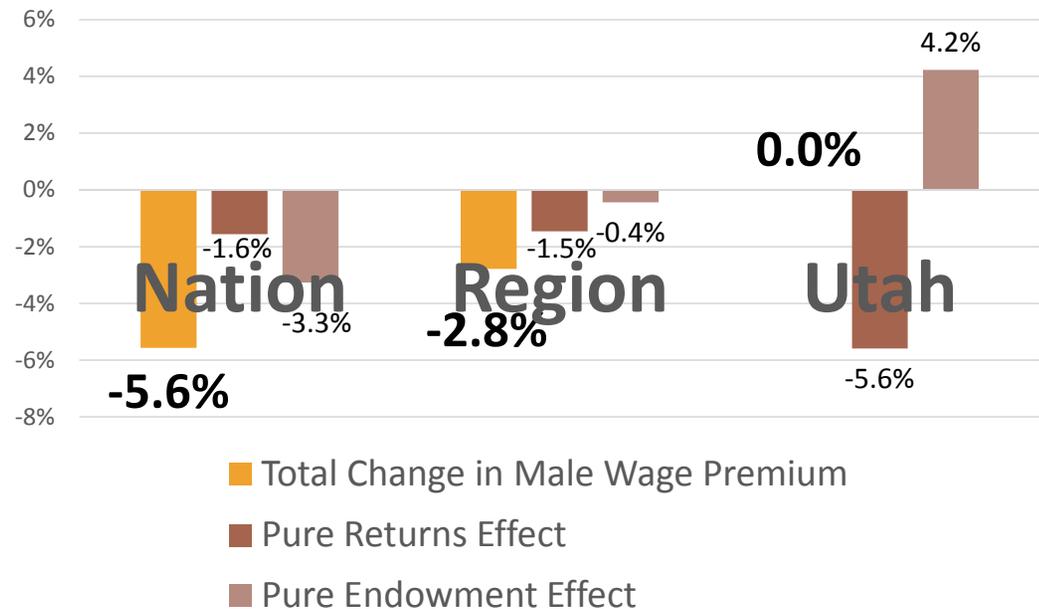
- We would like to know how Utah's gap now compares to what it was a generation ago (2009-2014 vs. 1992-1997)
- We can separate the change into:
 - A part we can attribute exclusively to changes in men's and women's measurable qualifications and characteristics ("pure endowment effect")
 - A part we can attribute exclusively to changes in how men and women are paid when their measurable qualifications and characteristics are equal ("pure returns effect")
 - Interaction terms (omitted on next slide because they are small and not interesting on their own)



Decomposition of Wage Gap Change Over Time

- Here, negative numbers indicate an improvement in the wage gap over time.
- Unlike the nation and the region, Utah has seen no improvement in its gender wage gap over the last generation.
- Utah has seen significant improvement in the returns effect over the past generation, more so than at the national and regional levels, indicating a diminishment in gender wage discrimination.
- However, that improvement in Utah was completely offset by the growing gap between men's and women's measurable qualifications and characteristics.

Decomposition of Change in Male Wage Premiums Among Full-Time Year-Round Workers, Comparing 2009-2014 to 1992-1997

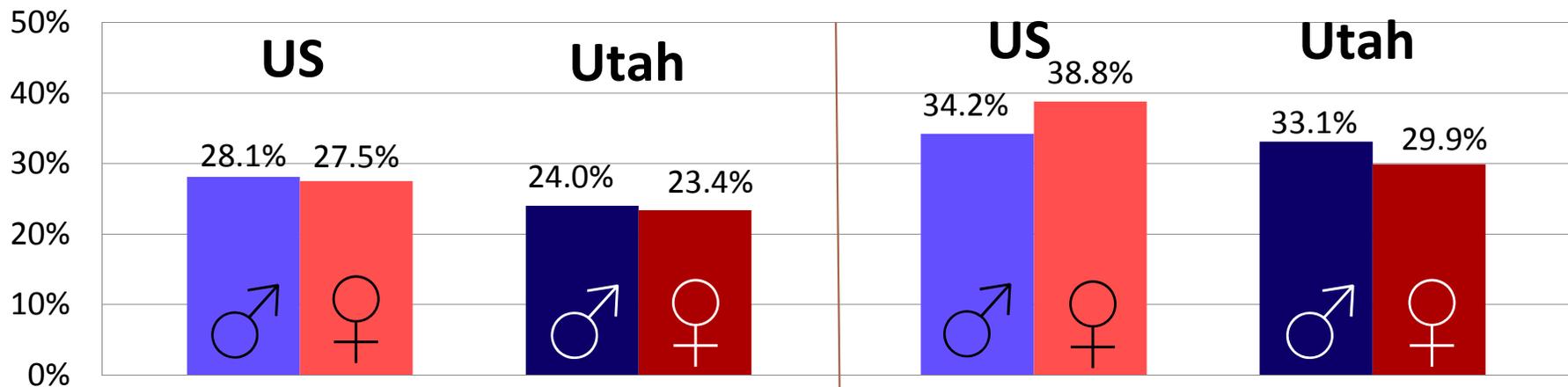


Data source: CPS March from ceprdata.org; Interaction effects not shown



An Example of How Men's and Women's Measurable Qualifications Have Changed Differently Over the Last Generation, US vs Utah

% of US & Utah Full-Time/Year-Round Working Men & Women Age 16+ with Bachelor's Degree or Higher



Data source: CPS March from ceprdata.org for full-time/year-round workers age 16+

1992-1997

Just a half-point gap between men and women with college degrees

2009-2014

3.2-4.6 point gap – in favor of women nationally, in favor of men in Utah



Final Theoretical Notes

- The model presented here seeks to account for all relevant variables but is limited by a variety of factors, such as the constraints of the Census Bureau's CPS-March dataset.
- We used other models to correct for known issues such as selection bias so as to obtain more precise results.
- These other models' results and interpretations, while more precise and theoretically sound from an academic perspective, are less intuitive, and there is less of a consensus among scholars about how to interpret their results, so we do not present them here.
- Nevertheless, these other models tell a similar story to the results presented here (except that the models that use the Heckman correction for selection bias find that selection bias correction eliminates most of the returns effect at the national level but not in Utah).
- It is possible to decompose the wage gap using methods other than the Oaxaca-Blinder decomposition method; we did not use other methods.
- To read the full paper, *Explaining Utah's Gender Gap In Wages* by Curtis Miller, go to <http://content.lib.utah.edu/cdm/singleitem/collection/etd3/id/3644/rec/1> . Note that the results presented here are based on Alternative Model #2 in the paper (see p. 20).
- Special thanks to Prof. Cihan Bilginsoy, University of Utah Department of Economics.



Policy Recommendations

- We recommend policymakers consider the following:
 - Pursue policies that seek to end direct wage discrimination such as enhanced salary transparency as well as increased public awareness.
 - Investigate methods to improve women's educational attainment and occupational and industrial distribution.
 - Address workplace and other practices and policies that have a disparate impact on women by making it more difficult to balance work or education with family responsibilities.
 - Pursue policies such as the EITC that increase take-home pay at the lower wage levels, since women make up the majority of lower-wage workers.