

Intelligence MEMOS



From: Nicole Fortin and Abby Sullivan
To: Canadians Concerned about Pay Equity
Date: March 7, 2019
Re: **EARNINGS INEQUALITY AND THE GENDER PAY GAP IN CANADA**

Over the past half-century, Canada has witnessed an impressive growth in women's labour force participation and a substantial convergence in the proportion of men and women working. While one may assume that a gender convergence in pay would follow suit, the persistent – and even increasing – earnings inequality particularly among the top earners implies that existing policies are ineffective at narrowing the gender pay gap further.

There have been sizeable improvements in female representation at the top of the earnings distribution with the share of women in the top 9 percent increasing more than threefold. However, given the still low representation of women among top earners, those improvements have not been sufficient to counterbalance the effects of increasing top earnings inequality.

[A forthcoming paper](#) (Fortin 2019) finds that three quarters of the average gender hourly wage gap comes from the top 10 percent of earners. In terms of annual earnings, [Bonikowska, Drolet, Fortin \(2019\)](#) find that this fraction jumped to more than 85 percent in 2015. Since 2000, the gender annual pay ratio – women's average annual pay as a share of men's average annual pay – has been 15 points higher in the bottom 90 percent than in the ratio for all earners. These results indicate that without a higher representation of women among top earners, the gender pay gap will not shrink further.

There has also been a noticeable decline in the annual earnings ratio in the childbearing ages. Women who choose to take a step back from the labour market for childbirth can experience penalties upon their return in the form of delayed or missed career progression, gender differences in weekly hours worked and a lack of benefits and bonuses, relative to men. Addressing these disparities requires a continued focus on family-friendly policies.

To date, policies focused on removing gender inequalities have emphasized pay equity/comparable worth across predominantly female and male occupations for jobs of equal value. [A formal analysis](#) of the impact of Quebec's gender equality policies finds no impact on women's relative hourly wages from its pay equity law in the short run, but modest and significant long-run impacts from the wider range of its gender equality policies. Evidence also shows that the share of the gender pay gap unexplained by education, occupation, industry, and employment status has increased as a proportion of the raw gap – suggesting that other explanatory factors like within-firm obstacles may be contributing to the gender disparities. Provinces should consider the fact that their pay equity policies may have exhausted their impact on closing the pay gap and there is a need to look more closely at hierarchical gender issues within job classes that are not predominantly female.

Despite the moderation of rising top earnings inequality that followed the 2008 financial crisis, it is clear that until the representation of women improves among top earners, the gender pay gap will not shrink further.

Policymakers should focus on strategies that will reduce gender differentials within organizations, allowing women to move up to higher positions. Following the lead of certain European countries, it could also be beneficial to implement an empirical evaluation requirement for policies going forward. Until women have more equal opportunity for representation among the top earners, Canada will continue to witness a persistent gender pay gap.

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