

THE GENDER PROMOTION GAP: EVIDENCE FROM CENTRAL BANKING

SUMMARY OF BANCO DE ESPAÑA WORKING PAPER N° 1915

LAURA HOSPIDO, LUC LAEVEN AND ANA LAMO

The underrepresentation of women in Economics is nowhere as visible as in central banks. In a new paper, we use anonymised personnel data to analyse the career progression of men and women at the ECB. A wage gap in favour of men emerges within a few years of hiring, with one important driver being the presence of children. Women were also less likely to be promoted to a higher salary band up until 2010, when the ECB issued a statement supporting diversity and took measures to support gender balance. Following this change, the promotion gap disappears. This results from a lower probability of women to apply for promotion, combined with a higher probability of women to be selected conditional on having applied. Competition from other candidates partly explains this applications gap. Following promotion, women perform better in terms of salary progression, suggesting that the higher probability to be selected is based on merit, not positive discrimination.

The underrepresentation of women in Economics

Economics remains a male-dominated field. In the US, women account for 30% of PhD graduates but a mere 14% of full professors in economics (CSWEP 2017). This underrepresentation of women is nowhere as visible as in central banks (OMFIF 2019).

Several explanations may account for the lack of women in high-level positions in the economics profession. One possibility is that the pool of potential applicants is male dominated. Women remain less likely to study economics, and macroeconomics in particular (Ginther and Kahn 2004). An alternative explanation is that women are less likely to apply for promotions because of gender differences in the preference for competitive environments (Niederle and Versterlund 2007) or in bargaining abilities in the labour market (Blackaby *et al.* 2005). The presence of children and trade-offs between family and career may also hold back women from pursuing promotions (Bertrand 2013). Finally, there may be gender-based discrimination in promotion decisions (Goldin and Rouse 2000).

Which of these explanations is more relevant? And can corporate diversity policies mitigate these biases? Despite a large body of literature on gender differences,

there is no agreement on the importance of diversity policies and their impact on labour market outcomes.

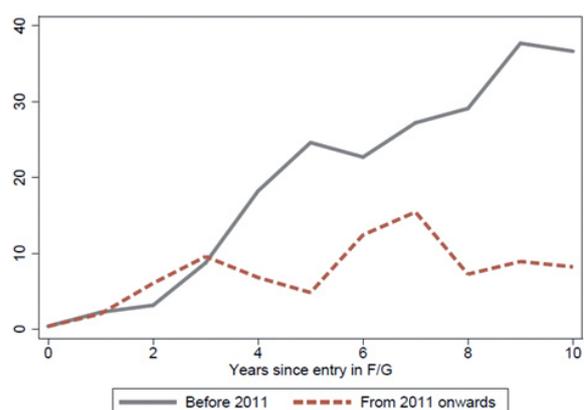
The effect of diversity policies on labour market outcomes

In the paper, we analyse the career trajectories of men and women at the ECB, using confidential anonymised personnel data during the period 2003-2017. Our analysis focuses on expert staff across four different salary bands representing different levels of seniority (expert, senior expert, principal expert, and advisor) in the policy areas, the research department, and the statistics department. With this selected group, we focus on a broadly homogeneous pool of staff in terms of human capital and experience, ensuring comparability across individuals.

We find that a gender wage gap emerges within a few years of hiring, despite broadly similar entry conditions in terms of salary levels and other observables. One important driver of this wage differential is the presence of children. We also find that women are less likely to be promoted to a higher salary band up until 2010, when the ECB issued a public statement supporting diversity and took several measures to support gender balance. Following this change, the promotion gap disappears.

Figure 1 shows the gender gap in promotions (defined as the difference in the promotion rates of men and women) from salary band F/G, which is the entry-level salary band for professional economists at the ECB. This promotion gap narrowed from 2011 onwards, following the policy change. While prior to 2011, the

GENDER GAP IN THE PROBABILITY OF PROMOTION FROM SALARY BAND F/G FIGURE 1



gender promotion gap stood at over 36% after ten years since entry, this gap decreased to about 8% on average after 2011, a decline of about 80%.

Using 2012-2017 data on promotion applications and decisions, we explore the promotion process in depth, and confirm that during this most recent period, women are as likely to be promoted as men. This results from a lower probability of women applying for promotion, combined with a higher probability of women being selected conditional on having applied. Following promotion, women perform better in terms of salary progression, suggesting that the higher probability of being selected is based on merit, not positive discrimination. We do not find evidence that the composition of the selection committee, including the fraction of women on the panel, alters these results. Taken together, these results point to the effectiveness of corporate diversity policies in reducing gender bias in promotions and lend support to supply-side explanations for the existence of remaining gender differences in promotion outcomes.

Our results suggest that institutional efforts to reduce the gender promotion gap may have to include measures aimed at lowering the barriers for women to seek and apply for promotion opportunities. Such measures could range from offering assertiveness and interview trainings to enhanced child support benefits and services.

REFERENCES

- AMERICAN ECONOMIC ASSOCIATION (2019). "AEA Professional Climate Survey: Main Findings".
- BERTRAND, M, (2013). "Career, Family, and the Well-Being of College Educated Women," *American Economic Review*, 103(3): 244-250.
- BLACKABY, D., A. L. BOOTH and J. FRANK (2005). "Outside Offers and the Gender Pay Gap: Empirical Evidence from the UK Academic Labour Market," *Economic Journal*, 115(501): F81-F107.
- COMMITTEE ON THE STATUS OF WOMEN IN THE ECONOMICS PROFESSION (CSWEP) (2017), *Annual Report*, American Economic Association.
- GINTHER, D. K., and S. KAHN (2004). "Women in Economics: Moving Up or Falling Off the Academic Ladder", *Journal of Economic Perspectives*, 18(3): 193-214.
- GOLDIN, C., and C. ROUSE (2000). "Orchestrating Impartiality: the Impact of 'Blind' Auditions on Female Musicians," *American Economic Review*, 40: 715-742.
- NIEDERLE, M., and L. VESTERLUND (2007). "Do Women Shy Away from Competition? Do Men Compete Too Much?", *Quarterly Journal of Economics*, 122(3): 1067-1101.
- OFFICIAL MONETARY AND FINANCIAL INSTITUTIONS FORUM (OMFIF) (2019), *Banking on Balance: Diversity in Central Banks and Public Investment*.