

Equal Pay for Equal Work? The State of the Gender Pay Gap

Sandra E. Black
Member, Council of Economic Advisers

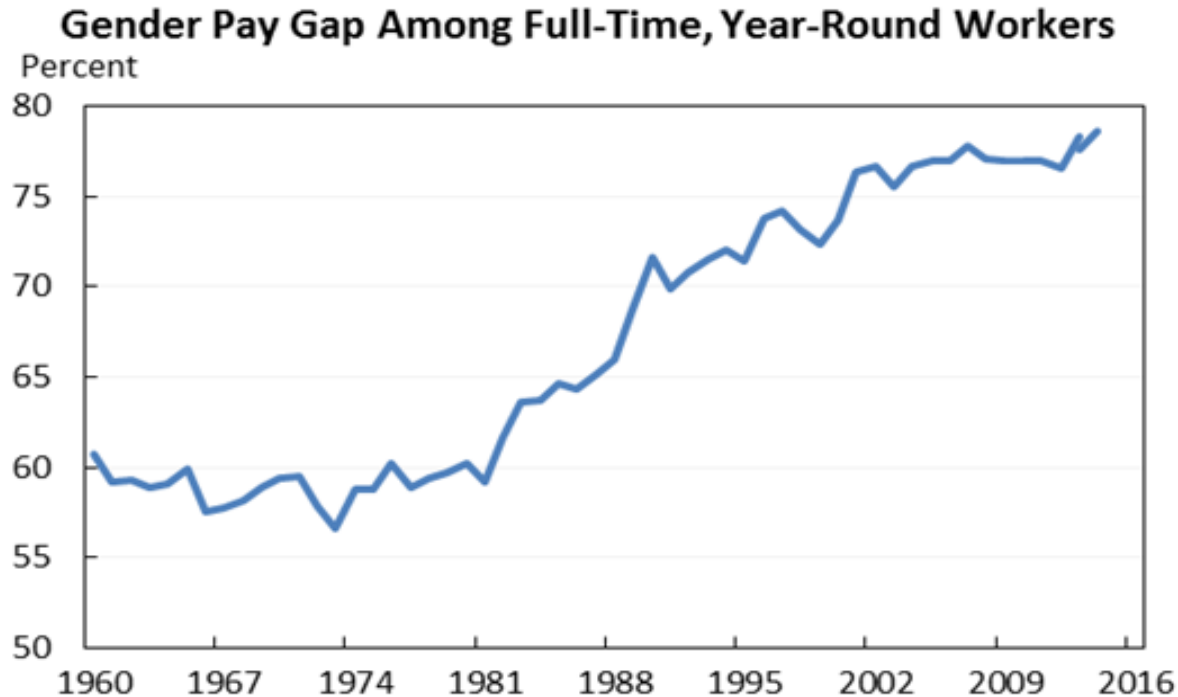


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History of the Gender Pay Gap

- In 2014, median earnings for a woman working full-time all year in the United States was 79 percent of the median earnings of a man working full-time all year.
- The pay gap closed by 17 percentage points between 1981 and 2001 but flattened since 2001.
- More recently, modest progress has been made, with the gap closing by 1.8 percentage point from 2012 to 2013 and by an additional percentage point between 2013 and 2014.

History of the Gender Pay Gap



Source: Census Bureau, Table P-40.

Note that due to a change in income questions in the March Supplement in 2013, there is a trend break.

Differences by Race

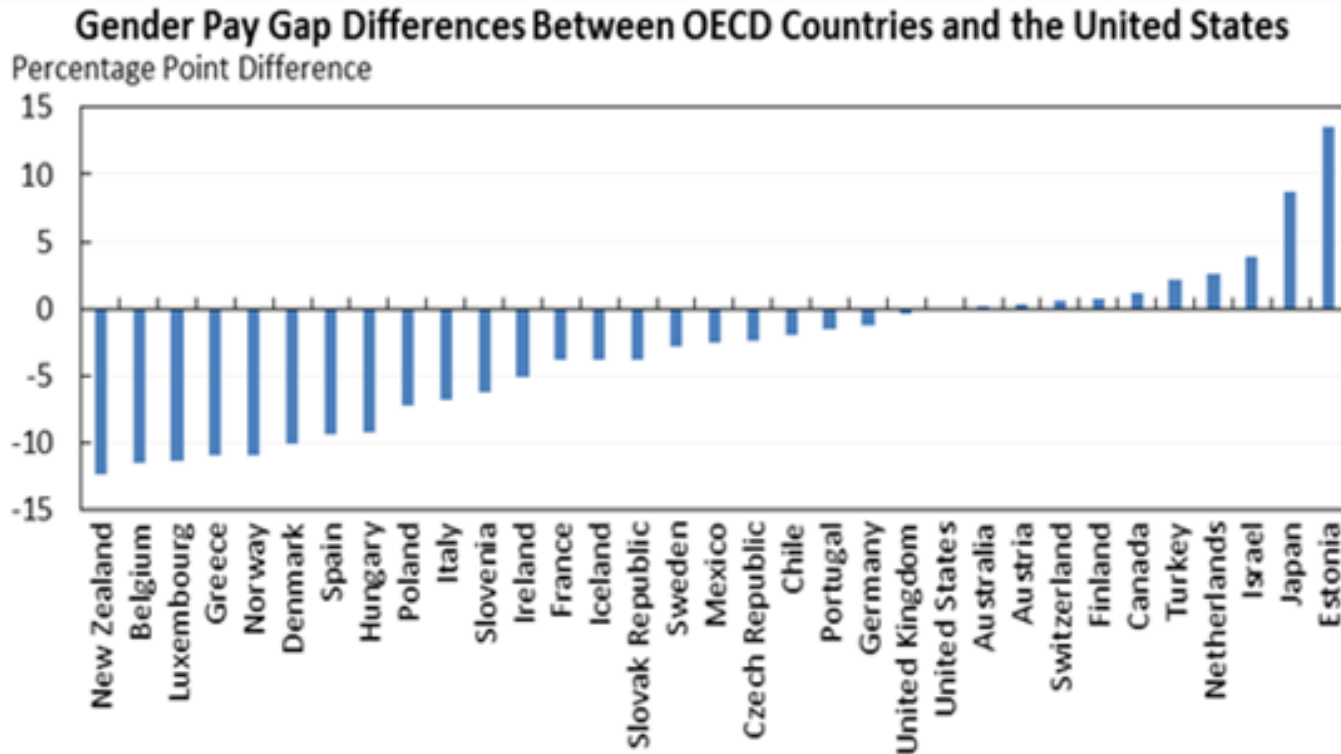
Further disparities by race:

- Typical non-Hispanic white woman earned 75 percent of what the typical non-Hispanic white man earned.
- Typical non-Hispanic black woman made only 60 percent of a typical non-Hispanic white man's earnings, while the typical Hispanic woman earned only 55 percent.
- Women of color face smaller disparities in earnings when compared to men of color, highlighting the role of disparities in pay by race as well.
- For instance, the typical black non-Hispanic woman earns 82 percent of what the typical black non-Hispanic man does, and the comparable number for Hispanic women is 88 percent.

International Comparison

- While the gender pay gap in the United States has not changed substantially over the last 15 years, other industrialized nations have made greater progress.
- From 2000 up to the latest data available, the pay gap fell fastest in the United Kingdom (by almost 9 percentage points), followed by Japan, Belgium, Ireland, and Denmark (around 7 percentage points each).
- As a result, the U.S. gender pay gap is currently larger than that of many other industrialized nations.

International Comparison



Source: OECD Statistics.

Note: Data are for the most recently reported year for each country, ranging from 2010 to 2013.

International Comparison

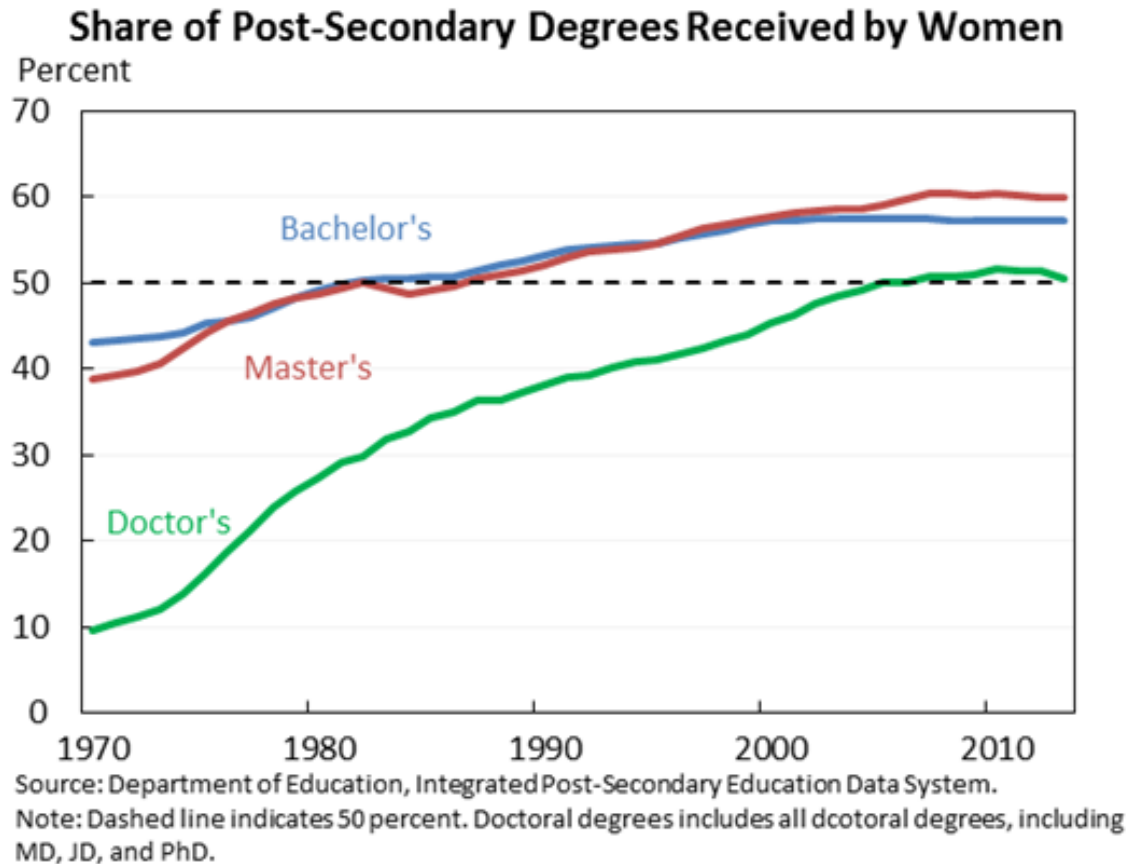
- According to the Organisation for Economic Co-operation and Development (OECD), the gender wage gap in the United States is about 2.5 percentage points larger than the OECD average.
- For comparison, the gender wage gap in New Zealand is less than a third of what it is in the United States. In Norway, it is 11 percentage points less than it is in the United States, and in Italy it is 7 percentage points lower.

What Explains the Wage Gap?

The Role of Experience and Education

- Much of the decline in the pay gap that occurred in the 1980s and 1990s was due to education and experience gains by women.
- One-third of the decline in the pay gap during the 1980s was due to women's relative gains in experience
- The major factor in the pay gap decline in the 1990s was increases in women's educational attainment.
- While men were more likely than women to graduate from college in the 1960s and 1970s, in recent decades the pattern has switched.
- Since the 1990s, women have been awarded the majority of all undergraduate and graduate degrees.

What Explains the Wage Gap? The Role of Experience and Education



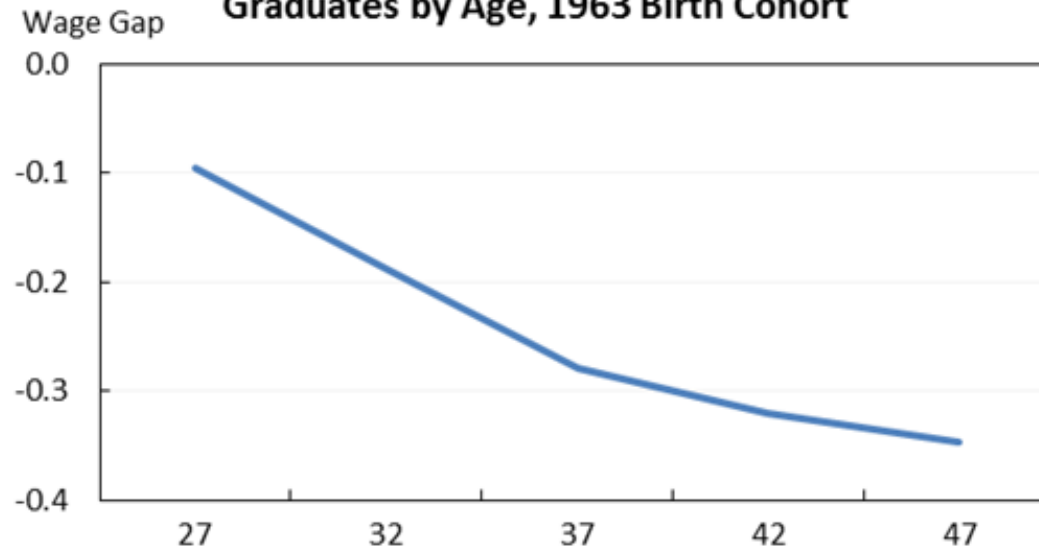
What Explains the Wage Gap?

The Role of Experience and Education

- The wage gap grows with experience.
- The approximate percentage difference between women's earnings and men's earnings for college graduates born in 1963 (controlling for hours, weeks worked, and further education), roughly doubled from age 27 to 32 and more than tripled from age 27 to 42.

What Explains the Wage Gap? The Role of Experience and Education

Difference Between Female and Male Earnings Among College Graduates by Age, 1963 Birth Cohort



Source: Calculations by Claudia Goldin.

Note: Data are derived from a regression specification for white, native-born, non-military college graduates, of all employment status from the 1963 birth cohort, corrected for hours, weeks, and further education. Data are trimmed and corrected for income truncation. Wage gap is the log ratio of female to male earnings.

What Explains the Wage Gap?

The Role of Experience and Education

- At the early stages of their careers, each generation of young women has fared better than the previous generation. For example, in 1980, the typical 18-34 year-old woman who worked earned about 74 cents an hour for every dollar the typical man earned, but by 2014, this figure had increased to 91 cents.
- One potential reason the gender wage gap has narrowed faster among younger women is that the age of first birth has risen. From 2000 to 2014, the average age of mothers at first birth increased from 24.9 to 26.3.
- Because motherhood is associated with a wage penalty, these delays in childbirth have helped narrow the pay gap. Research has shown that delaying childbirth for one year can increase a woman's total career earnings and experience by 9 percent.

What Explains the Wage Gap?

Occupation and Industry

- Women are increasingly entering occupations that were once heavily male-dominated.
- However, research from Blau and Kahn shows that differences in occupation and industry still play an important role in the gender pay gap.
- The Bureau of Labor Statistics (BLS) only reports one occupation in which women out-earned men in 2014, as measured by weekly earnings among full-time workers: stock clerks and order fillers.
- There are also occupations in which the pay gap is particularly large, such as personal financial advisors (where the pay gap is 39 percent), physicians and surgeons (38 percent), and securities, commodities, and financial services sales agents (35 percent).
- But should we control for industry/occupation?

What Explains the Wage Gap?

The Residual

- Even when women and men are working side-by-side performing similar tasks, however, the pay gap does not fully disappear.
- Blau and Kahn conclude that occupation and industry differences accounted for 51 percent of the pay gap. However, unexplained factors still accounted for 38 percent of the pay gap.
- What is in the residual?

What Explains the Wage Gap? Discrimination

- Evidence that discrimination exists, although it may be improving over time.
- Resume studies have shown that, among identical resumes where only the name differs, perceived gender affects whether the candidate is hired, the starting salary offered, and the employer's overall assessment of the candidate's quality.

What Explains the Wage Gap? Negotiation

- Research shows that women, even highly-educated women, are less likely to negotiate their first job offer than men.
- Disparities in negotiated salaries were small in situations where there was less uncertainty over salary ranges.
- Bowles, Babcock, and Lai found that women were more often penalized for initiating negotiations, which the authors attribute to “perceptions of niceness and demandingness.”
- Eliminating pay secrecy can play an important role in helping women negotiate.

Policies to Address the Pay Gap

- In addition to promoting pay transparency, paid leave/family friendly policies would also likely improve the gender pay gap.
- Research shows that when women have access to paid maternity leave, a year after giving birth they work more and have higher earnings.
- Lack of access to leave or affordable, quality childcare prevents some women who would like to work from doing so.
- Research from Blau and Kahn shows that if the United States had family-friendly labor market policies comparable to those in other OECD countries, the female labor force participation rate would be four percentage points higher.

Conclusion:

Reducing the Pay Gap is Good for Our Economy

- Without the increase in employment and hours worked among women since 1970, our GDP would be \$2 trillion smaller.
- From a business's perspective, policies that promote women's participation can also increase worker productivity and worker retention.
- While these policies can help narrow the pay gap, they also allow businesses to attract and retain the strongest talent, which boosts labor productivity and benefits the economy as a whole.