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MINIMUM WAGES AND THE GENDER GAP IN PAY

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INTRODUCTION

Minimum wages are often advocated as tools to alleviate poverty as long as they are not set so high that they reduce employment. Because women are more likely than men to work in low paid jobs, minimum wages can also help to reduce the gender pay gap. This study examines how the gender wage gap changed following the introduction of the National Minimum Wage in Ireland in 2000 and the United Kingdom (UK) in 1999.

DISTRIBUTIONAL ANALYSIS

In April 1999, a National Minimum Wage of £3.60 sterling per hour was introduced in the UK. One year later, a National Minimum Wage of IR£4.40 per hour was introduced in Ireland. The level of the minimum wage, as a proportion of the average wage, was comparable in the two countries.

Using survey data for Ireland and the UK,² this study estimates the change in the gender wage gap in each country at each point of the wage distribution after the introduction of the minimum wage. The gender gap in wages can generally be separated into two components. The first, known as the “explained” gap, exists because men and women tend to have different labour market characteristics, such as experience and hours of work. The second, termed the “unexplained” gap, is often interpreted as discrimination and exists because these characteristics may be rewarded differently for men and women through the wage structure. We estimate the change in the wage structure for men and women in both countries after the introduction of the minimum wage to identify the effect of the minimum wage on this “unexplained” gender wage gap.

¹ This Bulletin summarises the findings from: Bargain, O. , Doorley, K. and Van Kerm, P. (2018), Minimum Wages and the Gender Gap in Pay: New Evidence from the United Kingdom and Ireland. Review of Income and Wealth. doi:10.1111/roiw.12384

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¹ The Living in Ireland Survey and the British Household Panel Survey were used.

RESULTS

A large decrease in the gender wage gap for low-paid workers was observed in Ireland after the introduction of the minimum wage, with no significant changes observed at other wage levels. Before the introduction of the Irish minimum wage, men's wages were 24% higher than women's wages in the bottom wage decile, i.e. among the lowest paid tenth of workers. After the introduction of the minimum wage, this gap had reduced to 5%.

However, almost no decrease in the gender wage gap was observed for the lowest decile of workers in the UK following the introduction of the minimum wage. Results show that the minimum wage in the UK was less effective in tackling the gender wage gap than the Irish minimum wage due to different patterns of compliance.

Overall, compliance with minimum wage legislation was high (around 95%) in both the UK and Ireland around its introduction and remains high today. However, in the UK, most of those earning less than the minimum wage after its introduction were women while, in Ireland, men and women were equally likely to experience minimum wage non-compliance. Enforcement of the minimum wage for women (or in female dominated professions) appears to have been less effective than for men in the UK.

The results of this study indicate that the gender wage gap for the low paid may be effectively reduced by a National Minimum Wage, provided that compliance is high and is not different by gender.

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