

# The Economics of Gender and Race: Examining the Wage Gap in the United States

## What is the wage gap?

The wage gap is a statistical indicator often used as an index of the status of women's earnings relative to men's. It is also used to compare the earnings between racial and ethnic groups to those of white males, a group generally not subject to race- or sex-based discrimination. The wage gap is expressed as a percentage (e.g., in 2003, women earned 76% as much as men) and is calculated by dividing the median annual earnings for women by the median annual earnings for men.<sup>1</sup>

## Why does it exist?

Despite laws such as Title VII of the Civil Rights Act of 1964, which bans discrimination in employment on the basis of race, color, national origin, sex, and religion, and the Equal Pay Act of 1963, which prohibits wage discrimination on the basis of sex, the average yearly income of women of all races continues to lag behind that of white men's. Experts point to three particular reasons for this gap:

*Women continue to suffer from straightforward discrimination in hiring, promotion, and pay.*

The persistent assumption that women work only for "pin money"—a supplement to their husband's income—rather than as sole providers for themselves or their families continues to affect women's income levels. The reality is that 20% of all U.S. families are headed by single mothers, while half of all the families living in poverty are headed by single mothers.<sup>2</sup>

*Women tend to be concentrated in certain occupational categories (the "pink collar phenomenon").*

In 2000, two-thirds of all U.S. working women were still crowded into 21 of the 500 occupational categories.<sup>3</sup> Studies have shown that occupations gendered female—jobs filled primarily by women or requiring stereotypically feminine skills—are generally rated as deserving less pay than more "masculine" occupations.<sup>4</sup> Some people think that if women move into male-dominated occupations in larger numbers, the wage gap will close. However, there appears to be a gender-related wage gap in virtually every occupational category.

*Women sequence in and out of the workforce to care for children and elders.*

According to Blau and Kahn, the average female worker has 12.79 years of full-time experience, while the average male worker has 17.41.<sup>5</sup> This difference accounts for between 26% and 30% of the total wage gap. Women are disproportionately responsible for child and elder care, forcing them to take time off. Because the American workplace is structured to accommodate a workfare comprised of male employees with wives at home to take care of the children and other family responsibilities, family-friendly policies remain largely absent from most workplaces. As a result, most working mothers suffer from this tax on motherhood.

## What is the cost to women and people of color?

The wage gap will cost the average female high school graduate \$700,000, the average female college graduate \$1.2 million, and the average female professional school graduate up to \$2 million throughout their working lives.<sup>2</sup> According to Women Are Getting Even (WAGE), eleven million older American women (compared to only four million older men) live on less than \$8,300 a year. If working women earned the same as men (those who work the same number of hours; have the same education, age, and union status; and live in the same region of the country), their annual family incomes would rise by \$4,000 and poverty rates would be cut in half.

**2003 Median Annual Earnings by Race and Sex**

Race/gender	Earnings	Wage ratio
White men	\$41,211	100.0%
Black men	\$32,241	78.2
White women	\$31,169	75.6
Black women	\$26,965	65.4
Hispanic men	\$26,083	63.3
Hispanic women	\$22,363	54.3
<b>All men</b>	<b>\$40,668</b>	
<b>All women</b>	<b>\$30,724</b>	
<b>Wage gap</b>		<b>75.5%</b>

Sources:

<sup>1</sup>National Women's Law Center. 2005. <http://www.nwlc.org/display.cfm?section=employment>.

<sup>2</sup>NOW, "Poverty Right Here at Home Increases for the Second Year in a Row." 2003. [www.now.org/issues/economic/welfare/093003poverty.html](http://www.now.org/issues/economic/welfare/093003poverty.html)

<sup>3</sup>Women Are Getting Even, [www.wageproject.org](http://www.wageproject.org)

<sup>4</sup>Lips, Hilary. "The Gender Wage Gap: Debunking the Rationalizations." [www.womensmedia.com/new/Lips-Hilary-gender-wage-gap.shtml](http://www.womensmedia.com/new/Lips-Hilary-gender-wage-gap.shtml)

<sup>5</sup>Blau, Francine and Lawrence Kahn. *Journal of Labor Economics*, volume 15, pgs. 1-42.