



Fact Sheet

IWPR #C447

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Five Ways to Win an Argument about the Gender Wage Gap

The 80.5 percent¹ wage ratio figure, the most commonly used figure to measure the gender wage gap in the United States, is often derided as misleading,² a myth,³ or worst of all, a lie.⁴ In this fact sheet, we argue that the figure is an accurate measure of the inequality in earnings between women and men who work full-time, year-round in the labor market and reflects a number of different factors: discrimination in pay, recruitment, job assignment, and promotion; lower earnings in occupations mainly done by women; and women's disproportionate share of time spent on family care, including that they—rather than fathers—still tend to be the ones to take more time off work when families have children. Just because the explanation of the gender wage gap is multi-faceted does not make it a lie.

When a phenomenon, such as the wage gap, can be explained by various factors, it does not mean the phenomenon doesn't exist. In fact, those explanations are the *exact factors* to look at when identifying interventions to solve the problem. Take another phenomenon for example: poverty. Black and Hispanic populations in the United States have higher poverty rates than the white population. When analyses control for education, place of residence, type of job, and many other factors, the remaining differences in poverty rates are smaller but not gone. It is not a myth or a lie, then, to say that black and Hispanic Americans are disproportionately poor. Indeed, they are.

Here are five key facts to remember about the gender wage gap:

1. Other data series on weekly or hourly earnings are not necessarily more accurate than the annual figure.

Some claim that proponents of equal pay use the 80.5 percent annual wage ratio figure because it shows the biggest wage gap, 19.5 percent, when other data series on weekly and hourly earnings available from the Bureau of Labor Statistics (BLS) show slightly smaller gaps. There is no basis for the claim that weekly or hourly data are a more accurate representation of inequality in pay between men and women. The 80.5 percent annual wage ratio figure is the historical headline figure, likely because it allows the longest comparison across time and includes the broadest range of different kinds of earnings, including self-employment income. Annual bonus payments, for example, are a *big* part of remuneration in some fields and are included in the 80.5 percent figure, but are excluded from the weekly or hourly earnings figures. Both the weekly and annual earnings ratios are for full-time workers only; if part-time and part-year workers were included, the ratios of women's to men's earnings would be even lower, as women are more

likely than men to work reduced schedules, often in order to manage unpaid childrearing and other caregiving work.

2. The annual wage ratio of 80.5 percent is actually a moderate estimate of gender pay inequality. Women of color fare much worse.

If part-time workers were included, the wage ratio would be 73 percent, a gap of 27 percent.⁵ The United Kingdom has used life-time earnings ratios. One IWPR study⁶ found that across 15 years (ending in 1998, using the Panel Study of Income Dynamics), the typical American woman earned just 38 percent of the typical man. The Urban Institute, using Social Security earnings data, finds that the typical wife earns about 50 percent of what her husband does across their working lives. In fact, the 80.5 percent figure falls in the middle of the range of all other estimates.

Looking at the gender wage gap by race/ethnicity also reveals the moderate nature of the 80.5 percent figure. In 2017, White women earned 77 percent of what White men earned annually.⁷ For most women of color, the gender wage gap is even more severe. Black women's median annual earnings were just 60.8 percent of White men's earnings, and Hispanic/Latina women earned 53 percent of what White men earned annually. Only Asian women, who earned 85.1 percent of what White men earned, fall above the 80.5 percent figure. In addition, women of all racial/ethnic groups earn less than men in that same racial/ethnic group.

3. Women's 'choices' are not necessarily choices.

Wage gap skeptics emphasize that women 'choose' different and lower-paying college majors than men, implying such differences mean that the wage gap measure is not a good measure of discrimination. Actually, no one claims the entire wage gap is due to discrimination. But choices themselves may be limited by discrimination. 'Choice' is an unverified assumption. There is considerable evidence of barriers to free choice of occupations, ranging from lack of unbiased⁸ information about job prospects to actual harassment and discrimination in male-dominated jobs⁹. For instance, a library assistant may choose¹⁰ to go to school for 6 more years to become a librarian, or she may choose to go to school for half that and become an IT support specialist, if she knew that librarians and IT support specialists were paid roughly the same per year. In a world where half of IT support specialists were women and half of librarians were men, men and women might 'choose' very differently than they do now. We do know that young women and men generally express the same range of desires regarding their future careers in terms of such values as making money and having autonomy and flexibility at work, as well as time to spend with family.

4. There is no proof that being a mother makes a woman less productive on the job.

There are legal cases¹¹ as well as social science research studies¹² that show that just by the mere fact of being a mother, women's advancement opportunities shrink, and just by being a father, men's grow. And why should women who may be decades past the phase of active childrearing still be suffering a wage penalty? While it is true that women typically take more time away

from work for child rearing than do men, that decision often makes economic sense when a wife's wages are lower than her husband's—equal pay would likely lead to more equitable sharing of child rearing. In fact, women's human capital (generally measured as years of education plus years on the job and in the job market) are increasingly equal for women and men. Furthermore, research shows subsidizing the cost of child care¹³ and providing paid parental leaves¹⁴ of up to six months would help women return to work sooner, and would help men to more equally share care¹⁵.

5. Discrimination is still a factor—a big one—in the gender wage gap.

It is true that, when factors such as occupation and parental or marital status are used as control variables in statistical models aiming to explain what 'causes' the wage gap, the size of that gap is reduced, and what is left unexplained is generally thought to possibly be the result of discrimination. **But it is just as likely that discrimination affects these 'control' variables as well as the size of the remaining gap.** Peer reviewed literature surveys published in mainstream economics journals, including a recent study by Francine Blau and Lawrence Kahn¹⁶ published by the National Bureau of Economic Research as a working paper, estimate that 38 percent of the gross wage gap remains unexplained when factors reasonably thought to affect productivity are included as control variables in the models. Blau and Kahn estimate that occupational segregation—where women work in lower paid jobs, typically done by women, and men work in higher paying jobs typically done by men— along with segregation by industry, are now responsible for half the wage gap. While some occupational differences result from differences in preparation for the labor market by women and men, others result from different job assignments by employers when women and men first enter the labor market.

It is important to look at the 80.5 percent figure as a baseline to understand the true magnitude of the problem, so we can intervene on factors such as employer bias, career preparation, and time spent on family care. When we look at the control variables, the findings do not indicate that the wage gap is actually a smaller problem than we thought. The findings indicate that women need more information and opportunity to pursue certain lucrative careers, like those in STEM, where the largest employers are only now providing paid family leaves that can encourage more women to pursue careers in these fields and remain in them, as well as encourage a more equal division of labor between women and men. Redressing the US lag in providing paid family leave and subsidized child care can help, but so can improved information about pay and stronger enforcement of our equal opportunity laws.

Notes

¹ Ariane Hegewisch. 2018. "The Gender Wage Gap: 2017; Earnings Differences by Gender, Race, and Ethnicity." Fact Sheet, IWPR #C473, Washington, DC: Institute for Women's Policy Research. < <https://iwpr.org/publications/gender-wage-gap-2017/>> (accessed September 13, 2018).

² Glenn Kessler. 2014. "President Obama's Persistent '77-cent' Claim on the Wage Gap Gets a New Pinocchio Rating." *The Washington Post*, April 9. <<https://www.washingtonpost.com/news/fact-checker/wp/2014/04/09/president-obamas->

persistent-77-cent-claim-on-the-wage-gap-gets-a-new-pinocchio-rating/> (accessed July 7, 2016).

³ Sarah Ketterer. 2015. "The 'Wage Gap' Myth That Won't Die." *The Wall Street Journal*, September 30.

<<http://www.wsj.com/articles/the-wage-gap-myth-that-wont-die-1443654408>> (accessed July 7, 2016).

⁴ Hanna Rosin. 2013. "The Gender Wage Gap Lie." *Slate*, August 30.

<http://www.slate.com/articles/double_x/doublex/2013/08/gender_pay_gap_the_familiar_line_that_women_make_77_cents_to_every_man_s.html> (accessed July 7, 2016).

⁵ Jessica L. Semega, Kayla R. Fontenot, and Melissa A. Kollar. 2017. "Income and Poverty in the United States: 2016." Current Population Reports P60-259. U.S. Census Bureau.

<<http://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf>> Table A-4

⁶ Heidi Hartmann and Stephen Rose. *Still a Man's Labor Market: The Long-Term Earnings Gap*. Report, IWPR #C355. Washington, DC: Institute for Women's Policy Research, February 2004.

⁷ Ariane Hegewisch and Asha DuMonthier. 2016. "The Gender Wage Gap: 2015: Annual Earnings Differences by Gender, Race, and Ethnicity." Fact Sheet, IWPR #C446, Washington, DC: Institute for Women's Policy Research. <<http://iwpr.org/publications/pubs/the-gender-wage-gap-2015-annual-earnings-differences-by-gender-race-and-ethnicity>> (accessed September 14, 2016).

⁸ Barbara Gault, Stacie Carolyn Golin, Sunhwa Lee, Holly Mead, and Cynthia Negrey. *Working First But Working Poor: The Need for Education & Training Following Welfare Reform*. Executive Summary, IWPR #D443. Washington, DC: Institute for Women's Policy Research, August 2001.

⁹ Cynthia Deitch, Ariane Hegewisch, and Evelyn Murphy. *Ending Sex and Race Discrimination in the Workplace: Legal Interventions That Push the Envelope*. Report, IWPR #C379. Washington, DC: Institute for Women's Policy Research, March 2011.

¹⁰ Ariane Hegewisch, Marc Bendick Jr., Barbara Gault, and Heidi Hartmann. *Pathways to Equity: Narrowing the Wage Gap by Improving Women's Access to Good Middle-Skill Jobs*. Report, IWPR #C438. Washington, DC: Institute for Women's Policy Research, March 2016.

¹¹ Cynthia Calvert. *Family Responsibilities Discrimination: Litigation Update 2010*. San Francisco, CA: Center for WorkLife Law, University of California, Hastings School of Law, 2010. <<http://www.worklifelaw.org/pubs/FRDupdate.pdf>> (accessed July 7, 2016).

Williams, Joan C. and Stephanie Bornstein. "The Evolution of "FReD": Family Responsibilities Discrimination and Developments in the Law of Stereotyping and Implicit Bias." *Hastings Law Journal* no. 59 (June 2008): 1311.

¹² Michelle J. Budig and Melissa J. Hodges. "Differences in Disadvantage: Variation in the Motherhood Penalty across White Women's Earnings Distribution." *American Sociological Review* no. 75 (October 2010): 705-728. Tamar Kricheli-Katz. "Choice, Discrimination, and the Motherhood Penalty." *Law & Society Review* no. 46 (September 2012): 557-587.

¹³ Sunhwa Lee. *Keeping Moms on the Job: The Impacts of Health Insurance and Child Care on Job Retention and Mobility among Low-Income Mothers*. Report, IWPR #C360. Washington, DC: Institute for Women's Policy Research, January 2007.

¹⁴ Christopher J. Ruhm. "The Economic Consequences of Parental Leave Mandates: Lessons from Europe." *The Quarterly Journal of Economics* no. 113 (1998): 285-317.

¹⁵ Maria del Carmen Huerta, Willem Adema, Jennifer Baxter, Wen-Jui Han, Mette Lausten, RaeHyuck Lee, and Jane Waldfogel. *Fathers' Leave, Fathers' Involvement and Child Development: Are They Related? Evidence from Four OECD Countries*. Paris, France: OECD Social, Employment and Migration Working Papers No. 140. 2013.

<http://dx.doi.org/10.1787/5k4dlw9w6czq-en>. For a comprehensive review of the evidence on paid leave, see also: Barbara Gault, Heidi Hartmann, Ariane Hegewisch, Jessica Milli, and Lindsey Reichlin. *Paid Parental Leave in the United States: What the Data Tell Us about Access, Usage, and Economic and Health Benefits*. Report, IWPR #B334. Washington, DC: Institute for Women's Policy Research, January 2014.

< <http://www.iwpr.org/publications/pubs/paid-parental-leave-in-the-united-states-what-the-data-tell-us-about-access-usage-and-economic-and-health-benefits> > (accessed July 7, 2016).

¹⁶ Francine D. Blau and Lawrence M. Kahn. "The Gender Wage Gap: Extent, Trends, and Explanations." *The National Bureau of Economic Research* No. 21913 (January 2016).

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