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The gender wage gap in the financial industry: Evidence from the interindustry ranking

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ABSTRACT

This study examines the interindustry gender wage gap in Taiwan with a focus on the financial industry, using individual level data from the 1978–2013 Manpower Utilization Survey. We consider this issue from two perspectives. First, by decomposing, examining, and breaking down the overall gender wage gap, we find that 2–14% of the overall gender wage gap during this period can be attributed to workers' industry affiliation. Second, through the analysis of the gender wage gap across industries in Taiwan, we notice that the financial industry is the most monetarily advantageous industry for women during the past 15 years based on the interindustry ranking approach. The wage level for women in the financial industry was only 3–20% below that of men, compared to 15–93% for women in the mining industry. A cross country comparison with the results from the literature suggests that the range of the interindustry gender wage gap in Taiwan is larger than that in the U.S. The financial industry is more likely to rank the highest (with a smaller gender wage gap) in Taiwan, while ranking the lowest in the U.S. labor market.

1. Introduction

The role of industry in affecting wage gaps is a topic worthy of further investigation. Ever since the seminal work by [Becker \(1957\)](#), studies on the gender wage gap have focused on identifying the sources of the gap, in order to learn more about the role of sex discrimination in the labor market. It was not until the 1990s that studies on interindustry differences in gender wage gaps were first addressed. By examining U.S. data in 1988, [Fields and Wolff \(1995\)](#) (hereafter FW) found that “the combined industry effects explain about one-third of the overall gender wage gap.” A study on European countries by [Gannon, Plasman, Rycx, and Tojerow \(2007\)](#) further indicated that the “combined industry effects explain 29 percent of the gender wage gap in Ireland” while the “industry effects on the gender wage gap fluctuate sharply across European countries.” Both studies highlighted the important role played by industry in describing the phenomenon of gender wage gaps in Western countries.

The role that industry plays in affecting gender wage gaps should be even more significant for export-oriented countries, because their industrial structure is more responsive to changes in the composition of export products. Since Taiwan is a well-known export-oriented economy, an analysis based on Taiwan's data can serve as a representative case study. Taiwan's industry and export mixes have shifted toward more highly-skilled, technology-intensive products, while its lower-skilled, labor-intensive industries have moved abroad. As a result, we expect to observe changes in the interindustry wage differentials for both genders, which may lead to a variation in the pattern of gender wage gaps by industry. The purpose of this study is to examine the gender wage gap in Taiwan with a focus on

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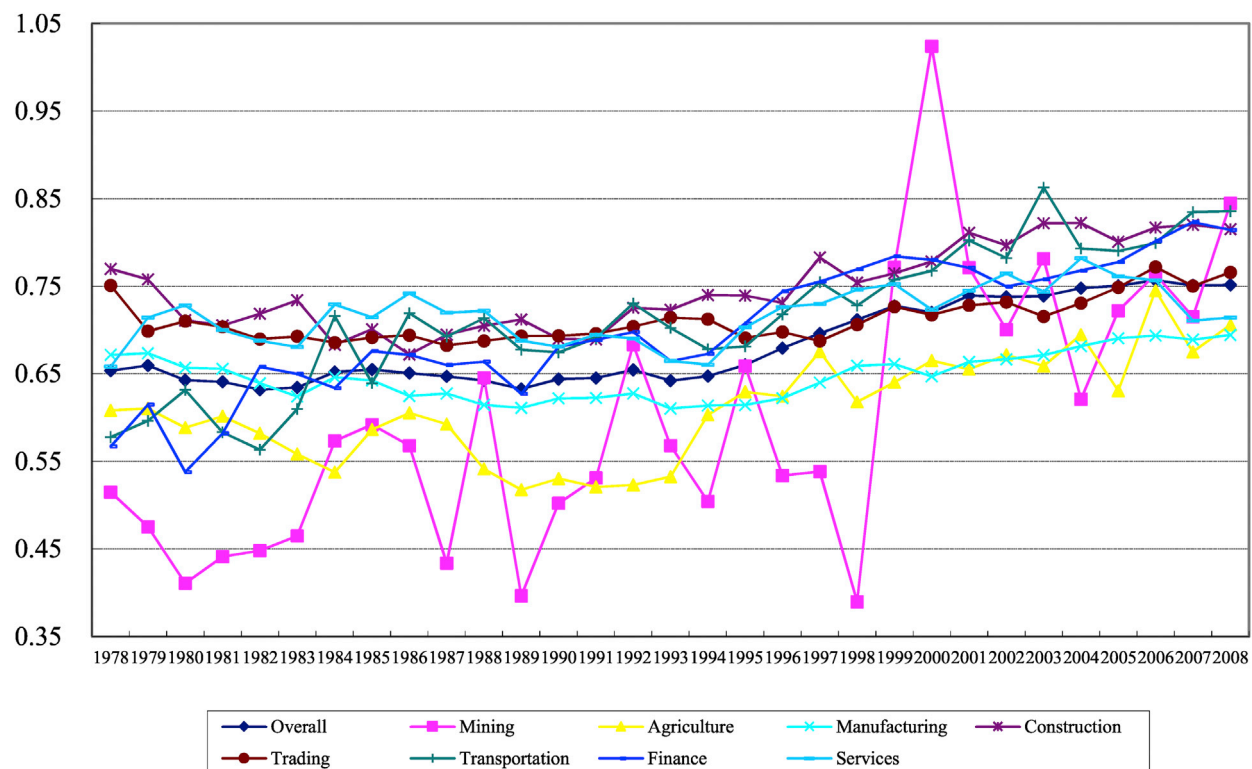


Fig. 1. Female-Male wage ratio by industry.

the financial industry based on the interindustry ranking approach.¹

This study expands the current literature on Taiwan's gender wage gap by examining the issue through various approaches. First, we study the topic through a wage decomposition analysis. Second, we look at the issue through an analysis on the gender wage gap across industries so as to signify the role of industry in Taiwan's gender wage gap. Our analysis focuses on the position of the financial industry in the interindustry gender wage gap ranking. We also conduct a cross-country comparison of the gender wage gap between Taiwan and U.S. labor markets.

The remainder of this paper is organized as follows. The next section briefly discusses the literature and the definition of industry classification. Section 3 describes the 1978–2013 Manpower Utilization Survey (MUS) datasets and the econometric methods. Section 4 presents and discusses the empirical results. The final section concludes the study.

2. Literature review and industrial classification

Zveglic et al. (1997) noted a persistent gender wage gap in Taiwan from 1978 to 1992, with women earning 65% of what men earned. This ratio exhibits an increasing trend from 1992 onwards, reaching a level of about 75% in 2001 and remaining at this level until the present. Many studies have empirically examined the continuing existence of gender wage gaps in Taiwan, with the target mainly on identifying the role of sex discrimination in the labor market. Therefore, most of the existing literature on gender wage gaps in Taiwan has applied the Oaxaca (1973) and Blinder (1973) (hereafter OB) decomposition framework, which uses the unexplained portion of the wage gap as a proxy for sex discrimination.

Using 1982 MUS data, Gannicott (1986) found that the unexplained portion of the female-male wage gap accounts for about 60% of the gap. Liu and Liu (1987) showed significant gender wage gap differentials across occupations in Taiwan's labor market. Kao, Polachek, and Wunnava (1994) incorporated Polachek's expected human capital approach into their analysis based on 1989 data and presented that more than 80% of the gender wage gap could be explained by the difference in the expected investment of human capital between males and females. Tan (1998) modified the OB decomposition model by taking into consideration the problem of sample selection bias due to the public-private sector choice. Tseng (2001) presented findings indicating that the unexplained portion of the gender wage gap increased from 55% to 67% and then to 74%, based on 1982, 1992, and 2000 data.

Differences among the gender wage gaps across industries in Taiwan suggest that more emphasis should be placed on the role of industry in explaining this country's gender wage gaps. As shown in Fig. 1, there is an apparent variation in gender wage gaps across

¹ The financial industry includes the financial, insurance and real estate industries as defined by the Taiwan's Standard Industrial Classification. The financial industry is denoted by "Finance" in the tables of this study.

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