

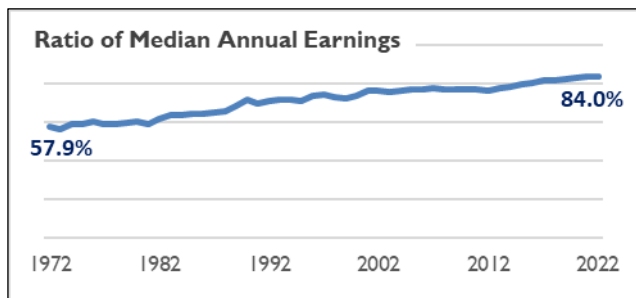


The Gender Earnings Gap

Women earn less, on average, than men. This earnings differential—often called the gender earnings gap—raises questions about gender equity in labor markets, women’s retirement security, and the potential impact of the gap on national economic performance, among others. This InFocus identifies factors that contribute to the gender earnings gap and may be relevant to congressional consideration of proposals to support equitable labor market outcomes for women and men.

Figure 1. Ratio of Women’s to Men’s Median Annual Earnings, 1972-2022

Full-Time, Year-Round Workers



Source: U.S. Census Bureau, Historical Income Tables, Table P-40.

Note: A full-time, year-round worker is a person who worked 35 or more hours per week and 50 or more weeks during the previous calendar year.

Figure 1 plots the ratio of women’s to men’s full-time, full-year annual median earnings from 1972 to 2022, using U.S. Census Bureau data. This ratio is a summary measure of the gender earnings gap, which in practice takes on a range of values that vary across occupations and worker characteristics. Nonetheless, **Figure 1** illustrates several points of interest:

- women’s median annual earnings are lower than men’s throughout the entire 1972-2022 period;
- the ratio of women’s-to-men’s median annual earnings rose rapidly in the 1980s and 1990s, followed by a period of slower growth; and
- starting around 2013, growth in the ratio increased, and in 2022, women’s median annual earnings were 84% of men’s, representing a 16 percentage point gap.

The Explained and Unexplained Gap

Part of the earnings gap shown in **Figure 1** can be attributed to differences between men’s and women’s employment patterns and other characteristics. **Table 1**, for example, illustrates select differences between men’s and women’s educational attainment, full-time work, and occupations in 1972 and 2022, and shows that differences have narrowed considerably since 1972.

Table 1. Select Worker Characteristics, by Sex

	Men		Women	
	1972	2022	1972	2022
Share of Workers:				
With at least a high school diploma or equivalent	34%	92%	28%	96%
With at least a bachelor’s degree	8%	41%	5%	49%
Employed at full-time hours	97%	94%	78%	84%
Employed at least half the year (27 weeks or more)	96%	97%	88%	96%
Employed in a managerial job	18%	16%	6%	14%
Employed in a professional job, excluding nurses and teachers	13%	23%	7%	25%

Source: CRS analysis of Current Population Survey, Annual Social and Economic Supplement data from survey years 1973 and 2023.

Note: Analysis restricted to non-military wage and salary workers, ages 25-64, employed at the time of survey.

Researchers have applied statistical techniques to large-scale survey data to separate the observed gender earnings gap into its explained and unexplained portions.

- *The explained portion* accounts for observed gender differences in factors that affect wages (e.g., education, occupation, work experience), assuming that those attributes are equally valued for men and women (i.e., an MBA has the same value to an employer regardless of the degree-holder’s sex).
- *The unexplained portion* is the gap that remains when observed characteristics are taken into account (i.e., the portion of the gap that cannot be explained by observed differences in education, work experience, occupation, or other worker or job characteristics).

One interpretation of the unexplained gap is that it measures sex-based discrimination. Although research suggests discrimination is a component, the unexplained gap plausibly measures the impacts of many factors. This is because the data that have been used to estimate the explained and unexplained earnings gaps are limited in their capacity to fully capture worker attributes that could affect earnings. For example, although most labor force surveys collect information on a worker’s education, occupation and industry of work, and weekly work hours, many individual characteristics (e.g., technical knowledge, competitiveness, interpersonal skills) and employer-specific attributes (e.g., job features and requirements, provision of formal training and mentoring) are frequently unmeasured. As a result, the unexplained portion of the wage gap—as conventionally measured—will capture many things, including, potentially, unmeasured worker characteristics that affect productivity,

preferences for job amenities, differences in workers' bargaining power, and discriminatory labor practices.

The Explained Gap: Significant Factors

A vast literature has examined the determinants of the gender earnings gap. Although there are many contributing factors, and their relative significance have shifted over time, occupation differences, career interruptions, and parenthood stand out.

Occupation: Although occupational-segregation has diminished considerably, women and men—as groups—continue to concentrate their employment in different occupations, and this remains an important source of the gender earnings gap. Relative to women, men are better represented in certain higher-paying occupations like managerial jobs and historically male professional jobs. For example, Bureau of Labor Statistics data show that, while women made up 44.9% of all full-time wage and salary workers in 2022, they made up 26.3% of chief executives (\$2,701 median weekly earnings), and 79.2% of elementary and middle school teachers (\$1,170 median weekly earnings). There are various theories about why this may be the case, including that women may select into jobs that they can more easily return to after a temporary career interruption or that women face additional barriers to employment in certain fields.

Career Interruptions: The frequency and duration of career interruptions have changed over time, but on average women tend to interrupt their careers more than men (e.g., to care for children or family members). Interruptions can affect women's earnings through several channels. Workers who switch employers after a break from employment will lose job-specific knowledge and training. Some workers may also trade monetary compensation for desirable job features (e.g., work environment, flexible scheduling, additional training) when returning to work. Long absences may cause certain skills or job networks to depreciate, temporarily curtailing wages while these are reestablished. Finally, some employers may interpret an interruption as a signal of lower labor market commitment, resulting in a more challenging job search or lower wage offers. Research suggests that even relatively short interruptions (e.g., during summer months when children are out of school) can contribute to the gender earnings gap.

Exploring the Unexplained Gap

Given the limits of large-scale survey data, researchers have used smaller-scale studies, often on special worker groups (e.g., specific occupations), to explore the determinants of the unexplained earnings gap. The literature has also evolved to consider the impact of less tangible worker skills and traits—like interpersonal skills, risk-aversion, competitiveness, and willingness to self-promote—that are important to workers' performance and career path. A few prominent findings suggest that preferences for flexible work schedules, differences in wage negotiation, and the persistence of gender stereotypes may matter to women's relative pay.

Preferences for Flexible Work Schedules: A greater preference for flexible work arrangements among women

(e.g., in terms of where the work is performed and the number and timing of work hours) may explain a portion of the earnings gap if workers who value such flexibility are willing to accept lower pay in exchange. This theory is consistent with research on gender earnings differentials within high-paying occupations. These findings suggest that providing work-hour flexibility is costly for some employers, and consequently working long hours and particular hours receives a wage premium (e.g., two hours worked from 4 to 6 p.m. in the office is worth more to the employer and compensated at a higher rate than two hours worked from 9 to 11 p.m. at home).

Wage Negotiation: General surveys and studies of specific worker groups (e.g., MBA students, teachers) have documented differences in men's and women's propensity to negotiate compensation. At the same time, some research indicates that additional negotiation by female employees may not be effective in some situations, and women are limiting negotiations because they are correctly gauging their environments. Relatedly, some studies suggest that pay transparency policies (i.e., that reduce uncertainty about potential wage outcomes) may reduce negotiation differences between men and women.

Discrimination and Gender Stereotypes: Research that explores sex-based pay discrimination tends to restrict analyses to narrowly defined groups (e.g., orchestra musicians), where fewer differences between the attributes of male and female workers exist. Some of these studies reveal that pay differences remain after taking into account a multitude of factors, a finding consistent with the view that discrimination contributes to the earnings gap. In some cases, sex-based discrimination may be based in part on a lack of information about the productive capacity or workforce commitment of an individual worker. This may lead some employers to rely on information about average differences between men and women (i.e., statistical discrimination) when making hiring, training, or other decisions. Some studies detect gender-stereotyping that may put women at a relative disadvantage in hiring and wage offers under certain conditions.

Federal Labor Law and Recent Proposals

Two federal laws provide a remedy to employees who believe that unlawful sex-based wage discrimination has occurred. The Equal Pay Act of 1963, which amended the Fair Labor Standards Act, prohibits covered employers from paying female and male employees different wage rates for equal work on jobs requiring "equal skill, effort, and responsibility" and performed "under similar working conditions" at the same location. Title VII of the 1964 Civil Rights Act provides for compensatory and punitive damages for intentional wage discrimination, subject to caps on the employer's liability. Congress has continued to consider proposals that aim to increase deterrence of sex-based wage differences. In the 118th Congress, such proposals include the Wage Equity Act (H.R. 5053) and the Paycheck Fairness Act (H.R. 17/S. 728).

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