Explaining the Gender Wage Gap

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The most commonly cited statistic for the gender wage gap asserts that women earn only 77 cents for every dollar earned by men. However, a great deal of contention surrounds statistics measuring and quantifying the gender wage gap, and this confusion is not entirely without merit. Some of the controversy around wage-gap estimates and figures is at least partly due to the fact that, like many statistics, the exact figure changes slightly depending on the data source used. With competing statistics and a highly politicized issue, the very existence of the wage gap is often called into question—along with its significance and driving causes.

The "77 cents" formulation is a colloquialism—shorthand for expressing a complex economic truth. Simply put, what it conveys is the fact that, if you average out what all women, working full time, year round, earn and compare that number to what all men working full time, year round, earn, you find that women take home 77 percent of what men do.

The confusion around wage-gap calculations is further fueled when people misspeak about the nature of the number, what it reflects, and to which groups of workers it refers. To be very clear, the 77-cents-on-the-dollar statistic does not compare men and women doing identical work. This has led to critics charging that the 77-cent figure is a willful manipulation of truth that does not accurately reflect gender discrimination in the workplace. In reality, the 77-cent figure does capture some discrimination, but it also reflects gender differences in jobs, hours worked, years of experience, educational attainment, or personal choices that people make about their careers. Incorporating these significant factors is precisely what makes the number valuable.

This issue brief explains how the wage gap is calculated, why the numbers are not all the same, and what causes are driving the most commonly cited 77-cent figure.

Is the 77-cent figure accurate?

Like all statistics, the 77-cent statistic tells a particular story. It's calculated by dividing the median earnings of full-time, year-round, working women by the median earnings of full-time, year-round, working men, all rounded to the nearest $100.

The wage gap looks slightly different depending on which data source is used in the calculation. Outcomes look marginally different, for example, depending on whether weekly or annual earnings are compared. Annual data for 2012, the latest year for which data are available, estimate that women earn 77 percent of what men do for working full time, year round, while weekly data put the estimate at 82.1 percent. But this is not an issue unique to calculating the gender wage gap, since most statistics vary slightly when pulling data from different sources using different measures of analysis. Similarly, the estimate of the median annual wage for all full-time workers regardless of gender—$45,535 in 2012—is not the same as the median weekly wage for all full-time workers—$765 to $772 depending on the quarter—multiplied by 52.

The annual wage-gap statistic average is compiled by grouping together many people—and, as such, it has its caveats. In real life, men and women often do not hold the same jobs. Neither do they, on average, have the same years of experience, work the same hours, or equally share the responsibility of childbirth and child care. All of these factors translate, to different degrees, into lower pay.

And it's all of these factors coming together—in the same way that they do in real life—that gives the 77-cent comparison meaning. The varied factors that influence the wage gap—different jobs, different hours, and different work histories—are not purely the result of women's choices. There are significant structural factors that influence the decisions working women make that result in lower pay, and these deserve as much attention as overt discrimination.

What explains the wage gap

Occupational differences

One of the largest driving factors of the gender wage gap is the fact that men and women, on average, work in different industries and occupations; this accounts for up to 49.3 percent of the wage gap, according to some estimates. Women are much more likely than men to be clustered in just a few occupations, with nearly half of all working women—44.4 percent—employed in just 20 occupations, including secretaries and administrative assistants, registered nurses, and school teachers. Meanwhile, only about one-third—34.8 percent—of men are employed in the top 20 occupations for male workers, including truck drivers, managers, and supervisors.

Interestingly, only four occupations—retail salespersons, first-line supervisors and managers of retail stores, cooks, and all other managers—appear in both genders' top 20 most common occupations. Not only are women more likely to be concentrated in fewer types of jobs, those jobs are more likely to be female dominated—a fact that often leads to lower wages. Female-dominated industries pay lower wages than male-dominated industries requiring similar skill levels, and the effect is stronger in jobs that require higher levels of education.Women are more likely to be concentrated in low-wage work,and they make up the majority of minimum-wage workers in the United States. The top 10 occupations for women all pay men more on average, including secretaries and administrative assistants, registered nurses, teachers, and cashiers. In fact, out of the 534 occupations tracked by the Bureau of Labor Statistics, only seven pay women more than men on average, such as respiratory therapists and stock clerks. The jobs that pay women more on average employ about 1.5 million women, or approximately 3 percent of the full-time female labor force.

The highest wage premium for women is among respiratory therapists, an occupation where women earn 6.4 percent more than men—the equivalent of an extra $62 per week. That is certainly nothing to scoff at, but it pales in comparison to the occupations with the worst wage gap for women: property, real estate, and community association managers. In these jobs, women earn, on average, 60.6 percent of what men do within the same occupation—the equivalent of losing an astonishing $473 dollars per week. Put another way, the wage losses per week of women property managers is about equal to the wage premium that women respiratory therapists earn over two months.

So while the 77-cent figure compares working women and men in different jobs, it is influenced by occupational segregation and the different wages men and women earn even within the same types of jobs.

All this could be used to argue that the wages for men and women would be the same if only women were not choosing traditionally female-dominated industries. But in reality, there are several factors that lead women to traditionally female-dominated roles, including the gendered socialization that trains girls from childhood to embody the sorts of traits that translate well into traditionally feminine jobs centered on nurturing, service, and supporting other people in their jobs. As the following sections illustrate, there are structural factors that influence the different career paths of men and women—factors that should be addressed to ensure that all workers are able to work and contribute to the economy in ways that make the most of their abilities and strengths.

Differences in hours

Women not only work in different occupations, but they also work fewer hours in the workplace: 35 minutes less per day than men, among full-time working men and women. What accounts for that difference in time? Interestingly, when home and child care work is taken into account, the time gap looks very different. Employed mothers with a child under age 6 spend about 47 more minutes per day caring for and helping household members, compared to employed fathers. Parents of older children also have a caring time gap, though it is smaller—about 22 minutes per day. The data suggest that women's reduction in work hours can be accounted for when taking into consideration the fact that women provide more unpaid care in the home, at least in homes with children.

While the fact that full-time working women put in fewer hours on average certainly affects the wage gap, the penalty women pay for working less is not as straightforward as a simple subtraction in hourly wages. Harvard economist Claudia Goldin has found that in some well-paid occupations, such as business and law, people who work very long hours receive a disproportionate increase in their wages—which means that those who work fewer hours receive disproportionately lower pay. In these types of jobs, for example, working 20 percent fewer hours results in a reduction in compensation of more than 20 percent. Some research shows that the career costs of childbearing are particularly high for highly skilled women in professional occupations, likely in part because there is not a direct relationship between hours and wages for women who find themselves on the "mommy track."

Some critics use this as fuel for their argument that the wage gap only exists because women scale back their work hours to care for their families. But that belief rests upon a very abstract take on reality. The fact is, in real life, women work the way they do for reasons that, for all but the most privileged, have very little to do with choosing purely between work and family life. In fact, there is a cyclical relationship between women's wages and unpaid care work within the home.

Family caregiving

When women earn less to begin with, often due to occupational segregation, it may make economic sense for them to be the ones to scale back to provide family care for children or aging relatives. In turn, that reduction in job hours and job tenure both lowers women's wages overall and contributes to the cultural notion that women are not as devoted to employment once they have children. Mothers, on average, have lower earnings than women without children, and while some of this gap may be due to working fewer hours, at least some of it persists even when productivity is taken into account. The unfortunate truth is that mothers are perceived as less dedicated employees after having children because many employers think mothers will be distracted by their home lives. At the same time, men tend to receive pay increases after becoming fathers, in part because fathers are assumed to be the breadwinners for their families even though most married men have working partners.

There's also the fact that women are now more likely than ever before to be raising children without a partner—carrying all the weight of breadwinning and homemaking on their own shoulders. Nearly two-thirds of mothers are the primary or co-breadwinners for their families.And this does not even begin to take into account the lack of federal laws in this country that could help manage conflicts between caring for a family while still bringing in income.

There is currently no mandate in the United States that ensures workers have access to paid sick days, and as a result, roughly 40 percent of workers risk losing a day's pay or their jobs if they or a family member fall ill. Mothers are more likely than fathers to stay home with sick children, and one-third of parents of young children report that they are concerned about losing their jobs or their wages if they have to stay home with an ill child, according to the C.S. Mott Children's Hospital National Poll on Children's Health.

The United States is one of only a few countries in the world, and certainly the only advanced economy, where mothers do not have the right to paid maternity leave after the birth of a new child. Currently, only 12 percent of workers have access to paid family leave, and when mothers have to take unpaid time out of the labor force, it results in longer gaps in work histories with a negative impact on future wages, compared to mothers who have access to paid leave. Because so few women have access to paid maternity leave, and because the biological realities of childbirth mean that most women have no choice but to take time off after having children, mothers end up spending more time out of the labor force than fathers, which further contributes to the gender wage gap.

'Unexplained' drivers of the wage gap

Cornell economists Francine D. Blau and Lawrence M. Kahn have managed to quantify what percentage of the pay gap between men and women is due to aspects we cannot easily measure—aspects that go beyond things such as occupation, educational attainment, and years of experience. According to Blau and Kahn, this percentage is 41.1 percent. At least some of this is due to discrimination, even if it is subtle and subconscious. Combating gender and caregiver pay discrimination is a real and important challenge facing our country, which is why laws such as the Equal Pay Act of 1963 and the Lily Ledbetter Fair Pay Act of 2009 are so important.

But the rest of the wage gap—nearly 60 percent—is influenced by all the structural and social factors that drive the decisions women make about where and how long they work. These factors constrain the choices that lead them to work and earn less. Altogether, they are why the 77-cent figure is meaningful: Comparing a woman and a man in the same occupation and with the same background in a very narrow way only tells you one part of the story—even though a gender wage gap still persists within these types of comparisons.

The good news is that some of these issues can be addressed through public policy. The Healthy Families Act would ensure that workers have access to paid sick days and would no longer have to worry about taking a financial hit if they or their children were to fall ill. The Family and Medical Insurance Leave Act, or FAMILY Act, would create a federal paid family and medical leave program that would provide up to 12 weeks of partial wage replacement after the birth of a new child, to provide care to a seriously ill family member, or to recover from a worker's own serious illness, building on the job protection offered by the Family and Medical Leave Act of 1993.

It's the structural barriers to women's progress and enduring social attitudes about women's place that contribute the most to women's lower pay, according to economic analyses of the wage gap. Understanding these constraints and what causes the gender wage gap is an important first step to change structural barriers.

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