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The Gender Wage Gap

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The wage differential between male and female workers has declined significantly over the past 30 years. For example, in 1979 the median weekly earnings of full-time female workers were only 63.5 percent of those of full-time male workers—a 36.5 percent difference. This earnings gap dropped to 30 percent in 1989 and 23.7 percent in 1999. As of 2011:Q1, it reached a historical low of 17.2 percent. Despite this trend, studies suggest that actual gender wage disparity (which compares wages of male and female workers with similar labor-force characteristics) is smaller than the raw gender earnings gap discussed above.

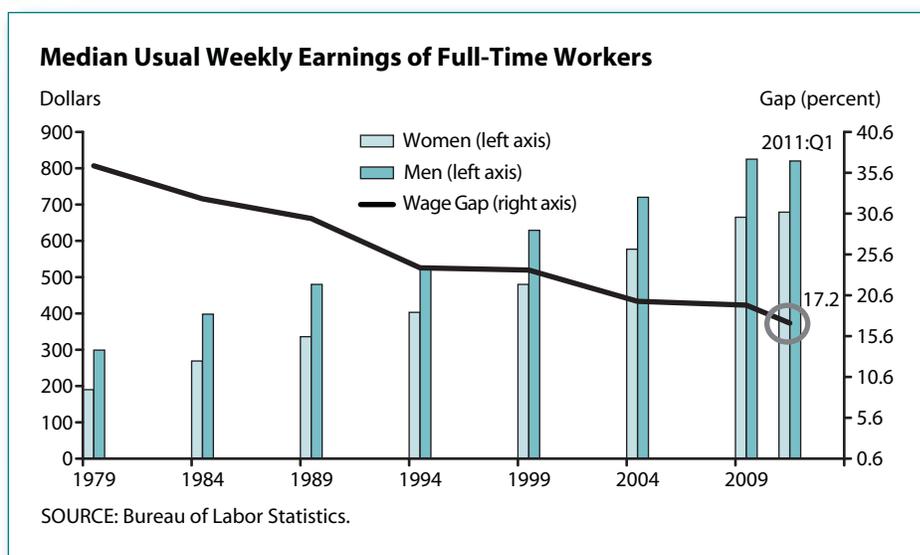
One recent study found that women's progress in educational attainment during the 1970s and 1980s was the main explanation for the decline in the gender wage gap in the 1980s and early 1990s.¹ In addition, women's gains in work experience accounted for one-third of the gap's decline in the 1990s.² As women become more educated, they have more employment opportunities in occupations that require higher skills and pay higher wages. Such occupational "upgrades" have helped to narrow the wage gap, but there are still significantly fewer women in highly paid occupations in law, medicine, and business management.

Another important reason for the gender wage gap is the difference between men and women in labor-force attachment. Women are likely to leave a career temporarily for childbirth and raising children. Such leaves may be associated with a decrease in their human capital and temporary delays in training and promotion, which consequently lead to lower wages. In addition, women are more likely to work part-time and less likely to work overtime than men, which negatively affects their wages. Evidence suggests that female workers receive more family-friendly benefits but usually at the cost of lower wages.³ Similarly,

women of childbearing age may prefer lower-wage jobs with employer-provided health insurance to higher-wage jobs without health insurance.

The actual gender wage disparity (which compares the wages of male and female workers with similar labor-force characteristics) is lower than the raw gender earnings gap.

A recent report prepared for the U.S. Department of Labor thoroughly analyzed the gender wage gap using Current Population Survey data for 2007.⁴ The report estimated the gap accounting for differences between male and female workers in educational attainment, work experience, occupation, career interruption, part-time status, and overtime hours worked. The result was striking—these factors explain approximately three-fourths of the 20.4 percent raw gender wage gap in 2007. The adjusted 2007 gender wage gap is roughly 5 percent. It is reasonable to



believe, therefore, that the actual 2011:Q1 gender earnings disparity is likely to be closer to 4 to 5 percent rather than the 17.2 percent shown in the chart (gray circle).⁵

Current research suggests that gender earnings disparity has declined but not disappeared. The adjusted (“true”) gender wage gap, however, is substantially smaller than the raw gender wage gap. Because of this, the raw gender gap is the improper indicator for policymakers to use to justify corrective actions. ■

¹ Blau, Francine D. and Khan, Lawrence M. “Gender Differences in Pay.” *Journal of Economic Perspectives*, Fall 2000, 14(4), pp. 75-99.

² Blau, Francine D. and Khan, Lawrence M. “The U.S. Gender Pay Gap in the 1990s: Slowing Convergence.” *Industrial and Labor Relations Review*, October 2006, 60(1), pp. 45-66.

³ Lowen, Aaron and Sicilian, Paul. “‘Family-Friendly’ Fringe Benefits and the Gender Wage Gap.” *Journal of Labor Research*, Spring 2009, 30(2), pp. 101-19.

⁴ CONSAD Research Corporation. “An Analysis of Reasons for the Disparity in Wages between Men and Women.” January 2009; www.consad.com/content/reports/Gender%20Wage%20Gap%20Final%20Report.pdf.

⁵ Put differently, the “real” gender wage gap in average weekly earnings is about \$35.