The Gender Wage Gap: Obstacle to US Pay Equity

Amanda Zheng

Brooklyn Technical High School, New York, United States

Abstract: *When President John F. Kennedy signed the Equal Pay Act of 1963, pay discrimination on the basis of gender was made illegal in the US. However, nearly 70 years later, women today are still earning less money than their male counterparts, only 79 cents for every dollar a man makes, indicating the existence of a gender wage gap. This 21 cent difference in the earnings of women compared to their male counterparts not only negatively impacts the wealth accumulation of women, it also has a direct impact on the emotional wellbeing and mental health of women in that women are more likely to suffer from depression and anxiety as opposed to their male counterparts. One study that followed the careers of female and male MBAs found a $150,000 difference in earnings just 9 years after the students had graduated. Another study found that when a female's income was less than their male counterpart's, the odds of experiencing depression within the prior year of answering the survey was 1.96 times higher in women and they were 2.5 times more likely to experience anxiety compared to men. One theory that tries to explain an aspect of the gender wage gap is the "Motherhood Penalty" which implies that as women become mothers, they often work less hours and therefore earn less money. As a result, fathers will often step up and compensate for the missed hours and experience the "Fatherhood Premium". However, research shows that the difference in hours mothers and fathers worked accounts for at most 15% of the Fatherhood Premium which therefore suggests that the discrimination of mothers and upholding of "old fashion notions about parenthood" are to blame for the "Fatherhood Premium" fathers experience. Overall, the systematic discrimination of women in the work field should be combated with legislation, specifically the Paycheck Fairness Act which would bolster women's equal pay protections.*

Keywords: *Gender Wage Gap, Inequality, Mental Health, Depression, Anxiety, Pay Gap*

1. Introduction

Over 50 years ago, the Equal Pay Act of 1963 was introduced and signed into law by President John F. Kennedy in the US, making pay discrimination on the basis of gender illegal [1]. Despite the existence of laws that prohibit wage discrimination, women in the US are still earning less than their male counterparts working the same jobs. The gender wage gap refers to the difference in the earnings of men and women. While many experts have used different methods and processes to calculate the gender wage gap, the majority of the findings and conclusions all came to a consensus that "women consistently earn less than men" [4]. To be exact, the gender wage gap is 21 cents, meaning women only earn 79 cents for every dollar a man made in 2019 [7]. While this value may seem insignificant, the 11 cent difference translates into a $9,766 difference between the median annual earnings of men and women [17]. This gap in the earnings of women compared to men not only negatively impacts the wealth accumulation of women but also negatively impacts the emotional wellbeing and mental health of women, as women are more likely to suffer from depression and anxiety as opposed to their male counterparts.

2. The Effects of the Gender Wage Gap on the Wealth Accumulation of Women

The gender wage gap has been shown to negatively affect the wealth accumulation of women living in the US. A study conducted by Orkideh Gharehgozli[1] and Vidya Atal[2] identified the existence of a wage gap between the genders that persisted in the 30 year time period they observed from 1986 to 2016. Using the Luxembourg Income Study, a wealth database which "contains household and individual-level data on labor income", Gharehgozli and Atal were able to calculate the Big Mac Index, "an alternative to measure... disparity in currency values", dividing each individual's income by the price of a Big Mac, adjusting for years, and then dividing it by 365, to determine the number of Big Macs an individual could

[1] Orkideh Gharehgozli is associated with the Department of Economics at Feliciano School of Business, Montclair State University
[2] Vidya Atal is associated with the Department of Economics at Feliciano School of Business, Montclair State University

ISSN 2616-5783 Vol.4, Issue 6: 109-113, DOI: 10.25236/AJHSS.2021.040617

afford daily [10]. "In all the years and in all deciles, women made less burgers per day compared to men" [10]. In 1986, the overall average number of burgers for the top decile was 59. That year, women in the top decile "made wages equivalent of 37 burgers per day" [10]. Compared to the average number of burgers for the top decile alone, women were making 22 burgers less which can suggest the existence of the structural discrimination against women. Additionally, men in the top decile in 1986 were making wages equivalent to 76 burgers per day, more than double the burgers women were making [10]. This reveals that men were earning significantly more money than women, suggesting that women were accumulating less wealth compared to their male counterparts even though all those observed in this example were in the top decile. In 2000, men in the top decile earned 112.1 burgers compared to the 56.4 burgers women earned in the decile [10]. Even in 2000, men made significantly more burgers compared to women. Similar to the results in 1986, men made more than double than women did. This not only suggests a significant difference in the incomes of men and women, but that there was a persistent gender wage gap in the top decile.

Even in industries where there are more women than men, women earn 14% less compared to their male counterparts working the same jobs [11]. In another study by Marianne Bertrand[3], Claudia Goldin[4], and Lawrence F. Katz[5], the careers of MBAs who graduated from the Booth School of Business of the University of Chicago, between the years 1990 and 2006 were followed and their careers examined, to observe if the progress and accomplishments graduates had achieved differed by gender. A year into the study, it was recorded that men earned an average salary of $130,000 while women earned $115,000 [13]. While the $15,000 difference between the salaries seems drastic, this value is significantly lower compared to the $150,000 difference in earnings calculated 9 years after the graduates had left school. Just nine years into the careers of the observed MBAs, it was found that women were earning roughly 60% less than their male counterparts which can drastically decrease the wealth accumulation of women throughout their career. Men's salaries averaged $400,000 while women's salaries averaged $250,000 (Kliff). This means that the wage gap more than doubled nine years into the careers of the observed MBAs.

3. The Motherhood Penalty

Some, like Kim A. Weeden[6], Youngjoo Cha[7], and Mauricio Bucca[8] believe that the wage gap women experienced was largely due to female MBAs experiencing "greater career discontinuity and shorter work hours... associated with motherhood" [3]. In a sense, women are penalized for having children while men experience the "fatherhood premium" [19]. According to Weeden, it was found that "the motherhood penalty is between 6 percent and 15 percent per child". Working mothers are more likely to enter part-time work compared to working fathers and so their number of hours worked and wages drop. When men become fathers, their paid work hours increase 40 hours per child annually and their hourly pay increases by 4% per child [19]. Weeden, Cha, and Bucca explain that when women become mothers and work fewer hours, men often step up and work extra hours to compensate for the missed hours. However, the difference in hours worked explains "at most 16% of the bonus" fathers experience, as concluded by Michelle Budig[9]. Budig found that the fatherhood bonuses men experience are offered regardless of the wives' work hours. In fact, "even when wives work continuously after a birth, husbands' earnings still rise" [5]. Budig suggests that discrimination against mothers and the upholding of "old-fasioned notions about parenthood" where fathers are perceived to be more committed and stable in their work while mothers are perceived to be more distracted and unreliable explains the motherhood penalty [14]. Thus, the difference in hours worked by women compared to men can only explain a fraction of

[3] Marianne Bertrand is associated with the Booth School of Business, University of Chicago, and the National Bureau of Economic Research, Center for Economic and Policy Research, and Institute for the Study of Labor

[4] Claudia Goldin is associated with the Department of Economics at Harvard University and the National Bureau of Economic Research

[5] Lawrence F. Katz is associated with the Department of Economics at Harvard University and National Bureau of Economic Research

[6] Kim A. Weeden is a Professor of Sociology at Cornell University and the Director of the Center for the Study of Inequality with a Ph.D. in Sociology at Stanford University.

[7] Youngjoo Cha is Associate Professor of Sociology and Director of Graduate Studies at Indiana University Bloomington and earned a Ph.D. in Sociology at Cornell University.

[8] Mauricio Bucca is an Assistant Professor in Sociology at the Universidad Católica de Chile and earned a Ph.D. in Sociology at Cornell University.

[9] Michelle Budig is a sociology professor at the University of Massachusetts

ISSN 2616-5783 Vol.4, Issue 6: 109-113, DOI: 10.25236/AJHSS.2021.040617

the gender wage gap. In another study by Ronit Dinovitzer[10], Nancy Reichman[11], and Joyce Sterling[12], a significant wage gap was identified among female lawyers and their male counterparts [6]. Using "nationally representative data to examine... salaries of lawyers working fulltime in private practice," a gender wage gap of 5.2% was identified. Similar to the $15,000 initial discrepancy observed in Bertrand, Goldin, and Katz's experiment, the 5.2% gap appears to be relatively modest. However, a 5 percent difference in return on investment over a lifetime is substantial and evidence suggests "that small differences in... earnings of male and female lawyers early in their career may become magnified over time" indicating less wealth accumulation for women [6]. Even though the men and women were similarly situated, with controls for human and social capital, fields of practice, geographic locale, demographic background, and were compared at a point in their careers where earnings were most similar, the 5.2% disparity was still evident, ruling out factors such as credentials, opportunity paths and structures, legal markets, and work profiles as factors that would fully explain the wage gap which the researchers had initially hypothesized (Dinovitzer, et al). Instead, the researchers concluded that "an underlying structure of inequality that devalues women" was responsible for around 75% of the wage gap identified. Thus, the gender wage gap negatively impacts the wealth accumulation of women as they earn less money compared to their male counterparts and therefore realize a smaller wealth.

4. The Effects of the Gender Wage Gap on the Mental Health of Women

The gender wage gap negatively impacts the emotional wellbeing and mental health of women. Jonathan Platt[13], Seth Prins[14], Lisa Bates[15], and Katherine Keyes[16], researchers at Columbia University, "reviewed a subset of data from one of the largest national surveys on … psychiatric disorders, administered to more than 22,000 working adults " between the ages of 30 and 65, discovered that women were more likely to suffer from depression and anxiety as opposed to men [9]. When men and women earned similar wages, their likelihood of experiencing depression or anxiety were roughly the same. However, in simulations where "female income was less than the matched male counterpart, odds of both disorders (major depressive disorder and generalized anxiety disorder) were significantly higher among women versus men" [15]. The odds of experiencing depression within the prior year of answering the survey was 1.96 times higher in women and they were 2.5 times more likely to experience anxiety compared to men. Additionally, in simulations where the female income was greater than the matched male income, "the higher odds ratio for women for both disorders were significantly attenuated" [15]. This indicates a correlation between the "increased prevalence of depression and anxiety disorders in women" and the presence of psycho-social stressors, specifically lower wages for same work (Steig). Moreover, in a study by Daniel Kahneman[17] and Angus Deaton[18], it was determined that a correlation between high income (with a threshold of an annual income of $75,000) and higher levels of emotional well-being, was discernible. Using the Gallup-Healthways Well-Being Index, Kahneman and Deaton "analyzed the responses of more than 450,000 US residents surveyed in 2008 and 2009" and recorded information on the emotional well-being of the observed group. As described by Kahneman and Deaton, emotional well-being "refers to the emotional quality of an individual's everyday experience… that makes one's life pleasant or unpleasant" and a trend was observed where a positive relationship between an individual's emotional well-being and their annual incomes was observed. Kahneman and Deaton also found that "less money is associated with emotional pain" which can further explain the higher rates of depression and anxiety among women earning less money compared to their male counterparts [12]. In addition to the mental health consequences that women experience, an underlying structural discrimination of women in the work place is also indicated, as reflected through their pay. Platt, Prins, Bates, and Keyes had initially hypothesized that "women affected by the wage gap would be more likely than men to internalize negative workplace experiences" [18]. Kim Churches[19] adds that an individual's

[10] Ronit Dinovitzer is associated with the University of Toronto and American Bar Foundation.
[11] Nancy Reichman is associated with the University of Denver.
[12] Joyce Sterling is associated with the University of Denver.
[13] Jonathan Platt is associated with the Mailman School of Public Health Department of Epidemiology at Columbia University
[14] Seth Prins is associated with the Mailman School of Public Health Department of Epidemiology at Columbia University
[15] Lisa Bates is associated with the Mailman School of Public Health Department of Epidemiology at Columbia University
[16] Katherine Keyes is associated with the Mailman School of Public Health Department of Epidemiology at Columbia University
[17] Daniel Kahneman is a Professor of Psychology and Public Affairs Emeritus at the Woodrow Wilson School, the Eugene Higgins Professor of Psychology Emeritus at Princeton University, and is associated with the Center for Health and Well-being at Princeton University
[18] Angus Deaton is a Senior Scholar at the Woodrow Wilson School, Professor of International Affairs and Professor of Economics and International Affairs Emeritus.
[19] Kim Churches is the Chief Executive Officer of the American Association of University Women, a non-profit organization that advances equity for women and girls

self-esteem and self-confidence can often be derived from their work. An individual's accomplishments and pay tend to reflect the amount of success and value that the person holds in the eyes of a higher level administrator, so when women are paid less compared to their male counterparts, they tend to feel underappreciated and undervalued. These negative feelings of frustration and dissatisfaction are often internalized and lead women "feeling more depressed or certainly anxious" (Steig).

5. The Potential of the Paycheck Fairness Act

To address the significant difference in the wages of women compared to their male counterparts as well as the mental health effects that women experience, stricter work discrimination laws, specifically the Paycheck Fairness Act should be enacted. The Paycheck Fairness Act was made to "strengthen equal pay protections for women... expanding upon the Equal Pay Act of 1963 and...Fair Labor Standards Act", which haven't been successful in closing the gender wage gap due to inadequate enforcement tools and remedies [16]. This act aims to strengthen penalties for equal pay violations and prohibit retaliation against workers who inquire about their employers' wage practices or share their wages [8]. It would also require companies "to share with the Department of Labor how much they're paying employees and demonstrate... salary differences are based on factors other than sex, such as education or experience", encouraging companies to provide equal pay for equal work regardless of gender which can have a significant impact on the gender wage gap, making it more narrow [16]. This act has the potential to significantly reduce the impacts of gender wage gap on women and with more women earning more money, there will most likely be fewer cases of women suffering from depression and anxiety from lower wages, meaning that it would effectively kill two birds with one stone, forcing companies and organizations to pay their female workers fairly and curbing the number of female depression and anxiety cases.

6. Conclusion

A study by Morten Bennedsen [20], Elena Simintzi [21], Margarita Tsoutsoura[22], and Daniel Wolfenzon[23] suggests that "disclosing disparities in gender pay" can boost the number of women hired and increase the number of female promotions in a company and therefore curb the gender wage gap [2]. The researchers had observed a 7% shrink of the wage gap from 18.9% to 17.5% using data they collected from 2003 to 2008 on "Danish companies before and after the introduction of the country's 2006 Act on Gender Specific Pay Statistics" [2]. The results discovered by the researchers suggest the success of the Paycheck Fairness Act and its potential to shrink the gender wage gap along with some of the negative effects of the gap and thus, the Paycheck Fairness Act should be enforced. The creation of acts and bills such as the Paycheck Fairness Act suggests the acknowledgment of the importance of the gender wage gap by government officials and while the gap has steadily narrowed in recent years, without proper laws and acts in place, the gap might persist for another 40 years.

References

[1] Bachman, Eric. ""Just Who Are You 'Equal' To Under The 'Equal Pay Act?'." Forbes, Forbes Magazine, 13 Aug. 2019, www.forbes.com/sites/ericbachman/2019/08/13/just-who-are-you-equal-to-under-the-equal-pay-act/#215901b25a4b.

[2] Bennedsen, Morten, et al. "Research: Gender Pay Gaps Shrink When Companies Are Required to Disclose Them." Harvard Business Review, 23 Jan. 2019, hbr.org/2019/01/research-gender-pay-gaps-shrink-when-companies-are-required-to-disclose-them.

[3] Bertrand, Marianne, et al. "Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors." American Economic Journal: Applied Economics, 3 July 2010, www.aeaweb.org/articles?id=10.1257/app.2.3.228.

[4] Bleiweis, Robin. "Quick Facts About the Gender Wage Gap." Center for American Progress, 24 Mar. 2020, www.americanprogress.org/issues/women/reports/2020/03/24/482141/quick-facts-gender-

[20] Morten Bennedsen is the André and Rosalie Hoffmann Chaired Professor at INSEAD and Niels Bohr Professor at University of Copenhagen and the Center for Economic and Policy Research.

[21] Elena Simintzi is an assistant professor of finance at the University of North Carolina Kenan-Flagler Business School and the Center for Economic and Policy Research.

[22] Margarita Tsoutsoura is an associate professor of finance at the National Bureau for Economic Research and Cornell University.

[23] Daniel Wolfenzon is a Stefan H. Robock Professor of Finance and Economics at Columbia Business School and the National Bureau for Economic Research.

ISSN 2616-5783 Vol.4, Issue 6: 109-113, DOI: 10.25236/AJHSS.2021.040617

wage-gap/.

[5] Budig, Michelle J. "The Fatherhood Bonus and The Motherhood Penalty: Parenthood and the Gender Gap in Pay – Third Way." – Third Way, Third Way, 2 Sept. 2014, www.thirdway.org/report/the-fatherhood-bonus-and-the-motherhood-penalty-parenthood-and-the-gender-gap-in-pay.

[6] Dinovitzer, Ronit, Nancy Reichman, and Joyce Sterling. "The Differential Valuation of Women's Work: A New Look at the Gender Gap in Lawyers' Incomes." Social Forces, vol. 88, no. 2, 2009, pp. 819-864. elibrary, https://explore.proquest.com/elibrary/document/229893647?accountid=51599, doi:http://dx.doi.org/10.1353/sof.0.0260.

[7] Elkins, Kathleen. "Here's How Much Men and Women Earn at Every Age." CNBC, CNBC, 2 Apr. 2019, www.cnbc.com/2019/04/02/heres-how-much-men-and-women-earn-at-every-age.html.

[8] "Equal Pay for Equal Work: Pass the Paycheck Fairness Act." American Civil Liberties Union, 4 Apr. 2013, www.aclu.org/other/equal-pay-equal-work-pass-paycheck-fairness-act.

[9] Gender Pay Gap Contributes to Increased Rates of Depression and Anxiety Among Women." Partnership for Workplace Mental Health, workplacementalhealth.org/Mental-Health-Topics/Depression/gender-pay-gap-depression-rates.

[10] Gharehgozli, Orkideh, and Vidya Atal. "Revisiting the Gender Wage Gap in the United States." Economic Analysis and Policy, Elsevier, 18 Apr. 2020, www.sciencedirect.com/science/article/pii/S031359261930640X.

[11] "Institute for Women's Policy Research: Despite Increased Labor Force Participation among Women, Gender Wage Gap Persists, Even in Occupations they Dominate." Targeted News Service, Mar 25, 2020. ProQuest, https://search.proquest.com/docview/2382559835?accountid=51599.

[12] Kahneman, Daniel, and Angus Deaton. "High Income Improves Evaluation of Life but Not Emotional Well-Being." PNAS, National Academy of Sciences, 21 Sept. 2010, www.pnas.org/content/107/38/16489.

[13] Kliff, Sarah. "The Truth about the Gender Wage Gap." Vox, Vox, 8 Sept. 2017, www.vox.com/2017/9/8/16268362/gender-wage-gap-explained.

[14] Miller, Claire Cain. "The Motherhood Penalty vs. the Fatherhood Bonus." The New York Times, The New York Times, 6 Sept. 2014, www.nytimes.com/2014/09/07/upshot/a-child-helps-your-career-if-youre-a-man.html.

[15] Platt, Jonathan, et al. "Unequal Depression for Equal Work? How the Wage Gap Explains Gendered Disparities in Mood Disorders." Social Science & Medicine (1982), U.S. National Library of Medicine, Jan. 2016, www.ncbi.nlm.nih.gov/pmc/articles/PMC4801117/.

[16] Renzulli, Kerri Anne. "House Passes New Bill Aimed at Closing the Gender Pay Gap." CNBC, CNBC, 28 Mar. 2019, www.cnbc.com/2019/03/28/house-passes-new-bill-aimed-at-closing-the-gender-pay-gap.html.

[17] Sheth, Sonam, et al. "7 Charts That Show the Glaring Gap between Men's and Women's Salaries in the US." Business Insider, Business Insider, 31 Mar. 2020, www.businessinsider.com/gender-wage-pay-gap-charts-2017-3.

[18] Stieg, Cory. "How the Gender Pay Gap Affects Women's Mental Health." CNBC, CNBC, 31 Mar. 2020, www.cnbc.com/2020/03/31/how-the-gender-pay-gap-affects-womens-mental-health.html.

[19] Weeden, Kim A., Youngjoo Cha, and Mauricio Bucca. "Long Work Hours, Part-Time Work, and Trends in the Gender Gap in Pay, the Motherhood Wage Penalty, and the Fatherhood Wage Premium." RSF: The Russell Sage Foundation Journal of the Social Sciences, vol. 2, no. 4, 2016, pp. 71-102. ProQuest, https://search.proquest.com/docview/2132246908?accountid=51599, doi: http://dx.doi.org/10.7758/RSF.2016.2.4.03.