

# The Disappearing Gender Pay Gap

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*The claim that women only make 77 cents for every dollar a man makes is usually followed by a call for a whole new wave of regulations and pay mandates to stop this discrimination. The gender pay gap is undeniably real; men earn more than women, on average. The question is “Why?”*



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**What Is the Wage Gap?** The “77 cents to the dollar” statistic comes from the U.S. Census Bureau’s 2010 Current Population Survey. As of 2014, the ratio was bumped up to 79.5 percent. The Bureau of Labor Statistics, which calculates things a bit differently, puts the number for 2014 median weekly earnings closer to 83 percent.

What these statistics reveal is not what people are being paid for the *same* work, but what the *average* full-time working woman makes against the *average* full-time working man. It ignores differences in occupation. The average surgeon makes more than the average librarian, so if more men choose to be surgeons and more women choose to be librarians (which they do), this will be reflected in their average wage. This difference is due to their professional choices. It is, in fact, unequal pay for *unequal work*.

**Explaining the Gap.** A U.S. Department of Labor study by CONSAD Research Corporation even lamented how often the 77 percent statistic is misused, overshadowing the many real gains that women have made over the past few decades. “[D]espite these gains the raw wage gap continues to be used in misleading ways to advance public policy agendas without fully explaining the reasons behind the gap.”

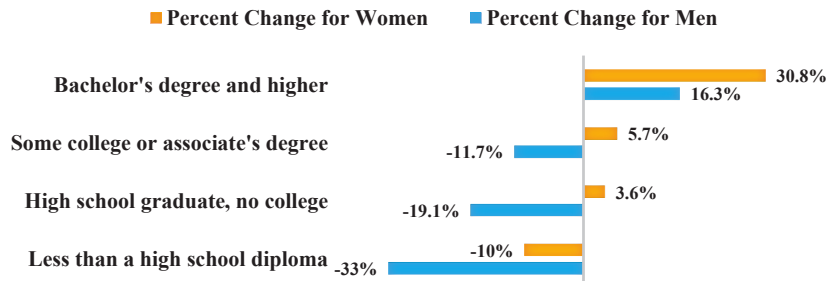
A majority of women aged 16 and over are part of the workforce, a third of the women in the labor force have a college degree, and the wage gap has been closed dramatically since 1970. As Figure I shows:

- Women’s inflation-adjusted wages have been increasing at a rate significantly higher than men’s, or rising even while men’s wages fall.
- While the real wages of both men and women without a high school diploma have fallen, this decrease is three times worse for men than for women.
- Women’s wages have been rising, even as the wages of men with a high school diploma or associate’s degree have been falling.

Women are much more likely than men to interrupt their work for familial reasons, such as maternity leave. Consequently, the gap between men and women’s pay is greater when women are married.

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**Figure I**  
Percent Change in Median Earnings,  
1979-2011



Note: Usual weekly earnings in constant dollars.

Source: U.S. Bureau of Labor Statistics.

As shown in Figure II, on average:

- Wages for married women are 76.6 percent those of comparable men, but women with other marital statuses earn 91.2 percent as much as men.
- Wages for unmarried women with no children under 18 years of age are nearly equal to men at 95.2 percent.
- The gap is greatest for married women with children 6 to 17 years old, who earn 72.0 percent as much as men.

In the past, much of the wage gap was explained by differences in human capital — the workplace value of an employee due to education, experience and innate abilities. Because more women are pursuing higher education and gaining work experience, there is much less difference today between men and women in terms of human capital. According to a study by Cornell University economists Francine Blau and Lawrence Kahn:

- Human capital accounted for 27 percent of the gap in 1980, but only 8 percent in 2010.
- In contrast, differences in occupation and industry accounted for 51 percent of the gap in 2011.

Thus, most of the wage gap can be attributed simply to women pursuing lower paying occupations. While women are generally more highly educated than

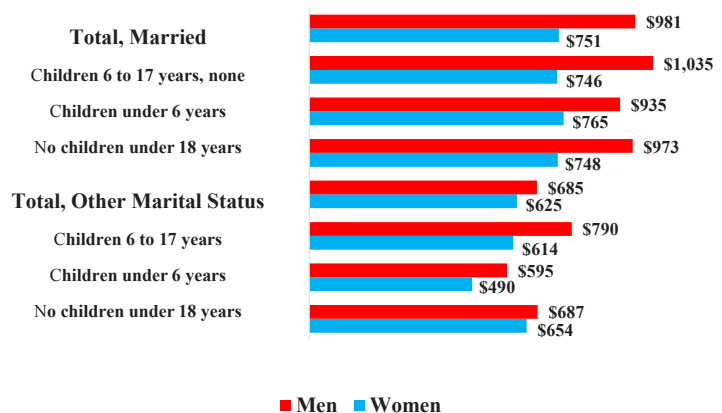
men, more women choose such majors as education or psychology, over computer science or engineering. As a result, women tend to enter lower paying occupations like nursing and teaching, by their own choice.

Accounting for the different measurable career choices women tend to make, the Department of Labor found the adjusted wage gap was between 4.8 percent and 7.1 percent, meaning women actually make *at least* 93 cents to 95 cents for every dollar a man makes “for the same work,” perhaps even more. Similarly, the study by Blau and Kahn found an adjusted wage of 92 cents per male-dollar.

**Conclusion.** As for the remainder of the gap, the cause is not clear. It may very well be due to discrimination, especially considering that women are still more likely to say they been discriminated against at work. However, there are several unmeasured factors that could lead to this gap, such as salary negotiating skills or women being more risk-averse than men. As the Labor Department researchers said, “this study leads to the unambiguous conclusion that the differences in the compensation of men and women are the result of a multitude of factors and that the raw wage gap should not be used as the basis to justify corrective action. Indeed, there may be nothing to correct.”

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**Figure II**  
Men's and Women's Wages, 2012



Note: “Other Marital Status” includes never married, divorced, separated and widowed. Based on annual averages of median usual weekly earnings of full-time wage and salary workers.

Source: U.S. Bureau of Labor Statistics.