

## The Gender Pay Gap in the UK 1995-2007

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The gender pay gap in the UK is largest for part-time workers, who earned on averaged **39%** less than full-time men workers in 2006 (Low Pay Commission, 2007). The full-time gender pay gap has improved recently for full-time women workers, moving from **19%** in 2001 to **17%** in 2007 (Leaker, 2008).

A typical pay gap study develops a statistical model for the wages of females, males and all workers. We use these different measures of response (regression slope coefficients) to decompose the pay gap by its main components. A factor like education that is important for wage determination is surprisingly unimportant in the decomposition of the pay gap (causing 8% of the gap; Olsen and Walby, 2004). Decomposition is used to simplify the results and highlight potential policy levers.

We also take up the challenge of finding out how the drivers of the pay gap can be influenced by specific, realistic possible changes. The project includes three parts. First a measurement of the pay gap in the periods 1995-1997 and 2004-2006 using British Household Panel Survey data. This part includes panel data wage regression. Secondly, a decomposition of the pay gap for each period into the various causal factors, showing which ones are strongest influencing factors for the pay *difference* between men and women. Thirdly, we use structural equation modelling methods to examine how a new estimate of the underlying factors can allow exogenous and endogenous variables into a multi-equation model. Overall we aim to thus give a better indication of the relative influence of specific policy drivers.

### References

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