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Gender, compensation and choices

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Quad 136

Gender, Compensation and Choices

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Gender, Compensation and Choices



At a recent admissions event for the College of Saint Benedict and Saint John's University, a mother approached me and asked about the return on investment (ROI) for a college education. (As you can imagine, this question thrilled an economist.) Specifically she asked about a **recent study** that found the ROI for an SJU graduate was greater than that for a CSB graduate. (**The study found**, in fact, that Saint John's had the highest ROI among all schools in MN.)

The short answer to her question has to do with gender and career choices. Men and women make different career choices and have different career paths. Women generally work fewer hours than men, and they more often exit the labor market for periods of time (often associated with family decisions about raising children). These factors combine to yield lifetime earnings (the measure most often used in ROI calculations) for women that are lower, on average, than men.

There is nothing nefarious about this and economic studies find that career choices and time in the labor market explain almost all of the wage differentials between men and women. In other words, differences in compensation come from rational choices about careers and families made by both men and women. (That is not to say that men and women are not sometimes treated differently in the job market or that women do not still face some discrimination, but, by and large, wage differentials have more mundane

explanations.)

This confusion about why men and women earn different incomes both in the short run and over a lifetime is common. In the recent **State of the Union address**, President Obama made reference to a commonly cited and misused factoid:

Now, today, women make up half our workforce. They're making 77 cents for every dollar a man earns.

The explanation for this economic outcome is exactly the same as why earnings differ over a lifetime, and it has been analyzed often

(for example [here](#) and [here](#)).

This statement makes no more economic sense than saying, “Philosophy majors earn 77 cents for every dollar economics majors make.” The two individuals are in different labor markets, presumably by choice, and a difference in compensation should be no surprise.

The professional opportunities for women have changed dramatically in the past couple generations, helped in significant ways by increased educational opportunities provided by schools like the College of Saint Benedict, as well as traditional coed institutions.

It is my fondest hope that the daughter of the mother I spoke with will come to CSB to pursue her education. She may choose a major and career path that will raise the average (financial) ROI for CSB graduates. But regardless of her choices, I am confident that her CSB/SJU education will provide an exceptional ROI for life—with both significant pecuniary and non-pecuniary benefits that are part of any great holistic liberal arts education.

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About the

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Michael Hemesath is the 13th president of Saint John's University. A 1981 SJU graduate, Hemesath is the first layperson appointed to a full presidential term at SJU. You can find him on Twitter [at] [PrezHemesath](#).