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## Competitiveness And Overconfidence Help Explain Why Men Earn More Than Women



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The gender wage gap in the United States is one of the biggest problems in the workplace. Despite the fact that women comprise nearly half of the labor force, they earn significantly less than their male counterparts, making about 80 cents for every dollar earned by men.

That's true even when you control for demographic differences, such as the income and education of people's parents, and is consistent among high ability people.

Differences in expectations, competitiveness, and negotiation tactics help explain that persistent gap,

according [to a new paper](#) by Columbia University's Ernesto Reuben [presented Friday](#) at the American Economics Association's annual meeting.

The paper argues that overconfidence and high expectations mean that men crowd into professions like finance and negotiate for higher salaries across all jobs.

According to the paper, high ability women in college expect to earn 31% less than men expect to earn at age 30 and 39% less at age 45, which impacts their choices and often plays out in future real earnings.

This is partially due to their choices of college major. Men are 82% more likely to major in business, and women are 62% more likely to major in the humanities. Business and economics majors tend to significantly out-earn those who study the humanities.

But women's earnings are lower even within majors, according to the paper, because men are twice as likely as women to overestimate their true ability level, and twice as likely to pick a competitive compensation scheme. Those factors explain between 17% and 19% of the gap in earnings expectations within majors.

"Our results also suggest that the gender gap in earnings expectations are partly driven by overly competitive individuals," the authors write, "who are disproportionately men, who presumably seek occupations with tournament-based pay, whilst individuals who are averse to competition, who are disproportionately women, shy away from such higher-paying jobs."

The findings are based on high ability students from an elite university, who likely have a good chance of getting to the top of their professions, and "provide a possible explanation for the glass ceiling phenomenon," according to the authors.

Find [the paper at SSRN](#).

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