

# THE SIMPLE TRUTH ABOUT THE GENDER PAY GAP

FALL 2019 UPDATE

Over half a century after pay discrimination became illegal in the United States, a persistent pay gap between men and women continues to hurt our nation's workers and our national economy.

The typical woman in America earns \$45,097, while the typical man makes \$55,291.

Women of color often fare even worse. Compared to white, non-Hispanic men:

- Black women make 62 cents on the dollar.
- Hispanic women make 54 cents on the dollar.
- Asian women make 89 cents on the dollar.
- Native Hawaiian or Other Pacific Islander women make 61 cents on the dollar.\*
- American Indian or Alaska Native make 57 cents on the dollar.\*

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*On average, women in America are paid only 82 cents for every dollar paid to men. At the current rate of progress, the pay gap will not close until 2093.*

\*AIAN and NHPI numbers are from American Community Survey (ACS) data; the other reported racial groups are from Current Population Survey (CPS) data.

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*Women's retirement income is only 70% of men's, suggesting that the pay gap affects women's economic security now and in the long term.*

The pay gap increases over the course of a woman's career and is widest for women ages 55-64. This likely reflects the long-term effects of direct and indirect discrimination, which compound over time.

**WOMEN'S EARNINGS AS A PERCENTAGE OF MEN'S EARNINGS, BY AGE, 2018**



Source: U.S. Census Bureau, American Community Survey, 2019

Women face an income gap in retirement. Because they have earned less and therefore paid less in the Social Security system, they receive less in Social Security benefits. They also lag behind men in pension benefits and all other sources of retirement income.

**WOMEN'S RETIREMENT INCOME AS A PERCENTAGE OF MEN'S BY SELECT SOURCES, 2018**



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2019

Note: Based on mean income for all individuals over 15 who receive that source of income. Traditional wage gap calculations use median earnings, which are not published for other sources of income. Social Security includes pension, survivor, and permanent disability payments made from the Social Security Administration. Pension income is from employers and unions. Retirement income includes Social Security, pension income, retirement savings accounts and all other sources of income in retirement.

## What Contributes to the Gender Pay Gap?

Women do not make less money simply because they choose different careers than men or choose to become mothers. Rather, the undervaluing of women's work, implicit bias against working mothers and direct race and gender bias diminish women's salaries. Some employer practices can make disparities even worse. These factors contribute to the pay gap:

- **Occupational segregation:** Women and men still tend to concentrate in different jobs and fields. And jobs traditionally associated with men generally pay better than traditionally female-dominated jobs. These jobs do not pay less because they require fewer skills; they pay less because women do them. Further evidence that women's work is undervalued: when an influx of women enters a previously male-dominated profession, wages for the occupation as a whole decrease.
- **Motherhood penalty:** Mothers who work full-time are typically paid 69% as much as fathers. Mothers receive lower salaries than fathers and other women—even if the mother never left the workforce. Many working mothers experience bias in pay because of gendered norms and expectations about their roles. And many workplaces are still built on a model that assumes a worker is not a primary caretaker. Lack of paid family, medical and sick leave contribute to the problem.
- **Gender and race discrimination bias:** Direct discrimination and bias against women remain culprits in the pay gap. And the intersectional impact of race and gender biases contributes to the larger overall pay gap for women of color.
- **Lack of pay transparency:** Certain workplace practices can exacerbate pay disparities, including the failure to be transparent with salary information, retaliation for wage disclosure, and the use of prior salary history in setting pay. The pay gap is smaller for workers in sectors where pay transparency is mandated: For example, federal government workers experience a 13% pay gap between men and women; in the private, for-profit sector, that number jumps to 29%.

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*Transparency about salary can help narrow the pay gap: The gap is smaller for workers in sectors where pay transparency is mandated.*

### WOMEN'S EARNINGS AS A PERCENTAGE OF MEN'S EARNINGS BY WORKER CLASS, 2018



Source: U.S. Census Bureau, American Community Survey, 2019

## What is the Impact of the Gender Pay Gap?

Women are the sole or co-breadwinner in approximately two thirds of American families. So when women bring home less than they have rightfully earned, it hurts women, their families and the economy as a whole.

- Women also have less money to pay off educational debt, which contributes to the fact that they hold two-thirds or approximately \$929 billion of the nation's \$1.46 trillion student debt. The debt they hold is also made worse by the fact that women overall receive less educational assistance income than men. This disproportionate debt burden can force women to put off saving for retirement, buying a home or starting a business.
- When underpaid throughout their careers, women are more likely to face financial insecurity in retirement, making women's retirement years more precarious.
- The pay gap also acts as a drag on America's economic growth. According to Institute for Women's Policy Research's original analysis of 2016 data, paying women equally would have added \$512.6 billion to the national income. IWPR has also determined that closing the gender wage gap would reduce poverty in families with a working woman by half.

## What Can We Do to Close the Gender Pay Gap?

- Congress should pass the Paycheck Fairness Act, which would update and strengthen the Equal Pay Act of 1963; the Pay Equity for All Act, which would prohibit employers from using salary history to set pay; and the Fair Pay Act, which would require employers to provide equal pay for jobs of equivalent value to help reduce the impact of occupational segregation.
- Congress should pass the Family and Medical Insurance Leave (FAMILY) Act, which would create a national paid family and medical leave insurance program for all workers and the Healthy Families Act, which would guarantee paid sick leave. Congress and institutions should also find ways to invest in affordable child care.
- Policymakers should also protect and expand Pell grants for low-income students, champion tuition- and debt-free options for students, support income-driven repayment options and allow for expanded public interest loan forgiveness programs.
- The U.S. Equal Employment Opportunity Commission (EEOC) has indicated it will stop collecting pay data from employers. Implemented by the Obama Administration, the pay data collection identifies trends in pay disparities based on sex, race and ethnicity. The EEOC should not roll back this program; it must properly collect and sufficiently analyze data on pay disparities.
- More states need new and stronger pay equity laws and enforcement. As of October 2019, 42 states considered bills to help narrow the gender pay gap; 11 states passed laws. In 2018, 40 states and Washington, D.C. considered pay equity legislation, and six states enacted new laws.
- Employers should conduct regular pay audits, post salary ranges for jobs, eliminate the use of salary history to set wages and prohibit retaliation against employees for discussing, disclosing, or inquiring about their wages.
- Individuals can help to negotiate their own financial futures by taking an AAUW Work Smart salary negotiation course in-person or online.