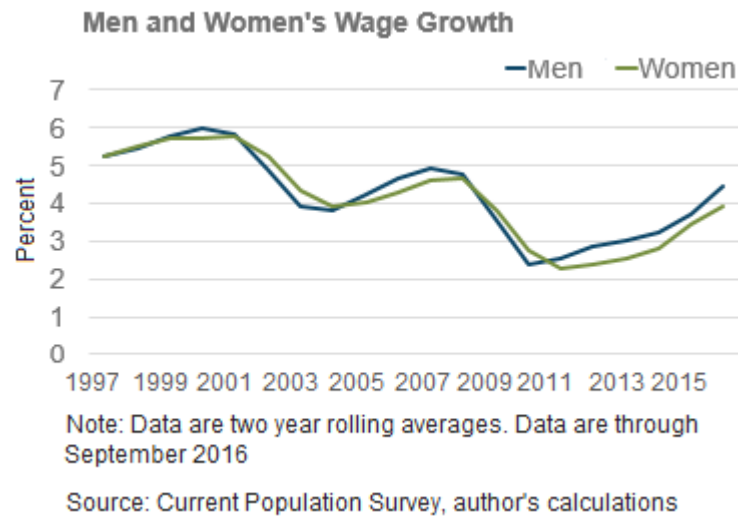


November 14, 2016

Is There a Gender Wage Growth Gap?

The existence of the "gender wage gap" is well documented. Although the gap in the average level of pay between men and women has narrowed over time, studies conducted in the past few years find that women still tend to make about [20 percent less](#) than men. Researchers estimate that between one half and three quarters of the gap can be accounted for by observable differences between men and women in the workforce such as labor market experience, educational attainment, as well as job characteristics (see [here](#), [here](#), and [here](#)). This estimation leaves one quarter to one half of the gap that is the result of other factors. While some pin the remainder on discrimination or unfair hiring practices, others suggest the remaining gap may reflect subtle differences in work preferences, such as women choosing jobs with family-oriented benefit packages or flexible work arrangements.

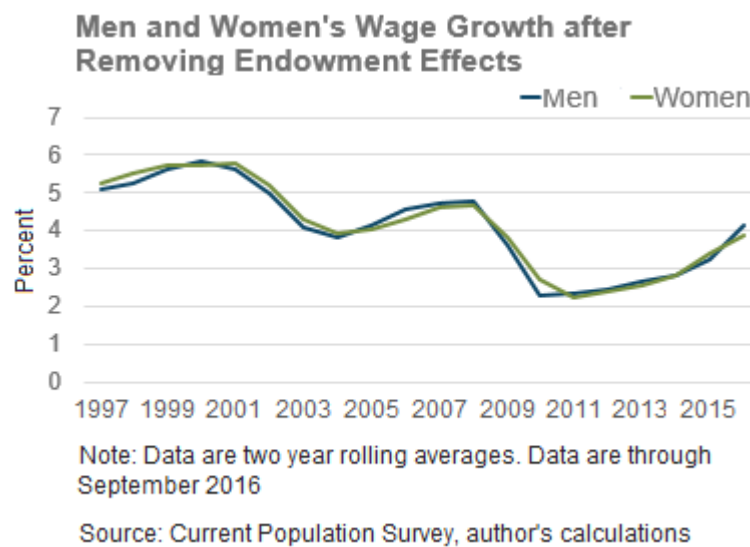
A related question is whether there are differences between the average wage growth of men and women. Since 2010 the [Atlanta Fed's Wage Growth Tracker](#) has revealed a disparity between the pay raises of continuously employed men and women, as depicted in the following chart.



Between 1997 and 2010, wage growth of men and women was about equal. Since 2010 however, a gap has emerged. On average, men have been experiencing about 0.35 percentage points higher median wage growth than women. Can differences in characteristics such as experience and job choice explain this gap?

To answer this question, I aggregated individuals into groups based on their potential labor market experience (0–5 years, 5–9 years, 10–24 years, and 25–48 years) education (degree or no degree) family type (married, whether your spouse works, and whether you have kids); industry (goods versus services) occupation (low, middle, or high skill); sector (public versus private); and if the person switched jobs recently. I then computed the median wage growth for each unique group in each year. Using a statistical technique called a [Oaxaca Decomposition](#), I separated out the difference between men and women's wage growth that can be pinned on differences in the way men and women are distributed among these groups (the "endowment" effect).

The following chart shows median wage growth after removing this endowment effect.



After removing the difference in wage growth that is the result of differences in gender-specific characteristics, wage growth of men and women is much more similar. In particular, these differences appear to almost entirely account for the gap that had emerged after 2009. What explains the gap in wage levels between men and women is still an open question, but this analysis suggests that

much of the difference in wage growth through the years has to do with family/job choices and other individual characteristics.



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