

The Disappearing Gender Wage Gap

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by June E. O'Neill

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A single, oft-cited statistic is that women make 79 cents for every dollar that men make doing the same work. However, that average number fails to account for factors aside from discrimination that can affect an individual's pay. When experience and other factors are considered, the wage gap narrows.



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Comparing single childless women to single childless men, ages 35-43, the wage gap not only disappears, but instead becomes a wage premium. Nevertheless, Americans are likely to hear much about the much-exaggerated wage gap during the election campaign.

Accounting for the Gap. The National Longitudinal Survey of Youth (NLSY) administered to 11,406 civilian students in 1979 who were re-interviewed in subsequent years, offers a more precise understanding of the gender pay gap. Follow-ups to the original survey in 2000 (when participants were ages 35-43) and in 2008 (when they were ages 43-51) show that a number of factors influence male and female hourly wages. Employer discrimination is not an important reason for the apparent wage gap.

Schooling and Cognitive Skills. The Armed Forces Qualifying Test (AFQT) was administered to nearly all survey participants and serves as a proxy for basic cognitive skills contributing to occupation productivity. Combined with results from the NLSY measuring the level of schooling completed, these two factors explain approximately one half of a cent of the wage gap, decreasing it from 79.0 cents to 79.4 cents on the dollar.

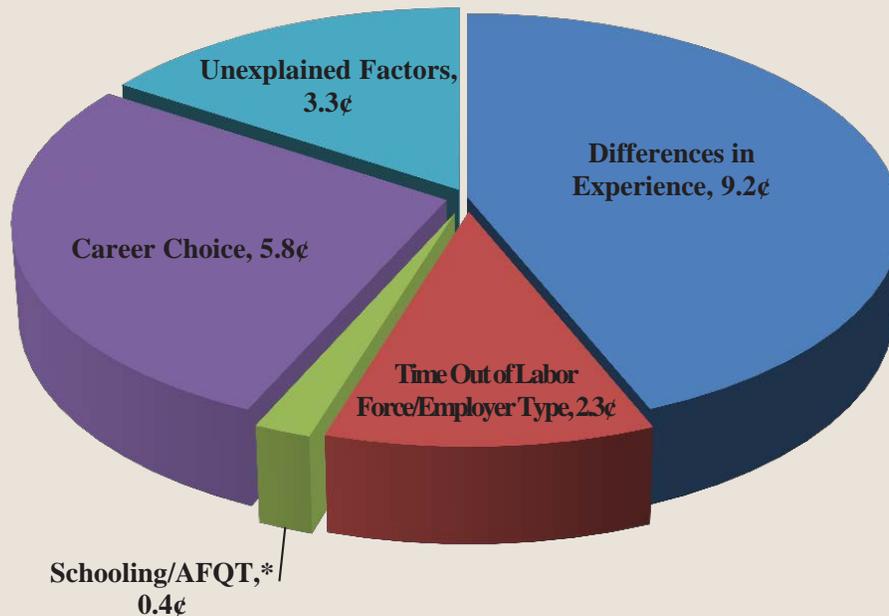
Work Experience. Accounting for the fact that men tend to have better-developed occupational histories markedly reduces the gender wage gap:

- In 2000, the average woman surveyed had about two years less work experience than the average man in military and civilian jobs combined.
- Moreover, close to 14 percent of the weeks worked by women were part-time compared to 5 percent for men.
- When this variation in work experience is applied to 2008 wage data, the gender wage gap closes from 79.4 cents to 88.6 cents on the dollar.

Time out of Labor Force and Employer Type. Because child rearing and other family responsibilities fall disproportionately upon women, they are significantly more likely to leave the workforce for an extended period. Furthermore, women are more likely to seek employment at nonprofits or in government agencies — employment which is associated with lower pay. These positions are usually more flexible and amenable to the needs of working mothers. Accounting for this difference, the wage gap further shrinks from 88.6 cents to 90.9 cents.

Career Choice. Women tend to work in fields dominated by women, in large part because these fields best satisfy women's' dual careers as workers and household managers. This can include less stressful work

Accounting for the 21 Cent Gender Wage Gap 2000



*Note: The Air Force Qualifying Test given to most of the participants in the longitudinal survey is a proxy for cognitive skills.
Source: Author's calculations using National Longitudinal Survey of Youth (2000).

environments (noise, strenuous activity, etc.), more flexible policies regarding time off, and a number of other factors. The inclusion of this variable further closes the wage gap from 90.9 cents to 96.7 cents.

Thus, of the 21-cent differential, 17.7 cents, or 84.3 percent of the total wage gap, can be explained by largely innocuous, non-discriminatory factors that have more to do with career and life choices than employers' prejudices. [See the figure.] Thus the charge of wage discrimination based on the 77-cent statistic is grossly misleading.

In fact, the unadjusted average hourly wage in 2000 of single women who have never had a child was 7.9 percent greater than that of their male counterparts. This comparison implies that any wage gap is rooted more in social trends and tendencies than malicious

discrimination by employers. It undermines the justification for government intervention to eliminate the wage gap.

Filling in the Gap. Advocates of the federal Paycheck Fairness Act claim that passage of the bill is a crucial step in gaining pay equity for women. The Act would require employers to justify pay differentials between men and women with similar job titles by requiring employers to prove that a standard qualification such as relevant work experience is a job-related necessity. Employees would also be empowered to propose alternative methods for setting pay more to their liking. Endless lawsuits would be further encouraged by provisions that fatten damages and make it easier to bring class action suits. Yet existing legislation including the Equal Pay Act of 1963 and the Civil Rights Act of 1964 and its amendments

are surely sufficient to check discrimination.

The Act is unlikely to be voted on during this session of Congress. Democrats failed to get the 60-vote majority needed in the Senate to bring the bill up for a vote, and the House of Representatives is controlled by Republicans, who oppose the bill. However, gender pay discrimination is likely to be an election issue, even though it is based on a myth.

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The analysis of the gender gap is from June E. O'Neill and Dave M. O'Neill, The Declining Importance of Race and Gender in the Labor Market: The Role of Federal Employment Policies (Washington, D.C.: AEI Press, forthcoming August 2012).