The gender wage gap (the wage disparity between men and women) is observed in most countries where women play a prominent role in the labour market. It is therefore relevant to ask whether this wage gap exists in the early career and whether it widens as workers gain experience and move between jobs. In our study we consider young workers with tertiary education and find that the gender wage gap is negligible at the onset of their career, but widens as workers accumulate experience and move to better jobs. We show that this pattern can be explained by employers having more difficulty assessing women’s productivity relative to men. This difficulty could result from the fact that most managerial positions are held by men, but also by the fact that equally productive workers behave and reveal their productivity differently according to their gender. As a result employers may be lead to be more conservative towards women, allowing men to get ahead. Focusing on the early career has the benefit of minimizing the role played by most common factors put forward in explaining the gender wage gap (work experience, career interruptions, and family responsibilities). It also highlights the importance of early job mobility and work experience accumulation in explaining wages and their growth in the early career.

We base our study on a survey of young U.S. adults who initiated their careers in the early 1980s. We focus on annual interviews that took place from 1979 to 1994, allowing us to follow the first ten years of their careers. We also have a rich set of information about their educational achievements, their marital status, and the presence of children. We focus on individuals who have completed at least one year of tertiary education as they are more likely to have a high level of attachment to the labour market. Although racial discrimination is an important topic, we restrain our sample to white individuals in order to focus solely on the gender wage gap. In addition, to avoid dealing with differences in labour supply across gender, our analysis focuses on the hourly wage rate of workers, instead of the more commonly used weekly, monthly or annual earnings. Gender is not the only personal characteristic that affects wages, so our analysis also considers years of schooling, age, occupation, industry of employment, and whether the worker is covered by a collective bargaining agreement.

We first start with a naïve analysis that ignores wage growth stemming from work experience and job mobility and find that even among this highly educated group, hourly earnings are on average 8% lower for women relative to men. Accounting for years of experience does not affect this gender wage gap but suggests that each year of labour force attachment increases hourly wages by about 4%.
Now if productivity at work is somehow more difficult to ascertain for female workers, we should expect their wage growth to be weaker. The data indeed reveal that it is weaker by as much as 1.5% relative to men. Once this differential is taken into account we find that the gender wage gap shrinks to less than 2%, and that it is negligible from a statistical standpoint. This result suggests that there is no gender wage gap at the onset of workers career, but that it appears as careers unfold.

A second part of our analysis considers the source of this wage growth differential. We consider two main components: mobility across employers and tenure with a specific employer. Our results suggest that among workers who change employers, women are found to have on average lower wages than men. On the other hand, among workers who stay with the same employer, female workers have on average higher wages than men. This suggests that women may benefit strongly from staying with the same employer. In fact when we analyse the impact of accumulating tenure with a specific employer, we find that the wage growth is twice as large for women. This result is consistent with women’s productivity being more difficult to assess: if they stay with the same employer, then their productivity is better assessed with time and their wage rate is adjusted accordingly. If they change job, the new employer will in all likelihood behave just as conservatively as the previous employer. Men, to the contrary, are not penalized by switching jobs presumably because their productivity is easier to assess.

Based on these results we can extrapolate that employers do indeed have more difficulty inferring the true productivity of female workers. However, the strong female wage growth associated with tenure suggests that employers can quickly set the record straight.

Unfortunately, job switching appears to be detrimental to women and beneficial to men. We find that the larger gain to mobility more than compensates for the gain to tenure, and this differential is what generates the observed gender wage gap.

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