



Why Do American Women Continue to Earn Less than Men?

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In 2016 women who worked year-round and full-time earned, on average, around 81 cents for every dollar earned by men. Although still substantial, this wage gap has narrowed considerably since the 1970s. The largest improvement in women's wages relative to men's happened from 1980 to 1990, when, after many years of little progress, women who worked year-round and full-time went from earning about 60 percent to about 72 as much as men.

But progress has been slow since 1990 – especially for women at the top. At the higher levels of the wage scale, gender gaps are wider and have declined more slowly than those at lower and mid-income levels. By 2010, the wage gap between highly skilled men and women was larger than for other workers – an indication that the labor market for executives and highly skilled workers especially favors men.

Reductions in Gender Wage Differences So Far

Shrinking wage gaps can be explained, in large part, by the fact that women have attained more education than men and have nearly caught up in work experience. A particularly dramatic change occurred in education. Back in 1981 women had lower average levels of schooling and were less likely than men to have bachelor's or advanced degrees. However, starting in the 1980s, young women began to catch up to and surpass men; and by 2014 women earned 57% of the nation's bachelor's degrees, 60% of the master's, and 52% of the PhDs. As new cohorts of highly educated young women came to comprise a growing share of the female population, the gender education gap reversed and women are now on average better educated than men. Similarly, building on especially rapid gains in the 1980s, women have almost closed the gap in work experience. In 1981, men had, on average, nearly seven more years of full-time job experience than women, but by 2011 men's lead was just 1.4 years.

Gaps Persist, Especially at the Top

By 2010 differences in education and experience only accounted for about eight percent of the wage gap between men and women. Other factors are at work:

- Despite considerable occupational upgrading of women, differences in the occupations and industries in which men and women are employed continue to account for gaps – and the importance of these differences has risen over time. Among the college educated, although the types of degrees women are earning have shifted towards mathematics and career-oriented programs, their employment rates in high-paying STEM fields continue to lag behind men's.
- As women have entered the managerial ranks, they remain underrepresented at the very top tier of the management hierarchy. Although women are nearly half of managers in Fortune 500 companies, they comprised only 14.3 percent of executive officers in 2012, and they made up just 3.8 percent of chief executive officers and held just 16.6 percent of board seats in 2011.
- Returns have increased for occupations where men predominate. By 2010, gender differences in occupation and industry together accounted for over one half of the gender wage gap.

As the gap between men's and women's pay has narrowed, women at the top of the income scale made less progress toward catching up to their male counterparts than women in the middle and bottom. Although female workers at various levels started out trailing men by similar percentages in 1980, by 2010 their earnings at the top were 74 to 77 percent of their male counterparts, while at the middle and bottom women

earned from 82 to 88 percent of men's wages. Convergence at the bottom reflects, in part, lost ground for men, because less educated males have experienced a decrease in well-paid opportunities in sectors such as manufacturing.

At the top of the hierarchy, it is difficult to determine whether women's pay lags due to "glass ceilings" or because women are relative newcomers and it takes time to reach the very top. More intense work-family conflicts may also reduce women's productivity or interest in the high-level positions that pay the most. Studies of lawyers and business school graduates have found that men and women earn equivalent wages after graduation but diverge widely as they progress in their careers. Fifteen years after graduation, male lawyers earned 52 percent more than their female counterparts. And 10 to 16 years after business school, male graduates earned 82 percent more than their female classmates.

Discrimination and Subtle Gender Differences

Because a substantial share of the gender wage gap cannot be explained by individual qualifications, discrimination and subtle gender differences may continue to play a role:

- An audit study of servers for high-priced restaurants in Philadelphia found women to have a 40 percent lower probability of being called for an interview than a man presenting equal qualifications. And the women were 50 percent less likely to receive a job offer.
- Another study probed hiring at symphony orchestras. When they adopted "blind" auditions for musicians – where a screen is used to conceal the identity of the candidate – female applicants became more likely to advance out of preliminary rounds and end up winning positions.
- Psychological factors and non-cognitive skills may matter. Women tend to have better "people skills," while men are more prone to negotiate and compete. Whether ingrained or due to social expectations, firms may value attributes differently and set pay accordingly.
- Women who have children face a "motherhood penalty," perhaps because firms anticipate they will leave or become less productive. Women more often quit or exit the labor market for family reasons, while men quit for job-related reasons. Even in highly educated couples, moreover, men are more likely to set the geographic labor-market location for the family.

Next Steps

Over the past four decades, women have made tremendous gains in education and work experience, but reaching full pay parity remains elusive. Further reducing the gender wage gap is likely to hinge on reducing work-family tradeoffs and achieving a better understanding of why men and women sort into different occupations and industries. Similarly, parity depends on better understanding – and then surmounting -- the specific barriers faced by women at the top.

Read more in Francine Blau and Lawrence M. Kahn, "The Gender Wage Gap: Extent, Trends, and Explanations." *Journal of Economic Literature* 55, no. 3 (2017): 789-865.