A Pay Scale of Their Own : Gender Differences in Variable Pay

By J. Sockin and M. Sockin

Discussion made by Guillaume Vermeylen, Associate Professor at University of Mons – Warocqué School of Business and Economics, Belgium.

Global overview

This paper focuses on pay gap between women and men, and more specifically on variable pay differences. The authors highlight a persistent gender gap in variable pay that is ever-present across occupations, industries, and countries. Also, this gap cannot be explained by differences in worker observables, latent ability, or income growth.

As they wisely mention in their manuscript :

"The increasing of variable pay in the US and the lack of transparency about employee bonuses makes investigations on whether and to what extent women may suffer from inequality necessary and crucial." This is clearly an under-explored topic, mainly due to data availability.

I found this paper then really interesting, well documented and well written. It is clearly positioned in the existing literature. The authors went really far in the analyses, by adding new insights in the explanations of earning gaps. The policy implications are straight and nicely developed. They clearly deserve that space.

I further develop my main points of attention, by dividing the comments into two main parts : the major ones I think the authors had to take into account, and some more minor comments.

Major comments

My first concern is related to all the comparisons between coefficients the authors are making : Are these coefficients statistically different ? In other words, I wonder if they run tests of difference between means. This is crucial since the paper is manly based on comparisons of coefficients between the models.

A second major comment is related to the methodology of the paper. I think a clearer methodological section may be missing. It is not clear enough which regression method the authors are using until the presentation of the Tables when we find out that they run OLS and Fixed effects models. I think it should be mentioned in the methodological section of the paper.

A third comment is related to the previous one. Fixed Effects models may still lead to some biases. For example, it allows the authors to control for time invariant characteristics that may influence the relationships but does not allow them to control for reverse causality or simultaneity. Maybe some robustness tests could be implemented or at least a few words about this potential issue would be advisable.

The next comment lies between major and minor ones and is related to another potential variable that may explain the investigated gaps, a lot : the mismatch situation of the worker.
Mismatch is the situation where the workers gets a job that does not correspond to its level of education and/or training (mainly, overeducation appears when you possess more skills than required). It has been shown in the literature that educational and/or skills mismatches may explain differences in earnings. Also, women are more likely to suffer from this phenomenon.
Put together : Overeducation may be one crucial moderating variable explaining why women are discriminate to a bigger extent than men. I wanted to raise that point so that maybe the authors could be aware of that.

Minor comments

The first minor comment is related to the Data. The authors mentioned that earnings of less than 200 are deleted from the data. Do they mean 200$ or 200k$?
Also, why this level as a cutting point ? It should be explained.

Also, the authors excluded the top 0.01% from the analysis. Why this level again ? Is it trivial in this literature ? It also should be explained.

Finally, one way to to increase the r-squared of the regressions is to include the lag of earnings outcomes as independent variable. Maybe it could be tested since such lagged dependent variable may capture lots of information.

I really hope these comments will be helpful.
Once again, thank you for giving me the opportunity to read this paper.

Good luck.