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Commentary

Title:

*"Do Labor Markets Discriminate
Against Women?"*

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It is often reported that women earn on average 80 cents on the dollar compared to men.¹ While the gap between men and women's wages has fallen dramatically since 1980 when women earned only 64% of men's income on average, many find the continued disparity troubling.² In media reports this wage gap is usually attributed to discrimination against women in the workplace. Is the economy "guilty-as-charged" or can there be other, more innocent reasons why a wage gap exists?

Wage gaps exist everywhere you look, but nobody comments on them. According to the Bureau of Labor Statistics, men between 16 and 24 years of age earned an average weekly wage of \$571 compared to \$1,009 for men between 55 and 64 years of age.³ This is an astounding wage gap of 57 cents on the dollar, far outstripping the male-female differential! Jews and Hindus benefit from a large wage gap over Christians. From the Pew Research Center, we learn that 44% of Jews and 36% of Hindus live in families with an income greater than \$100,000, while only 19% of Christians do.⁴ From this data, we learn that Christians have a "high-earnings gap" of 43 cents on the dollar with Jews and a gap of 53 cents with Hindus. This gap is far greater in size than the gap between men and women.

While it is possible to list dozens of examples of large differences in incomes for many groups besides women, these two will serve our purpose. Should we automatically resort to a charge of age discrimination against the young or a charge of religious discrimination against Christians in order to explain the aforementioned wage gaps? For these two gaps, innocent reasons present themselves immediately.

Younger members in the workforce have less education, experience, and labor force attachment compared to the older workers. Their wage gap is easily explained by greater productivity on average among the older group compared to the younger. The charge of age discrimination seems to be without basis. As for religious discrimination against Christians, consider the following data from the Pew Research Center. Sixty percent of Jews have either a bachelor's or post-graduate degree. An astounding 77% of Hindus have either a bachelor's or post-graduate degree. The rate for Christians on average is 26% for these two educational attainment categories.⁵ It is well established that educational attainment strongly correlates with higher incomes.⁶ Economists refer to this as the Human Capital effect where education leads to high productivity, leading to higher incomes. The charge of religious discrimination against Christians as the most likely explanation for the wage gap seems to be without merit.

That the preceding two examples of huge, but "innocent," wage gaps can be explained by perfectly ordinary and just reasons should lead any thinking person to ask, "Is the wage gap between men and women also just, moral, and right, or conversely, is it evidence of discrimination as charged?" The two

¹ <https://www.usatoday.com/story/money/2019/04/02/national-equal-pay-day-2019-gender-wage-gap/3298020002/>

² <https://www.pewresearch.org/fact-tank/2019/03/22/gender-pay-gap-facts/>

³ <https://www.bls.gov/news.release/wkyeng.t03.htm>

⁴ <https://www.pewresearch.org/fact-tank/2016/10/11/how-income-varies-among-u-s-religious-groups/> and author's calculations.

⁵ <https://www.pewforum.org/religious-landscape-study/educational-distribution/> and author's calculations.

⁶ https://files.stlouisfed.org/files/htdocs/publications/page1-econ/2017-01-03/education-income-and-wealth_SE.pdf

examples given of innocent wage gaps in no way proves that the male/female gap is legitimate, only that the charge of discrimination needs to be investigated seriously, and not simply assumed. It has, and in detail by leading economists of both sexes.

To begin to understand if the wage gap between men and women is due to discrimination or “innocent” factors, we first need to explain how the “gap” is calculated. The natural assumption, given the heated accusations of discrimination, is that researchers find men and women working the same jobs under the same conditions and find that the women are paid dramatically less. This is illegal under the Equal Pay Act of 1963 and happens very infrequently given the potential of high legal costs to the discriminating firm. Instead of a direct comparison of men and women in the same jobs, the wage gap is calculated by taking the overall average of income for working men and comparing it to the overall average of income of working women, even though they work different jobs in different industries, work different hours, and work under different conditions. Instead of making an apples-to-apples comparison, the wage gap is an apples-to-oranges comparison, which seriously limits the conclusions one can fairly reach.

Next, we need to examine the factors that determine or explain why different people get paid different wages. Obviously, men with more education get paid more than other men with less education, and no one considers this wrong. If men have more education on average than women do, then we would expect that their incomes would legitimately differ as well. A partial list of relevant factors in the job market that would naturally lead to differences in wages include the amount of education, the type of education, the total annual hours worked, the amount of job experience, the amount of overtime worked, the relative danger of a job, the required time away from home due to a job, the relative stress of a job, and a host of other job specific factors.

Interestingly, women have been increasing their educational attainment dramatically over the past several decades, and this has had a great impact on narrowing the wage gap. As was reported at the beginning of this essay, the wage gap has shrunk from 64% of men’s wages in 1980 to only 80% today. Women are now outpacing men in educational attainment. If present trends continue, we can expect the wage gap to continue shrinking. However, there is still a countervailing effect that will keep women from closing the gap completely based on educational attainment alone. By looking at college major selected, men and women choose very different careers. Women dominate lower paying majors like sociology, teacher education, social work, psychology, and the like, while men dominate higher paying majors in engineering, economics, and computer science.⁷ While the gap in majors for several male dominated, high-paying fields such as accounting, law, and medicine has been shrinking dramatically over the past several decades, the gap in the STEM fields is still high, which explains some of the wage gap.

In addition to differences in education, we also find differences between men and women in the number of hours worked. According to the research department at the Federal Reserve Bank of Minneapolis, in 2000, men worked an average of 43.27 hours per week, while women worked only 37.15

⁷ <https://inside.collegefactual.com/stories/the-most-popular-majors-for-women-men>

hours. While this may not seem like much at first glance, this difference amounts to 14%. Even if men and women were paid exactly the same hourly wage, this factor would explain a big difference in annual incomes between men and women.⁸ We can expect that this gap will also close to some extent in the decades ahead, but there are also reasons to think it will not disappear entirely.

Researchers in a Harvard study shed some light on these phenomena.⁹ They studied the male/female wage differential for city bus and train operators in the Boston area. The workers, both male and female, were under a union contract that specified the wage, which was based on strict seniority. There was little to no ability of management to favor men over women in wages or promotions, yet the female workers earned an average of 89 cents on the dollar for men in annual income, even though their hourly wages were exactly equal to the men's. When the researchers dug into the data, they found that males worked about 83% more overtime than did their female counterparts, and were twice as likely to accept an overtime shift on short notice. When selecting work schedules, women tried to avoid weekend, holiday, and split shifts more than men. The men took 48% fewer unpaid hours off under the Family Medical Leave Act than did the women.¹⁰ As you would expect, the researchers also found a difference between fathers and childless men for many of the same factors. Their final conclusion was that this particular male/female earnings gap could be entirely explained by the different choices men and women make, even when given the same choice set.

Not only do men choose to work more hours than women, but they also choose – on average – to work in more dangerous occupations. As you would expect, all other things constant, a dangerous job will have to pay more to attract workers than will a safer job (after all, if it didn't, then who would choose the dangerous job?). This phenomenon generates wage differentials both between men themselves and between men and women, but the differential with women is dramatic. In 2017, there were 4,761 male occupational deaths and only 386 female deaths.¹¹ The “Death Gap” is huge at this more than 12 to 1 ratio! According to Andrew Knestaut at the Bureau of Labor Statistics, this is due to the vast majority of work-related fatalities occurring in occupations such as farm work, production and craft work, and machine operators and laborers, where women make up approximately 10% of the work force. These dangerous, but higher paying, jobs do not attract many women applicants. Maybe this will change over time as well, leading to a decline in the wage gap.

Men also accept jobs that require travel away from home more often than do women. Researchers in Sweden, a society which has put a great deal of effort into equalizing men and women in the workplace, found that in high wage/prestige occupations, the need for constant availability at work

⁸ <https://www.minneapolisfed.org/research/qr/qr2812.pdf>

⁹ https://scholar.harvard.edu/files/bolotnyy/files/be_gendergap.pdf

¹⁰ For a more readable treatment of the Harvard findings, see: <https://fee.org/articles/harvard-study-gender-pay-gap-explained-entirely-by-work-choices-of-men-and-women/>

¹¹ For a comprehensive analysis see: <https://www.bls.gov/opub/mlr/cwc/fewer-women-than-men-die-of-work-related-injuries-data-show.pdf>, and for an accessible treatment see:

<https://www.forbes.com/sites/chuckdevore/2018/12/19/fatal-employment-men-10-times-more-likely-than-women-to-be-killed-at-work/#1f8f2bb152e8>

and high travel demands impact men and women differently.¹² They find that having a family boosts men's careers but holds back women's careers. When women refuse business travel due to family obligations, is this a sign of job discrimination, or a voluntary choice made by women?

As we can see, the wage gap between men and women can be explained by many normal labor market factors. The choices women make are probably the largest variable that determines the wage gap. Everything from choice of college major, the number of hours worked, to avoiding dangerous occupations, to turning down jobs with high travel demands, can explain the majority of the wage gap. Family obligations obviously have a great deal to do with these choices. If the family obligations are voluntarily undertaken, then the wage gap is benign. If, however, these obligations are forced on women, we have an injustice that needs to be solved. Intelligent people of good will can reach different conclusions on this, but the media drumbeat that the male/female wage gap is due primarily to discrimination is far from proven, and should not simply be assumed.

¹² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5357469/>