Glass ceilings: Why are they persisting and what can we do about them?

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This talk draws on Booth, AL (2009), ‘Gender and Competition’, Labour Economics 16, pp 599–606, December
Some stylised facts

• In 2012 only 12 women are CEOs at Australia’s top 200 companies.
• Only 12.3 percent of boards of top 200 are female.
• Two-thirds of ASX500 companies have no female executives.
• For all employees, the gender pay gap is increasing across the wages distribution, as estimates from Kee (2006) Economic Record show.
## Gender pay gap increases across the wages distribution

<table>
<thead>
<tr>
<th></th>
<th>10%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>90%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector</strong></td>
<td>0.11</td>
<td>0.12</td>
<td>0.13</td>
<td>0.14</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Private Sector</strong></td>
<td>0.01</td>
<td>0.06</td>
<td>0.13</td>
<td>0.20</td>
<td>0.26</td>
</tr>
</tbody>
</table>

Notes: (i) HILDA data; (ii) quantile regression estimates controlling for individual and employer attributes; (iii) individuals 18-60 years; (iv) OLS estimated gender gap for public sector is 0.12 and for the private sector is 0.12.
Interpretation

• QR estimates show that, even when men and women have same characteristics, there is an increasing gender gap across the wages distribution due to different returns.

• This phenomenon - of a gender pay gap that increasing across the wages distribution and accelerating in the upper tail – is labelled a ‘glass ceiling’ effect.
Interpreting gender gaps

• Demand-side through discriminatory practices?
• Other sources of unobserved heterogeneity on supply-side?
• Combination of the two?
INDIRECT DISCRIMINATION
WHAT DO YOU THINK, GINA FOR VICE PRESIDENT?

AH NO, SHE JUST GOT MARRIED, SHE WOULDN'T WANT THE HASSLE
Prejudice at hiring stage

- Promotion criteria can increase gender pay gaps (eg lawyers).
- Discrimination at hiring stage affects willingness to bargain. Suppose female has lower job-offer probability (Goldin and Rouse, 2000, orchestra).
- Woman so grateful for job she won’t bargain as much as men (outside options lower).
Prejudice at hiring stage (cont’d)

• Gender differences in bargaining propensity have to be more important towards top of wage distribution for this to explain glass ceiling effect.

• If women towards bottom have wages set by awards while those towards top negotiate individually, the fact that “women don’t ask” could contribute to glass ceiling.
Competition

• Why don’t firms make greater profits by hiring women with low bargaining power and outside offers, driving up wages?
• Taste-based employer discrimination model of Becker (1971).
• Economists becoming more willing to ask how preferences form, drawing on insights from psychology and sociology.
• Employers’ tastes for discrimination may arise because of ‘homosocial’ preferences - Lipman-Blumen (1976). "Social preference for being with members of one’s own gender without any implication of erotic attraction".
• Men may feel more comfortable being surrounded by men.
• Nepotism argument of Goldberg (1983). Firms gain utility from working with a particular group of workers and nepotistic firms can coexist with other firms in long run.
Employers’ gender role attitudes

• Role congruity model of Eagly and Karau (2002) aims to explain why women are discriminated in some roles but not in others.

• Perceived incongruity between female gender role and leadership role results in two forms of prejudice: (i) women perceived less favourably than men as leaders; (ii) women in leadership roles evaluated less favourably - don’t fit prescription of appropriate female behaviour.
How are prejudices formed?

• Gender identity hypothesis - individuals operate within society’s constraints and their utility affected by social custom.

• Society’s prescriptions about appropriate gender behaviour result in wo/men experiencing loss of identity if they deviate.

• Male bosses might be happier employing men to higher-ranking posts, since then adopting society’s behavioral norms.

• Unclear how this operates with female bosses, since outcome depends on where her identity lies.

• Prescriptions arose because it was in dominant group’s interest to maintain them. Since then, society has changed but prescriptions persist.
Mentoring

• Women may do better in organisations with high female proportion (‘homosocial’ preferences, mentoring, networks).
• US and EU research finds that women executives working in women-led firms earn 15-20% more in total compensation than women working in other firms. Women-led firms also hire proportionately more top women executives.
Customer or client preferences

• Customer preferences may matter, as suggested by Becker (1971).

• Beckman and Phillips (2005): sample of largest U.S. law firms matched to their publicly traded clients.

• Law firms promote women when their corporate clients have women in key leadership positions.

• These effects are strengthened when the law firm has few clients, suggesting that inter-organizational influence is stronger when an organization is more dependent on its exchange partner.
Glass ceilings: What role for policy?

• Mentoring, formation of networks and role models
• Quotas to increase female representation at the highest levels (boards and bosses)
• Stop nepotism at the gateways into higher level jobs
• Stop practices/institutions that implicitly affect women’s advancement (2 examples; one from law firms, one from US academia)
SEX IS WHAT YOU’RE BORN WITH, GENDER IS WHAT YOU’RE GIVEN
Cartoons by Richard Chapman