

The Complex Causes of the Gender Pay Gap



by Barbara Wagner

In the United States, women earn median wages that are 71 percent of the median earnings for men. In Montana, this figure is 68 percent. The gap between the median wages for men and women is referred to as the gender wage gap. The gap between men and women's wages exists in nearly every occupation, in all industries, in every state, across countries, at all education levels, and in the private, government, and nonprofit sectors. While the gender pay gap is improving, the narrowing is happening at such a slow pace that it would take until 2058 to reach gender pay equity (Hayes, 2013).

When presented with statistics on the gender pay gap, many react with disbelief because they don't see discrimination in their workplaces. After all, it is illegal to make hiring decisions, promotion decisions, and pay decisions based on gender. On the other side of the spectrum, there are many others who have witnessed or experienced gender discrimination in their workplaces and are ready to attribute the full gap to discrimination. Both of these viewpoints are incomplete.

Subtle Stereotypes at Work

Economic research on the gender pay gap has found many reasons for the differences in pay between men and women, including different career and education choices, differences in work experience, and, yes, discrimination. Pay discrimination is usually not overt but instead a reinforcing of subtle stereotypes that lead to unconscious gender bias. Both male and female managers are equally likely to demonstrate

gender bias in hiring and pay, and the pervasiveness of the wage gap across all industries, occupations, education levels, and other demographics suggests that the pay gap is a result of historic and cultural beliefs that are common to us all.

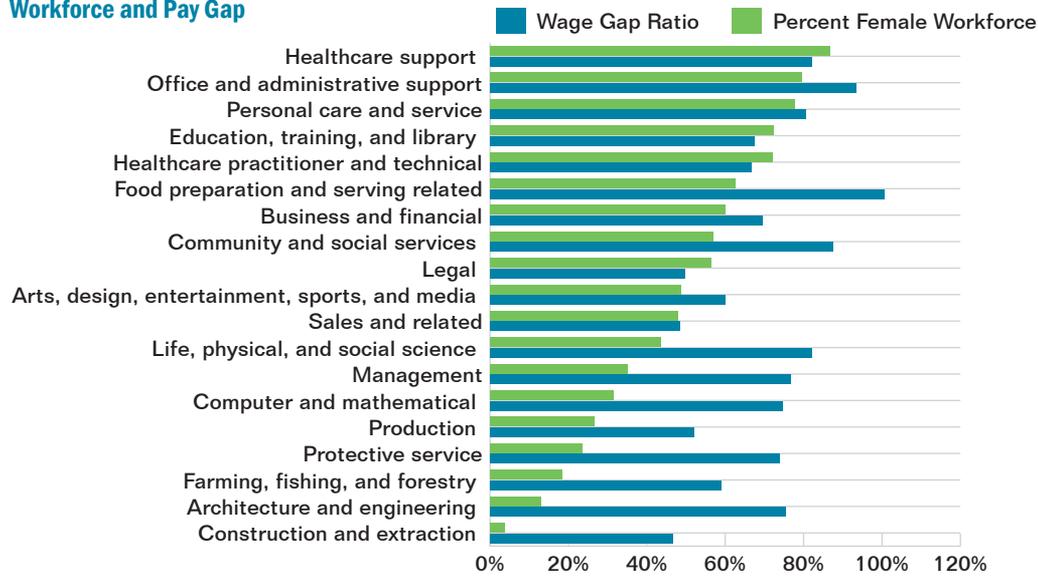
The largest factor that explains the gender pay gap is differences in hours worked by men and women. Women are more likely to work in part-time jobs and less likely to work year-round. However, when comparing full-time, year-round workers in Montana, women's median earnings are only 75 percent of men's median earnings, meaning a sizable pay gap still exists after accounting for hours at work.

Over time, lower work hours by women result in women having lower experience levels than men, and less work experience translates to lower pay. Yet women face a pay gap immediately in their careers, before experience differences exist. Young women aged 16-24 earn roughly 90 percent to 95 percent of men's earnings. College-aged women graduating with similar grades in similar majors and accepting jobs similar to their male colleagues' earn 7 percent lower starting salaries (Hill and Corbett, 2012). The wage gap experienced by younger women is of particular concern because raises are often calculated as a percentage of the existing salary, leaving little hope that today's college graduates will ever achieve pay equity.

Further, research suggests that the experience levels of women are treated differently from other workers. Many studies have been completed where employers receive identical resumes, but half of the resumes have a female

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Figure 1
Montana Occupations by Percentage of Female
Workforce and Pay Gap



Source: 2009-2013 American Community Survey 5-Year Estimates.

name (Barb) and the other half list a male applicant (Bob). Employers are more likely to offer the job to the male, with starting salary offers 7 percent to 15 percent higher than those offered to females, despite identical qualifications listed (Blau and Kahn, 2000). Similar studies have found that bias exists even before the worker reaches the job market, with women being less likely to be accepted into education and training programs in non-traditional fields.

In general, the education levels between men and women are fairly equal, with little of the pay gap being explained by differences in education. However, there are gaps between the fields pursued by men and women, with women less likely to pursue degrees in the high-paying fields of engineering, science, math, and technology.

The differences in degree fields result in differences in the occupational and industry choices of men and women, with women generally working in occupations and industries that have lower pay. Nearly 32 percent of working women in the U.S. are in the low-paying sales and office support occupations. In contrast, women comprise only 9 percent of workers in the high-paying legal and management occupations. Gender differences in occupation and industry choice can explain a sizable portion of the wage gap – up to 50 percent of the difference in some studies (Blau and Kahn, 2000).

However, the use of occupation and industry choice raises some concerns that the analysis is hiding pre-market discrimination. Why, all other factors being equal, would

women choose occupations with less pay instead of more pay? Research suggests that women are likely concentrated in low-paying occupations after not being hired for higher-paying jobs (Gobillon et al., 2015). Further, even within an occupation or industry, women earn less than men. Male nurses make more than female nurses. Male writers make more than female writers. In all of the 26 occupational categories used to track wages, men out-earn women.

The Intangible Factor: Discrimination

All of these factors put together can help explain most of the differences in pay between men and women. Differences in education, occupation, industry, experience, and hours worked can explain almost half of the difference between men's and women's pay. However, there remains a sizable portion that cannot be explained, despite many years and a multitude of studies attempting to figure it out. Most studies find that roughly 8 cents to 15 cents of the pay gap cannot be explained by other factors and is usually considered to be due to discrimination.

The issue of gender pay equity is sure to inspire emotional reactions, as this issue touches nearly every worker. Employers, women, their families, and their co-workers all desire and deserve fair and equitable treatment. We all want to feel that we have earned our wages in a competitive process that rewards and encourages the best workers. Yet a gender pay gap continues to exist, with both male and female managers exhibiting biases.

Solutions

The causes of the gender wage gap are complex, and finding solutions is challenging. Change will come with solid approaches to the factors we know and understand combined with across-the-workplace understanding of subtle discrimination.

Centralized pay determinations that remove the perception of individual managers can help. Instead, researchers suggest transparent pay determinations, which openly discuss the methods that are used to determine pay, and which use measurable criteria like education, years of experience, and quantitative performance measures. Even providing a salary range with the job posting can equalize pay by encouraging more women to negotiate their starting salary. Finally, providing paid parental leave for both men and woman has been effective in other countries in spreading family care duties among both parents, plus women receiving paid maternity leave are more likely to return to their employer post-childbirth, retaining more women in the workforce and eliminating long periods of time off work.

Individuals can also play a role to change the culture of work. Recognizing subtle differences in gender treatment

at work, giving public recognition for female coworkers' accomplishments, and encouraging women to negotiate for raises and promotions are all actions individuals can take to address the gender wage gap. Together, we can start bringing greater equality to the workplaces of Montana.

References

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