

Testimony of
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Strengthening the Middle Class: Ensuring Equal Pay for Women

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Thank you Chairman Miller and Members of the Committee for providing me with the opportunity to speak to you today.

My name is Heather Boushey and I am a senior economist at the Center for Economic and Policy Research, a non-partisan think tank in Washington, DC. My area of expertise is the U.S. labor market, with an emphasis on the interconnections between labor, social policy, and work/life balance.

The way to strengthen the middle class is to ensure equal pay for women. Most women are in the labor force, including over 70 percent of all mothers. Yet, women continue to earn less than men even if they have similar educational levels and work in similar kinds of jobs. The typical full-time, full-year working woman earns only 77 percent of what her male counterparts make. About 40 percent of this gap in pay cannot be explained by women's choices.

The gender pay gap is not just a women's issue. This is a pressing issue for middle class families. The typical wife brings home about a third of her families total income. Over the past few decades, families who had a working wife were more likely to be upwardly mobile. Since the late 1970s, the additional earnings of wives has made the difference between falling and slightly rising incomes for families in the bottom 40 percent of the income distribution.

Closing the pay gap requires that we address the causes of women's lower wages, sex segregation in occupations and the inflexibility of the workplace to women's greater responsibilities for care. Policymakers may not be able to directly reduce occupational segregation, but they can require that employers pay workers doing similar jobs similar wages.

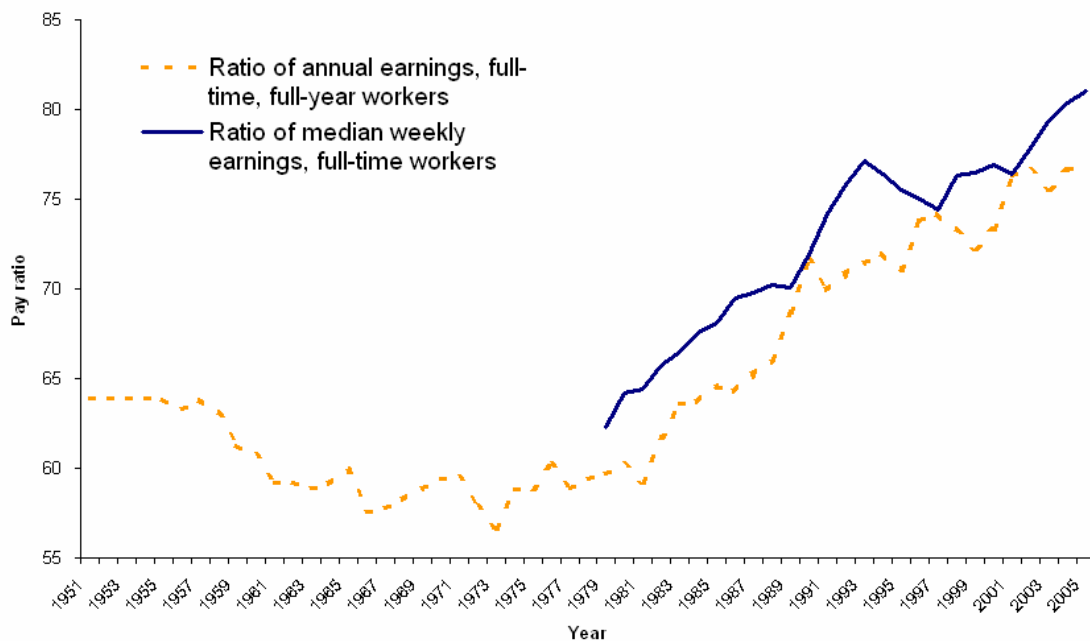
Closing the gender pay gap requires that policymakers do more to help families balance work and family life. With the majority of parents at work and most families having no full-time caretaker in the home, employers must recognize that their workers should not have to choose between being good workers and being good parents. It is women who continue to not only do the most caretaking, but who bear the brunt of the economic penalties of the workplace. Policy initiatives like paid sick days, paid family leave, increased access to flexible workplaces—without pay penalties—are all important steps in leveling the playing field between men and women on the job.

The gender pay gap: Where are we at?

Nearly half a century after passage of the Equal Pay Act, women still earn less than men for doing similar kinds of jobs. The gender pay gap among full-time, full-year workers is now at 23 cents, meaning that for every dollar a man earns, women earn only 77 cents.

There are various ways to measure the gender pay gap, but the overall trends are similar. Figure 1 shows two different measures: the gender annual earnings ratio among full-time, full-year workers and the gender wage ratio among full-time workers. The ratio of annual earnings began to increase sharply in the 1980s, but then the pace of increases slowed during the 1990s. Since 2001, the ratio of annual earnings has remained about the same, at around 77 cents on the dollar. The weekly earnings ratio follows a similar trend, but showed less convergence than annual earnings during the 1990s.

Figure 1. Ratio of Women's Pay to Men's



Source: U.S. Census Bureau and Bureau of Labor Statistics.

The gender pay gap closed as women's employment patterns and educational attainment levels began to look more like men's. Women's employment patterns have also begun to look more and more like men's, at least some of which was due to rising wages, which pulled women into the labor force. Increasingly, women work regardless of their status as wives or mothers (Blau and Kahn 2005; Boushey forthcoming; Juhn and Murphy 1996). These trends are likely to continue because young women are acting as though they intend to work in the paid labor market and continue to make significant investments in their work skills, so much so that women now outnumber men on college campuses.

Much of the pay gap remains unexplained and cannot be attributed to women's choices

Research has shown that the gap in pay between men and women is partially attributable to the decisions that men and women make in terms of college major, choice of occupation, and work experience (Dey and Hill 2007). The first two of these—college major and choice of occupation—can be considered an honest choice. Women now have access to higher education and more kinds of jobs than their mothers did. However, there are many aspects of women's employment patterns and pay that cannot reasonably be attributed to choice.

To better understand the gender pay gap, economists use regression-adjusted estimates of pay for men and women, controlling for all measurable productivity-related characteristics of workers. This method allows us to compare the pay of men and women with similar characteristics and determine what factors contribute to the pay gap and what the model cannot explain. Using regression analysis, Blau and Kahn (2007) found that while educational attainment levels lowered the discrepancy in pay between men and women, other productivity-related factors, such as experience, occupation, and industry all increased the gap. Overall, nearly a third of the gender pay gap (27.4 percent) can be explained by differences in occupations, one-fifth (21.9 percent) can be explained by industry, and 10.5 percent can be explained by labor force experience.

However, Blau and Kahn (2007) found that 41.1 percent of the gender pay gap remains unexplained. This means that if women worked in the same jobs as men and had the same educational and experience levels, the gender pay ratio would rise from 80 to 91 percent of men's.

There are two reasons that economists point to explain the gender pay gap. One is the continued segregation of women and men into different kinds of jobs and the other is women's continued role as caregivers.

As Blau and Kahn point out, most of the explained portion of the gender pay gap is due to differences in the industries and occupations that men and women work in. Men continue to be more likely to hold jobs as managers and professionals, transportation or construction workers, or in heavy manufacturing. Women are disproportionately represented in nursing, teaching, retail sales, and clerical work. While the extent to which jobs in the U.S. economy are segregated has fallen since the 1950s, more so for workers with a college degree than for other workers, there remains a high degree of occupational segregation (England 2005).

Most women will eventually have children and there remains strong social and economic pressure for mothers, not fathers, to spend more time caring for children, as well as elderly or ailing relatives. On the one hand, in most families, the woman earns less, so it may make economic sense to prioritize his career. On the other hand, there is a growing body of evidence that points to the conclusion that men face large penalties if they take on caregiving roles (Williams 2007). Even so, over the past generation, women have made great strides in increasing their employment tenure.

The time out of the labor force has a strong effect on lifetime pay for women. Hartmann and Rose (2004) looked over a 15-year period and found that prime-age working women earn only 38 percent of what prime-age men earn. This gender pay gap is about twice as large as the point-in-time usually reported. The 15-year gap in pay between men and women accounts for the fact that women are more likely than men to take off time for caregiving and that there are significant pay penalties for women when they do this.

It is also myth that women choose less-paying occupations because they provide flexibility to better manage work and family. The empirical evidence shows that mothers are actually less likely to be employed in jobs that provide them with greater flexibility. In general, workers who hold higher positions and are privileged in general (better educated, white, male) have more access to all kinds of workplace flexibility. Women are less likely than men to have access to flexibility, but parents—especially single mothers—are not more likely to have access to workplace flexibility (Golden 2001; Golden and Wiens-Tuers 2006; McCrate 2005). In fact, parents are more likely to have nonstandard shifts and rotating hours, making work/family balance more difficult to achieve (Boushey 2006; Presser 2003).

Strengthen the middle class means paying women fairly

The gender pay gap has real implications for workers and their families. For millions of women, getting a job provides necessary income and economic security for their families. Wives' earnings are important for family economic security in the short-term and the long-term. Married mothers generally still do not earn as much as their husbands—although a third of wives do earn more than their husbands—but they provide over a third of the family's income (Bureau of Labor Statistics 2005).

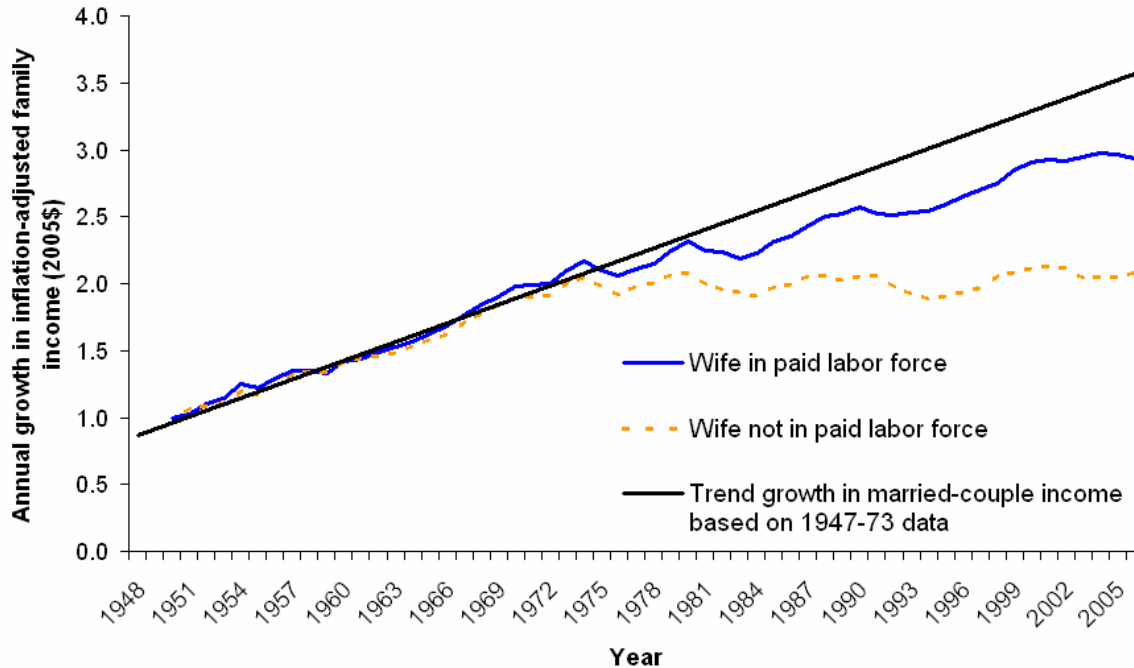
For many families, having a working wife can make the difference between being middle class and not. When we look across the income distribution, families in the higher income brackets are more likely to have a working wife and she puts in more hours than less-well off families. In recent decades, the families that were upwardly mobile were those who had a working wife: recent research by economists at the Boston Federal Reserve shows that over the 1980s and 1990s, the families that moved up the income ladder were those who had a working wife (Bradbury and Katz 2004). The shift in women's work participation is not simply about women wanting to work, but it is also about their families needing them to work.

Even though more families have a working wife, family income has failed to grow as much as it did in the decades just after World War II. Figure 2 shows the growth in median family income for married-couple families from 1947 through 2005, indexed to 1949.¹ The dotted line shows growth in income among families where the wife does not work and the solid line shows growth in income among families where the wife does work. The trend line shows what the growth in married-couple family income would have been had it remained at its 1947 to 1973 rate of growth. Prior to about 1973, married-couple family income grew by 3 percent per year on average and income growth was about the same for families with and without a working

¹ The trends are similar from 1974 to the present for married-couple families with and without children, but the Census provides data back to 1947 for married-couple families without children, so we use this here for comparison.

wife. However, after the early 1970s, family income growth comes to a virtual halt for families without a working wife, and slowed considerably for families with a working wife. After 1973, married-couple families without a working wife saw their income grow at an annual average rate of just 0.1 percent, while married-couple families with a working wife saw annual average income growth of less than one percent. Thus, even though families are working harder, they are seeing income growth that pales in comparison to the decades prior to 1973.

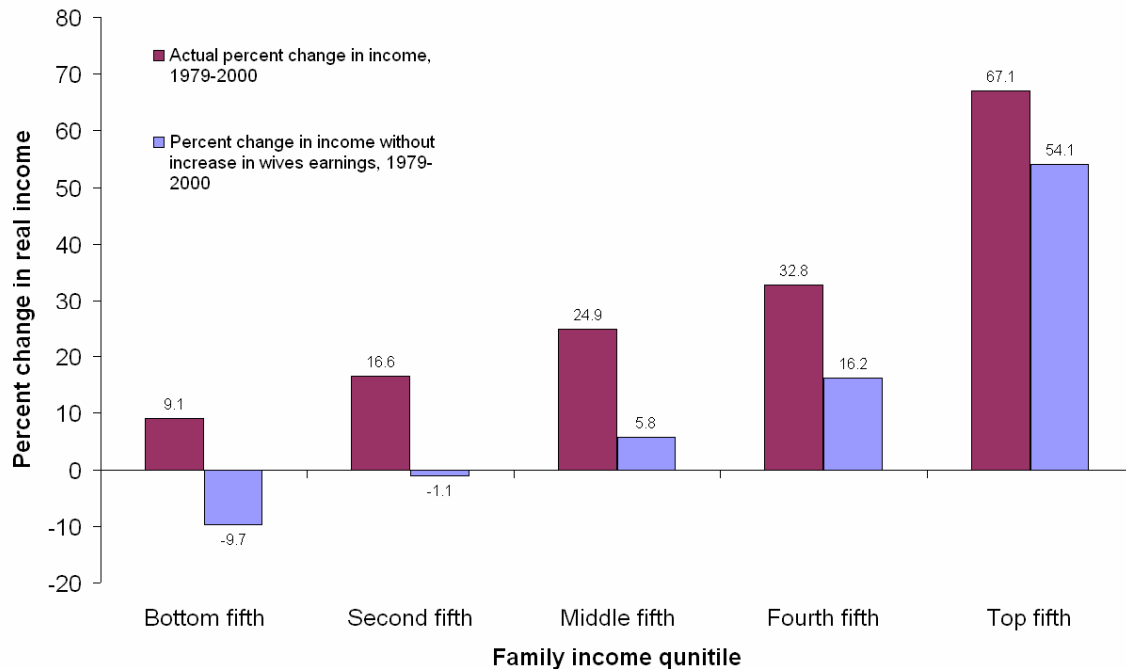
Figure 2. Growth in Married-Couple Family Median Income, 1947-2005



Source: Author's analysis of data from the U.S. Census Bureau, Historical Income Tables, Table F7.

Low-income women are especially hurt by the gender pay gap. While income growth slowed for all families, low-income families are particularly dependent on wives' economic contributions, as this made the difference between falling and slightly rising incomes. Figure 3 shows that if wives had not increased their employment rates, families across the income distribution would have seen much slower income growth and families at the bottom would have seen their incomes fall (Mishel, Bernstein, and Allegretto 2005).

Figure 3. Percent Change in Family Income, 1979-2000



Source: Mishel, Bernstein, and Allegretto, 2005.

The pay gap is particularly hard on single mothers, who don't have a choice of whether to work or not. A decade ago, welfare reform challenged low-income single mothers to find jobs. Over the next few years, the employment rate of single mothers rose sharply, from 71 percent in 1991 to 82 percent in 2000. Now, not only are single mothers as likely to work as married mothers, but they typically work more hours. Even so, the typical, unmarried mother teeters on the edge of poverty, pulling in barely enough to make ends meet. On top of low wages, service sector workers (mostly low-wage women) less likely than other workers to have paid health insurance or paid leave, further exacerbating the pay gap.

The gender pay gap and the motherhood pay gap

A key component of the gender pay gap is women's status as primary caregivers. In 2005, the last year for which we have data on mothers, 75 percent of women and 71 percent of mothers aged 25 to 45 were in the labor force.² In the 1980s, the sharpest increase in labor force participation occurred among married women with children. However, in the 1990s, single women with children had the sharpest increase in employment—so much so that by the early 2000s, their employment rates are almost equal to those of single women without children.

Above and beyond any differences in productivity characteristics between mothers and non-mothers, at least some of the gender pay gap is attributable to the motherhood pay penalty. Budig and England (2001) find that there is a 7 percent wage penalty for mothers compared to

² Author's calculations from the Current Population Survey Annual Social and Economic Supplement 2006.

non-mothers, and about one-third of that gap can be explained by differences in experience and seniority. The remaining 4 percent per child may arise from effects of motherhood on productivity and/or from employer discrimination. Joshi, Paci, and Waldfogel (1999) find that in the UK, women with children have lower wages than childless women. Among full-time workers, women who went back to work within 12 months were as well-paid as childless women, but women who did not go back to work within 12 months earned less than both childless women and those who maintained better employment continuity, controlling for productivity-related characteristics.

As women now generally work outside the home, few workers have a stay-at-home spouse or family member to take care of household chores, the children, or the sick or elderly. Yet, employers still often act as though workers have a spouse at home to deal with emergencies or to cope with home responsibilities if the worker is required to work a longer shift than expected. Worker/caregivers need both access to care substitutes, such as enriching and affordable daycare and home health aides to check in on sick or elderly family members, as well as jobs that provide both the flexibility to be away from work at times and schedules that are consistent with finding care substitutes.

Most U.S. workers do not have the right to take paid leave for anticipated or unanticipated reasons. Since 1993, over half of U.S. workers have had access to anticipated, unpaid leave under the Family and Medical Leave Act (FMLA). FMLA provides up to 12 weeks of job-protected leave to workers when they have a new child or they or a family member has a serious illness. Yet, because this leave is unpaid, many who need it cannot afford to take it. Among those who needed leave, but did not take it, nearly two-thirds reported that they could not afford to take unpaid leave (Commission on Leave 1996).³ Women were more likely than men (37.5 percent compared to 29.6 percent) to have received no pay during their longest leave (Waldfogel 2001). Studies show that highly-educated women are more likely than less-educated women to have paid maternity leave and that this significantly affects their probability of returning to their employer after their child is born (Boushey forthcoming 2008).

Workers with care responsibilities also need time off for unanticipated events, like a sick child or a parent-teacher conference. In 2006, the last year for which data are available, just over half (57 percent) of private sector workers had access to paid sick leave, about the same as had in 1979 (Bureau of Labor Statistics 2006). Higher paid workers are more likely to have paid sick days. In 1999, 38 percent of blue-collar and service employees had access to paid sick leave, compared to 81 percent of professional and technical employees and 59 percent clerical and sales employees (Bureau of Labor Statistics 2001). Nearly two-thirds (63 percent) of workers (both full-time and part-time) do not have access to paid sick leave to care for a sick child (Lovell 2004). The share of employees without paid sick leave for themselves or a child's illness rises to 84 percent in construction and non-durable manufacturing, and 94 percent in accommodations and food services, an industry that disproportionately employs women.

³ In 2000, 62.3 percent of men and 61.2 percent of women were both covered and eligible for FMLA (Cantor et al. 2001). Overall, the use of leave under FMLA is quite small: in 2000, only 1.9 percent of employees took leave under FMLA, up from 1.2 percent in 1995 (Waldfogel 2001).

Workplace flexibility is another option to help families balance care and work. Employees in a flexible workplace may be able to set their starting and ending hours of work, they might be able to determine when to take a break, or have the ability to leave work for a short period of time and make up the hours later. Providing flexibility does not necessarily cost employers money, but it does require that they allow employees to make some decisions about the workplace. About a quarter of employees report that they have some kind of flexibility (Galinsky, Bond, and Hill 2004, p. 5), while a much larger share of employers, anywhere from about half to most report offering some kind of flexibility (Bureau of Labor Statistics 2002).⁴

Workplace flexibility is a perk more often offered to professional or salaried workers, and categorically denied to less-skilled or hourly employees. As the labor market tightened over the late 1990s, access to workplace flexibility increased slightly, especially for highly sought-after professionals (Galinsky, Bond, and Hill 2004). Many workers are likely to report that their employer has a flexible workplace policy, but in actuality they either cannot use it or they are afraid to ask for it, for fear of repercussions. Eaton (2001), for example, demonstrates the functional difference between the existence and “usability” of workplace flexibility. Other research has documented that usage of workplace flexibility policies is either actively discouraged, or has negative career consequences and results in the stunted career path of “mommy-track” jobs (Bailyn 1993; Williams 2000; Jurczyk 1998). The gap in usage versus existence of workplace flexibility policies may explain why employers are more likely to report they offer workplace flexibility than are workers to report they have access.

Closing the gap

To close the gap, policymakers must look to change the workplace so it is more hospitable to women and mothers.

No one can be two places at once. Families where all available adults are at work, as is the case in most families, cannot simultaneously provide care for children, the sick, or the elderly. We cannot continue to rely on private solutions to work/life problems. There are policies that can help families address their need for care, such as child care or paid time off, but critically, workers need Congressional action to make workplaces adapt. Most full-time workers do not have a full-time caregiver at home. Increasingly, workers need workplaces that are flexible, that recognize workers often have complicated care routines. Workers also need stability; they need stable work schedules, where they have access to paid time off for the unexpected that comes along with caring for themselves and their families.

There are also clear steps Congress can take to limit discrimination against women in the workplace. If a woman doesn't know how much her male colleagues earn, she may not know she is being discriminated against. Prohibiting employers from limiting the ability of workers to share their salary information, or retaliating against them in any way would be an important next step. Women need to know the true—i.e., male—value of the jobs that they do.

⁴ See Golden (2003) for a review of employer surveys.

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