Working Hours and the Persistence of the Gender Wage Gap in West Germany

Laila Schmitt*, Volker Ludwig, Katrin Auspurg
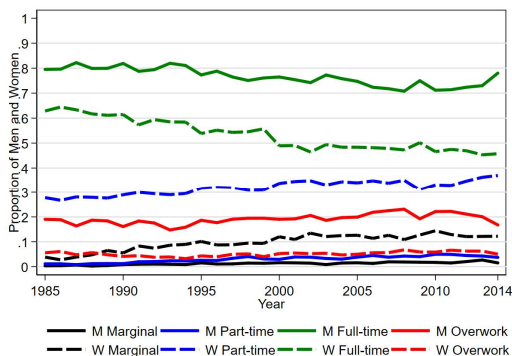LMU Munich, TU Kaiserslautern, LMU Munich

Research Question

- Are working hours the missing link to understand the persistence of the gender wage gap (GWG) in Germany (DE)?
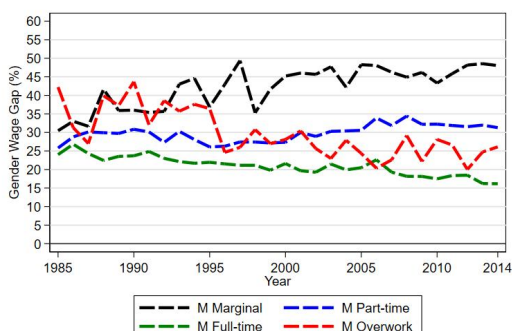
Motivation and Background

- Studies for USA explain the persistent GWG by the increasing proportion of men working long hours and the rising hourly wage for "overwork" (e.g. Cha und Weeden 2014, ASR)
- Scarce research for DE
- The increasing proportion of *women working short hours* or *wage penalties for short hours* could be more important than men overworking in DE

Descriptive Results 1: Trends in Working Hours

➢ High proportion of women working short hours in DE

Descriptive Results 2: GWG by Working Hours

Note: Difference between mean hourly wage of men working full-time and women relative to men working full-time in %
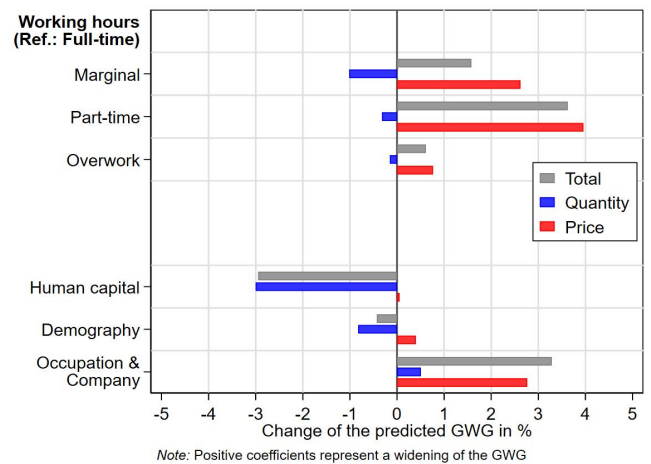
➢ GWG is the largest for working short hours

Data and Method

- Socio-Economic Panel (SOEP), 1985/87-2012/14
- West Germany, dependent employees, age 16-64, cross-sectional weighting (N=38,735)
- Second-order Juhn-Murphy-Pierce (JMP) decomposition of the change in the GWG (hourly wage) using coefficients from the pooled samples

JMP Decomposition of the Change of the GWG

- JMP decomposition measures the part of the GWG change explained by working hours ("total effect")
- Effect is further decomposed into a "quantity effect" of the portion of women working specific hours and a "price effect" of different wages for specific hours

Note: Positive coefficients represent a widening of the GWG

➢ The increase in part-time or marginal work exacerbated the GWG by 3.5% or 1.6%, resp. (see coefficient plot, "part-time total" or "marginal total") in DE

Conclusion

- We find that increasingly lower wages for part-time and marginal employment substantially widened the GWG in DE
- Much more than overwork as is the case in USA
- Our research suggests a key role of working hours for closing the GWG, also in DE