

Policy Focus

The "Equal Pay Day" Myth

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

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WHAT YOU NEED TO KNOW

This month, feminist groups celebrate Equal Pay Day, a pseudo-holiday based on the idea that women are systematically underpaid, making only about three-quarters of every dollar a man makes for the same work. Women, they claim, have to work until April to make up for last year's "wage gap."

Americans appropriately recoil from the idea of a sexist economy that short-changes hard-working women. If it were true, it would be outrageous.

Fortunately, however, this commonly repeated claim is false. There is no evidence that women are routinely paid a fraction of what men make for the same work, or that discrimination drives statistical differences between men and women's earnings.

The Department of Labor statistic underlying the "wage gap" claim simply compares a full-time working man's median wages with those of a full-time working woman, ignoring the many factors that affect earnings, including number of hours worked, industry, years of experience, and education, to name but a few. When such information is taken into account, the wage gap shrinks, and in some cases even reverses.

Feminist groups disserve women by promoting the false idea that the U.S. workplace is overwhelmingly sexist. It encourages unnecessary meddling from the federal government, which could limit women's job opportunities and workplace flexibility, and discourages women from fully pursuing their ambitions.

Women are better off understanding that it's the decisions they make—not systematic sexism—that determine how much they earn.

WHY YOU SHOULD CARE

Here's why women should know the truth about the so-called "wage gap:"

- **Feeling Like a Victim Isn't Empowering:**

Women convinced the workplace is inherently sexist may feel unnecessarily resentful of their bosses and male colleagues. This can discourage women from seizing opportunities before them.

- **Information Is Power:** Women should understand how the choices they make about which industry to enter, specialty to pursue, and the amount of time to dedicate to work will determine their earning potential. Women may not all seek to maximize their take-home pay, but they'll be better off making educated choices.

- **Government Shouldn't Try to Solve a Problem That Doesn't Exist:** Politicians who repeat the misleading "wage gap" statistic typically do so to justify greater government oversight and intervention into the compensation practices of private employers. These policies could have profound consequences for our economy, ultimately leading to fewer job opportunities and a less flexible workplace.

Sex discrimination is already illegal and people who are victims should seek recourse. Yet we shouldn't mistake statistical differences in earnings with evidence of discrimination.

MORE INFORMATION

The Real Causes of Earning Differences

Women are an increasingly prominent economic force. Today, [47 percent](#) of workers are women. Women hold [more than half](#) of all managerial and professional positions. Given that women are also getting college and advanced degrees in greater numbers than men, and that many companies pay premiums for educated workers, we can expect women's earnings and economic power to increase for years to come.

Yet in spite of this, women still earn, on average, less than men do. The Department of Labor's [Bureau of Labor Statistics](#) reported in the fourth quarter of 2011 that the median full-time working woman made 81.6 percent of the wages of the median full-time working man. That's an increase in women's earnings, which have hovered between 75 and 80 percent of men's earnings for several decades, but still a significant difference.

Big government, feminist organizations and liberal politicians repeat this "wage gap" statistic, implying that discrimination is its cause. President Obama, for example, in his [2012 State of the Union address](#) made the pronouncement that "women should earn equal pay for equal work," as if this remains an illusive goal.

Audiences hearing such statements may understandably assume that it's the norm for two coworkers, one male and one female, working in the same position, with similar responsibilities and backgrounds, to be paid very differently, with the woman making a fraction of her male coworker.

Yet the statistic that is the basis for the "wage gap" claim doesn't purport to compare two, similarly-situated coworkers. It's a simple comparison of the median earnings of full-time working men and women, ignoring the many factors that we know influence how much someone earns.

Consider time worked. The Department of Labor's 2011 [Time Use Survey](#) shows that full-time working men work about 5 percent more time at work each day on the job. Both are "full-time" workers for wage gap calculations, but it's hardly a surprise that someone who works more also earns more.

Women and men also pursue work in different economic sectors. Men dominate fields like construction, manufacturing and trucking, while women cluster in service industries, teaching, health care and the social services.

While some feminists suggest that women are coerced into lower-paying job sectors, most women will instinctively recognize that other factors are at work. Women gravitate toward jobs with fewer risks, more comfortable conditions, regular hours, more personal fulfillment and greater flexibility. Simply put, many women—not all, but enough to

have a big impact on statistics—trade higher pay for other desirable job characteristics.

Men, by contrast, often take jobs that involve physical labor, outdoor work, overnight shifts and dangerous conditions (which is also why men suffer the overwhelming majority of [deaths](#) in the workplace). They put up with these unpleasant factors so that they can earn more.

Children, unsurprisingly, have a big role to play in this. Women with children (and those anticipating having children) tend to trade pay for greater flexibility or time from work. Working mothers take more leave time, are less likely to travel or move for a job, and value regular hours. In contrast, men who have children tend to pursue higher paying jobs. They may work longer hours or take on unpleasant positions in order to bring in more money to support the family.

In his book, [Why Men Earn More: The Startling Truth Behind the Wage Gap](#), Dr. Warren Farrell dissects the impact of the different decisions men and women often make, noting how even within specific industries, women tend to pursue lower-paying positions.

Those seeking to cast women as victims portray such trends as evidence of socialization that steers women toward more child-rearing and lower-pay, but as Dr. Farrell suggests, these trends could just as easily be viewed as evidence of men's hardship. Men feel pressure from society to maximize their earnings and sacrifice their own

physical safety, comfort, time, and even dreams in pursuit of bigger paychecks.

The question of who is the real victim, however, is really outside the scope of this debate. The important conclusion is that it's the different decisions that men and women make about work that drive differences in earnings—not discrimination.

What Would Happen If There *Was* A Wage Gap

Imagine if women really were all paid three-quarters of what men make for the same work. Companies that hired all women would have a huge competitive advantage. They would be able to charge their customers significantly less than male-employing competitors, and drive those male-dominated companies out of business.

Accepting the idea of a true “wage gap” requires believing that American companies are so riddled with sexism that propping up the patriarchy and over-paying men are higher priorities than earning a profit. This simply doesn't make sense, and there is no evidence to suggest that American companies do have such counterproductive priorities.

Wage Gap Misconceptions Encourage Bad Policy Decisions

Politicians and feminist organizations that trumpet the wage gap statistic typically have an agenda in mind. They want Washington to be more involved in determining compensation levels. Their

hope is that government bureaucrats can make private payment practices more “fair” to women.

The Paycheck Fairness Act, for example, has been routinely introduced in Congress and is often billed as a way to address the wage gap during Equal Pay Day events. This legislation would make it easier for employees to sue for discrimination, make it more difficult for employers to defend themselves against those charges, and compel employers to report on compensation practices to Washington bureaucrats. The Department of Labor would then use the data collected to offer “guidelines” for best compensation practices. As a result, businesses would face costly new paperwork burdens and greater potential litigation costs.

While this would leave less money for hiring in general, businesses would have a particular disincentive from offering flexible working arrangements. Today a working mom may have the opportunity to accept reduced take-home pay in return for shorter hours that allow her to be home after school hours. Yet with increased Washington oversight, employers are likely to formalize pay scales and avoid such gray areas that open themselves up to questioning and potential legal action.

Concentrating power over compensation decisions in Washington may be sold as a way to “solve” the wage gap, but women will pay a high price in fewer job opportunities and less workplace flexibility. And all Americans can

expect a less dynamic economy and slower economic growth as a result.

Helping Women Earn More

Certainly, bad companies and bad bosses who mistreat employees exist in the United States. There are already laws on the books that make discrimination illegal, and employees who are mistreated can and should pursue recourse.

However, feminist groups do women a disservice by promoting the idea that women are consistently paid a fraction of what men earn for equal work. Women convinced that ubiquitous discrimination plagues the economy may look at bosses and male colleagues with suspicion, rather than as potential partners with a joint interest in their success and advancement. They may be less likely to pursue greater responsibilities in their jobs, believing that they won't be properly compensated for their contributions anyway.

The assumption that sexism drives earnings also discourages women from considering how the decisions they make affect earnings. Dr. Farrell details how small changes in the number of hours worked and specialties chosen can have significant, lasting impact on earning potential.

That's good information for women to consider. They may not always opt to maximize earnings, but they should be aware of the tradeoffs. Some have speculated that women may be less likely to negotiate on salaries and for raises, which may contribute to

lower pay. That's an important factor to consider and something that empowers women: Women should understand that they need to be their own best advocates, and parents can help encourage their daughters to feel comfortable in talking about money.

Ultimately, women are better off understanding that their actions will largely determine their earnings, rather than feeling like helpless victims of a sexist economy.

Do We Want No Wage Gap?

The research firm Reach Advisors studied twenty-something, single, childless, urban workers and found that women earned an average of 8 percent more than their male counterparts. Given that women are outpacing men in educational attainment, it makes sense that women's earnings are going up compared to men's.

Should we celebrate the closing of the wage gap? Certainly it's good news that women are increasingly productive workers, but women whose husbands and sons are out of work or under-employed have a different perspective. Many women wish they could work less, and weren't the primary earners for their families.

Americans want a growing economy that provides plentiful opportunities so that men and women can find work situations that meet their unique needs. Yet there is no reason for us to expect, or want, women and men to make exactly the same choices about work.

The simple truth is that many women are likely to continue to sacrifice their earning potential to spend time raising children. Yet so long as women are free to pursue their true desires, this isn't a problem we should seek to solve.

WHAT YOU CAN DO

You can help fight misinformation about the wage gap!

- **Get Informed:** Learn more about women's growing economic power! Visit:
 - [Independent Women's Forum](#)
 - [Independent Women's Voice](#)
 - [Bureau of Labor Statistics](#)
- **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them the real facts about these issues and encourage them to join you in getting involved in debates.

- **Become a Leader in the Community:** Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.
- **Remain Engaged:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

ABOUT THE INDEPENDENT WOMEN'S FORUM

The Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website www.iwf.org to get more information and consider making a donation to IWF.

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