

The Gender Pay Gap: Review and Update

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Abstract

This paper explores the research behind the wage gap between men and women, the reasons for and extent of the gap, and strategies for dealing with gender pay discrepancies. Historically, gender discrimination was the traditional and easy explanation for pay discrepancies, but more aggressive enforcement of equal pay legislations has virtually diminished the validity of rationalizing the existence of pay differences solely on gender. Statistical data surrounding the pay gap point to other factors as more causal instruments that sustain and perpetuate the gap in spite of more than forty years of enforcement of equal pay legislations. The choices we make seem to predict and explain current wage gaps better than blatant gender discrimination does, and policies directed at improving those choices appear to be better strategic tools in closing the wage gap.

Keywords: gender wage gap; wage discrimination; gender bias; pay legislations; Equal Pay Act; The Civil Rights Act, landmark cases; occupational choices, educational fields; labor force participation; career interruption; union premium wages; union membership.

Introduction

Everyone has some opinion and personal belief about who is paid more and why. Despite robust legislation, there is still a pay gap between the sexes. This paper will not dispute this difference, but will show that the pay gap is no longer primarily caused by gender discrimination, but by choices which men and women make in the job market and elsewhere. Among other things, this paper will show that there has been a significant compression in the gap between the average pay of both genders. Second, given the level of arousal of consciousness to pay discrimination through past and current legislations, it would be foolhardy and almost reckless for business organizations to continue to discriminate in pay based on gender. Vigorous enforcement of these legislations has made it easier to subject offending companies to legal challenges that are likely to result in significant costs in money, business, and credibility. It just doesn't make sense for a company to risk that in this day and age. Finally, the paper will show that the main reasons for today's pay gap can be explained through choices and factors other than gender prejudices.

The Narrowing of the Wage Gap

There is no denying that there is a wage gap. As seen in the chart below, Labor Department figures show that women workers earned only 76.5 percent as much as men in full-time jobs during 1999, up from 62.5 percent two decades before.

Table 1. Median usual weekly earnings of full-time wage and salary workers by selected characteristics, 1999 annual averages

Characteristic	Both sexes			Women			Men			Women's earnings as percent of men's ¹
	Number of workers (in thousands)	Median weekly earnings	Standard error of median	Number of workers (in thousands)	Median weekly earnings	Standard error of median	Number of workers (in thousands)	Median weekly earnings	Standard error of median	
AGE										
Total, 16 years and over	97,626	\$549	\$2	42,444	\$473	\$1	55,181	\$618	\$2	76.5
16 to 24 years	11,273	341	2	4,830	324	2	6,444	356	2	91.0
16 to 19 years	2,170	281	2	831	256	3	1,338	291	3	91.3
20 to 24 years	9,104	363	2	3,998	343	2	5,105	379	2	90.5
25 years and over	86,352	592	1	37,615	497	1	48,738	668	2	74.4
25 to 34 years	25,354	518	2	10,826	470	3	14,528	577	3	81.5
35 to 44 years	28,746	611	2	12,287	503	2	16,460	702	4	71.7
45 to 54 years	22,002	652	3	10,057	534	4	11,945	763	4	70.1
55 to 64 years	9,054	604	4	3,957	492	4	5,097	725	7	67.8
65 years and over	1,196	404	8	499	370	12	708	470	30	78.7
RACE AND HISPANIC ORIGIN										
White	80,849	573	2	34,024	483	1	46,825	638	2	75.7
Black	12,190	445	3	6,344	409	3	5,846	488	4	83.7
Hispanic origin	10,950	385	3	4,162	348	4	6,788	406	3	85.7
MARITAL STATUS										
Never married	24,697	436	2	10,540	417	2	14,158	454	3	92.0
Married, spouse present	56,607	614	1	22,383	499	2	34,224	706	3	70.7
Other marital status	16,321	510	2	9,522	466	3	6,799	596	4	78.1
Divorced	11,137	542	5	6,470	493	3	4,666	619	5	79.6
Separated	3,727	448	6	1,906	399	5	1,821	508	7	78.5
Widowed	1,457	447	10	1,145	418	6	312	620	39	67.5
UNION AFFILIATION²										
Members of unions ³	14,974	672	3	5,509	608	3	9,464	711	4	85.6
Represented by unions ⁴	16,501	667	3	6,269	606	3	10,232	708	4	85.6
Not represented by a union	81,125	516	1	36,176	449	2	44,949	599	2	74.9
EDUCATIONAL ATTAINMENT										
Total, 25 years and over	86,352	592	1	37,615	497	1	48,738	668	2	74.4
Less than a high school diploma	6,459	346	2	2,988	290	2	5,471	395	3	73.5
High school graduates, no college	27,314	490	2	11,847	405	1	15,467	580	2	69.8
Some college or associate degree	23,949	580	2	11,196	488	2	12,752	665	3	73.5
College graduates, total	26,630	860	3	11,583	740	3	15,047	977	5	75.7

Source: U.S Bureau of Labor Statistics, Employment and Earnings, Jan 1999, Table 1.

However, an accurate calculation and interpretation of the DOL data show two things, namely, that the gender gap is not as large as conventional reports indicate, and that much of what gap we have does not stem primarily from unlawful wage discrimination.

The Department of Labor's methods of determining the wage differences appear to exaggerate the actual differentials and tend to unfairly suggest that gender discrimination is the culprit. The Department calculates the gap based on median weekly hours, disregarding the reality that, women, on the average, work fewer hours each week than men. Calculating the gap using hourly earnings instead of weekly earnings brings the difference between men's and women's wages to 16.2 cents an hour as opposed to 23.5 cents an hour as suggested by the DOL chart (Art Pine 2000). By that measure, women's median hourly earnings in 1999 would be 83.8 percent of men's earnings as opposed to the 76.5% reported by the chart. Economists attribute the rest of the gap to personal characteristics and other factors than gender. These factors include the fact that women receive less income because they tend to have less experience, to work in occupations that are traditionally low paying and tend to interrupt their careers to have children and raise a family. The average hourly earnings of women aged 27 to 33, who have never had a child, amount to 98 percent of what men earn, even before accounting for training, experience and occupational choice.

Historical Overview

In general, up until World War II women worked in the home. Women were expected to tend to the family and insure that the home was properly cleaned and that the family was well fed. Maintaining or getting a job outside the home was not considered a viable or fashionable option for a woman in the average American family.

World War II significantly changed and added to the role of the American woman. As men went abroad to fight in the war, they left gaps that had to be filled. Women stepped into these roles to keep the American economy going. The downside was two-fold for these industrious women. First, women were paid less than their male counterparts doing the same job. Second, they were quickly replaced as the veterans returned home from the fight. In the late 1950s and the early 1960s, job vacancies were boldly advertized in newspapers under separate listings for men and women. Separate, of course, meant unequal as the women's pay scale was significantly lower than that of the men (Press, 2006). Invariably, jobs placed exclusively under "Help Wanted—Male" carried higher pay. During this period, the average woman's pay for similar jobs performed by men was below 64 cents for each dollar paid to the male. It is clear that before 1960 women were clearly discriminated against because of their gender.

During the 1960's, government finally took notice of these differences in pay. In 1963 President Kennedy signed into law the Equal Pay Act. This act barred wage discrimination on the basis of gender when work requires equal skills, efforts responsibilities and was performed under similar conditions. Backing up the Equal Pay Act was the Civil Rights Act of 1964 which forbids discrimination on the basis of race, color, religion, gender or national origin. These two acts made it illegal for women to be paid differently from men for the same work, strictly based on one's sex. Through the next two decades the Equal Pay Act was strengthened through legislative and case laws. Two landmark cases *Schultz v. Wheaton Glass Co.* (1970), and *Corning Glass Works v. Brennan* (1974) provided the impetus to aggressive enforcement of the Equal Pay Act. In *Shultz v. Wheaton Glass Co.*, the U.S. Court of Appeals for the Third Circuit ruled that jobs need to be "substantially equal" but not "identical" to fall under the protection of the Equal Pay Act. This ruling dismantled employers' subterfuge of changing job titles of women workers to justify paying them less than men. Furthermore, in *Corning Glass Works v. Brennan*, the U.S. Supreme Court ruled that employers could not use the "going market rate" argument to support paying lower wages to women for substantially equal work. "A wage differential occurring simply because men would not work at the low rates paid women" was also ruled unacceptable."

With the inauguration of our current President, Barrack Obama, comes even more legislation to strengthen the case for equity in pay in the workplace. The Lilly Ledbetter Fair Pay Act was signed into law on Jan 29, 2009 by President Obama. This new act increases the amount of time individuals have to file pay inequity claims to 180 days from their last pay check. Previously, an individual would have 180 days from their first unequal paycheck. Many times this short filing period would lead to individuals discovering a pay inequity too late and falling outside the 180 day window (Grant, 2009).

Legislation and court rulings on equal pay have considerably strengthened the quest for equal pay for equal work between the sexes. Unfortunately, the gap is not completely closed because there are other factors in play. Among the significant factors are experience, education, occupation, work patterns, marital status and union affiliation (GAO, 2003).

Factors Other Than Gender: Experience and Education

Some of the pay differences between men and women are due to experience. Many economists say experience is an important reason wage differentials exist and frequently describe more experience as an increase in "human capital". According to the Council of Economic Advisors, approximately one-third of the gross wage gap is accounted for by differences in skill and experience (Multinational Monitor, 2003). In Kelly Rathje's article, "Male versus female earnings---is the gender wage gap converging?" he optimistically concludes that the gender wage gap will close in the future, though a gap will remain. Rathje also claims that the low income of young women will increase with their experience. He attempts to explain the gender gap from two perspectives: educational attainment and labor force participation. The key assumption in his analysis is that the higher the educational attainment and labor force participation, the higher the income. He shows that women are "catching up" to males in the female groups that obtain higher levels of education. Since higher education tends to lead to higher wages, he claims, that increases in educational attainment of women, closer to the levels of their male counterparts will result in a closing of the gender wage gap. However, a more disturbing factor is that even where educational attainment is almost equal, the educational path chosen by men and women differ in ways detrimental to women's earnings (Hartmann and Rose 2004, Farrell, 2005)).

Occupational Choices

Men generally choose college majors in the sciences, while women tend to choose careers in the humanities and education. In a 2000 comparison of the college majors of men and women, “women earned only 36% of all physical science degrees, 27% of all degrees in computer and information sciences, and a mere 17% in engineering (Foundation, 2004, p.6). Human capital or experience and education make for a truly persuasive explanation of pay gaps between genders. Once women graduate from higher learning, the decision to work, for whom to work and for how long produces total experience. Both education and experience are choices that lead directly to dollars earned (Farrell, 2005).

Farrell, in his book and in an interview by Marty Nemko, a U.S. News and World Report reporter, extends the factor of college major choice, the decision not to continue education, earning a higher degree, as well as career choice as a cause of the gender pay gap. Although there are no longer such things as “women’s jobs” and “men’s jobs”, Hartmann and Rose found that the jobs dominated by men tend to be paid more than the jobs predominantly dominated by women. In their article “Still a Man’s Labor Market: The Long Term Earnings Gap”, Hartmann and Rose divide jobs into the three levels of elite, good and less skilled jobs. In the elite level, which requires the highest level of education and receives the highest pay, men tend toward careers as scientists, doctors, lawyers and business executives while women are concentrated in nursing and teaching. In the “good” level, they found women chose secretarial jobs while men are blue collar workers. In the lowest level, requiring the least education and skills and receiving the lowest pay, men work in factories and women are sales clerks. Within the levels, 75% of the workers are one gender and in each level the jobs selected by women pay less than those selected by men (Hartmann, 2004).

Given these findings that demonstrate that women typically select lower paying jobs, regardless of level, the question remains as to why this phenomenon exists. Hartmann and Rose note that jobs chosen by men within each level are typically more skilled or less desirable than those chosen by women. As an example, while the professions of doctor (typically chosen by men) and nurse (typically chosen by women), are both in the highest level of the job market for their gender, they require different levels of education, different number of work hours, and provide different opportunities for leave. For all three factors, nurses have an easier path - their training requires many less years of schooling, the job allows for a much less demanding, more flexible and more consistent work schedule, as well as more opportunity for leave time (Hartmann, 2004). Other confounding factors include work patterns, marital status and union affiliation. Another interesting explanatory sidebar here is that work environment may be one important factor that explains the choices women make to accept jobs that pay less (Farrell, 2005). For example, below is a table that examines occupations with safety and hazardous conditions and how they relate to occupational choices made by men and women.

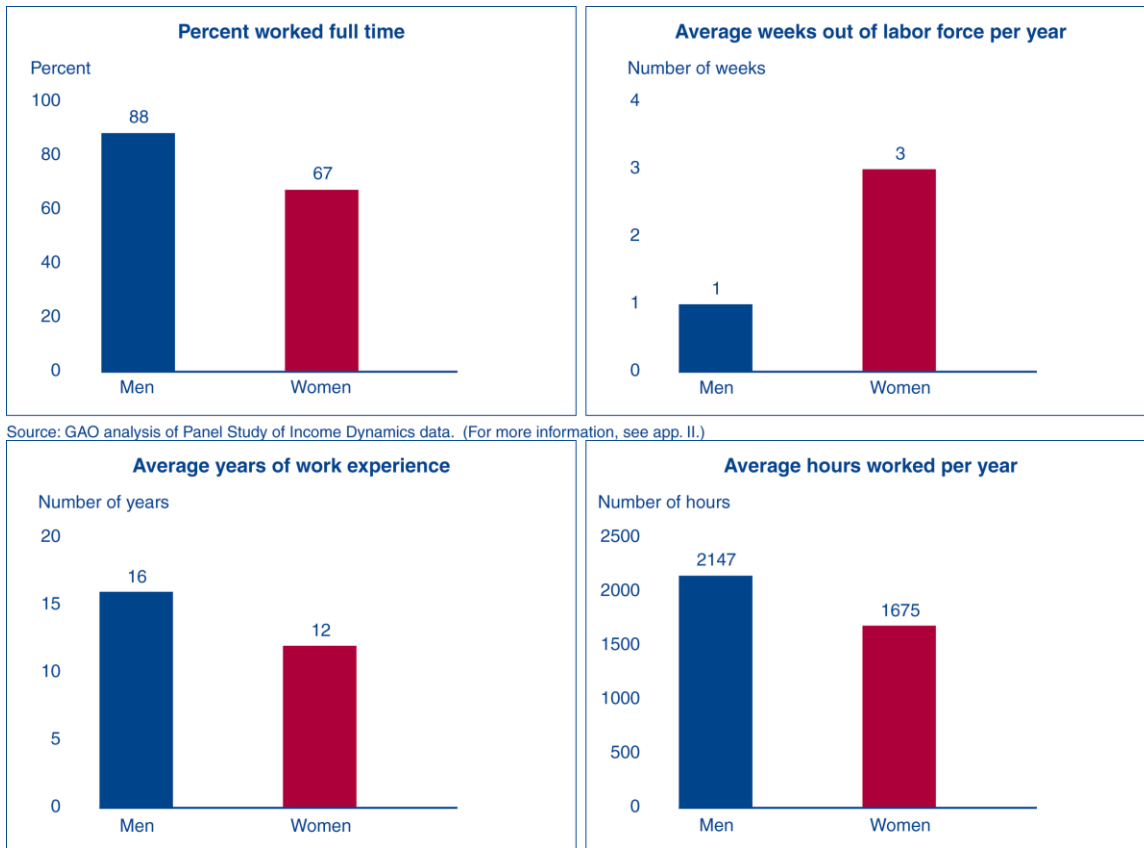
Hazardous Occupation	Percent Male
Fire Fighter	97% Male
Truck Driver	96% Male
Construction Worker	98% Male
Extractive Occupations	98% Male
Safe Occupations	Percent Female
Secretary	99% Female
Receptionist	98% Female

Source: Bureau of Labor Statistics, Table 39, “Median Weekly Earning of Full-Time Wage and Salary Workers by Detailed Occupational Sex,” Employment and Earning, (Washington, DC: US BLS., 2001), 210-215.

Women tend to choose jobs that are safer and invariably attract lower pay.

Work Pattern

According to the Government Administrative Office (GAO), once a female or male enters the job market, she or he makes other choices that lead to discrepancies in pay. One of these choices is the work patterns, which include the number of hours worked per year, the number of years worked in the field, or years of experience and the amount of leave taken. According to the GAO study, women work fewer hours per year than men. Women worked on the average 1,675 hours per year as compared to men who worked 2,147 hours per year. This is a difference of 472 hours per year. Women are more likely to work a part-time schedule than men. The study also found that women, on average, have fewer years in the same field (years of work experience), averaging 12 years of work experience while men average 16 years. And finally, the study found that women leave the labor force for longer periods than men (GAO, 2003). These differences in work patterns may partially explain why women earn less than men. To better illustrate this, the following graphs represent choices made by females and males once beginning a job. As graphically shown, women generally have less experience, work fewer hours, take more time off and generally work less than full time. These small but significant differences are solely attributed to choices. These decisions lead to less salary and less experience.



Another point is obvious but crucial- to earn more, put in more hours. Compensation research clearly demonstrates that “Fortune 1000 CEOs typically paid their dues with 60-90-hour workweeks for about 20 years. Yet women are less than half as likely as men to work more than 50 hours a week. And women are less likely to agree, every few years, to uproot themselves and their families to far-flung places to get the necessary promotions” (Farrell, 2005). Although domestic activities that include child rearing confer enormous social and cultural values, and therefore are legitimate justification for women’s career interruption, the fact remains that if a woman (or man) expects to rise to high-paying job positions, she/he will have to put in the time and attention needed by these

positions. This may necessitate becoming less involved in the domestic activities that hinder career progression, and finding some alternatives, such as hiring a nanny or getting the other spouse more involved in family matters or possibly delaying or refraining from having children at all (Farrell, 2005).

If women put in the same amount of quality and productive hours as men, they will be equally rewarded. Farrell cites research that shows that among professors *who produce an equal number of journal articles*, “men were likely to be paid the same or just slightly *less* than women.” There is no denying that discrimination against both women and men exists occasionally, but on average, gender is a minuscule factor. For a business organization, gender pay discrimination is neither viable nor logical from an economical standpoint. If one could hire a woman for less than an equivalent man, why wouldn’t one hire the woman to get a price advantage over the competition? Businesses are not such bad economists, nor do they so hate women that they would prefer to hire more expensive men even though they’d lose so much money in doing so. Nemko, in a recent interview with Farrell, opined that “rather than denigrating men for earning more, we should respect them for willingness to do unpleasant but necessary work that few women will do such as roofer, coal miner, and prison guard, often working themselves into an early grave. There are four widows for every widower and Farrell suggests that men should learn a lesson from women and consider trading money for quality of life” (Farrell, 2005).

The Paradox of Marriage

The marriage-related issue of work patterns remains a vexing but subsisting factor that exacerbates the wage gap between the sexes. Evidence in the literature suggests that the difference in work patterns can be explained by the personal choice of marital status. According to recent research findings, work, marriage and the choice to have children have a major effect on women’s earnings (Furchtgott-Roth, 1999). The Institute for Women’s Policy Research (IWPR) conducted a fifteen year longitudinal study which is summarized in Hartmann’s “Still a Man’s Labor Market: The Long-Term Earnings Gap”. The study found that over the fifteen years of the study, women who were married longer spent fewer years in the labor force than women who were only married for a few years of the fifteen year study. The women who spent more years in the labor force earned more money than their counterparts with fewer years in the labor force. Additionally, the study showed that women who had children present in the home for ten to fifteen years of the study earned less money than women who had children for fewer than ten years. Women who had children present for two years or less earned an average of \$9,000 dollars more per year. Surprisingly, the study also found that the opposite was true for men. Men who had children present in the home for a longer period of time earned more money than those without children (Hartmann, 2004). One possible explanation could be that married men worked harder and longer hours to make up for the loss of earnings by their stay-at-home wives. Professor Jane Waldfogel replicated the Furchtgott-Roth study above. Her study compared the adjusted wage difference between men and women with the same experience and education for mothers and women without children. Her findings were similar to those of IWPR. Her research found “that women without children made 95% of men’s wages, all other factors accounted for, while mothers made 75% of men’s earnings (Waldfogel 1999).

The choice to marry and have children affects both genders’ wage earnings. “Eighty percent of women in the U.S. bear children at some point in their lives (Furchtgott-Roth, 1999, p. 12).” The degree of commitment to child bearing, raising a family and the resources available to provide help have a great impact on the factors of hours women can work and the amount of time they take off of work. Pregnancy can force some women to drop out of the labor force for up to one year or longer. Current research findings confirm that pregnancy contributes to approximately 52% of women’s absence from the workplace for up to a year or more without pay as compared to only 16% for men. Whether it’s a man or a woman, interrupting one’s career for any significant amount of time can have major consequences (The Institute for Women’s Policy Research, in Hartmann, 2004).

For women, the choice to have children and the associated demands of motherhood can lead to other work pattern choices referenced elsewhere in this paper. “Women with families tend to choose jobs that give them greater flexibility. Unfortunately, work flexibility may also lead to lower salaries and less use of job skills, which results in an erosion of skill levels (Furchtgott-Roth, 1999, p. 13).” Research conducted by the Maryland Federation of Business and Professional Women concluded that the women surveyed gave high priority to jobs that allowed greater flexibility and opportunities for part-time work. Over seventy-five percent of working women reported that flexible work schedules were of moderate to major importance to them, while 50 % also valued opportunities to

work part-time as moderate or major importance to them (Foundation, 2004). To sum up, the work pattern choices that women may make to balance work and marriage and family priorities are contributing reasons that they earn less than their male counterparts regardless of the profession in which they work.

The Union Factor

A final factor that may affect the wage earnings of women and men is the choice to become union affiliated. The Bureau of Labor Statistics (BLS) of the federal government of the United States is probably the best authority on wage differentials due to union membership. The BLS data show that union wages were 17.6% higher than non-union wages in 1969. By 1985 the differential had widened to 35.6% (Watcher and Carter, 1989). In 2005, union workers' median weekly earnings were \$801 compared to non-union wages of \$622, a 29% difference (www.bls.gov/news.release/union2.nr0.htm). The Council of Economic Advisers found that union membership boosts wages by 10 to 20 percent. Although the size of the gap varies from year to year, the consensus is that unions do make a substantial difference in wages, across all studies and all time periods (Milkovich and Newman, 2008, p. 496). Research and conventional experience also confirm that traditionally, more men than women have been members of unions (Council of Economic Advisors, 1998).

Summary and Recommendations

The debate over a wage gap between men and women continues as do speculations on the causes for the discrepancies in gender pay. This paper does not challenge whether or not men make more than women in the work place, but attempts to explain why they make more. There is no doubt that a gap in wages still exists today. Research analyses indicate that, depending on how you interpret the data, the results will vary as to the extent of the wage gap between men and women. This resulting gap is explained by the choices we make rather than just gender bias. This paper has argued that the pay gap is not as extreme as it is often perceived, when statistical data are collected and analyzed using relevant common denominators. Legislative and judicial interventions to reduce or eliminate the incidence of gender discrimination were presented, thereby showing that gender bias is no longer a viable argument for why women get paid less. The impact of factors other than gender was high-lighted, to include factors like: experience, education and fields of study, career choice, work patterns, marital and children status, as well as union affiliation. The "why men make more" subject isn't going away any time soon. Remediation and alleviation of the problem must begin with devoting time and attention to the causal factors illumined by this study.

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