Defining Economic Success for Women: Closing the Gender Wage Gap

Laura Rotella, Balasundram Maniam, and Geetha Subramaniam

Abstract—Gender wage discrimination is still an issue in the United States. The average woman still makes less than the average man. The purpose of this paper is to discuss the current state of gender wage discrimination in the US. Firstly, this paper discusses the current status of gender wage discrimination. Secondly, a discussion and analysis is done to ascertain if equality occurs. Thirdly, this paper will analyse current trends that are slowly allowing women to close this gap. Finally, this paper discusses future implications on the gender wage issue in the US. Overall, gender pay equality for all Americans will happen one day in the future, but from the way it is moving, it is not any time soon.

Index Terms—Gender gap, inequality, women.

I. INTRODUCTION

In the United States (US), a majority of women still suffer under the gender pay gap. On 23 November 2012, hundreds of female employees nationwide walked out on Walmart Black Friday sales to protest for payment of minimum wages, reduction to part time work, lack of training to provide growth in positions, and gender discrimination in promotions [1]. These protesting women provided personal stories of discrimination, demotions due to unavailability of child or elderly care, and lack of sick benefits. Additional protests were seen since then in other minimum wage jobs, such as fast food outlets, bus drivers, and other service industries. The wage gap appears to be growing for women, and particularly minority women, in the lowest tier of the US economy. The wage gap is shrinking, but not fast enough.

Equal pay, or where the two genders earn roughly the same amount, was considered the economic statistic of success for women’s equality. Until women achieve equal pay, women would not be considered truly successful in the US economy. In 2009, women earned $0.80 for every dollar earned by a man [2]. Women still make less than men on average, thus showing that the gender wage gap is alive and well. Given this, women have not reached full earnings equality in the US.

The purpose of this paper is to discuss the current state of gender wage discrimination in the US. Firstly, a literature review will show current studies in this field. Secondly, this paper will examine the central theme of gender wage discrimination. Thirdly, this paper will discuss and analyse current trends that are slowly allowing women to close this gap. Finally, this paper discusses future implications on the gender wage issue in the US.

II. LITERATURE REVIEW

Reference [3] studied the changes in family structure from 1983 to 1998. During this fifteen-year study, the focus was on women’s changing position in the workplace. A majority of the women either worked part time or left the workforce for some extended period. Additionally, a majority of the women reported of not having any personal income for at least a full year. Women’s participation in the workforce was not as strong or as long as their male counterparts.

Reference [4] compared a Representative Sample Survey Data of the statistics of nine industrial countries: Denmark, Austria, USA, Israel, Norway, Sweden, Finland, Netherlands, and Germany. The data showed that women were concentrated and overrepresented in lower paid jobs like service employment. Based on an aggregate of salaries, women in all countries made less money than men. Additionally, marriage had no impact on the earnings of women, but men’s careers were benefited by being married. Despite being in different geographical locations and having significantly different welfare systems, industrialised nations showed these similarities.

Reference [5] studied the difference in “wage uncertainty” between the sexes in the US. Workers need to determine their willingness to change or accept possible risks in taking a different position, working with a different firm, or changing careers. With great risk comes the potential chance of greater reward. Men were three times more likely to risk current wages through investing in human capital, than women. Experience and education increased the potential that either gender would be willing to accept this risk.

Reference [6] reviewed the stratification of labour based on gender. In her study of the Canadian censuses between 1931 and 1981, she noted that women seem to focus on female occupations. By 1981, 75% of the female workforce was concentrated in the twenty seven leading “female” occupations. This concentration resulted in women competing against other women for the same jobs, therefore oversaturating the market. Conversely, only 25% of the men worked in the twenty one top leading “male” occupations.

Reference [7] studied the impact of welfare legislation on women’s employment through a study of seventeen industrialised countries by way of a 2000 study by the Organisation for Economic Co-operation and Development (OECD). Countries in this study varied dramatically in their application of policies toward welfare of their constituents.
As the welfare programs available grow, the government structure to maintain these social policies also increases.

Reference [8] considered the effects of the glass ceiling on women’s earnings. This study broke down wages into four quartiles. As income increased per quarter, the chance of earnings for women decreased. Their study showed that discrimination increases as a woman moves up the ladder in a firm. This discrimination translates into lower earnings over a career’s lifetime.

Reference [9] considered the compensating differential theory. This theory states that women take lower paying jobs because they get greater interpersonal rewards and other benefits. Reference [10] noted that women in lower paying jobs did get more rewards. However, these rewards may be due to the employers attempting to make a low paying bad job more palatable. While there is no benefit to being thanked, recognition at the job did provide a psychological benefit through a sense of control. Recognition allows participants in a characteristically unwelcome job to be more palatable, or they are seen to be a martyr for working there.

A. Economic Success for Women by Closing the Gender Wage Gap

The US does not currently have equal pay between gender, ie the gender wage gap. It is doubtful that the US would reach equality in pay in the near future. Usually, pay equality is judged on the statistical comparison of the amount of a dollar that women make in relation to men. Women still make less than men on an average, thus showing that the gender wage gap is alive and well. However, the US is a large country with multiple industries, races, and cultures. As such, it would be difficult to fathom a situation where the earnings of the entire working population of women would be exactly equal to the earnings of the entire working population of men. However, evidence of this gender wage gap can be found in other analysis. Firstly, women make up the largest percentage of the poor. Next, some women are trapped within the welfare system. Additionally, women garner less pay due to market segmentation. Finally, women earn less due to subliminal gender discrimination in the workforce. Using these classifiers, the state of potential gender inequality in pay in the US will be observed.

B. Women in Poverty

Women make up a larger percentage of people below the poverty line. In 1987, 80% of all females earned less than the male median income, with 25% of income focused in the lowest percentage income [11]. If the US economy were charted, income would be increasingly concentrated in the poles, showing a decrease in the middle class. Similar patterns of change have been seen in other industrialised countries, but not to such a great effect as in the US economy [12]. This change is part of an increased separation between the rich and poor over the last thirty years. Women are less likely to be in the opposite end of the spectrum, or to be considered rich. In 1987, only 2% of all women appear in the highest quartile [11]. Women make up a very small percentage of this top tier of the US economy. People in poverty have less money to spend on disposable goods. Unlike other countries, the US has not increased the earnings of those in poverty to increase their quality of living. Of the thirty four other countries participating in the OECD considered in the review post Great Recession, the US has the fourth worst inequality of disposable income [13]. The US was only beaten by Chile, Mexico, and Turkey in terms of inequality. Considering the tumultuous nature of the economics and politics in these countries, coming in fourth is not an honour.

While income is the highest in dual income families, this situation changes drastically if the woman becomes divorced or widowed. Single-headed women households have less earning potential than any other type of households. By 1980, one in five working women was a single headed household [14]. Women who never experienced single parenthood had an average income that was 40% higher than their ever married counterparts [13]. In contrast, women who are single parents in five out of fifteen years have an average income of less than USD35,800 [3]. As seen, single women have the greatest potential for income disparity.

C. Welfare Trap

While they make less money, women provide for more people in a family. Women take greater responsibility for domestic labour, including child rearing and household tasks [15]. Women within the poverty bracket normally have less education and training. Yet, they account for the greatest amount of offspring. As the number of children increases, the amount of earning potential decreases [5]. Education and training have a direct impact on the amount of money a woman earns. As educational level attained decreases, the amount of children increases. Women with less than high school diplomas have an average of 2.4 children while college educated women have an average of only 1.5 children [16]. Unfortunately, the women who have the most children often do not have the resources to take care of these children.

Besides care of dependents, women also spend more time on household tasks. Household tasks can be considered as all tasks related to the care and wellbeing of the place of residence, the people in that location, and any other objects owned or used by the household, like a car. Household labour impacts women’s earnings by indirectly costing women time on the job, thus limiting potential experience and income. Indirectly, marriage and family do impact women by the fact that more married women with children do not work full time [4]. Employed white women spend ten hours more on household tasks than men each week, and for black women, nineteen additional hours are spent [3]. In comparison to men, more women work part time, are less likely to work year round, and may take entire years out of the workforce [3]. Household labour time accounts for 8.2% of gender gap in earnings [17]. With women being responsible for more household requirements, their time is restricted.

Due to the responsibility of a household and its inhabitants, many women turn to State and Federal welfare programs to assist their family. Poverty often leads to dependence on the welfare system as available. The most dependency on the welfare system exists in the lowest income bracket and women make up the highest percentage of those in poverty or the working poor. Additionally, the largest growth in poverty
in the US is in young adults and children. The US government spends money on its welfare system. This welfare system consists of non-financial or public social services and financial redistribution of income. Public social services include education, health and care services. In 2010, the US spent 13% of the gross domestic product (GDP) on such services [13].

Welfare is not the same across all federal, state, and local programs. The welfare state provides “decommodification,” or entitlement to public services and compensation, and “defamilisation” or the offer of care services, like child care or elderly care, to facilitate work [7]. At the least end of the welfare spectrum in the US, the system provides only for the basic needs: hunger and basic healthcare. For people in this decommodification system, they are given no resources with which to be able to go back to work, such as education programs or day care. On the other end of the welfare spectrum, the system provides better than having a minimum wage job. Cell phone service, low income housing, free medical care, and other benefits make it more attractive for an individual to stay in the welfare system as long as possible. In some cases, women move to get better access to these welfare systems [18]. Unfortunately, a woman in the welfare system often stays in the welfare system, becoming trapped within that system [19]. Thus, the pattern continues for her to be eligible for welfare.

D. Market Segmentation

Market segmentation is also a component in women earning less than men. The US is considered a market driven economic system. The market sets prices and employment through supply and demand. Market mechanisms discriminate against women [4]. The US labour market for women is focused on labour market segmentation. The hallmarks of this segmentation result in low wage/high turnover business models and the reliance of part time labour [11]. While women value money as much as men, they still earn less than men in the same stratification [10].

The Great Recession shows the true cost of market segmentation. The Great Recession, between December 2007 and June 2009, had a large impact on gender equality in the US. Market income, or the income from work and capital, decreased by 5% in the US during this period [13]. While the recession had many causes, gender equality had two shifts during this period. First, job losses for men were greater than that of women. For every one woman who lost her position, 2.6 men were also unemployed [21]. Men were more deeply impacted due to the cyclical nature of their employment in such fields as construction and manufacturing [20]. Due to this change in employment, women finally reached 50% of the total non-farm income employment [21]. Despite reaching equality in the amount of employment, the earnings for women’s employment still remained below their male counterparts. Wage discrimination or lack of equal pay for the same work continues despite changing economic makeup [4]. Due to political constraints, budget constraints, and lack of agreement, actions that would assist women were not taken during the Great Recession. Issues like minimum wage increase and working hours would benefit those at the lowest end of the poverty spectrum.

E. Subliminal Gender Discrimination

Subliminal gender discrimination is a problem that lawyers and juries find difficult to ascertain. The US has laws in place to prevent overt discrimination based on gender. The main service of the US to assist women in lessening the gender wage gap is to prevent overt discrimination [22]. As a litigious country, overt forms of sexual repression, like sexual harassment or hiring standards, are soon squashed. Most major companies in the US have required sexual harassment training and reporting mechanisms to be in place in order to prevent this liability. However, discrimination does not have to be overt to effectively prevent women from earning wages equal to men. While hard to prove, subliminal gender discrimination occurs in the forms of discrimination based on family responsibility and women’s failure to be promoted.

One type of subliminal gender discrimination is based on family responsibilities. As noted earlier in this paper, women maintain the majority of household responsibilities and family care. Additionally, many women leave the workforce for a period of time to take care of their children. Also known as the “mommy penalty,” businesses are reticent to spend money on these women for training or mentoring [23]. Women are subliminally put in this category due to their need for flexibility in their job to handle household and care needs [24]. Women’s participation in the workforce is growing. In January 1964, women held 31.7% of non-farm jobs, and by December 2013, this rate increased to 49.5% [21]. Seventy one percent of women that are actively employed have children under the age of eighteen [25]. Subliminally, women are put into this category by their employer, which prevents them from reaching their overall career goals.

Another form of subliminal gender discrimination is the failure to promote a woman to upper management. Also known as the “glass ceiling,” women have greater difficulty moving into the higher echelon of management within an organisation [26]. By 2005, women held more than 50% of middle management positions, but only 2% of the CEO in Fortune 1000 companies was women [27]. At a certain point in middle management, women reach a plateau in their careers. No company has an anti-woman as CEO policy. However, women are often passed over for these positions due to failure to network or stereotyping.

III. DISCUSSION AND ANALYSIS

As shown above, an average pay gap exists between men and women in the US. However, all American women do not make less than all American men. If they did, then the US would be considered systematically discriminatory to all women. Women have decreased the wage gap between the gender over the last fifty years, showing progress can be made on this issue. Through the forces of changing the current system and human capital, additional progress will be made to decrease this gap.

A. Change the System

Women are evolving to change the overall system to close the gender wage gap. The gender pay gap still exists in 2014, but current women in the workforce owe a great debt to their
predecessors. The increase of women in the workforce and in different occupations is due to the path of previous women who changed the system. Like Madonna’s music in the 1980s, without shocking predecessors, women would not be as close as they are right now. By understanding how the foremothers changed the system through politics and work-life balance, a path forward for other women evolves.

The greatest form for change in the US is the political system. Great increases have been seen in the quantity of women who have chosen political careers [18]. These women allow a different perspective to issues than their male counterparts. A working woman, whether in politics or another occupation, can have a keener insight on political issues that impact women. Laws have already made a difference in the current work scape. The Family Medical Leave Act (“FMLA”) of 1993, the Pregnancy Discrimination Act (“PDA”) of 1978, and the Civil Rights Act of 1964 have made a difference on how women perceive and are treated in the workplace [27]. Additional legislation focused on changing the laws that can close the gender wage gap. Tax changes, like child care tax incentives, could impact how many women can return to the work force. Political issues like the minimum wage would benefit those at the lowest end of the poverty spectrum. In July 2013, one hundred economists created a petition to increase minimum wage to USD10.50, citing the gender and racial wage gap and segregation in these fields [28]. However, only an act of legislation can result in a change to the actual Minimum Wage. In addition, the US could consider welfare reforms that can allow men and women to return back to work after a child is born. The US is the only country in the OECD without parental leave income support [16]. Finally, policy makers can focus on creating more employment in the US. The US has to adjust for the changes in society and demography due to the changes created by the Great Recession. These relatively new changes give a perfect opportunity to review current policies and prevent further gender wage discrimination.

Equality programs and government support do pay off to close the wage gap. Most post industrialised nations have laws in place to prevent overt acts of discrimination based on gender. In addition, groups like the United Nations and the OECD have voluntarily resolved to prevent gender discrimination. Toward this end, many nations have shown support for women’s equality. The US is one of these nations. As part of this resolve, many social programs have been provided on both state and federal levels to assist women in getting the skills, education, funds, and/or benefits to allow women to start or return to work. No nation can be said to be perfectly gender neutral with regards to wages. However, programs in place to assist women towards this equality are available and have helped to close this gap. As more become available, women can gain additional equality in earnings.

Another change to the system involves accepting work-life balance as a needed resource in today’s changing economy. Having a child should no longer be considered a penalty for women or men. The work-life balance theory represents being able to support lifestyle choices and career goals [29]. People want to be exceptional at both their job and their home life. Every employee has a different lifestyle, a different background, and a specific work history. A firm can consider these lifestyles and accommodating the needs of the employee. Examples of work-life balance decisions that support this balance are flex time and job sharing [27]. The objective is to allow people to return to work and still be able to meet their household and care requirements. Toward this end, on-site day care or day care subsidies assist in this objective. As this need is recognised, the gender wage gap will be closed further.

B. Human Capital

The human capital theory assumes that women earn less than men due to having less education and training [4]. Less than 20% of the gender wage gap can be explained through human capital studies [14]. Despite multiple studies, women and men do not show an equal reward per hour output spent on human capital. However, a woman with human capital has a better chance at higher employment than a man with no investment in human capital. Education and training have an impact on the potential earnings of a woman over her lifetime.

One human capital factor that closes the gender pay gap is education. Men with the same education do still earn more than their female counterpart [16]. However, as education increases, the potential for additional income also increases. In 1999, women with bachelor’s degrees earned the same as men with high school diplomas in manufacturing [3]. By 2012, women in the US had surpassed men, achieving 63% of master’s degrees and 53% of doctoral degrees [30]. As in Europe, educated women in the United States are more likely to be employed [31]. Despite increases in education assisting women, it does not fully close the gender wage gap. Women only earn seventy five percent that men earn in all comparable education levels [16].

Additionally, the education major chosen will have an impact on potential earnings for women. In the US, females in high school score higher in reading and less in math than males [16]. This propensity continues in choosing a major in higher education. Globally, 60% of male graduates with higher degrees will be in the lucrative fields of technology, math, engineering, or science [30]. Women have concentrated in obtaining their degrees in less lucrative fields. 75% of the degrees earned by women were in the humanities, arts, education, and health fields [16]. This choice in major, explains 88% of the wage gap by occupation after graduation [32]. By choosing to extend into other majors, investments in education can be profitable for American women.

Another human capital factor that closes the gender pay gap is training and experience. Women can devote additional resources to training to increase earnings potential. Women previously did not invest in human capital due to family responsibilities or the necessity to gain immediate income potential [15]. Additionally, firms were reticent to invest in females, due to the chances of women taking leave due to family or marriage pressures. As skills increase in such high demand fields such as technology, people with these learned skills find greater potential earnings opportunities [13]. Changes in technology allow people to invest and increase their skills as needed without attending specific classes at a location. During recessions and other economic down-turns,
investment in skills and experience can assist females in meeting new market requirements.

Besides training, experience in male dominated occupations can assist in closing the pay gap. Women have consciously or unconsciously concentrated in female occupations, also known as gender segregation [3]. The occupational segregation hypothesis states that women have a preference toward different work than men, and this work pays less [4]. Currently, the best examples of these female occupations are in the medical and educational fields. In the US, 15 million women participate in the fields of service, healthcare, or education [30]. In 2013, women held 61% of jobs in education and over 80% of jobs in social services and health care [21]. By 2020, 4.8 million positions are supposed to increase in the service and health care industries [30]. Increases in these service industry jobs will do little to equalise pay if these are low paying service jobs [14]. While these are the fastest growing areas in the US economy, the positions have a median income of less than USD30,000 [30]. Few women will get rich participating in these fields. Oversaturation allows women to compete against themselves. Due to perceived or not perceived discrimination, some employers pay less because women are concentrated in a particular field [14]. Lower earnings levels for both men and women occur in jobs classified as female occupations [8].

By focusing on non-female occupations for experience, women have a greater potential of larger earnings. Scarcity of resources and in this case, women leads to a potential higher reward [4]. In general, male dominated industries usually involve hazardous conditions (temperature, noise, location), more physical labour, additional human capital in training or education, and are more independently driven [10]. Economic theory states that most people are risk adverse and people must be paid a premium as risk increases. Male dominated occupations rely on more cyclically sensitive occupations, like construction or manufacturing. Cyclically sensitive occupations are considered more risky, as they vary directly with economic downturns. In 2009, only 7% of females were employed in the high paying computer and engineering fields, in comparison to 38% of men [16]. However, in 2004, the Information Technology Association of America predicted that US firms needed more than 900,000 additional workers with technology training [32]. Well-paying jobs are available for women willing to risk leaving their comfort zone. Considering experience in male dominated occupations can financially benefit women.

IV. FUTURE IMPLICATIONS

The gender wage gap is still prevalent in the US. Even though this gap has decreased, it has not been solved. People who continue to study this issue in the future should consider their individual life design, studies on the Great Recession, and also the term success.

Firstly, women need to carefully design their lives. While the US economy is not designed to assist those in the lowest quartile of the economy, women can succeed based upon their life decisions. Many controllable factors for succeeding in today’s economy are available to women. Due to birth control and other contraception methods, women can determine if and when they would like to have a child and how many. While a blessing, the amount and age at which women have children directly impacts their earning potential. Free education is available in the US all through high school. After high school, women need to carefully choose their options in education. Loans and grants are available to assist women in getting associates, bachelors, masters, and doctorate degrees. Most education pays off in a dividend to women by either making them eligible for better paying jobs or allowing them to meet mates of the same educational scale. Men with more education also generally make more than men with less education. In addition, men usually marry women with similar education. Even if a woman determines not to go to college, she still has options. Women working in male trades earn more money. By getting the skills necessary to participate in these industries, women can increase their human capital output, allowing them different opportunities than women who do not pursue these skills. After years of feminism, protests, and the struggles of our foremothers, females in the US have earned the ability to carefully consider and construct their lives.

Additionally, studies need to be made after the Great Recession to allow for a complete review of the policy. The Great Recession had a huge impact on the structure of the work force in the United States, as well as the world. Further studies are needed on the impact of this changing structure on women. Since the Great Recession is relatively recent (ending in 2009), it makes sense to gather data now. Then, a comparison and contrast between the data during this period and previous periods can be reviewed for future policy decisions.

Finally, economists should reconsider the meaning of economic success for women. The purpose of a corporation is to make money. However, people are much more complicated than the sum amount on their paycheck. A person’s success should not be based on a number or a comparison. Economists like to think of ideas and people in terms of numbers, statistics, and surveys, or black and white. Formulas are either right or they are erroneous. It would be prudent to go back to the earnings comparison between men and women to show success. Even if women eventually earn more than men, that factor will not mean that all women make more money than all men. As much as this issue is an economic issue, it is also a social issue, and social issues are hard to study due to pervasive and current changes of public opinion. This side of the equation will always be an unknown to researchers. Success should be judged based upon not only reaching an economic goal but the capacity of all people to use their abilities to the best for the economy.

V. SUMMARY AND CONCLUSION

An old advertisement designed to persuade women to smoke states, “You’ve come a long way, baby!” The closure of the wage gap based on gender has also come far. This paper discussed the current state of gender wage discrimination in the US. Firstly, the current literature was reviewed to examine studies for their evidence. Multiple studies showed that the gender wage gap is still a factor in the US. Then, the paper discussed the central theme of gender
wage discrimination in the US and its causes. Next, a discussion/analysis was done that shows human capital and a changing system are pushing towards greater gender equality. Finally, this paper discussed future implications on the gender wage issue in the US. In reviewing this topic, multiple women were asked over the last ten weeks why they thought women earned less than men. Old and young, multiple races, and from different walks of life, all women polled recognised that the US has not reached gender earning equality. Most did not even think twice about answering this question. The one thing that was learned over and over again from talking to these women was that the greatest aspect of the US is its hope for the future. It is believed that with these women and others like them, gender earning equality will be within the achievable range in the future.

REFERENCES

Balasundram Maniam is a regents’ professor of finance and Minnie Stevens piper professor at Sam Houston State University, Texas, USA. He obtained his Ph.D. from University of Mississippi in 1992. He has published numerous peer-reviewed journals and presented in many international conferences. He was also the recipient of Excellence in Research and Excellence in Teaching awards at Sam Houston State University. He also serves as editor and co-editor of journals.

Geetha Subramaniam is a senior lecturer (Economics) at the Faculty of Business Management, Universiti Teknologi Mara, Shah Alam, Malaysia. She obtained her Ph.D. from Victoria University of Wellington, New Zealand in the area of Development and Economics. Her research interests include labor economics, women issues and development economics.