

# THE GENDER WAGE GAP AND WAGE DISCRIMINATION

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Economics 1

# HISTORY

- After more than a generation since the Equal Pay Act of 1963 and the Civil Rights Act of 1964 together barred employment and wage discrimination, the gap between men's and women's average earnings is still wide.



\*Three-fourths of a penny for your thoughts...\*

- In 1999, women's median weekly earnings for full-time workers were 76.5 percent of men's - a gender wage gap of 23.5 cents for every dollar earned by the median man.



# MODERN SITUATION

- The World Economic Forum's Gender Gap Report states, "No country in the world has yet managed to eliminate the gender gap."



- In the U.S., the Bureau of Labor Statistics cites women working 41 to 44 hours per week earn 84.6% of what men working similar hours earn; women working more than 60 hours per week earn only 78.3% of what men in the same time category earn



# WAGE DISCRIMINATION



- Many believe that the wage gap is a good measure of the extent of gender wage discrimination, which occurs when men and women are not paid equal wages for substantially equal work.

- It is generally suggested that the wage gap is due to a variety of causes, such as differences in the types of positions held by men and women, differences in the pay of jobs men typically go into as opposed to women, and differences in amount of work experience, and breaks in employment.



- However there is still debate over whether any of the wage gap is due to explicit discrimination, as well as over the extent to which women and men are forced to make certain choices due to social pressure.

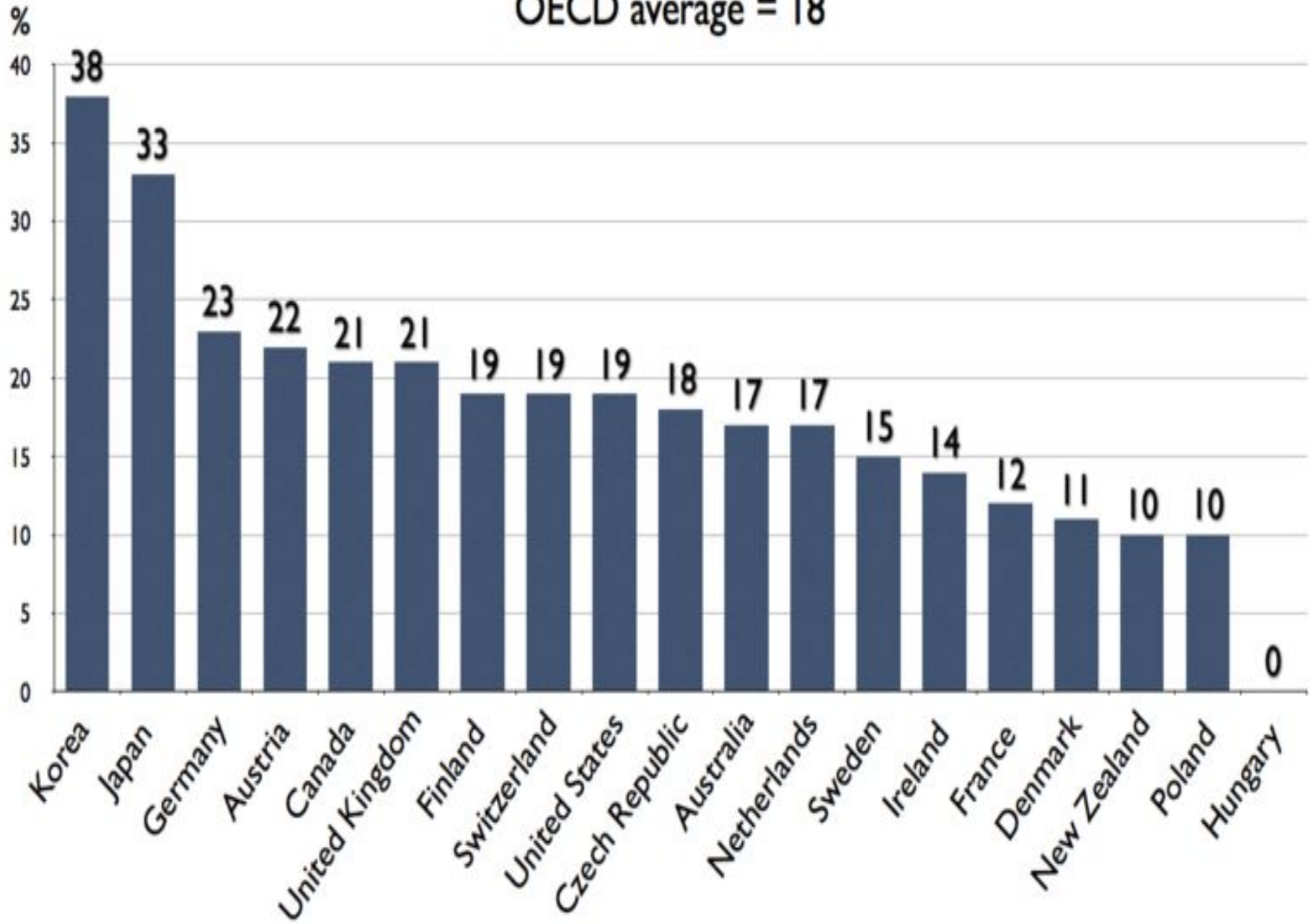




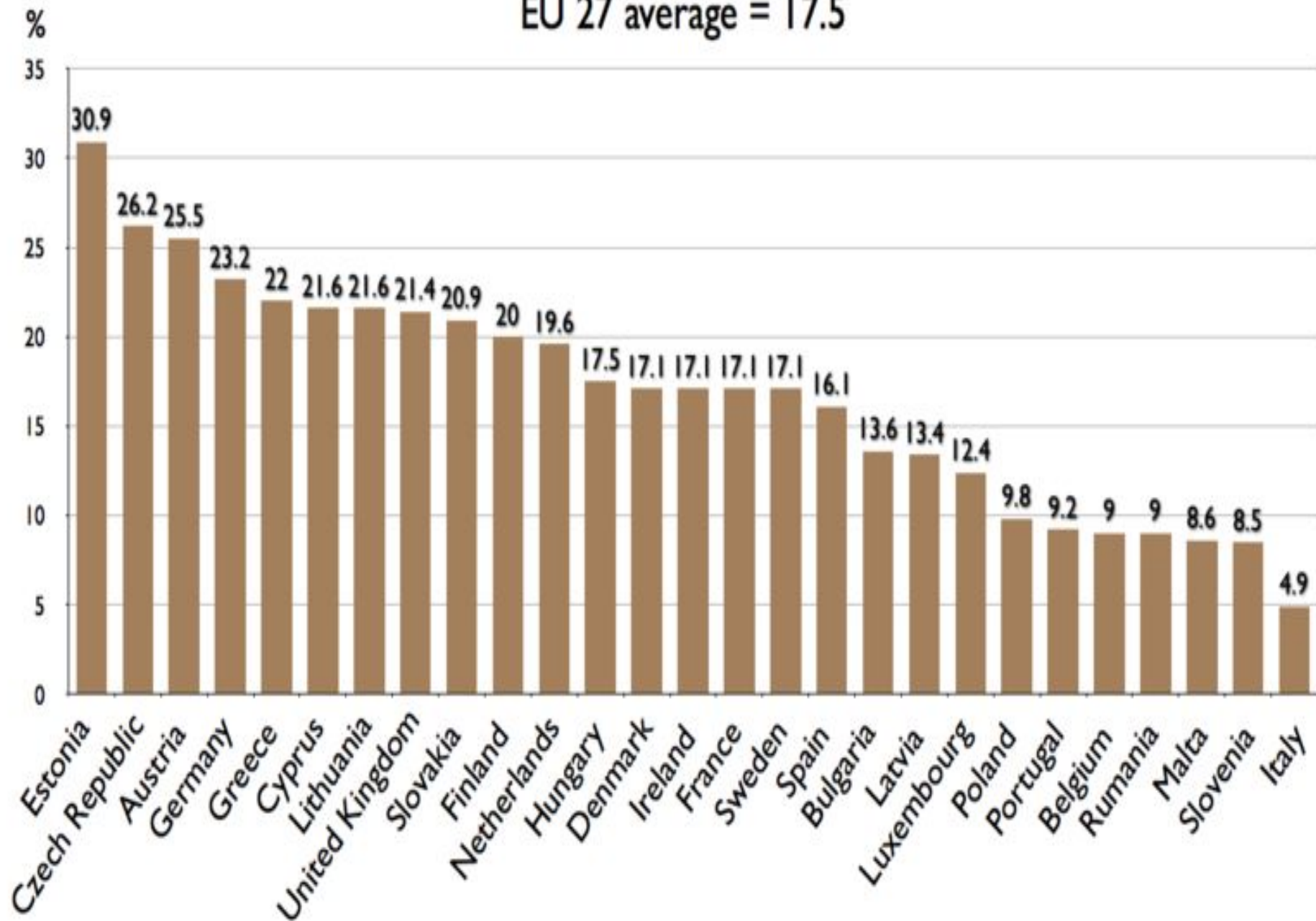
- The first step in understanding the composition of the gender wage gap is to see if the correct measure of wages is being used. Because the average woman works fewer hours per week than the average man, defining the gap in terms of weekly earnings, as the Department of Labor usually does, inflates the wage gap artificially.



OECD average = 18



EU 27 average = 17.5

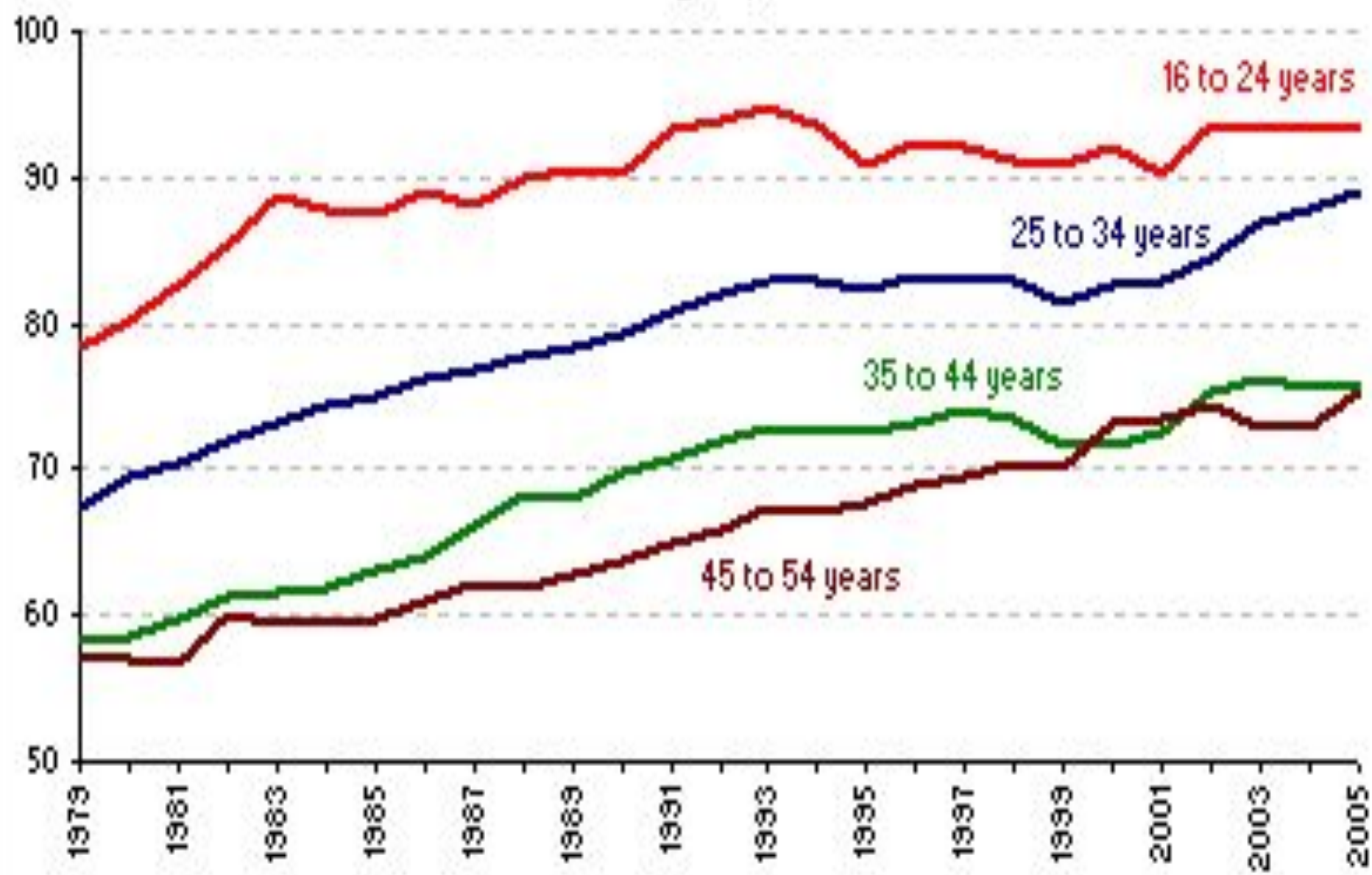


## Estimated Earned Annual Income of Female Laborers in Predominately Muslim Countries

Country	Income (PPP US\$)	Global Rank	Ratio to Male Wages	Ratio for Equal Work	Rank
Afghanistan	-	-	-	-	-
Egypt	\$2,605	126	0.26	0.82	1
Syria	\$1,362	134	0.15	-	-
Iran	\$3,912	130	0.21	0.63	87
Iraq	-	-	-	-	-
Turkey	\$7,813	121	0.3	0.63	85
Indonesia	\$2,780	112	0.42	0.67	58
Tunisia	-	-	-	-	-
Pakistan	\$940	131	0.21	0.56	110
Bangladesh	\$1,214	90	0.52	0.55	115
Saudi Arabia	\$6,652	132	0.17	0.62	94
Nigeria	\$1,842	74	0.57	0.73	33

Source: Gender Gap Report 2012, World Economic Forum

**Women's weekly earnings as a percent of men's by age,  
annual averages, 1979-2005**





- Several studies have shown that, in the United States, several minority groups, including black men and women, Hispanic men and women, and white women, suffer from decreased wage earning for the same job with the same performance levels and responsibilities as white males.

- Numbers vary wildly from study to study, but most indicate a gap from 5 to 15% lower earnings on average, between a white male worker and a black or Hispanic man or a woman of any race with equivalent educational background and qualifications.



# PENSIONS

- The European Commission argues that the gender pay gap has far-reaching effects, especially in regard to pensions. Since women's earnings over a lifetime are on average 17.5% (as of 2008) lower than men's, these lower earnings result in lower pensions. As a result, elderly women are more likely to face poverty: 22% of women aged 65 and over are at risk of poverty compared to 16% of men.





# ECONOMIC THEORIES OF THE GENDER PAY GAP

- **Marginal Productivity Differences**

If workers have different levels of human capital, then pay differences will be a result of differences in their marginal productivity. One could argue that since women are sorted into less productive occupations, their lower pay is a result of their lower marginal productivity.



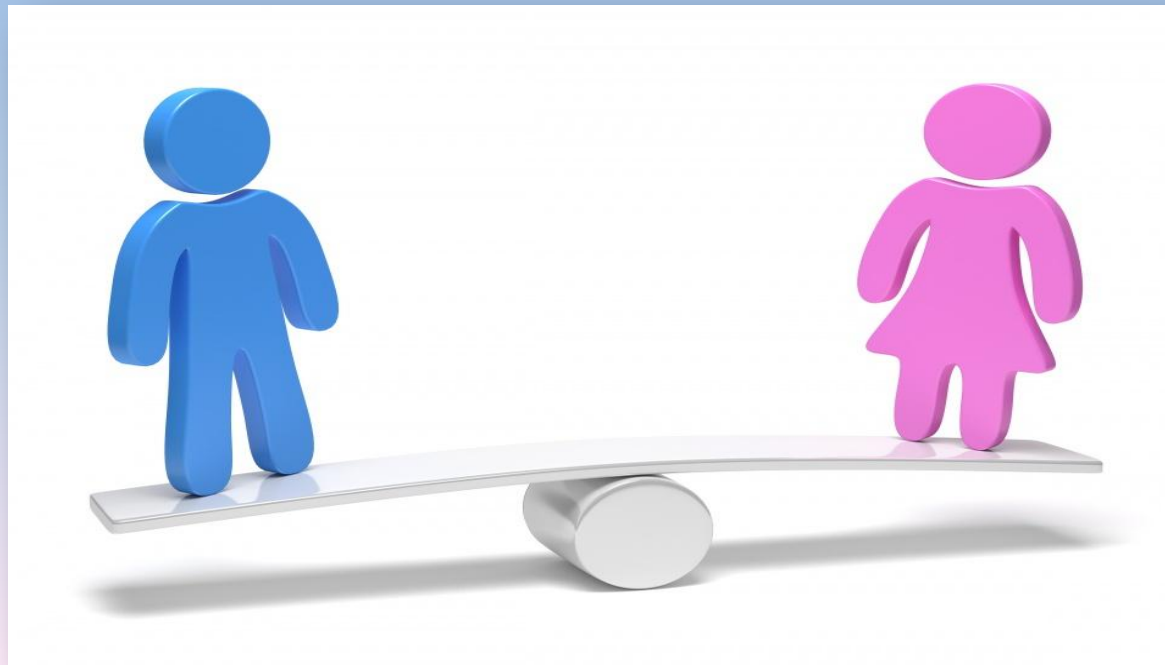
- **Discrimination**

In Neoclassical economics, discrimination is considered inefficient. If an employer were to pay women less than men and less than their marginal productivity, women workers would seek work elsewhere where they could earn higher wages, leaving the employer unable to attract sufficient workers unless wages were raised. Therefore, as employers seek to maximize profits, they will need to pay workers equal to their marginal productivity without differentiating by gender.



- **Monopsony Explanation**

In monopsony theory, wage discrimination can be explained by variations in labor mobility constraints between workers. Ransom and Oaxaca show that women appear to be less pay sensitive than men, and therefore employers take advantage of this and discriminate in their pay for women workers.



# EFFECT OF SOCIALIZATION ON GENDER PAY-GAPS

- Another social factor, which is related to the aforementioned one, is the socialization of women. Since women are not as encouraged to take on higher education and more challenging jobs, a male dominated society tends to relegate women to domestically-oriented work.



- Nonetheless, women continue to do well in higher education when compared to men. Yet studies show the existence of a pay gap even when a woman and man hold the same degree and same experience level.

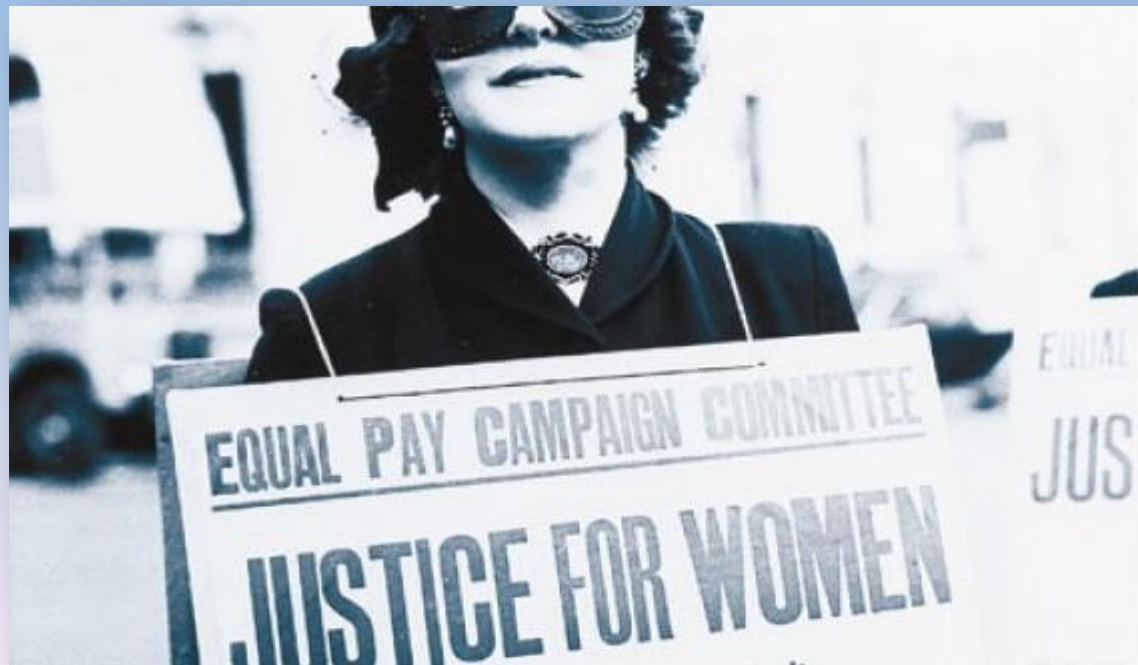


- Men are more likely to be in relatively high-paying industries such as mining, construction, or manufacturing and to be represented by a union. Women, in contrast, are more likely to be in clerical jobs and to work in the service industry. These factors explain 53% of the w

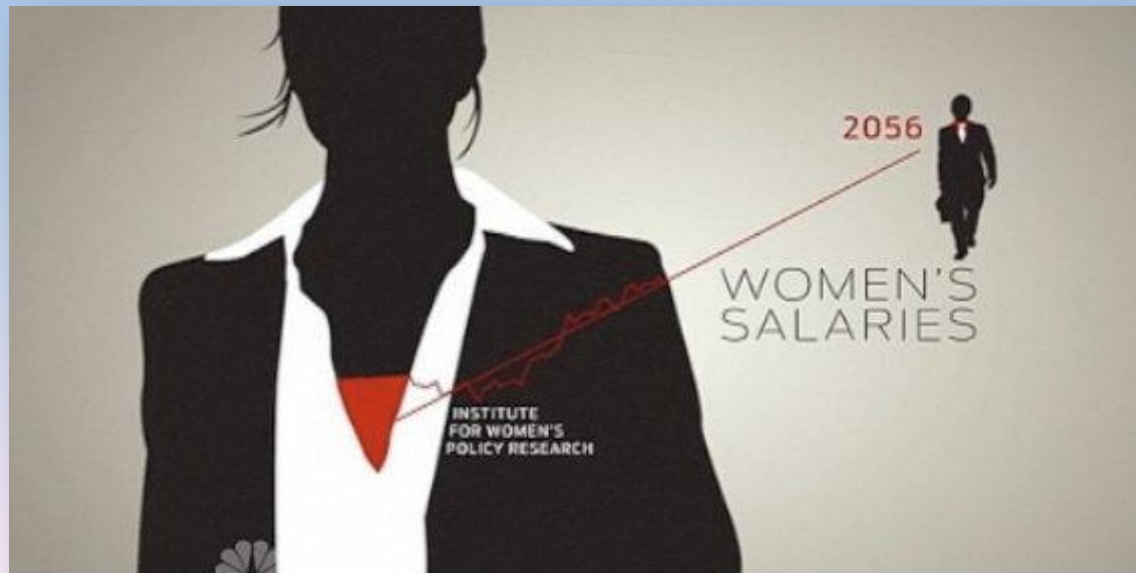


# ANTI-DISCRIMINATION LEGISLATION

- According to the 2008 edition of the *Employment Outlook* report by the OECD, almost all OECD countries have established laws to combat discrimination on grounds of gender. Legal prohibition of discriminatory behavior, however, can only be effective if it is enforced.

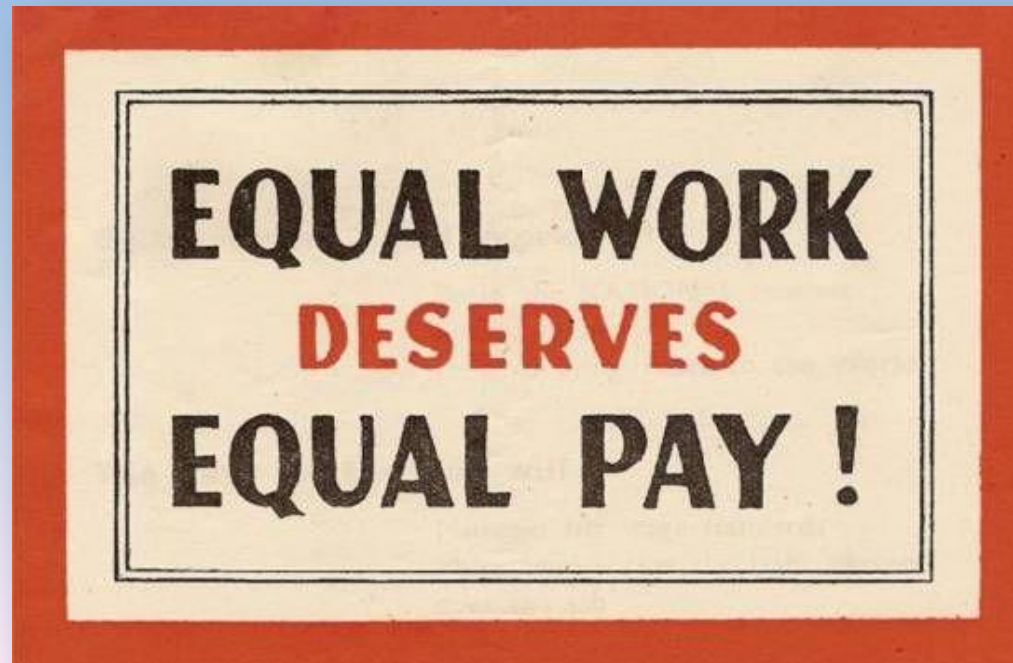


- The OECD points out that: in all OECD countries, enforcement essentially relies on the victims' willingness to assert their claims. But many people are not even aware of their legal rights regarding discrimination in the workplace. And even if they are, proving a discrimination claim is intrinsically difficult for the claimant and legal action in courts is a costly process, whose benefits down the road are often small and uncertain. All this discourages victims from lodging complaints.





- Moreover, although many OECD countries have put in place specialized anti-discrimination agencies, only in a few of them are these agencies effectively empowered, in the absence of individual complaints, to investigate companies, take actions against employers suspected of operating discriminatory practices, and sanction them when they find evidence of discrimination.



- In 2003, the U.S. Government Accountability Office (GAO) found that women in the United States, on average, earned 80% of what men earned in 2000 and workplace discrimination may be one contributing factor. In light of these findings, GAO examined the enforcement of anti-discrimination laws in the private and public sectors. In a 2008 report, GAO focused on the enforcement and outreach efforts of the Equal Employment Opportunity Commission (EEOC) and the Department of Labor (Labor).



- GAO found that EEOC does not fully monitor gender pay enforcement efforts and that Labor does not monitor enforcement trends and performance outcomes regarding gender pay or other specific areas of discrimination. GAO came to the conclusion that "federal agencies should better monitor their performance in enforcing anti-discrimination laws."

