

EXECUTIVE SUMMARY

THE GENDER WAGE GAP IN NEW BRUNSWICK

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Introduction

1. The purpose of this study is to indicate some public treasury effects of removing wage discrimination against women in the province of New Brunswick. For this purpose, a quantitative estimate of the gender wage gap resulting from discrimination is obtained. This quantitative estimate is then used to estimate the potential effect on the provincial public treasury that would likely occur if a program aimed at removing wage discrimination in the province were introduced. The particular components of the public treasury that are considered include: government tax revenue, health care costs, and government transfers paid to individuals and families. The effect on these public treasury components is then compared with the additional employer payroll cost resulting from higher wages for women under an anti-discriminatory program.
2. The major part of analysis conducted in this study is based on micro-data obtained from the Survey of Labour and Income Dynamics (SLID). This survey is conducted annually by Statistics Canada.

Literature Review

3. The male–female earnings gap is an international phenomenon. Much of this gap is not explainable by differences in productivity-related characteristics and may therefore be attributed to gender-based labour market discrimination.
4. Among nine advanced industrialized countries in North America and Europe, Canada ranks ninth in terms of its gender earnings gap. In other words, Canada has a wider gender wage gap than other comparable countries. This is despite the fact that occupational segregation based on gender is not as prevalent in Canada as it is elsewhere.
5. Although Canadian women have experienced an increase in their wages over the past few decades, which has narrowed their wage gap with men, significant gender differences still exist that are unexplainable by differences in such productivity-related characteristics as work experience, education, etc. This unexplained portion of the gender wage gap is often attributed to gender discrimination by the economics literature.

Evidence of gender wage gap in New Brunswick

6. Overall, the wage rate paid to an average female worker in New Brunswick is about 21 percent lower than that paid to a male worker.
7. When controls are introduced for such demographic, labour market, and productivity-related characteristics as education, work experience, marital status, job tenure, job status, union status, size of firm, size of residential area, industry of employment, and occupation, the wage rate paid to a female worker in New Brunswick

continues to be about 17 percent lower than that paid to a man. A similar national study conducted by Statistics Canada found this result to be 11 percent for Canada as a whole.

8. This means that close to 80 percent of the current gender wage gap in New Brunswick cannot be explained by a wide range of demographic, labour market, and productivity characteristics and is likely attributable to gender-based labour market discrimination.

9. On average, women acquire more years of schooling as well as labour market experience than do men. Yet at all educational levels, New Brunswick women earn lower wages than men, although the gap narrows as educational level increases.

10. The gender wage gap in New Brunswick persists across all demographic and labour market characteristics, confirming the case for anti-discrimination programs by government.

Public treasury effects of removing gender wage gap in New Brunswick

Impact on government tax revenue collection

11. Removal of gender wage discrimination in New Brunswick is expected to result in an increase of about 11 percent in personal income tax collection, federal and provincial combined, for that province. This overall increase emulates the increase that would occur for majority workers in the sample, i.e., those who have acquired a post-secondary education but do not possess a university degree. These workers are about 72 percent in the sample. For those with lower and higher educational levels, this increase will be lower (7.8 and 7.4 percent, respectively).

12. Due to the 11 percent overall increase in federal and provincial income tax receipts, the government of New Brunswick is expected to gain about \$105 million in additional personal income tax revenues alone from removal of the current gender wage gap. Total tax receipts for the province (including personal income tax, sales tax, etc.) will increase by about \$226 million. The corresponding figures for federal tax receipt increases are \$178 million for increases in personal income tax and \$383 million for all taxes in total. Thus, provincial and federal governments can expect a rise in their collective tax revenue of about \$609 million.

13. Rough estimates indicate that removal of wage discrimination against women can result in 2,000 new tax-paying residents in New Brunswick, who would begin to earn enough income to pay taxes.

Impact on health care costs

14. Studies have shown that poverty and income inequality are important causes of differential health status within a population. For instance, one study conducted for Nova Scotia found that those belonging to lower income group (bottom 20 percent) use 43% more physician services than those in the upper middle to higher income groups (top 60 percent), those in the lower-middle income group (20-40 percent) use 33% more while those in the middle income group (40-60 percent) use 11 percent more. Another study showed that the incidence of chronic disease decreases with rise in income. Thus, one would expect that by causing their income levels to rise, removal of wage discrimination against women would help in improving their health status, thereby causing savings in health care costs to taxpayers.

15. Applying the general results found in literature on the impact of income increases on health care use, estimates of the likely savings in physician costs, hospital costs, and overall health care costs were obtained. Modest savings in annual health care costs are expected from an increase in women's income under an anti-wage discrimination program. These savings are reported below:

Savings in health care costs resulting from an anti-discrimination program in New Brunswick, 2003.

Physician costs	\$7.65 million
Hospital costs	\$20.0 million
All remaining health care costs*	\$32.35 million
Overall savings	\$60.0 million

*These costs include other health care institutions, other health professionals, drugs, capital, public health and administrative and other public health care costs calculated as a residual from the overall savings. Present analysis assumes that the share of physician and hospital costs in total health care costs will remain unchanged.

These anticipated savings of \$60.0 million in avoided health care costs due to low income are more than half of the overall budget deficit of \$110 million incurred by the Province of New Brunswick in 2003.

Impact on public transfers

16. Public transfers made to individuals and families depend on income and demographic composition. Estimates of likely savings in various government transfers were obtained for the Province of New Brunswick based on the removal of gender wage discrimination. These estimates are provided in the following table.

Changes in receipts of government transfers by women, New Brunswick, 2003 (\$ million).

Child benefits	-5.40
CPP / QPP benefits	-0.45
EI benefits	-11.30
Social Assistance	-1.58
GST / HST credit	-1.70
Workers' compensation	+0.56
TOTAL	-18.99

Note: Numbers may not add up due to rounding.

17. A major conclusion drawn from the above table is that removal of gender-based wage discrimination in New Brunswick would result in a small saving of about 19.0 million in government transfer payments made to individuals in that province. This translates into a saving of about 0.7 percent of the current total transfers in New Brunswick. The highest saving would result in avoided payments of Employment Insurance benefits. The small overall change in public transfers could be due to the larger role played by the demographic composition of the population in determining the values of these transfers.

Conclusions

18. The overall public treasury effect of a government program aimed at removing wage discrimination against women in New Brunswick is summarized below:

Public treasury effects of removal of gender-based wage discrimination in New Brunswick, 2003.

Component of Public Treasury	Value (\$ million)
Tax increase (federal and provincial)	609.0
Savings in personal transfers	19.0
Savings in overall health care costs	60.0
Total benefit to provincial treasury	688.0

19. The employers in the province would have incurred an additional payroll cost of about \$517 million had a program aimed at reducing gender discrimination been in place. This cost would be due to the 17 percent higher wages payable under the program.

20. The above data indicate that while the federal and provincial government together can enjoy a benefit of about \$688 million resulting from increased taxes and savings of transfer payments and health care costs, the additional payroll cost to employers would be only \$517 million.