

# EMPLOYMENT

## FACT SHEET

### Explaining the Wage Gap

April 2013

*Fifty years after the Equal Pay Act was signed into law, women make up nearly half the workforce, but their paychecks still lag far behind men's.<sup>1</sup> Today the typical American woman who works full time, year round is paid only 77 cents for every dollar paid to her male counterpart. This gap in earnings translates into \$11,084 less per year, leaving women and their families shortchanged.<sup>2</sup>*

The wage gap occurs at all education levels,<sup>3</sup> after work experience is taken into account,<sup>4</sup> and it gets worse as women's careers progress.<sup>5</sup> Women are paid less than men in nearly every occupation. One study examining wage gaps within occupations found that out of 265 major occupations, men's median salary exceeded women's in all but one.<sup>6</sup>

This paper details several important factors that contribute to the wage gap including discrimination; racial disparities; occupational segregation, which includes women's concentration in low-wage jobs, women's limited access to higher paying jobs that are nontraditional for women, and the devaluation of women's work; and women's greater responsibility for caregiving.<sup>7</sup>

#### Key Wage Gap Culprits

##### Discrimination

*Discrimination is an important factor in the wage gap and other employment differences between men and women.*

- A study by labor economists Francine Blau and Lawrence Kahn found that when you look at the combined effects of occupation, industry, work experience, union status, race and educational attainment, 41 percent of the wage gap remains unexplained. This indicates that discrimination plays a

sizable role in the gender wage gap.<sup>8</sup>

- A study by sociologists Shelley Correll, Stephan Benard, and In Paik found that, when comparing equally qualified women job candidates, women who were mothers were recommended for significantly lower starting salaries, perceived as less competent, and less likely to be recommended for hire than non-mothers.<sup>9</sup> The effects for fathers in the study were the opposite: fathers were actually recommended for significantly higher pay and were perceived as more committed to their jobs than non-fathers.<sup>10</sup>
- Hiring discrimination studies have also illustrated the influence of discrimination. Economists Claudia Goldin and Cecilia Rouse demonstrated that when orchestras implemented blind auditions the share of women hired skyrocketed – and the introduction of blind auditions accounted for between 30 and 55 percent of the increase in women hired from 1970 to 1996.<sup>11</sup> Another study of hiring discrimination in restaurants found that when men and women with nearly identical resumes applied for jobs, men were more likely to be hired and this difference was particularly acute among high-end restaurants where the probability of a woman receiving a job offer was 40 percent lower than a man.<sup>12</sup>

- Moreover, the reported cases of company-wide pay discrimination are evidence that discrimination contributes to the wage gap. For example in *Velez v. Novartis*, 5,600 women workers at Novartis brought pay and promotion discrimination claims and that settled for \$175 million in damages following a jury verdict in their favor. In another recent case on claims of gender bias in pay and promotions, the court approved a \$15.36 million settlement for the almost 5,300 women workers of Sanofi-Aventis in *Bellifemine v. Sanofi-Aventis*. Additionally, in *Cronas v. Willis Group Holdings*, more than 300 class members received an \$11.5 million settlement for pay discrimination claims.<sup>13</sup>

### Racial Disparities

*Women of color also carry the combined burden of racism and sexism, factors which contribute to lower earnings for women of color than for any other demographic group.*

- Women of color experience a far greater wage gap than their white, non-Hispanic counterparts. The typical African-American woman who works full time, year round makes only 64 cents, and the typical Hispanic woman who works full time, year round only 55 cents, for every dollar paid to their white, non-Hispanic male counterparts. For the typical white, non-Hispanic women, this figure is 77 cents.<sup>14</sup>
- The wage gap for African-American and Hispanic women working full time, year round persists when the effect of race is examined alone. The typical African-American woman working full-time year round is paid roughly 80 cents for every dollar paid to her white, non-Hispanic female counterpart. The gap is larger for the typical Hispanic woman working full time, year round, who is paid just 70 cents for every dollar paid to her white, non-Hispanic female counterpart.<sup>15</sup>
- The wage gap for African-American and Hispanic women working full time, year round also persists when the effect of sex is considered alone. The typical African-American woman working full-time year round is paid roughly 85 cents for every dollar paid to her African-American male counterpart. The typical Hispanic woman working full time, year round is paid 91 cents for every dollar paid to her Hispanic male counterpart.<sup>16</sup>

### Persistent Occupational Segregation

*Occupational segregation – the fact that women and men are concentrated in different occupations – contributes to the wage gap.*

- Almost two-thirds of workers earning the lowest wages – those who make the federal minimum wage or less – are women.<sup>17</sup> The federal minimum wage is just \$7.25 per hour. The federal minimum cash wage for tipped employees is \$2.13 per hour, less than one-third of the current federal minimum wage and unchanged in more than 20 years.<sup>18</sup> Women make up almost two-thirds (65 percent) of workers in tipped occupations.<sup>19</sup>
- Even in occupations that pay slightly above the federal minimum wage, women predominate. Women are the majority of workers in each of the ten largest occupations that typically pay less than \$10.10 per hour, and two-thirds or more of the workers in seven of these occupations.<sup>20</sup>
- By contrast, women make up only a very small share of workers in higher-paying jobs in the skilled trades. For example, women are 1.3 percent of pipelayers, plumbers, pipefitters and steamfitters who earn a median hourly wage of \$22.82; 1.8 percent of automotive body and related repairers who earn a median hourly wage of \$18.45; and 1.8 percent of electricians who earn a median hourly wage of \$23.96.<sup>21</sup>
- Women have limited access to these nontraditional jobs, in part women and girls are primarily concentrated in training programs for lower-paying careers. For example, according to a recent analysis by the National Coalition for Women and Girls in Education and the National Coalition on Women, Jobs and Job Training, women and girls make up over 70 percent of students at the secondary level and over 80 percent of students at the postsecondary level enrolled in the “Human Services” cluster, which includes training for low-paying jobs such as Childcare Provider and Cosmetologist. In comparison, women and girls account for only 15 percent of students at the secondary level and less than 10 percent of students at the postsecondary level enrolled in the “Architecture and Construction” cluster, which includes training for relatively high-paying jobs such as Energy Technician and Electrician.<sup>22</sup>

- Studies have shown that occupational segregation leads to lower wages for women. In fact, wages in occupations that are made up predominantly of women – “pink collar” occupations such as child care workers, family caregivers or servers pay low wages<sup>23</sup> – *precisely because* women are the majority of workers in the occupation.<sup>24</sup> One study that used the share of women in an occupation to predict wages in that job a decade later found that “women’s occupations” – those that were two-thirds or more female – had wages that were 6 percent to 10 percent lower a decade later than “mixed occupations.”<sup>25</sup>

### Women’s Greater Responsibility for Caregiving

*Women still do most of the unpaid work caring for children and other family members, often on top of their paid jobs. The economic hit that women take for their roles in providing care to their families is reflected in the wage gap.*

- In dual-income households with children, mothers spend an hour and 43 minutes for every hour fathers spend on childcare.<sup>26</sup>
- Women’s caregiving responsibilities are not limited to parenting. Two-thirds of caregivers for sick, elderly or disabled family members are women.<sup>27</sup> Among working caregivers, two-thirds report having to take time off and one in five have taken a leave of absence.<sup>28</sup>
- Caregivers experience financial hardship when they have to take time off to provide care for their family members. Over 40 percent of private-sector workers lack paid sick days that can be used to care for themselves or others.<sup>29</sup> Indeed only 59 percent of the workforce even has access to job-protected, unpaid leave.<sup>30</sup>
- When parents need to take a day off from work for a sick child or time off for parental leave for a new baby, that time is often unpaid. According to one survey

in 2008, 48 percent of working mothers reported that their only option was to miss work when their child was sick. Of those women, 47 percent reported that they lose pay when missing work.<sup>31</sup>

- Still other women in low-wage jobs struggle daily to find quality, affordable child care, and often are forced to take unpaid leave when their child care falls through.

## Policy Solutions to Shrink the Wage Gap

### We must:

- Strengthen our equal pay laws by prohibiting retaliation against employees for discussing their pay; bringing the remedies for pay discrimination claims in line with the remedies for other types of discrimination; and closing the loopholes in employer defenses to equal pay claims;
- Raise the minimum wage;
- Provide opportunities for women and girls to train for and enter into high-wage non-traditional jobs;
- Increase the availability of quality, affordable child care;
- Provide opportunities for paid family and medical leave and paid sick days so that caregivers stop paying a stiff penalty for caring for their families and doing their jobs;
- Help prevent and remedy pay and other discrimination when it occurs.<sup>32</sup>

**Every Dollar Matters.  
Every Woman Matters.  
The Wage Gap Matters.**

1 National Women’s Law Center (NWLC) calculations from Bureau of Labor Statistics, Current Population Survey, 2012 Annual Averages, Table 3: Employment status of the civilian noninstitutional population by age, sex, and race, *available at* <http://www.bls.gov/cps/cpsaat03.htm>. In 2012, women were 47 percent of the civilian labor force. NWLC calculations from U.S. Census Bureau, Current Population Survey, 2012 Annual Social and Economic Supplement [hereinafter CPS, 2012 ASEC], Table PINC-05: Work Experience in 2011 – People 15 Years Old and Over by Total Money Earnings in 2011, Age, Race, Hispanic Origin, and Sex, *available at* <http://www.census.gov/hhes/www/cpstables/032012/perinc/toc.htm>. Women working full time, year round had median annual earnings of \$37,118 in 2011. Men working full time, year round had median annual earnings of \$48,202 in 2011.

2 Ibid, CPS, 2012 ASEC.

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4 Joint Economic Committee, Invest in Women, Invest in America: A Comprehensive Review of Women in the U.S. Economy (Dec. 2010), *available at* [http://www.jec.senate.gov/public/index.cfm?p=Reports1&ContentRecord\\_id=11dd6449-8d54-41ff-9bb2-87d98cbf66c2&ContentType\\_id=efc78dac-24b1-4196-a730-d48568b9a5d7&Group\\_id=c120e658-3d60-470b-a8a1-6d2d8fc30132&MonthDisplay=12&YearDisplay=2010](http://www.jec.senate.gov/public/index.cfm?p=Reports1&ContentRecord_id=11dd6449-8d54-41ff-9bb2-87d98cbf66c2&ContentType_id=efc78dac-24b1-4196-a730-d48568b9a5d7&Group_id=c120e658-3d60-470b-a8a1-6d2d8fc30132&MonthDisplay=12&YearDisplay=2010).

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- 6 Frank Bass, Bloomberg Businessweek, Shining Shoes Best Way Wall Street Women Outearn Men (Mar. 16, 2012), *available at* <http://www.businessweek.com/news/2012-03-16/the-gender-pay-disparity#p1>.
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- 8 See *supra* note 3. Original study referenced is by Francine Blau and Lawrence Kahn, "The Gender Pay Gap: Have Women Gone as Far as They Can?" *Academy of Management Perspectives*, (Feb. 2007): 7-23.
- 9 Shelley J. Correll, Stephan Benard, and In Paik, "Getting a Job: Is There a Motherhood Penalty?" *American Journal of Sociology*, (Mar. 2007): 1297-1339, *available at* [http://gender.stanford.edu/sites/default/files/motherhoodpenalty\\_0.pdf](http://gender.stanford.edu/sites/default/files/motherhoodpenalty_0.pdf).
- 10 *Ibid.*
- 11 Cecilia Rouse and Claudia Goldin, "Orchestrating Impartiality: The Impact of 'Blind' Auditions on Female Musicians," *American Economic Review* (2000): 715-41.
- 12 David Neumark with the assistance of Roy J Blank and Kyle D. Van Nort, "Sex Discrimination in Restaurant Hiring: An Audit Study," *Quarterly Journal of Economics* (1996): 915-42.
- 13 David B. Ross, "Record Class Action Settlement Follows Massive Class Action Verdict" in The Workplace Class Action Blog (Nov. 8, 2010), Seyfarth Shaw LLP, *available at* <http://www.workplaceclassaction.com/settlement-issues/record-class-action-settlement-follows-massive-class-action-verdict/>. See also the "Largest EPL Settlements."
- 14 NWLC, Closing the Wage Gap is Especially Important for Women of Color (Apr. 2013), *available at* <http://www.nwlc.org/resource/closing-wage-gap-crucial-women-color-and-their-families>.
- 15 *Ibid.*
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- 17 U.S. Department of Labor, Bureau of Labor Statistics, Characteristics of Minimum Wage Workers, 2012, Table 1. Employed wage and salary workers paid hourly rates with earnings at or below the prevailing Federal minimum wage by selected characteristics, 2012 annual averages (2013), *available at* <http://www.bls.gov/cps/minwage2012tbls.htm>. This is true for both women 16 and older (64 percent) and 25 and older (66 percent).
- 18 Sylvia A. Allegretto & Kai Filion, Economic Policy Institute, Waiting for Change (2011), *available at* <http://www.epi.org/page/-/BriefingPaper297.pdf>.
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- 29 National Partnership for Women and Families, Paid Sick Days Protect the Economic Security of Working Families (June 2011) *available at* [http://paysickdays.nationalpartnership.org/site/DocServer/PSD\\_Econ\\_Security\\_FINAL.pdf?docID=7831](http://paysickdays.nationalpartnership.org/site/DocServer/PSD_Econ_Security_FINAL.pdf?docID=7831).
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