Hollywood pay: the penalty for being an actress

Sofia Izquierdo Sanchez*
School of Economics
Centre for Competition Policy
University of East Anglia, NR4 7JR

Maria Navarro Paniagua
Department of Economics
Lancaster University, LA1 4YX

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Extended abstract

During the last decades, a literature has emerged on the so-called Economics of Superstars, i.e. the economics of people that earn enormous amounts of money in comparison to their colleagues, dominating the field in which they participate (Rosen, 1981). This literature has shed light on wage inequality and talent distribution in several labour markets, including sports, music, and finance (some examples: Franck and Nuesch, 2012; Ginsburgh and van Ours, 2003; Krueger, 2005; Lucifora and Simmons, 2003). Surprisingly, a labour market that has not been explored in this context so far is that for Hollywood actors.

The lack of research in this area is surprising for at least two reasons. First, the Hollywood movie industry employs around 2 million of workers per year, and is the largest of the creative industries - a sector that generates about 4 percent of the US GDP (National Endowment for the Arts and the US Bureau of Economic Analysis, 2012)

Second, Hollywood actors constitute an ideal example of the Superstar phenomenon: Hollywood stars comprise only a small fraction of the total number of Hollywood actors, appear in most of the movies released every year, and earn massively higher incomes than their peers even though, in some cases, differences in acting skills appear to be small (Figure 1).

The first aim of the present paper is to fill the existing gap in the literature by analysing data on wages and their determinants taken from IMDb and Box Office Mojo. We start our analysis by providing a pictorial representation of the long-run evolution of mean wages (adjusted for

*Tel.: +44 (0) 1603 59 2078. E-mail: s.izquierdo-sanchez@uea.ac.uk
We show that, on average, Hollywood wages have been very high - consistent with the high incomes of the Superstar framework -, and display an upward trend throughout most of the twentieth century (Figure 1). We then proceed to explore the structure of wages. We find that the top 25 percent of actors earns between 40 and 60 percent of total wages, and that this fraction has soared since the 2000s. Furthermore, by plotting various measures of overall and upper tail wage inequality, we show that actors in the top 25 percent of the wage distribution earn about 5 times as much as actors in the lower 25 percent of the distribution (Figure 2).

Figure 1. Actors’ real wages, 1930-2015 (base 1983)
The second contribution of the present paper is to investigate the existence of gender wage differences among Hollywood actors and actresses. Since at least Patricia Arquette’s speech in the Oscars, there is a growing discontent among actresses, such as Meryl Streep, or Jennifer Lawrence, over the topic of ‘equal pay for equal job’ (Figure 3). This relates to the large literature in labour economics that explains gender wage differentials [see Blau and Kahn (2016), and Olivetti and Petrongolo (2016) for recent surveys]; and the non-negligible body of research that focuses on gender wage differentials among the highly paid (Bertrand and Hallock, 2001; Greg and Machin, 1993; Hamermesh and Biddle, 1994). Following previous studies, we conduct the Blinder-Oaxaca (1973) decomposition in order to investigate whether there are unexplained differences in the gender wage gap that we can attribute/can be attributed to discrimination. Using data for 276 actors (35.53% women) and 1,524 films, and controlling for different movie and actor attributes, our results confirm at least an important of fraction of wage differences is due to gender discrimination in the film industry. Finally, we explore the dynamics of the gender gap in earnings since first movie appearance (Figure 4), closely following the paper of Bertrand et al., (2010).
Figure 3. Actor and Actress Mean annual salaries

Figure 4. Average annual salaries (base 1983) by years since first movie appearance.
References


