

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes.

Akshana Ravikumar

University of Essex

Abstract

This essay will be exploring whether there are any discrepancies between genders, when observing the differences in taste for risk and competition when it comes to applying for certain job roles and if the difference in gender has an impact on their decision making. Generally, in this paper, the discussion mainly focuses on the lack of engagement of women in the labour market for many decades primarily and the reasons behind this. The first argument of this paper sets out the factors that have impacted the gender gap in the labour market while discussing numerical figures to support the argument. The second section explores the attitudes of women towards risk and competition when it comes to choosing a job followed by the difference in taste and risk that can influence a women's decision. Lastly, a set of statistical experiment was used to understand the differences in taste for risk and competition and the analysis of the first experiment concluded that 'men are more tolerant of risk than women' whilst the alternative experiment did not discover a disparity in the performance between both genders.

Keywords: Gender differences, pay gap, labour economics

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes

Introduction

An accumulation of evidence exists to understand why there are gender differences in regard to being more risk-averse and competitive. This disparity is further apparent when we attempt to understand the impact it has on women, with respect to the gender gaps in wages and gender discrimination in job roles in the labour market. As well as, understanding whether women are more risk-averse when applying for more competitive jobs in fields that are male dominated. The involvement of women in the labour market has been a prolonged discussion, however, since the last few decades, women have been seen to slowly disengage from their childbearing role and are paid for being legally employed. Therefore, with this in mind, I will be exploring whether gender differences in taste and competition in particular; has led to the growing gap between men and women in the labour market.

Factors affecting the gender gap in labour markets:

Gender differences in labour markets exists in numerous ways, one way is via preference of the job field and the pay grade. When determining why there is an ongoing gap between the wages paid to men and women, we find that this relates to 'women's greater distaste for competition' (Kleinjans, 2009). However, we cannot simply confine it to the lack of competitiveness in women as the sole reason for the gap. Previously, women have known to be more risk-averse than men when making decisions for themselves and this has contributed to the gap. For instance, there are fewer women employed in senior roles than men due to the lack of representation of women. For example, many corporate companies are insistent that more women take on senior roles as there is a huge gap in the hierarchy. Similarly, caring responsibilities are often taken by women which also explains the reason for choosing part – time jobs. Finally, women incline to work in less competitive job fields such as carers or as hairstylists as such jobs provide more flexibility, and these jobs are less competitive as opposed to roles such as civil engineering.

Therefore, amongst many reasons for the disparity in gender differences, the lack of riskiness and non-negotiation partly contributes to the gender gap. Despite the Equal Pay Act in 1970, according to the UK statistics, in 2020 only '71.8% of females' were employed as opposed to '80.6%' employed males. This gender differentiation in pay is also apparent in other countries such as Pakistan, who have the world's highest gender pay gap of 36%. Based on the statistics exhibited here 'the extent

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes

of gender difference in risk - aversion' can be used as contributing factor when understanding the 'gender gaps in competitiveness' (Clot, Giusta, and Razzu, 2020).

Attitudes towards risk and competition in the job market:

As mentioned earlier, evidence shows that women are more risk-averse than men. In particular, married women with children and single mothers with children. Job sectors such as engineering and manual labour work consist of a more significant risk of death, and women especially tend to steer away from such roles when they have a family. In support of this, Sloane and Grazier (2006) established comparable results displaying a negative coefficient of -5.942 for women with children as being more risk-averse than single fathers when using family structure as a proxy. This could rationalise why women prefer to work in less injurious type of jobs. Based on this, they 'suggest that preferences for risk do affect occupational choice in the UK'. Thus, being more risk-averse can lead to a widening gap in the labour market, and this is more apparent in women. Correspondingly, this is evident in Hakim (2015) work where she constructed an explanation using 'preference theory' which clarifies how women associate different values to each counterpart of their lifestyle by prioritising responsibilities such as domestic roles over a higher paid unsafe role.

Another aspect to explain the gender difference in risk and competition is the notion of how women are represented in today's society. Mass media is to blame for the challenges women have faced in their day-to-day life. Not only has mass media negatively affected their lifestyle but also the labour market. The stereotyped discrimination of women in the media shown to be less equivalent than a man in male-dominated environments, has altered women's' mindset in challenging themselves to endure the risk and to apply for more male – dominated roles. The lack of female representation has also been a key issue here and sociologists state how an environment can influence this. An example of this is seen in (Booth and Nolen, 2012) experiment where they found 'women in gender-segregated groups will be more competitive and less risk-averse than in mixed-sex groups'. This highlights how a higher representation of females in the same environment has potential to close the gap as opposed to when there is a lack of females.

Difference in taste and preference:

As initially stated, preferences when exploring the job market is prevalent and in particular, to ensure the job itself pays us well and matches our values. When choosing a job, we consciously seek roles that meet our lifestyle. In this case, we can state that this is why undoubtedly 'some

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes

occupations are more attractive to women and others more attractive to men' (Cortes and Pan, 2017). However, besides lifestyle, every decision we make as individuals' routes back to the influence of psychological reasoning as well. As mentioned earlier, women tend to look for less risky and less competitive job roles as they are biologically made to care for their children and therefore may not have the time and resources for a full-time job. Thus, 'occupational segregation' enhances the gender gap in the labour market.

Alternatively, another angle on this debate suggests that women are less willing to accept offers outside of their chosen careers and their inability to do this also creates a distinctive gap between men and women 'reinforcing their poorer position in the labour market' (Booth, 2009). Booth (2009) also highlights 'if women do manage to obtain a position of leadership they are then evaluated less favourably because they do not fit society's prescriptions of what is appropriate behaviour for women'. The idea of how women should be and should not be is society's perception that has led to the creation of the glass ceiling. This is supported by Beamen et al (2003), as cited by Booth (2009) who found evidence that women who broke the glass ceiling and took on senior positions were evaluated more harshly than their 'male counterparts on many performance dimensions'. Therefore, reinforcing the difficulties women still have in the labour market despite breaking society's barriers, justifying that there is still a widening gap between men and women in the workforce.

Experiments conducted to show how impactful risk and competition is:

In conjunction with the above, several experiments have been conducted by economists and psychologists to understand why there is a gender difference in taste for risk and competition. Azmat and Petrongolo (2014), explore occupational segregation as mentioned earlier and its potential input to the gap. Using laboratory experiments, they found 'men are more tolerant of risk than women' which explains why 'men thrive in competitive environments' which also clarifies why men find it easier to negotiate their pay grades as opposed to women as they are represented well in 'high – profile careers'.

In contrast to this evidence, an alternative laboratory experiment conducted by (Clot, Giusta and Razzu, 2020) where they observed 115 professionals found results showing how women did not 'shy away from competition and performed as well as men'. They did not find a disparity in the performance between men and women. Women performed just as well or better as men when they

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes

were competing against a random participant (no disclosure of who they were against). They found a small gap in the entry of the tournament but not once they were aware of the activity itself. Whilst this juxtaposes the above claims that women are more risk-averse, there are limitations to this study as it does not test their competitiveness in the labour market but rather as a dependent variable in testing competitiveness alone.

Conclusion

To summarise, there is distinctly a large set of evidence to prove there are gender differences in taste for risk and competition. Alongside external factors such as the influence of media and 'psychological differences between men and women'. Men might also feel threatened and may begin to question their masculinity when working alongside female colleagues. This can cause women to become reluctant to take the risk and to apply for senior positions generally dominated by men, which further reinforces the existing gap in the labour market. To overcome the gender differences in the workforce, many institutes are enforcing female students to take on STEM subjects to break the glass ceiling.

References

1. Azmat, G. and Petrongolo, B., (2014). *Gender and the labour market / VOX, CEPR Policy Portal*. [online] Voxeu.org. Available at: <https://voxeu.org/article/gender-and-labour-market> [Accessed 10 March 2021]
2. Booth, A. and Nolen, P., (2012). Choosing to compete: How different are girls and boys?. *Journal of Economic Behavior & Organization*, [online] 81(2), pp.542-555. Available at: <<https://www.sciencedirect.com/science/article/pii/S0167268111002010>> [Accessed 11 March 2021]
3. Booth, A., (2009). Gender and competition. *Labour Economics*, [online] 16(6), pp.599-606. Available at: <https://www.sciencedirect.com/science/article/pii/S0927537109000906> [Accessed 10 March 2021]
4. Clot, S., Giusta, M. and Razzu, G., (2020). *Gender gaps in competition: new experimental evidence from UK professionals*. [online] Reading.ac.uk. Available at: <http://www.reading.ac.uk/web/files/economics/emdp202015.pdf> [Accessed 10 March 2021]
5. Cortes, P. and Pan, J., (2017). *Occupation and Gender*. [online] Iza.org. Available at: <https://www.iza.org/publications/dp/10672/occupation-and-gender> Accessed 10 March 2021]
6. Grazier, S. and Sloane, P., (2006). *(PDF) Accident risk, gender, family status and occupational choice in the UK*. [online] ResearchGate. Available at: https://www.researchgate.net/publication/257377250_Accident_risk_gender_family_status_and_occupational_choice_in_the_UK [Accessed 10 March 2021]
7. Hakim, C., (2015). *Preference Theory*. [online] Wiley Online Library. Available at: https://onlinelibrary.wiley.com/doi/epdf/10.1002/9781405165518.wbeosp138?saml_referrer [Accessed 12 March 2021]

Discuss the evidence on whether gender differences in taste for risk and competition can explain part of the observed gender gap in labour market outcomes

8. Kleinjans, K., (2009). Do gender differences in preferences for competition matter for occupational expectations? *Journal of Economic Psychology*, [online] 30(5), pp.701-710. Available at: <https://www.sciencedirect.com/science/article/pii/S0167487009000269> [Accessed 17 March 2021]
9. Reuben, E., Sapienza, P. and Zingales, L., (2021). *Taste for competition and the gender gap among young business professionals*. [online] Kellogg.northwestern.edu. Available at: <https://www.kellogg.northwestern.edu/faculty/sapienza/htm/TasteCompetition.pdf> [Accessed 11 March 2021]
10. Beaman, L., Chattopadhyay, R., Duflo, E., Pande, R. and Topalova, P., (2008). *Powerful Women: Does Exposure Reduce Bias?*. [online] Economics.mit.edu. Available at: <https://economics.mit.edu/files/3122> [Accessed 12 March 2021]

© Akshana Ravikumar This article is licensed under a Creative Commons Attribution 4.0 International Licence (CC BY).