

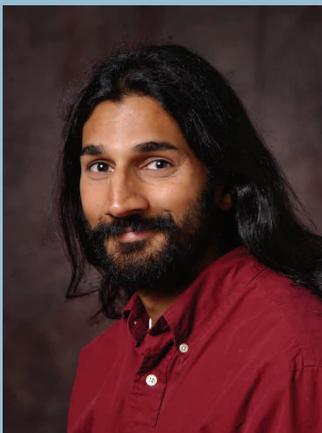


Labour Market Matters

Special points of interest:

- Study finds that recent immigrants face “sticky” low-wage floors, and non-recent immigrants face “glass ceilings” in terms of earnings
- The white-black wage gap among those in performance pay jobs is found to become greater with higher pay even as the same gap shrinks over the distribution for those not in performance pay jobs.

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Krishna Pendakur
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Glass Ceilings, Glass Doors and Sticky Floors: the Invisible drivers of Wage Disparities in Canada

Wage disparity can be driven by a number of different factors. Previous research has found evidence that disadvantaged workers often face a “glass ceiling”: a barrier that limits access to high-wage jobs. Because of data limitations, however, researchers have not been able to distinguish whether wage disparities are driven by poor access to jobs at high-wage firms, or poor wage outcomes *within* firms. CLSRN affiliates Krishna Pendakur and Simon Woodcock (both of Simon Fraser University) introduce the idea of a “glass door” in a paper entitled **“Glass Ceilings or Glass Doors? Wage Disparity within and between firms”** ([CLSRN Working Paper no. 46](#)). They define a “glass door” as a barrier that limits access to employment at high-wage firms for disadvantaged workers. The study assesses the extent to which exclusion from high-wage jobs is driven by a glass ceiling, or a glass door effect. Empirically, the magnitude of the glass door effect is given by the difference between a within-firm wage gap measure, and a corresponding economy-wide measure.

Just as a glass ceiling limits the distribution of wages that disadvantaged workers can attain, a glass door limits the distribution of firms at which they might find employment. A related idea is that of the “sticky floor” – where disadvantaged workers face larger wage disparities at the bottom of the wage distribution than at the upper portions of the

distribution, which often results in disadvantaged workers being crowded into very low-wage jobs.

Using data from the Workplace Employer Survey (WES) the researchers measure glass door effects by comparing economy-wide wage gaps to within-firm wage gaps. The difference between these estimates is informative of the extent to which wage outcomes are driven by how minority workers sort across employers, versus how they sort into jobs within employers.

Recent male immigrants were found to face economy-wide wage gaps that are larger at lower points of the wage distribution than at upper points, which suggest that they face a sticky floor. As a consequence, these workers are substantially over-represented in the bottom tenth of the distribution. For visible minority men, who are recent immigrants, this over-representation is severe: 28.9% earn wages in the bottom tenth of the wage distribution. Glass doors were found to account for the entire economy-wide sticky floor for recently arrived visible minority men. Glass doors contribute to the sticky floor by sorting these workers into low-wage firms. In contrast, non-recent male immigrants to Canada were found to face an economy-wide glass ceiling and are consequently under-represented in the upper tenth of the wage distribution. The under-representation is



Simon Woodcock
(Simon Fraser University)

particularly severe for visible minorities: only 4.1% earn wages in the upper tenth of the wage distribution. This effect too is driven by glass doors which limit these workers’ access to high-wage firms.

The fact that recent male immigrants, especially visible minorities, face a sticky floor and non-recent male immigrants face a glass ceiling is telling. It suggests that recently arrived men initially sort into very low-wage jobs. Over time, their outcomes improve as they move up the wage distribution, in part by moving to higher-wage firms. Eventually, however, they hit a glass ceiling that prevents further progress. At each stage, inter-firm sorting is important. As such sorting can exacerbate the sticky floor these workers face shortly after arrival, and contribute to the glass ceiling they face later on.

White-Black Wage Gap found to widen in Performance-Pay Occupations

Recent research has found that the increase in the wage returns to skill and the growing prevalence of performance pay jobs to account for approximately a quarter of the growth in wage inequality over the 1980s and 1990s and nearly all the wage inequality growth in the upper fifth of the earnings distribution. It has been suggested that racial differences in access to high-paying jobs points to evidence of occupational segregation of black workers. When combined with lower levels of human capital and earnings for blacks and the possibility of strong network effects in referral, hiring, and promotion, the incidence and influence of performance pay should not be assumed to be consistent by race. In a paper entitled [“Performance Pay and the White-Black Wage Gap”](#)*

CLSRN researchers John S. Heywood (University of Wisconsin-Milwaukee) and Daniel Parent (HEC Montreal) show that the reported tendency for performance pay to be associated with greater wage inequality at the top of the earnings distribution applies only to white workers. The white-black wage gap among those in performance pay jobs is found to become greater with higher pay even as the same gap shrinks over the distribution for those not in performance pay jobs.

The authors attempt to determine whether wage distributions in performance and non-performance pay jobs differ along racial lines. And, if so, why? They find that among those workers not in

performance pay jobs, the “unexplained” racial wage gap shrinks over the entire earnings distribution, reaching essentially zero at the very top. Among those in performance pay jobs however, the unexplained white-black wage gap increases over much of the distribution, nearly doubling over the upper fifth of the distribution, and reaches its peak at the very top of the earnings distribution.



John S. Heywood
(University of Wisconsin-Milwaukee)

The study finds that educational attainment, labour market experience, and family background matter more in performance pay jobs than in other jobs in terms of accounting for the white-black wage gap. This represents strong evidence that selection on skills is a key factor determining who works in performance pay jobs. At the same time, for the same level of skills the return to those measured skills is lower for blacks. This discrepancy in the returns to skills between whites

and blacks is particularly large at the top of the distribution.

Using data from the Panel Study of Income Dynamics (PSID), and the National Longitudinal Survey of Youth (NLSY), the researchers find that whites earn 31% more in performance pay jobs than in non-performance pay jobs; for blacks the difference is only 12%. This result is an indication that the influence of performance pay jobs may differ by race. The authors believe that large differences in the returns to educational attainment and experience at the top of the distribution could result from some combination of both unmeasured ability and discrimination.

“[T]he researchers find that whites earn 31% more in performance pay jobs than in non-performance pay jobs; for blacks the difference is only 12%. This result is an indication that the influence of performance pay jobs may differ by race”

One striking result is that the wages of black and white performance pay workers respond differently to fluctuations in the conditions of the local labor market. While there is evidence that wages at the bottom half of the wage distribution are more responsive



Daniel Parent
(HEC Montreal)

to local labor market conditions for blacks than for whites, the reverse is true in the upper tenth of the distribution. This lack of sensitivity of black wages to fluctuations in local conditions at the top of the wage distribution, which would translate into higher total compensation when times are good in performance pay jobs, could explain why performance pay jobs may not be as attractive to skilled black workers as they are to skilled white workers. Whereas high skill white workers appear disproportionately in the private sector and its performance pay jobs, skilled blacks appear to remove themselves from the private sector into the more compressed wage structure of the public sector. This selection effect, by itself, drives up the wage gap between white and black workers in performance pay jobs.

*This paper was previously released as [CLSRN Working Paper no. 34](#)

Endnotes

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