

Testimony of
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Strengthening the Middle Class: Ensuring Equal Pay for Women

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Thank you Chairman Harkin and members of the committee for providing me with the opportunity to speak to you today.

My name is Heather Boushey and I am a senior economist at the Center for American Progress Action Fund, a nonpartisan think tank in Washington, D.C. My area of expertise is the U.S. labor market, with an emphasis on the interconnections between labor and social policy. I welcome this opportunity to argue in favor of equal pay for women in the workforce as a proven means to strengthen American families and grow our middle class. The two pieces of legislation now before your committee, the Paycheck Fairness Act and the Fair Pay Act, are critical to making this happen.

To close the gender pay gap, we must address the root causes of women's lower wages, which includes the segregation of men and women into different kinds of jobs and the inflexibility of the workplace to women's greater responsibilities for family care. There could not be a more important time to address the issue of gender pay equity. Women are now half of all workers on U.S. payrolls and two-thirds of mothers are bringing home at least a quarter of their family's earnings. This means the gender pay gap is not just a woman's issue, it is a family issue that affects the millions of young, old, and middle-aged Americans who rely on a woman breadwinner or co-breadwinner in their family.

With the Great Recession leading to many more lay offs among men than women, millions of women today are supporting their families through these tough economic times. Making sure that every woman earns a fair day's pay is increasingly important for family economic well-being. The Paycheck Fairness Act and the Fair Pay Act address these specific issues.

As an economist, I'll highlight some of the gender pay issues that I think are most important with respect to these two pieces of legislation and then tell you why there could not be a better time to move forward on them.

Women's earnings matter to family well-being now more than ever

First, I want to lay out the issue of the gender pay gap. When we look back over the 20th century to understand what's happened to American workers and their families, the movement of women out of the home and into paid employment stands out as one of the most important social and economic transformations in our nation's history. Although it changed the way we work and live today, our institutions in the 21st century have yet to fully adapt.

A key way to strengthen the middle class is to ensure equal pay for women. Most women are in the labor force, yet women continue to earn less than men even if they have similar educational levels and work in similar kinds of jobs. The typical full-time, full-year working woman earns only 77 percent of what her male counterparts make.

In 2008, 4 in 10 mothers were their family's breadwinner—either as a single, working mother or one who brought home as much or more than their spouse. This is up from 27.7 percent in 1967.¹ Women have been steadily increasing their labor force participation for decades, rising from 43.3 percent in 1970 to 55.8 percent this February (among women over age 20). Today, over 70 percent of all mothers work outside the home.² This increase in women's workforce participation and contribution to the family income has been dramatic across all racial and class lines, but is particularly striking among low-income women who are now primary breadwinners in two-thirds of their families.

The Great Recession, however, has made pay equity even more urgent because women recently became half of all U.S. payroll workers. This feat, recorded for the first time in October 2009, sadly was not because more women were finding more and better paying jobs. Instead, since December 2007 when the Great Recession began, men have accounted for 7 out of every 10 jobs lost. The reason for this is because half of all job losses have been in construction or manufacturing—industries that disproportionately employ men.

These job losses are testament to the current economic malaise. The share of adult men with a job has never been lower since the U.S. government began recording employment data in 1948. In February 2010, it was only 66.6 percent, meaning that only two-thirds of adult men have a job. This is a remarkably low figure. Prior to this recession, the share of men with a job had never fallen below 70.5 percent.

This gender disparity in unemployment has real implications for family economic well-being. In the first five months of 2009, there were 2.0 million working wives with an unemployed husband.³ If these families are typical, then they are living on the wife's lower earnings and likely to be without health insurance because the family secured that employer-provided benefit from his job. The upshot: In the typical married-couple family where both spouses work, the wife brings home less than half—42.2 percent—of the family's earnings, which means families are indeed experiencing an economic hardship directly because of the gender pay gap and are dangerously exposed to the financial pitfalls of a medical emergency.

Nor are women working outside the home a short-term blip in response to the recession. It is a long-term trend that shows no signs of reversing. The reality is that women support families in greater numbers than ever before. We need to do more to ensure pay equity for them and for the economic security of their families. The gender pay gap is not just a women's issue. This is a pressing family issue for working Americans striving to enter or remain in the middle class.

For many families, having a working wife has makes all the difference. When we look across income distribution in our country, families in the higher income brackets are more likely to have a working wife and she puts in more hours than less well-off families. In recent decades, the families that were upwardly mobile were those who had a working wife. Recent research by

economists at the Boston Federal Reserve shows that over the 1980s and 1990s, the families that moved up the income ladder were those who had a working wife. The shift in women's workforce participation is not simply about women wanting to work but also about their families' needing them to work.

Pay equity: Where are we?

Women have not achieved equality in the workplace but they have made progress. The gender gap has narrowed over time and women now occupy a far wider range of jobs. Further, women are more likely to be in positions of power compared to only a few decades ago.

Yet, even with these accomplishments, the gender pay gap among full-time, full-year workers is now at 23 cents, meaning that for every dollar a man earns, women earn only 77 cents.⁴ And, for specific groups of women—such as women of color or disabled workers—the gap with respect to the wages of white men is larger than for white women.

There are various ways to measure the gender pay gap, but the overall trends are similar. Figure 1 below shows two different measures: the gender annual earnings ratio among full-time, full-year workers and the gender wage ratio among full-time workers. Over time, both measures show the same trend—the gender gap has narrowed but the pace of convergence has slowed to a crawl in recent years.⁵

The most significant compression in the gender pay gap appeared during the 1980s, but this was because men's wages fell, rather than because women's wages rose. This is not an unlikely outcome again in future years. Given the current economic conditions, with men losing the majority of jobs during the Great Recession, there is potential for men's wages to fall relative to women but this is not an acceptable way to close the gender pay gap.



This inequity in pay accumulates over a woman's lifetime. The Institute for Women's Policy Research examined worker's employment and earnings data and found that over a 15-year period prime-age women workers earn 38 percent of what men earn.⁶ My colleague Jessica Arons calls the cumulative impact of the gender pay gap over a 40-year period the "career wage gap," finding that women lose \$434,000 in income, on average, due to the career wage gap.

Women at all education levels lose significant amounts of income due to the career wage gap, but women with the most education lose the most in earnings. Women with a college degree or higher lose \$713,000 over a 40-year period versus a \$270,000 loss for women who did not finish high school.⁷ The pay gap accumulates for a variety of reasons, but chief among them is that pay raises are typically given as a percent of current salary, leaving women further behind each year. Because almost all employers ask any job applicant for a salary history when determining their starting salary, women's salary gains are crimped from the start.

Research also shows that the gap in pay between men and women is only partially attributable to the decisions that men and women make in terms of college major, choice of occupation, and work experience. The first two of these—college major and choice of occupation—can be considered an honest choice. Women now have access to higher education and more kinds of jobs than their mothers did. Yet there are many aspects of women's employment patterns and pay that cannot reasonably be attributed to choices that can reasonably explain the pay gap.

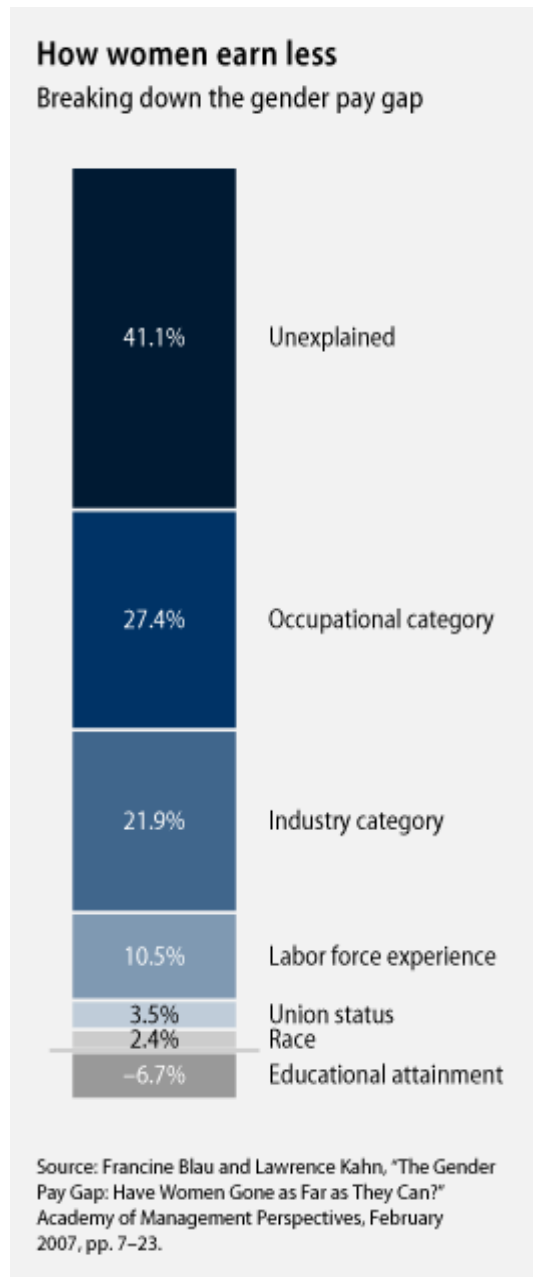
To better understand the gender pay gap, economists use so-called regression-adjusted estimates of pay for men and women, controlling for all measurable productivity-related characteristics of workers. This method allows us to compare the pay of men and women with similar characteristics and determine what factors contribute to the pay gap and what the model cannot explain.

Using regression analysis, labor economists Francine Blau and Lawrence Kahn found that educational attainment levels lowered the discrepancy in pay between men and women but also that other productivity-related factors, such as experience, occupation, and industry all widened the gap. Overall, nearly a third of the gender pay gap (27.4 percent) can be explained by differences in occupations, one-fifth (21.9 percent) can be explained by industry, and 10.5 percent can be explained by labor force experience.

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This means that if women worked in the same jobs as men and had the same educational and experience levels, same propensity to be in a union, same racial and ethnic make-up as men—all factors we can measure—the gender pay ratio would rise from 80 percent to 91 percent of men’s pay levels. In other words, 59.8 percent of gender pay inequity can be explained by these factors. But, this leaves that final 10 percent gap in pay between men and women—41.1 percent of the total pay gap—as not explainable by anything we can measure.

To get at the nub of gender pay inequity, let’s first go through the things Blau and Kahn’s work does seem to explain, then discuss the large “unexplained” portion of the gender pay gap. As Blau and Kahn point out, half (49.3 percent) of the total pay gap can be explained by differences in the industries and occupations that men and women work in. Men continue to be more likely to hold jobs as managers and professionals, transportation or construction workers, or in heavy manufacturing.



In contrast, women are disproportionately represented in nursing, teaching, retail sales, and clerical work. While the extent to which jobs in the U.S. economy are segregated by sex has fallen since the 1950s, more so for workers with a college degree than for other workers, there remains a high degree of occupational segregation by gender (See chart below) .

Who works where

Top 20 occupations for women and men, 2008

Occupation	Share of female workers	Occupation	Share of male workers
Secretaries and administrative assistants	4.7	Driver/sales workers and truck drivers	4.1
Registered nurses	3.8	All other managers	2.9
Elementary and middle school teachers	3.7	First-line supervisors/managers of retail stores	2.6
Cashiers	3.0	Construction laborers	2.1
Retail salespersons	2.5	Carpenters	2.1
Nursing, psychiatric, and home health aides	2.5	Retail salespersons	2.0
First-line supervisors/managers of retail stores	2.3	Laborers and freight, stock, and material movers, hand	2.0
Waiters and waitresses	2.1	Janitors and building cleaners	1.8
Bookkeeping, accounting, and auditing clerks	1.9	Chief executives	1.6
Receptionists and information clerks	1.9	Cooks	1.5
All other managers	1.9	Grounds maintenance workers	1.5
Customer service representatives	1.9	Construction managers	1.5
Maids and housekeeping cleaners	1.9	Sales representatives, wholesale and manufacturing	1.3
Child care workers	1.8	First-line supervisors/managers of non-retail sales workers	1.2
First-line supervisors/managers of office and administrative support workers	1.8	Stock clerks and order fillers	1.2
Accountants and auditors	1.6	Electricians	1.1
Office clerks, general	1.5	Automotive service technicians and mechanics	1.1
Teacher assistants	1.4	First-line supervisors/managers of construction trades and extraction workers	1.1
Cooks	1.1	Computer software engineers	1.1
Personal and home care aides	1.1	First-line supervisors/managers of production and operating workers	1.0
Share employed in the top 20 occupations			
Females	44.4	Males	34.8

Source: Author's analysis of the Center for Economic and Policy Research Extracts of the Current Population Survey Outgoing Rotation Group Files. Includes workers aged 18 to 64.

Note: Bold items appear on the list for both women and men.

But many of these jobs that were historically held by women are underpaid, relative to men's jobs that require similar levels of skill. Political scientist Ellen Frankel Paul, for example, points out that zookeepers—a traditionally male job—earn more than workers caring for children—a traditionally female job. It's not that zookeepers have a much higher level of skills than child care workers, but that our society values these jobs differently and this is a choice we make. In her words, "Are not our children more valuable to society than zoo animals?"⁸ Women's jobs have been systemically undervalued for so long, we think it's natural, but in fact this is an ongoing legacy of past discrimination.

It is also myth that women choose less-paying occupations because they provide flexibility to better manage work and family. The empirical evidence shows that mothers are actually less likely to be employed in jobs that provide greater flexibility. In general, workers who hold higher

positions and are privileged in general (better educated, white, male) have more access to all kinds of workplace flexibility. Women are less likely than men to have access to flexibility, but parents—especially single mothers—are the least likely to have access to workplace flexibility. In fact, parents are more likely to have nonstandard shifts and rotating hours, making work-family balance more difficult to achieve.

Education narrows the gap, but doesn't close it

As women have taken their careers more seriously, they have worked hard to get more education. That is paying off in terms of narrowing the gender pay gap, even if it hasn't fully eliminated it. According to Blau and Kahn, women's education choices are narrowing the gap by 6.7 percent. Women now are more likely than men to graduate from high school as well as college. It's worth noting though, that among women aged 25 to 45 only a quarter have at least a college degree, while nearly two-thirds have a high school degree, but no four-year college degree (and this is similar for men as well).⁹

An important research finding that flies in the face of women's educational attainment, however, is that the gender pay gap emerges as soon as women graduate. The American Association of University Women examined the pay gap in pay between college-educated men and women and found that even once they accounted for the measurable factors that affect pay, such as the individual's job, whether the job boasts a flexible schedule, the kind of educational credentials they have (including their grade point average and the selectivity of the college that they attended),¹⁰ among graduates just one year out of school, a 5 percent unexplainable pay gap remained.

This means that a woman who goes to the same school, gets the same grades, has the same major, takes the same kind of job with similar workplace flexibility perks, and has the same personal characteristics—such as marital status, race, and number of children—as her male colleague earns 5 percent less the *first year* out of school. Ten years later, even if she keeps pace with the men around her, this research found that she'll earn 12 percent less. This is not about the “choices” a woman makes because the model compares men and women who have made nearly identical choices.

Work history matters, but not as much as simply being female or a caregiver

Differences in men's and women's work histories explain a large chunk—10.5 percent—of the gender wage gap. But the AAUW study cited above shows that the gender pay gap emerges right out of college—at a point in their lives when differences in work experience between them and their male colleagues do play a large role in determining pay

At least some of the wage gap between men and women is attributable to women taking on greater parenting responsibilities and working fewer hours. Women are more than twice as likely as men to be employed part time and since few jobs offer part-time work, the part-time jobs available tend to pay less than comparable full-time jobs.¹¹ But, the reality is that this cannot fully explain the gap in pay.

Indeed, differences in work history are treated differently depending on whether a woman is a mother or not. In a 2001 paper, sociologists Michele Budig and Paula England found that interruptions from work, working part time, and decreased seniority/experience explain no more than about one-third of the gap in pay between women with and without children, and that “mother-friendly” job characteristics explained very little of the gap. They conclude that two-thirds of the wage gap between mothers and nonmothers must be either because employed mothers are less productive at work or because of discrimination against mothers.

A body of new research focuses on the role of the “maternal wall” in accounting for at least some—if not most—of the unexplained pay gap. In groundbreaking work, Cornell University sociologists Shelley Correll, Stephen Benard, and In Paik used a laboratory experiment to find out whether being a mother simply means being paid less, all else equal. They had study participants evaluate application materials for a pair of job candidates that were designed specifically to be equally qualified, but one person was identified as a parent and the other was not.¹² The two candidates had equal levels of education and work experience at similarly ranked schools.

Their findings were simply astonishing. The job candidates identified as mothers were perceived to be less competent, less promotable, less likely to be recommended for management, less likely to be recommended for hire, and had lower recommended starting salaries even though their actual credentials were no different from those of the nonmothers. The job candidates identified as fathers were not penalized in the same way, and often saw a boost. Study participants also held mothers to higher standards than nonmothers (both women without children and men with or without children) by requiring a higher score on a management exam and significantly fewer times of being late to work before being considered hireable or promotable.

The unexplainable wage gap

Women make decisions that have an impact on how much they earn. They get an education, which raises their pay (but does not close the gap) and many work part time or take extended time off to care for children. What kinds of jobs women seek and what kinds of educational credentials they acquire affect future earnings: One study found that 95 percent of the gender differential in starting salaries can be explained by differences in college majors.¹³ Even so, within occupations, women are typically paid less than their male colleagues.¹⁴

If time away from employment for caregiving is important to explaining the gender pay gap, separate from its affect on work history, then how do we as a society intend to deal with the new reality of working women? As more women work, more families do not have a stay-at-home caretaker, which means that both men and women workers are now more likely to balance a job with care responsibilities—either for a child or for an elderly or ill family member—and more are concerned about caregiver discrimination.

Recent polling confirms that these are challenges for both men and women. The 2008 National Survey Changing Workforce reports that the majority of fathers (59 percent) in dual-earner families report experiencing “some or a lot” of work/family conflict, as do 45 percent of mothers.¹⁵ Clearly, we need to find a new way of addressing how families provide care.

Recommendations

I have a few comments to make on why I think that the Paycheck Fairness Act and the Fair Pay Act make for good economic policy. First, as I said at the outset, this is probably the most important time for families to ensure equal pay for all workers, men and women, including caregivers. Women are increasingly breadwinners and ensuring they are paid fairly is good for them and our economy.

The Paycheck Fairness Act

Markets only work when all the participants have full information. If I don't know how much other economists are paid, I cannot know if my salary is at the market wage. The Paycheck Fairness Act prohibits employer from retaliating against employees who share salary information. This provision will not solve the gender pay gap, but it will allow employees to access the information they need to understand if their pay is at the market rate. Combined with the provision to give employees an opportunity to improve their salary negotiation skills, this could be a powerful step toward greater pay equity, especially among men and women in similar jobs within a single firm.

The Paycheck Fairness Act will also increase training, research, and education to help the Equal Employment Opportunity Commission identify and respond to wage discrimination claims and improve our data collection of pay information. Discrimination is something that's hard to prove at the individual level, but often easy to see in the aggregate data. If a firm employs a thousand men and a thousand women, but men are systemically promoted or are paid more in similar jobs, then this indicates a gender disparity that should be investigated. Without access to that kind of data, the EEOC has no idea whether there are signs that unfair pay practices are occurring. The data provisions of the Paycheck Fairness Act are of utmost importance in enforcing the law already on the books.

The Fair Pay Act

The Fair Pay Act will require employers to provide equal pay for jobs that are comparable in skill, efforts, responsibility, and working conditions. The largest chunk of the gender pay gap is due to the combined effect of the segregation of men and women into different industries and occupations.

One of the challenges of our current economy is that many of the new jobs being created are replacing the work women historically did inside the home for free and these jobs are clearly undervalued. Child care workers, for example, are paid much less than school teachers, even though we are learning more every day about the importance of this development stage and the key role of the skills of these providers in nurturing young minds. The Fair Pay Act delineates a process to evaluate jobs within a firm and ascertain the actual skills required then ensures that jobs with similar skills are paid the same, even if one is predominately held by women and one predominately held by men.

This is important legislation before you today. I cannot stress how important the issue of fair pay is to women and to their families. In these tough economic times, with millions of women

supporting their families, I encourage you to do what you can to ensure that they earn a fair day's pay.

Thank you.

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Endnotes

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- ⁴ Census
- ⁵ Francine Blau and Lawrence Kahn, "Swimming Upstream: Trends in the Gender Wage Differential in the 1980s," *Journal of Labor Economics* 15 (1) (1997).
- ⁶ Heidi Hartmann and Stephen Rose, "Still a Man's Labor Market: The Long-Term Earnings Gap" (Washington: Institute for Women's Policy Research, 2004).
- ⁷ Jessica Arons, "Lifetime Losses: The Career Wage Gap" (Washington: Center for American Progress, 2008).
- ⁸ Ellen Frankel Paul, *Equity and Gender: The Comparable Worth Debate* (New Brunswick, N.J.: Transaction, 1988).
- ⁹ Author's analysis of the Center for Economic and Policy Research Extracts of the Current Population Survey Outgoing Rotation Group Files.
- ¹⁰ It is worth noting their variables: Occupation, Industry, Employer sector (e.g., nonprofit), Hours worked per week, Whether employee worked multiple jobs, Workplace flexibility, ability to telecommute, Months at employer, Educational attainment (bachelor's and any graduate, enrollment or completion), Current enrollment status, Other license or certification, Work-related training, Undergraduate GPA, Undergraduate major, Ever attended less-than-four-year institution, Institution sector, Institution selectivity, Gender, Age, Highest education of either parent, Race/ethnicity, U.S. citizen, Disabled, Region of residence, Marital status, Has children, Volunteered in past year
- ¹¹ Jeffrey B. Wenger, "The Continuing Problem with Part-Time Jobs" (Washington: Economic Policy Institute, 2001).
- ¹² The differences were that one resume listed the applicant as "Parent-Teacher Association coordinator" and included phrase "Mother/father to Tom and Emily. Married to John/Karen," while the other listed fundraiser for his/her neighborhood association and "Married to John/Karen."
- ¹³ Judith A. McDonald and Robert J. Thornton, "Do New Male and Female College Graduates Receive Unequal Pay?" *Journal of Human Resources* 42 (1) (2007): 32-48; L. A. Morgan, "Major Matters: A Comparison of the within-Major Gender Pay Gap across College Majors for Early-Career Graduates," *Industrial Relations* 47 (4) (2008): 625-650.
- ¹⁴ McDonald and Thornton, "Do New Male and Female College Graduates Receive Unequal Pay?"; Morgan, "Major Matters."
- ¹⁵ Ellen Galinsky, Kerstin Aumann, and James T. Bond, "NSCW 2008: Times Are Changing: Gender and Generation at Work and Home," in *National Study of the Changing Workforce* (New York: Families and Work Institute, 2009).