

Gender Earnings Differentials Over Time and Across Cohorts: A Study of Two Cohorts Using British Panel Data

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Abstract

Since the pioneering work of Juhn, Murphy and Pierce, there has been great interest in the evolution of earnings differentials over time. In a previous paper¹, the present authors analysed differentials between the earnings of male and female workers in full-time employment using the first two of the British cohort studies (NSHD and NCDS².) Here, we exploit data newly collected in 2000 for the second and third British cohort studies (NCDS and BCS70). We again examine the gender earnings differential over time and across cohort for individuals in their early thirties but now using cohorts born in 1958 and 1970.

These data are particularly interesting since there have been numerous labour market changes during the time when these people have progressed through the education system and entered the labour market. Most notably the opportunities for women have changed remarkably. The participation rates of women in the labour market continued to rise and young women have continued to improve their basic human capital. The participation in higher education has risen from 16% to 33% and girls now systematically out-perform boys in terms of examination results. This study aims to estimate the extent to which these structural effects have impacted on the male-female earnings differential. It will also quantify the extent, if any the lifecourse transition from early thirties to early forties has lead to an opening up of gender earnings differentials.

The cohort data sets used in this study are remarkably rich and detailed. Both of the two cohorts have been followed since birth and have excellent information on family and social background as well as ability measures and educational achievement

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² The members of these cohorts were born in 1947 and 1958 and were in their early thirties at the date when the comparison was made.

scores. The common CAPI style interview of both cohorts with identical questions in 2000 provides a unique opportunity to study people in detail across age³.

The data offer many advantages for an economist. They contain some of the best work history data available for Britain and give a detailed record of educational performance and training. The sample sizes are large facilitating robust estimation of parameters and the detailed nature of the surveys over time provides a rich source of instruments enabling estimation of sophisticated models of *inter alia* the returns to human capital.

Our previous results suggested that there was a large fall in the raw earnings differential between men and women from 1978 to 1991. This was also a substantial fall in the Oaxaca-Blinder measure of discrimination but the typical women would still have earned 17% more in full-time employment if she had been paid the same as a man. The explained proportion of the differential fell considerably reflecting the improvement in the qualifications and work experience of women. The 2000 data has not been publicly released but some analysis of earlier BCS70 data by one of the authors suggests that the labour market position of young women has continued to improve. There is an important policy dimension to this work because many of the social reforms that seek to improve the status of women will have their greatest impact on new entrants. The policies to facilitate career continuity should also be found to have an impact at preserving women's human capital and maintaining their wage level. It will also be apparent how far such developments are generating a polarisation among women, already apparent in the 33 year olds of 1991.

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³ The quality of the NSHD data restricted the earlier analysis so the consistency of the data is an important issue.