America's Women and the Wage Gap

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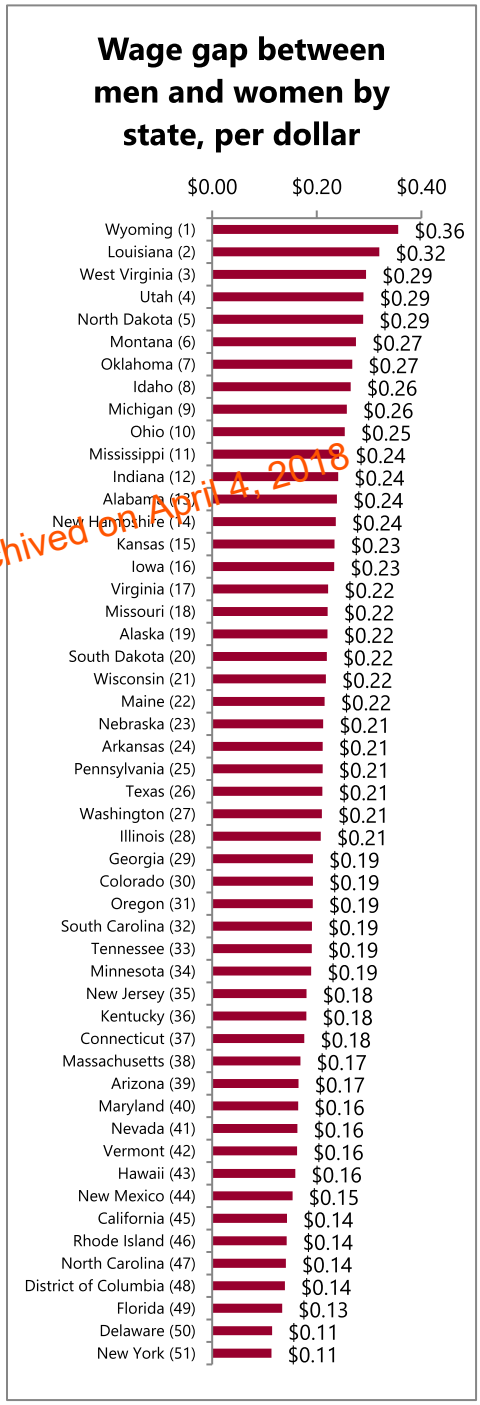
Nationally, the median annual pay for a woman who holds a full-time, year-round job is $40,742 while the median annual pay for a man who holds a full-time, year-round job is $51,212. **This means that, overall, women in the United States are paid 80 cents for every dollar paid to men, amounting to an annual gender wage gap of $10,470.**[1]

The wage gap can be even larger for women of color. For example, among women who hold full-time, year-round jobs in the United States, Black women are typically paid 63 cents and Latinas are paid just 54 cents for every dollar paid to white, non-Hispanic men.[2] Asian women are paid 85 cents for every dollar paid to white, non-Hispanic men, although some ethnic subgroups of Asian women fare much worse.[3]

The wage gap also varies by state and congressional district but spans nearly all corners of the country. In Wyoming, for example, women are paid 64 cents for every dollar paid to men (a gap of 36 cents for every dollar), while in New York and Delaware, women are paid 89 cents for every dollar paid to men (a gap of 11 cents) (*see chart*).[4] In 410 of the country's 435 congressional districts (94 percent), the median yearly pay for women who work full time, year-round is less than the median yearly pay for men.[5]



What Does the Wage Gap Mean for America's Women?

On average, women employed full time in the United States lose a combined total of **more than $840 billion every year** due to the wage gap.[6] These lost wages mean women and their families have less money to support themselves, save and invest for the future, and spend on goods and services. Families, businesses and the economy suffer as a result.

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If the annual gender wage gap were eliminated, on average, a working woman in the United States would have enough money for approximately:

- Fifteen more months of child care;[7]
- 1.2 additional years of tuition and fees for a four-year public university, or the full cost of tuition and fees for a two-year community college;[8]
- Seventy-eight more weeks of food for her family (1.5 years' worth);[9]
- Seven more months of mortgage and utilities payments;[10]
- Eleven more months of rent;[11] or
- Up to 8.7 additional years of birth control.[12]

Women and Families Cannot Afford Discrimination and Lower Wages

- In the United States, mothers are breadwinners in half of families with children under 18, including half of white mothers, 53 percent of Latina mothers, 81 percent of Black mothers and 44 percent of Asian/Pacific Islander mothers.[13] Yet the wage gap for mothers is larger than for women overall. Mothers with full-time, year-round jobs are paid 71 cents for every dollar paid to fathers.[14]
- More than 15 million family households in the United States are headed by women.[15] About 29 percent of those families, or 4,374,354 family households, have incomes that fall below the poverty level.[16] Eliminating the wage gap would provide much-needed income to women whose wages sustain their households.

The Wage Gap Cannot Be Explained by Choices

- **The wage gap persists regardless of industry.** In the civilian industries that employ the most full-time employees – health care and social assistance, manufacturing, retail trade and educational services – women are paid less than men. In the health care and social assistance industry, women are paid just 72 cents for every dollar paid to men. In manufacturing, just 76 cents. In retail trade, 79 cents. And in educational services, 88 cents. Across all industries, women are paid lower salaries than men.[17]
- **The wage gap is present within occupations.** Among the occupations with the most people working full time, year-round – sales, production, management, and office and administrative support – women are paid less than men. In sales, women are paid just 63 cents for every dollar paid to men. In production, just 72 cents. In management, 76 cents. And in office and administrative support occupations, 87 cents.[18]
- **The wage gap exists regardless of education level.** Women with master's degrees working full time, year-round are paid just 72 cents for every dollar paid to men with master's degrees. Further, among full-time, year-round workers, women with doctoral degrees are paid less than men with master's degrees, and women with master's degrees are paid less than men with bachelor's degrees.[19]

- **Discrimination and bias still contribute to the wage gap.** Statistical analysis shows that 62 percent of the wage gap can be attributed to occupational and industry differences; differences in experience and education; and factors such as race, region and unionization. That leaves 38 percent of the gap unaccounted for, leading researchers to conclude that factors such as discrimination and unconscious bias continue to affect women's wages.[20]

America's Women Are Concerned About Unfair Pay

- **Women consider equal pay a top workplace issue**. Nearly six in 10 women (58 percent) in the United States identify equal pay as one of the most important issues facing women in the workplace. When compared to women in most other leading, high-wealth countries, a substantially higher share of U.S. women list equal pay as one of the most important issues women face at work.[21]
- **Less than one-third of women believe they are paid fairly.** Just 28 percent of U.S. working women say they are confident they are paid the same salaries as their male counterparts. Forty-three percent say they do not believe they are paid the same – a substantially higher share than in most other leading, high-wealth countries.[22]
- **Women are more likely to support a candidate for office who supports pay equity.** Seventy percent of Republican women, 83 percent of independent women and 88 percent of Democratic women say they would be more likely to vote for a candidate who supports equal pay for women.[23]

A Path Toward Closing the Wage Gap

Despite the federal Equal Pay Act of 1963 and other protections for women, experts warn that women and men will not reach pay parity until 2059[24] – unless something changes. Right now, a lack of supportive policies and bias combine to make fair pay elusive. But there are key federal policy solutions that would help:

- **Fair pay protections and practices.** The Paycheck Fairness Act would prohibit employers from retaliating against employees who discuss their wages and make it easier to demonstrate that discrimination has occurred. The Fair Pay Act would diminish wage disparities that result from gender-based occupational segregation. And increasing the federal minimum wage rate and eliminating the tipped minimum wage rate are critical to raising women's wages.
- **Family friendly workplace standards.** The Healthy Families Act would guarantee paid sick days, and the Family And Medical Insurance Leave (FAMILY) Act would establish a national paid family and medical leave standard for women and men. Both proposals would help keep women attached to the workforce, resulting in higher wages over time. Pregnancy discrimination protections, access to quality, affordable child care and predictable schedules are also essential for retention and advancement.
- **Full funding for federal agencies that investigate and enforce fair pay.** The Equal Pay Act and Title VII of the Civil Rights Act, as well as executive branch initiatives to collect pay information and promote fair pay, are critically important to uncovering and eliminating discriminatory workplace practices that harm women.

- **Comprehensive reproductive health care**. Access to reproductive health care enables women to pursue education and career opportunities and can increase workforce attachment and wages over time.[25] Robust funding for the Title X family planning program and passage of the EACH Woman Act would help reduce barriers to contraception and abortion care.

Together, these policies will help close the gap between the wages of women and men by helping to ensure that women have access to good and decent-paying jobs, the support they need to stay and advance in their careers, and fair and nondiscriminatory treatment wherever they work and in whatever jobs they hold.

Learn more about fair pay at NationalPartnership.org/Gap.

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1 U.S. Census Bureau. (2016). *Current Population Survey, Annual Social and Economic (ASEC) Supplement: Table PINC-05: Work Experience in 2015 – People 15 Years Old and Over by Total Money Earnings in 2015, Age, Race, Hispanic Origin, Sex, and Disability Status*. Retrieved 21 March 2017, from https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-05.html (Unpublished calculation based on the median annual pay for all women and men who worked full time, year-round in 2015)

2 Ibid.

3 Ibid. Despite an overall wage gap for Asian women in the United States that is smaller than for other groups of women of color, analysis by the National Asian Pacific American Women's Forum shows there are substantial variations in the wage gap between particular ethnic groups of Asian women and white, non-Hispanic men, with many subpopulations of Asian women facing significantly greater wage penalties. For more information, see: https://napawf.org/wp-content/uploads/2017/03/FIGHTING-INVISIBILITY_FINAL.pdf

4 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Geographies: All States within United States and Puerto Rico, Table B20017: Median Earnings in the Past 12 Months by Sex by Work Experience in the Past 12 Months (in 2015 Inflation-Adjusted Dollars) for the Population 16 Years and Over with Earnings in the Past 12 Months*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_B20017&prodType=table

5 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Geographies: All Congressional Districts (114th Congress), Table B20017: Median Earnings in the Past 12 Months by Sex by Work Experience in the Past 12 Months (in 2015 Inflation-Adjusted Dollars) for the Population 16 Years and Over with Earnings in the Past 12 Months*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_B20017&prodType=table; (In 410 out of 435 congressional districts, women who work full time, year-round are paid less than men. In the other 25 districts, women are either paid the same or more than men, or the margin of error is large enough and the earnings ratio is close enough to one that it cannot be said with at least 90 percent confidence that there is a gender wage gap.)

6 See note 1.; U.S. Census Bureau. (2016). *Current Population Survey, Annual Social and Economic (ASEC) Supplement: Table PINC-01. Selected Characteristics of People 15 Years and Over, by Total Money Income in 2015, Work Experience in 2015, Race, Hispanic Origin, and Sex*. Retrieved 21 March 2017, from https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-01.html (Unpublished calculation based on the mean annual pay for all women and men who worked full time, year-round in 2015, multiplied by the total number of women working full time, year-round in 2015)

7 Tercha, J. (2017, February). Personal communication. (Research Analyst, Child Care Aware of America). Unpublished calculation of $8,468.63 based on the average cost of center-based child care for a four-year-old. This average is not representative of the mean and is an approximation based off of an unweighted average of averages and is not to be considered a "national average."

8 U.S. Department of Education, National Center for Education Statistics. (2016). *Digest of Education Statistics: 2015* (Table 330.10, Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: 1963-64 through 2014-15), Chapter 3. Retrieved 21 March 2017, from https://nces.ed.gov/programs/digest/d15/tables/dt15_330.10.asp?current=yes (The average total annual cost of undergraduate tuition and required fees is $8,543 for a four-year public college or university or $2,955 for a two-year college)

9 U.S. Bureau of Labor Statistics. (2016, August). *Consumer Expenditure Survey, Table 1800. Region of residence: Annual expenditure means, shares, standard errors, and coefficient of variation, 2015*. Retrieved 21 March 2017, from http://www.bls.gov/cex/2015/combined/region.pdf (Calculation uses overall average "food" cost)

10 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Table GCT2511: Median Monthly Housing Costs for Owner-Occupied Housing Units with a Mortgage (Dollars).* Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_GCT2511.US01PR&prodType=table (Calculation uses median monthly housing costs for owner-occupied housing units with a mortgage)

11 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Table GCT2514: Median Monthly Housing Costs for Renter-Occupied Housing Units (Dollars)*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_GCT2514.US01PR&prodType=table (Calculation uses median gross rent)

12 Center for American Progress. (2012, February 15). *The High Costs of Birth Control: It's Not As Affordable As You Think*. Retrieved 21 March 2017, from https://cdn.americanprogress.org/wp-content/uploads/issues/2012/02/pdf/BC_costs.pdf (Calculated from a survey of retail costs of oral contraceptives for the uninsured and average copays, combined with the average cost of doctor visits to obtain the prescription. While the Affordable Care Act greatly advanced access to birth control by requiring coverage of contraceptives without cost sharing, many women still must pay out of pocket because they lack insurance, because their plan is grandfathered and does not cover contraceptives without a copy, or because their plan only covers generics.)

13 Anderson, J. (2016, September 8). *Breadwinner Mothers by Race/Ethnicity and State*. Institute for Women's Policy Research Publication. Retrieved 21 March 2017, from https://iwpr.org/publications/breadwinner-mothers-by-raceethnicity-and-state/ (Breadwinner mothers are defined as single mothers who head a household or married mothers who generate at least 40 percent of a household's joint income.)

14 National Women's Law Center (2016, November). *The Wage Gap for Mothers, State by State*. Retrieved 21 March 2017, from https://nwlc.org/wp-content/uploads/2016/05/Wage-Gap-for-Mothers-State-By-State-1.pdf

15 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Table DP02: Selected Social Characteristics in the United States*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_DP02&prodType=table (Calculation uses family households headed by females living in a household with family and no husband; a family household includes a householder, one or more people living in the same household who are related to the householder, and anyone else living in the same household)

16 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Geographies: United States, Table DP03: Selected Economic Characteristics*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_DP03&prodType=table (To determine whether a household falls below the poverty level, the U.S. Census Bureau considers the income of the householder, size of family, number of related children, and, for one- and two-person families, age of householder. The poverty threshold in 2015 was $19,096 for a single householder and two children under 18.)

17 U.S. Census Bureau. (2016). *American Community Survey 1-Year Estimates 2015, Table S2414: Industry by Sex and Median Earnings in the Past 12 Months (in 2015 Inflation-Adjusted Dollars) for the Full-Time, Year-Round Civilian Employed Population 16 Years and Over*. Retrieved 21 March 2017, from http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_1YR_S2414&prodType=table

18 U.S. Census Bureau. (2016). *Current Population Survey, Annual Social and Economic (ASEC) Supplement: Table PINC-06: Occupation of Longest Job in 2015--People 15 Years and Over, by Total Money Earnings in 2015, Work Experience in 2015, Race, Hispanic Origin, and Sex*. Retrieved 21 March 2017, from http://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-06.html

19 U.S. Census Bureau. (2016). *Current Population Survey, Annual Social and Economic (ASEC) Supplement: Table PINC-03. Educational Attainment--People 25 Years Old and Over, by Total Money Earnings in 2015, Work Experience in 2015, Age, Race, Hispanic Origin, and Sex*. Retrieved 21 March 2017, from http://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-03.html

20 Blau, F. D., & Kahn, L.M. (2016, January). *The Gender Wage Gap: Extent, Trends, and Explanations*. IZA Discussion Paper No. 9656. Retrieved 21 March 2017, from http://ftp.iza.org/dp9656.pdf (See *Table 4: Decomposition of Gender Wage Gap, 1980 and 2010 (PSID)* for the full breakdown of explanatory variables.)

21 Thomson Reuters Foundation. (2015). *The 5 key issues facing women working in the G20*. Retrieved 21 March 2017, from http://www.womenatworkpoll.com (Ipsos Global @dvisor conducted an international survey among 9,501 women across 19 countries. Surveys were conducted from July 24 – August 7, 2015. The margin of error between two country sample sizes of 500 is roughly 6 percent at the 95 percent confidence interval. Data are weighted to match the population profile of each country by age, region and household income.)

22 Ibid.

23 Greenberg Quinlan Rosner Research. (2016, February 17). *Winning Women in 2016: Findings from a Web Survey of American Adults*. Retrieved 21 March 2017, from http://www.americanwomen.org/research/document/American-Women-Survey-Millennial-Memo-02.18.16.pdf (Greenberg Quinlan Rosner Research conducted a national online survey of 800 registered voters, with an oversample of 200 millennial women voters, for a total sample size of 1,000 registered voters, weighted to be representative of registered voters nationally. The survey was conducted from December 7 – 10, 2015.)

24 Institute for Women's Policy Research. (2017, March). *Projected Year the Wage Gap Will Close by State*. Retrieved 22 March 2017, from https://iwpr.org/wp-content/uploads/2017/03/R476.pdf

25 Bailey, M.J., Hershbein, B., & Miller, A.R. (2012, July). The Opt-In Revolution? Contraception and the Gender Gap in Wages. *American Economic Journal: Applied Economics, 4*(3), 225-254. Retrieved 21 March 2017, from http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3684076; Reproductive Health Technologies Project. (2015, August). *Two Sides of the Same Coin: Integrating Economic and Reproductive Justice*. Retrieved 21 March 2017, from http://rhtp.org/wp-content/uploads/2016/08/Two-Sides-of-the-Same-Coin-Integrating-Economic-and-Reproductive-Justice.pdf

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THE GENDER WAGE GAP: EXTENT, TRENDS, AND EXPLANATIONS

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ABSTRACT

Using PSID microdata over the 1980-2010, we provide new empirical evidence on the extent of and trends in the gender wage gap, which declined considerably over this period. By 2010, conventional human capital variables taken together explained little of the gender wage gap, while gender differences in occupation and industry continued to be important. Moreover, the gender pay gap declined much more slowly at the top of the wage distribution that at the middle or the bottom and by 2010 was noticeably higher at the top. We then survey the literature to identify what has been learned about the explanations for the gap. We conclude that many of the traditional explanations continue to have salience. Although human capital factors are now relatively unimportant in the aggregate, women's work force interruptions and shorter hours remain significant in high skilled occupations, possibly due to compensating differentials. Gender differences in occupations and industries, as well as differences in gender roles and the gender division of labor remain important, and research based on experimental evidence strongly suggests that discrimination cannot be discounted. Psychological attributes or noncognitive skills comprise one of the newer explanations for gender differences in outcomes. Our effort to assess the quantitative evidence on the importance of these factors suggests that they account for a small to moderate portion of the gender pay gap, considerably smaller than say occupation and industry effects, though they appear to modestly contribute to these differences.

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1. Introduction

The gender wage gap has now been intensively investigated for a number of decades, but also remains an area of active and innovative research. In this article, we provide new empirical estimates delineating the extent of and trends in the gender wage gap and their potential explanations. We then survey the literature to identify what has been learned about the explanations of the gap, both those that can be readily included in conventional analyses and those that cannot; both traditional explanations and newer ones that have been offered. Our primary focus will be on the United States, although we also place the United States in a comparative perspective, particularly as such comparisons help to further our understanding of the sources of the gender wage gap. The focus on the United States is in part designed to make our task more manageable, as there has been an explosion of research on this topic across many countries. Nonetheless, we believe much of what we have learned for the United States is applicable to other countries, particularly other economically advanced nations. In our comprehensive review of the literature, we particularly emphasize areas where there has been exciting new research on more traditional explanations and on newer explanations and trends, including research on gender differences in psychological attributes/noncognitive skills and mathematics test scores, and on the reversal of the gender education gap.

The long-term trend has been a substantial reduction in the gender wage gap, both in the United States and in other economically advanced nations (Blau and Kahn 2008). However, the shorter term picture in the United States has been somewhat mixed. The period of strongest wage convergence between men and women was the 1980s, and progress has been slower and more uneven since then. Moreover, a number of other related trends appear to have plateaued or slowed since the 1990s, including increases in female labor force participation rates and reductions in occupational segregation by sex.

The plan of the paper is as follows. In Section 2, we begin by documenting the changes in the gender gap that have occurred in the United States since the 1950s based on published data. We then provide new analyses for the 1980 to 2010 period that include decompositions of the changes in the gender wage gap into portions associated with key characteristics such as schooling, experience, industry, occupation and union status. We also examine how women fared relative to men at various points in the wage distribution. Our decompositions show the importance of these measured factors in accounting for the levels and changes in the gender pay gap. We also find that an unexplained gap remains and, moreover, that it has been stable subsequent to a dramatic narrowing over the 1980s.

In the remaining sections we probe what is known about the various factors that contribute to the gender pay gap, including the extent of and trends in these factors. Some of the variables we consider are measured in our data set and included in our analysis in Section 2, as well as other similar type analyses. Other factors are not included and presumably help to provide insight into the sources of the unexplained gap. However, it is important to point out that the effects of factors that are not explicitly included in traditional regression analyses may be taken into account to some extent by measured variables. For example, women have been found to be more risk averse than men on average which could lower their relative wages. However, to the extent that this factor operates through gender differences in occupational sorting, e.g., if it results in women avoiding occupations with greater variance in earnings, regression analyses that control for occupation will adjust for this factor.

Our consideration of explanatory factors begins in Section 3 where we discuss variables economists have traditionally emphasized in studying the gender pay gap. These include human capital (schooling and work experience), the family division of labor, compensating wage differentials, discrimination, and issues relating to selection into the labor force.[1] Gender differences in occupations,

[1] Selection issues arise because we do not observe wage offers for people who are not currently employed and a smaller share of the female than of the male population is employed. Moreover, the share of both groups, but particularly of women, who are employed has changed over time.

industries and firms are a component of this discussion. We especially emphasize new empirical and theoretical research on these traditional factors.

We then turn in Section 4 to a discussion of a relatively new field of research among economists studying gender: the impact of norms, psychological attributes and noncognitive skills on the gender pay gap. This body of work includes both survey evidence and lab and field experiments. It has the potential to help explain not only what economists have called the unexplained gender wage gap (i.e. the portion not accounted for gender differences in measured qualifications) but also gender differences in some of the measured factors themselves. However, a theme that emerges from some of the experimental work is that some psychological attitudes may themselves be influenced by context. For example, anticipated treatment of women in the labor market may affect their aspirations. The formation of norms and attitudes thus in our view is a potentially fruitful area of research that has received relatively little attention by economists.

We then turn in Section 5 to a discussion of the impact of policy on the gender wage gap, including both antidiscrimination policy and family leave policies. While the discussion up to this point emphasizes gender-specific factors (i.e., gender differences in behavior, qualifications, and treatment), in Section 6, we highlights that the overall structure of wages can affect the gender wage gap, given that men and women have different skills and qualifications and work in different occupations and industries. Hence, changes over time or differences across countries in the return to various skills or to working in high-paying sectors (occupations or industries) will affect the gender pay gap. As another example, policies such as minimum wages or union negotiated wage floors that bring up the bottom of the distribution will disproportionately affect women even if the law or union agreement is not gender-specific. In Section 6, we discuss wage structure and refer to evidence both in the United States and from other countries in which the wage structure is much more compressed as a result of union wage-setting. Finally, Section 7 presents conclusions.

2. Overview of the US Gender Wage Gap

In this section, we use published data, information from the Michigan Panel Study of Income Dynamics (PSID), and the March Current Population Survey (CPS) to establish the facts on the levels and trends in the US gender wage gap and on their sources (in a descriptive sense). Accounting for the sources of the level and changes in the gender pay gap will provide guidance for understanding recent research studying gender and the labor market.

Figure 1 shows the long-run trends in the gender pay gap over the 1955-2014 period based on two published series: usual weekly earnings of full-time workers and annual earnings of full-time, year-round workers. After many years with a stable female/male earnings ratio of roughly 60%, women's relative wages began to rise sharply in the 1980s, with a continued, but slower and more uneven rate of increase thereafter. By 2014, women full-time workers earned about 79% of what men did on an annual basis and about 83% on a weekly basis.

To better understand the sources of the gender wage gap, we analyze data from the PSID, which is the only data source that has information on actual labor market experience (a crucial variable in gender analyses) for the full age range of the population. We focus on men and women age 25-64 who were full-time, non-farm, wage and salary workers and who worked at least 26 weeks during the preceding year. The focus on full-time workers and those with substantial labor force attachment over the year is designed to identify female and male workers with fairly similar levels of labor market commitment. However, we have repeated our analyses on the full sample of all wage and salary earners (including those employed part time or part year) and obtained very similar results to those shown here. The sample is also restricted to family heads and spouses/cohabitors because the PSID only supplies the crucial work history information for these individuals. Due to this and other limitations in coverage by the PSID, described in the Data Appendix, we present some additional data on the gender pay gap using the fully nationally

representative March CPS.[2] The empirical results in this section are of interest in and of themselves and also serve to set the stage for the literature review to follow by providing a frame of reference for how each of the measured factors discussed relates to the overall gender wage gap and changes in the gap. Our data cover the 1980-2010 period, in which, as Figure 1 shows, women have made major gains in relative wages.

Table 1 shows the evolution of the female-male ratio of average hourly earnings at the mean and also at the 10th, 50th, and 90th percentiles for four years—1980, 1989, 1998, and 2010—based on both PSID and CPS data.[3] Because i earnings refer to the previous year, we use, for example, the 1981 data to measure wages in 1980. The overall pattern is very similar across the two data sets, and also largely matches that in the published data shown in Figure 1, increasing one's confidence in the PSID.[4] Specifically, gains in the female/male wage ratio were largest in the 1980s and occurred at a slower pace thereafter, with the ratio rising from 62-64% in 1980 to 72-74% in 1989, with a further increase to 79-82% by 2010.[5]

The time pattern at the bottom (10th percentile), middle (50th percentile) and top (90th percentile) of the wage distribution is similar to that for the overall mean: the gender wage ratio rose over the period, with the largest gains during the 1980s. However, a closer examination shows that women gained least, in a relative sense, at the top. In both the PSID and CPS, women at the top had a slightly higher pay ratio than those in the middle and a slightly lower pay ratio than those at the bottom in 1980. Yet by 2010, in both data sets, women's relative pay at the top was considerably less than that at the middle and bottom of the distribution: 8-9 percentage points less than that at the middle or bottom in the PSID, and 6-11 percentage points less in the CPS. Later in this section, we will consider the role of measured factors in accounting for the slower reduction at the top and in following sections we will attempt to shed additional light by reviewing the literature on the labor market for highly skilled workers.

At the same time that the gender pay gap has been narrowing, women have been increasing their relative labor market qualifications and commitment to work. Tables 2 and 3 show the extent of such changes among our PSID sample of full-time workers. Table 2 focuses on the prime human capital determinants of men's and women's wages, education and actual full-time experience. In the case of education, there was a dramatic reversal of the gender gap. In 1981, women had lower average levels of schooling than men and were less likely to have exactly a bachelor's or an advanced degree. Over the period, women narrowed the education gap with men and, by 2011, women had higher average levels of schooling and were more likely to have an advanced degree than men.[6] While men had a slightly higher

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[2] Additional information on the details of our data preparation and analysis is available in the online Data Appendix. Means and other data presented here are for the sample used in our regression analyses. In the PSID, we exclude cases with missing data on the dependent or explanatory variables, or variables needed to construct them. In the CPS, we exclude cases with allocated earnings. See Table 1 for sample sizes.

[3] Entries are calculated as exp (D), where D is the female log wage at the mean, or at the indicated percentile, minus the corresponding male log wage.

[4] The unemployment rate was 7.1% in 1980, 5.3% in 1989, 4.5% in 1998, and 9.6% in 2010 (see http://data.bls.gov/timeseries/LNU04000000?years_option=all_years&periods_option=specific_periods&periods=Annual+Data , accessed December 27, 2015). The high level of unemployment in 2010 may raise concerns about the representativeness of that year for studying the gender pay gap. Reassuringly, however, we found similar results when we ended our PSID sample in 2006, before the Great Recession began.

[5] The larger female gains in relative wages during 1980s is a result we have studied in some detail in prior work (Blau and Kahn 2006), where we explicitly compared the 1980s and the 1990s.

[6] Tables 2 and 3 refer to 1981, 1990, 1999, and 2011 rather than 1980, etc., as shown in Table 1, because earnings refer to the previous year, while other variables are measured as of the survey date.

incidence of having exactly a bachelor's degree, women were more likely to have at least a bachelor's degree (i.e. the sum of the Bachelor's Degree Only and Advanced Degree categories).[7]

In the case of labor market experience, the story is one of a substantial narrowing of the gender experience gap. In 1981, men had nearly 7 more years of full-time labor market experience on average than women. By 2011, the gap had fallen markedly to only 1.4 years, with the fastest rate of increase in women's relative experience occurring during the 1980s.[8] Thus, on these two basic measures of human capital—schooling and actual labor market experience—women made important gains during the 1981-2011 period, reversing the education gap and greatly reducing the experience gap.

Table 3 further explores trends in the determinants of wages by showing gender differences in the incidence of high-level jobs as well as collective bargaining coverage. Rising employment in managerial or professional jobs may be an indicator of increasing human capital or work commitment, even controlling for levels of schooling and actual labor market experience. For example, such jobs may entail higher levels of responsibility and pressure than other jobs, and only those with the appropriate training and commitment may be qualified to take them. Increases in women's relative representation in such jobs may then be a further indicator of their rising human capital and labor market commitment. However, women's representation in such jobs may also be affected by employer discrimination in entry or promotions. Women's improvements may therefore also reflect reductions in discrimination. Both interpretations are plausible. First, it seems likely that women's increasing levels of schooling and, as discussed below, increasing representation in lucrative fields of study, as well as their rising experience levels would be expected to lead to their greater representation in high-level positions. Second, given women's increasing qualifications and commitment to the labor market, employer incentives for statistical discrimination (this concept is discussed further below) have likely been reduced.

Under either interpretation, studying these differences can yield insights into the sources of the gender pay gap. Table 3 shows remarkable increases in women's relative representation in such high-level jobs. The male advantage in managerial jobs fell from 12 percentage points in 1981 to just two percentage points in 2011. Moreover, while women were more likely than men to work in professional jobs throughout the period, their advantage grew from five percentage points in 1981 to nine percentage points in 2011. However, many women in professional jobs remain employed in traditionally female occupations such as nursing or K-12 teaching that are generally less lucrative than traditionally male professions. We therefore also show in Table 3 gender differences in the incidence of employment in "male" professional jobs, which we define as professional jobs other than nursing or K-12 and other non-college teaching positions, most of which were predominantly male at the start of our period. While men were four percentage points more likely than women to be in such jobs in 1981, by 2011, the gender gap had been virtually eliminated. At the same time women were making these occupational gains, they were greatly reducing their concentration in administrative support and clerical jobs.[9]

In addition to these occupational changes, one notable feature of the post-1980 labor market is the steady reduction in the portion of the economy covered by collective bargaining. Table 3 shows that this

[7] CPS data also show that, in 1981, men had higher levels of schooling and incidence of bachelor's or advanced degrees than women; by 2011, women in the CPS had higher levels of schooling than men, as in the PSID. However, in the 2011 CPS, women not only had a higher incidence of advanced degrees, but also a slightly higher incidence of exactly a college degree than men.

[8] Some of the small experience gap in 2011 may have resulted from the recession. For example, in 2007 (i.e. before the recession), the full time experience gap was 2.6 years, compared to 2011's gap of 1.4 years and the 1999 gap of 3.8 years. Whether the fall to 1.4 years by 2011 was a continuation of a trend or was due to the recession is unclear, though the upshot is the same: a substantial reduction in the gender experience gap.

[9] We obtained very similar results on the gender gaps in managerial, professional, and "male" professional employment using the March CPS.

reduction hit men much harder than women. Specifically, men's collective bargaining coverage fell from 34% in 1981 to 17% in 2011, while women's coverage only declined from 21% to 19%.[10] As is the case with women's gains in education, full time labor market experience, and employment in high-level occupations, we expect the elimination of the gender gap in collective bargaining coverage to contribute to a reduction in the gender pay gap.[11]

How have gender differences in women's labor market qualifications and employment location affected the gender wage gap? And how have improvements in women's relative characteristics affected changes in the gender wage gap? We study these questions by decomposing levels and changes in the gender wage gap over the 1980-2010 period using log wage regressions. We proceed in two stages. First, we estimate wage models that only control for education, experience, race/ethnicity, region, and metropolitan area residence. We term this the "human capital specification," since other than basic controls, we include only human capital variables—education and experience. Second, we augment this model with a series of industry, occupation and union coverage dummy variables. We term this equation the "full specification." Because these latter variables may have an ambiguous interpretation—i.e., they may represent human capital, other labor market skills, and commitment, on the one hand, or employer discrimination, on the other hand—we present both versions. Note that we do not control for marital status or number of children, since these are likely to be endogenous with respect to women's labor force decisions. Our decompositions can be viewed as reduced forms with respect to family formation decisions.[12]

We measure education by controlling for years of schooling, plus dummy variables for having exactly a bachelor's degree and an advanced degree. We include measures of both full-time and part-time labor market experience and their squares. Race and ethnicity are controlled for using four mutually-exclusive categories: white non-Hispanic (the excluded category), black non-Hispanic, other non-Hispanic, and Hispanic. We control for three of the four Census regions as well as including a dummy variable for residence in a metropolitan area. In the full specification, we additionally control for a series of 14 industry and 20 occupation dummy variables, government employment, and a collective bargaining coverage dummy variable. (In the decompositions below, government employment is included with industry.) The construction of these categories took account of changes in the PSID's coding scheme over the period and is described in the online Data Appendix.

2.1 Explaining the Gender Wage Gap at the Mean

Figure 2 shows female to male log wage ratios, (i) unadjusted for covariates (i.e. reproduced from Table 1), (ii) adjusted for the covariates in the human capital specification, and (iii) adjusted for the covariates in the full specification. The adjusted female/male wage ratios shown in Figure 2 and analyzed in more detail in Table 4 are computed using a traditional Oaxaca-Blinder decomposition of male-female differences in log wages into a component accounted for by differences in characteristics and an

[10] While the PSID data show women as now having slightly higher collective bargaining coverage than men, US Bureau of Labor Statistics data show men continuing to retain a small edge. Specifically, in 1983, among those 16 years and older, 27.7% of men were covered by collective bargaining, compared to 18.0% of women; by 2011, men's coverage had decreased to 13.5%, while women's declined to 12.5% (http://data.bls.gov/pdq/SurveyOutputServlet , accessed August 18, 2014).

[11] In the PSID, the convergence in the collective bargaining coverage of men and women was a result of both a larger fall in men's private sector coverage and an increase in women's public sector coverage, with men's public sector coverage remaining stable.

[12] An additional reason we did not control for marital status and children in our basic regressions is that such variables are expected to increase male wages but to decrease female wages, complicating one's assessment of gender gaps in explanatory variables. Nonetheless, when we included these variables in our basic wage regressions, the decomposition results were very similar to those shown here.

unexplained component (Oaxaca 1973, Blinder 1973). The latter is often taken to be an estimate of the extent of discrimination—i.e., unequal pay for equally qualified workers. However, the unexplained portion of the gender pay gap may include the effects of unmeasured productivity or compensating differentials, and some of the explanatory variables such as industry or occupation may be affected by discrimination. We consider this issue in greater detail in Section 3.9, while our discussion of research on selection, unmeasured attributes such as competitiveness or risk aversion, and possible glass ceilings will shed light on some possible sources of the pay gap that cannot be explained by measured characteristics.

The following equations illustrate the Blinder Oaxaca decomposition. For year t, estimate separate male (m) and female (f) Ordinary Least Squares (OLS) wage regressions for individual i (the i and t subscripts are suppressed to simplify the notation):

$$Y_m = X_m B_m + u_m \quad (1)$$

$$Y_f = X_f B_f + u_f \quad (2)$$

where Y is the log of wages, X is a vector of explanatory variables such as education and experience, B is a vector of coefficients and u is an error term.

Let b_m and b_f be respectively the OLS estimates of B_m and B_f, and denote mean values with a bar over the variable. Then, since OLS with a constant term produces residuals with a zero mean, we have:

$$\overline{Y}_m - \overline{Y}_f = b_m\overline{X}_m - b_f\overline{X}_f = b_m(\overline{X}_m - \overline{X}_f) + \overline{X}_f(b_m - b_f) \quad (3)$$

The first term on the far right hand side of (3) is the impact of gender differences in the explanatory variables evaluated using the male coefficients. The second term is the unexplained differential and corresponds to the average female residual from the male wage equation. In Figure 2, we take the exponential of this residual and obtain the simulated female to male wage ratio, controlling for the indicated variables. This residual corresponds to an experiment where we take one woman, given her characteristics, and reward her according to the male reward system. One might think of such an experiment as the outcome of a discrimination case in which a firm that previously was found to have discriminated against women is now required to treat women the same as it treats men. The decomposition in (3) of course could be performed using the female coefficients and the male means, and we have performed such a decomposition as well, with similar results to the ones reported here, although the unexplained residual was somewhat larger using the male means.[13]

The results for the unadjusted ratios in Figure 2 mirror the trends from the published data, showing a large increase in the female-to-male wage ratio over the 1980s, with continued but smaller gains in subsequent decades.[14] Over the 1980-2010 period as a whole, the unadjusted ratio increased

[13] Some have argued that a wage regression pooling men and women should be used since it is claimed that this would be the wage regression prevailing in a nondiscriminatory labor market (Cotton 1988; Neumark 1988). We have not done so here because there would likely be general equilibrium changes if discrimination were eradicated, and we do not know what the resulting reward structure would look like. Instead, we take the more modest approach of performing the decomposition using alternative weights and comparing the results. As just mentioned, however, the experiment of taking a women and valuing her characteristics using the male coefficients does correspond to a real-life scenario. We should also point out that in data sets such as the CPS that do not measure actual experience, the female equation will give a less accurate estimate of the return to labor market experience than the male equation.

[14] The US labor force aged over the 1980-2010 period, and it is well known that gender pay gaps increase with age. To investigate whether aging has influenced our picture of the trends in the gender wage gap, we re-weighted our data with 1980 age weights using a quartic in age in a procedure based on DiNardo, Fortin and Lemieux (1996). Men and women in our wage samples were in fact 3-4 years older in 2010 than 1980. When we repeated our

substantially from 62.1 to 79.3 percent. The adjusted ratios also rose considerably over this period, from 71.1 to 82.1 percent in the human capital specification and from 79.4 to 91.6 percent in the full specification. However virtually all of these gains occurred in the 1980s. This means that, while a reduction in the residual or unexplained gap played an important role in the narrowing of the gender wage gap over the 1980s, it has not been a factor since then (see also Blau and Kahn 2006). Figure 2 also indicates that the difference between the human-capital adjusted ratio and the unadjusted ratio fell dramatically over the 1980-2010 period, reflecting women's increasing human capital levels relative to men's. By 2010, the human capital variables (and the other variables included in this specification) explained very little of the gender wage gap: the unadjusted ratio was 79% compared to the adjusted ratio of 82%. As Goldin (2014) has commented, "As women have increased their productivity enhancing characteristics and as they 'look' more like men, the human capital part of the wage difference has been squeezed out." As we shall see shortly in Table 4, this represents to some extent countervailing factors: women are now *better* educated than men but they continue to lag (slightly) in actual labor market experience. In the full specification, the adjusted ratio (91.6 percent) remained considerably higher than in the human capital specification (82.1 percent) in 2011, suggesting a continued substantial role for occupation and industry in explaining the gender wage gap (recall that union differences have now been virtually eliminated).

Table 4 provides further detail on the contribution of particular labor market characteristics to the gender wage gap. Specifically, it shows the fraction of the total gender wage gap in 1980 and 2010 accounted for by gender differences in each group of variables for both the human capital and full specifications, again based on the Oaxaca-Blinder decomposition. The entries are the male-female differences in the means of each variable multiplied by the corresponding male coefficients from the current year wage regression. In Panel A, one sees the contribution of traditional human capital variables—education and experience—not controlling for industry, occupation or union status. This specification in effect allows human capital to affect these intervening variables and thus gives the reduced form effect of education and experience in explaining the gender wage gap. In 1980, the male advantage in education raised the gender wage gap somewhat, while the male experience gap contributed substantially (0.114 log points) and accounted for nearly a quarter of the gap. By 2010, due to the education reversal, women's *higher* level of education slightly *raised* their relative wage. Moreover, the much smaller (compared to 1980) male advantage in labor market experience contributed only a small amount 0.037 log points to the gender wage gap, accounting for 16% of the now much reduced gender wage gap. Together, human capital factors (education and experience) accounted for 27% of the gender wage gap in 1980 compared to only 8% in 2010. Another notable change was the decline in the unexplained gap—from 0.341 log points in 1980 to 0.197 log points in 2010. This also contributed substantially to the narrowing of the gender gap over the period, although, as we have seen, the decrease in the unexplained gap occurred only during the 1980s. Nonetheless, unexplained factors accounted for a substantial share of the gender gap in both years, actually a bit larger *share* of gap in 2010 (85%) than in 1980 (71%).

Table 4, Panel B, shows the decomposition of the gender pay gap using the full specification. Interestingly, the effects of education and experience are quite similar to that in Panel A, implying that the impact of these measures of human capital operates primarily within industries, occupations and union coverage status. In 1980, gender gaps in industry and occupation together accounted for 0.097 log points, or 20% of the gender pay gap, with gender differences in union coverage contributing an additional .03 log points or 6 percent of the gap. By 2010, the convergence in male and female unionization rates had virtually eliminated the contribution of this factor, but occupation and industry continued to account for a substantial gender gap of .117 log points or 51% of the smaller 2011 gender gap. Indeed, whether taken

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analyses using 1980 age weights, we found that the overall female to male wage ratio would have been 80.7% in 2010, compared to its actual value of 79.3% as shown in Table 1 and Figure 2, a slight increase as expected. However, the adjusted ratios were very similar to those shown in Figure 2.

separately or combined, occupation and industry now constitute the largest measured factors accounting for the gender pay gap. In both years, the unexplained gap was considerably smaller in the full specification than in the human capital specification, also highlighting the importance of industry and occupation. As in the case of the human capital specification, a marked decline in the unexplained gap (from 0.231 log points in 1980 to 0.088 log points in 2010) contributed to the narrowing of the gender wage gap, and, again, this decrease occurred over the 1980s. However, as in the case of the human capital specification, unexplained factors continue account for a substantial share of the gender gap in 2010 (38%) as they had in 1980 (49%). The continued importance of occupation and industry in accounting for the gender gap, and the rise in the relative importance of these factors, suggests that future research on explanations might fruitfully focus on gender differences in employment distributions and their causes. This meshes well with increased attention to the role of firms as firm-worker matched data increasingly become available.

One puzzling finding in Table 4 is that, despite the occupational improvements of women shown in Table 3, gender differences in occupation accounted for a larger pay gap in 2010 than in 1980 (0.076 vs. 0.051 log points). However, while women upgraded their occupations during this period, the wage consequences of gender differences in occupations became larger as well. We study these consequences formally in Table 5. There we provide estimates of the impact of changes in the gender gaps in covariates on the change in the gender wage gap using a constant set of male wage coefficients (for 1980 or 2010). To do this we adapt an approach developed by Juhn, Muphy and Pierce (1991) (see also Blau and Kahn 1997), which also yields estimates of the effect of changing coefficients and the effect of changes in the unexplained gap.

We begin with male (m) wage and female (f) wage equations as in (1) and (2) above for each of the two years (0, 1). Then,

(4) Effect of Changing Means = $(\Delta\overline{X}_1 - \Delta\overline{X}_0)b_{1m}$

(5) Effect of Changing Coefficients = $\Delta\overline{X}_0(b_{1m} - b_{0m})$

(6) Effect of Changing Unexplained Gaps = $\overline{X}_{1f}(b_{1m} - b_{1f}) - \overline{X}_{0f}(b_{0m} - b_{0f})$

where X and b have been defined previously and a Δ prefix signifies the (mean) male-female difference for the variable immediately following. The effect of changing means measures the contribution of changes in male-female differences in measured labor market characteristics (X's) on changes in the gender wage gap. So, for example, if women move into higher paying occupations it will reduce the gender wage gap. The effect of changing coefficients reflects the impact of changes in prices of measured labor market characteristics, as indexed by male coefficients, on changes in the gender wage gap. For example, given that women are located in different occupations than men, an increase in the return to occupations in which men are more heavily represented weights the gender difference in occupations more heavily and hence raises the gender wage gap, all else equal. Finally, the effect of changing unexplained gaps measures the impact of this factor on changes in the gender wage gap, with, e.g., a declining unexplained gap working to decrease the gender wage gap. The impact of changing means, changing coefficients, and changes in the unexplained gap together sum to the observed change in the total wage gap.

The first two columns of Table 5 use the 1980 Male Wage Equation and 2010 Male-Female differences in the means of the covariates as the base, while the second two columns use the opposite values as base, in each case chosen to exhaust the explained portion of the change in the gender pay gap.

In the human capital specification (giving the largest estimate of the impact of these variables) , women's improvements in education and experience taken together are shown to narrow the gender pay gap by 0.092 to 0.098 log points, or about 38-40% of the actual closing of the gender pay gap. Thus,

improvements in these traditional measures of human capital were a very important part of the story explaining the decrease in the gender pay gap. Results for the Full Specification illuminate the role of industry, occupation, and unionism. Taken together these variables narrowed the gender gap by .064-.066 log points or 26%-27% of the closing. This reflects convergence in men's and women's occupations and union status in roughly equal measure, with relatively little evidence of narrowing of industry differentials. In terms of occupational convergence, women reduced their concentration in administrative support and service jobs, relative to men, and, as we have seen, increased their representation in managerial and professional jobs, including traditionally male professions. As well as occupational upgrading of women, the female relative gains reflect some adverse trends for men, including the decline in their employment in production jobs and the increase in their employment in service positions, as well as their considerably larger loss of union employment.

In both specifications, the decline in the unexplained gender wage gap plays a substantial role in accounting for the wage convergence of women and men, explaining 58% of the closing.[15] (As we have noted previously, this decrease occurred almost entirely in the 1980s.) Of course this begs the question as to what caused this decrease. There are a number of possible sources. The two most straightforward are that the decline represents a decrease in discrimination against women and/or a decrease in gender difference in unmeasured characteristics. Also potentially important are demand shifts favoring women relative to men and trends in the extent and type of selection of women and men into the labor force. In Blau and Kahn (2006), we present some evidence consistent with each of these possible explanations, suggesting that all might have played role. These are all issues that we address below.

The decomposition presented in Table 5 also permits us to identify the role of changes in overall prices (coefficients) in affecting the trends. In general, for the 1980-2010 period, price changes are not found to play a major role in the human capital specification, but adverse price movements did negatively affect women's gains in the full specification, almost entirely due to rising returns to occupations in which women were underrepresented. However, female improvements in the explanatory variables and a narrowing of the unexplained gap more than outweighed these adverse price changes. This analysis highlights the notion that shifts in labor market prices can affect women's progress in narrowing the gender wage gap. The role of wage structure in affecting changes over time in relative wages of women, as well as differences across countries in the magnitude of the gender wage gap, is considered in Section 6.

2.2 Explaining the Gender Wage Gap Across the Wage Distribution

As we saw in Table 1, as of 2010, (i) there was a relatively large gender gap at the top of the distribution and (ii) the wage gap fell more slowly over the 1980-2010 period at the top than at other portions of the distribution. These two patterns suggest the notion of a "glass ceiling" in which women face barriers in entering the top levels of the labor market and which we discuss in more detail in Section 3. To provide some further evidence on this phenomenon, we decompose the gender pay gap at specific percentiles of the distribution into portions due to covariates and portions due to wage coefficients. The latter component corresponds to the unexplained gap and, while as noted above, is sometimes taken to be a measure of discrimination, may be a biased estimate.

To study the unexplained gap across the distribution, we use a method developed by Chernozhukov, Fernández-Val and Melly (2013) which decomposes unconditional intergroup gaps (in our case, male-female gaps) at a given percentile into a portion due to the distribution of characteristics and a portion due to different wage functions conditional on characteristics. This latter portion corresponds to the unexplained gap. As discussed by the authors, the method involves computing the

[15] Coincidentally, the female residual fell by almost identical amounts in the Human Capital and Full Specifications (0.1432-0.1433 log points). Using the female coefficients as the base yielded qualitatively similar results for the changes in characteristics; however, the effects of prices changes were very small.

distribution of characteristics and the conditional wage distribution by gender. For example, as above, let log wages be denoted by Y, y be a specific value of log wages, m represent males, f represent females, and X be a vector of characteristics affecting wages. Then,

$$(7)\ F_{Y[m,m]}(y) = \int F_{Ym|Xm}(y|x)dF_{Xm}(x)$$

$$(8) F_{Y[f,f]}(y) = \int F_{Yf|Xf}(y|x)dF_{Xf}(x)$$

$$(9)\ F_{Y[m,f]}(y) = \int F_{Ym|Xm}(y|x)dF_{Xf}(x)$$

where $F_{Y[m,m]}$ refers to the unconditional distribution of log wages with the male wage function and the male characteristics, with a corresponding definition for $F_{Y[f,f]}$; $F_{Y[m,f]}$ is the hypothetical wage distribution that would face women if they were rewarded according to the male wage function; $F_{Ym|Xm}$ refers to the conditional distribution of male wages given their characteristics; and F_{Xm} refers to the distribution of male characteristics, with corresponding definitions for $F_{Yf|Xf}$ and F_{Xf}.

To decompose the differences between the unconditional male and female wage distributions, we note that:

$$(10)\ F_{Y[m,m]} - F_{Y[f,f]} = \{F_{Y[m,m]} - F_{Y[m,f]}\} + \{F_{Y[m,f]} - F_{Y[f,f]}\}$$

The first term in brackets in equation (10) shows the effect of differing distributions of personal characteristics, while the second term shows the wage function effect. To implement the decomposition, Chernozhukov, Fernández-Val and Melly (2013) suggest computing the empirical distribution of the X variables and using quantile regressions for the conditional wage distribution. We follow that procedure and estimate 100 quantile regressions. In addition, we compute the standard errors using bootstrapping with 100 repetitions.

In Table 6, we present the decomposition results for the 10th, 50th and 90th percentiles.[16] At each percentile, women's covariates improved relative to men's over the period in both the human capital and full specifications, resulting in comparable declines of 0.09-0.10 log points in the gender wage gap across the distribution. The lesser progress of women at the top was entirely due to much larger reductions in the unexplained gap (coefficient effects) at the 10th and 50th percentiles than at the 90th percentile. In the human capital specification, the unexplained gap fell by 0.18 to 0.20 log points at the 10th and 50th percentiles, but only by 0.06 log points at the 90th percentile; in the full specification, the corresponding reductions in the unexplained gap were 0.16 to 0.18 log points at the 10th and 50th percentiles but only 0.05 log points at the 90th percentiles. By 2010, the unexplained gap was larger at the 90th percentile than at the 10th or 50th percentile in both specifications; in contrast, in 1980, the unexplained gap was smaller at the 90th than at the 50th, although still larger than at the 10th percentile.[17]

These coefficient effects suggest the possibility of a glass ceiling among highly skilled women, although they could also result from unmeasured factors leading highly skilled men to earn particularly

[16] The decomposition allows us to recover the unconditional distribution of wages by adding the effects of the covariates and wage coefficients, and the results closely match the actual percentiles. The Chernozhukov, Fernández-Val and Melly (2013) approach is similar in principle to the method of unconditional quantile regressions suggested by Firpo, Fortin and Lemieux (2009).

[17] While the unexplained gap in the full specification for 2010 appears very low at the 10th percentile, we are reluctant to place a strong interpretation on this in light of its relatively large standard error. Taking the coefficient effect at face value suggests a larger role for differences by occupation, industry, and unionism in accounting for gender wage gaps at the bottom than at the other percentiles (especially the 90th) where gender difference in wages within occupation, industry, and union status appear to play a relatively large role.

high relative wages. We discuss research on discrimination in Section 3.8 as well as work suggesting an important role for penalties for flexibility (shorter hours and work force interruptions) in explaining gender gaps in skilled occupations in Section 3.4. However, we note here that such a result—either a relatively large unexplained gender gap at the top or more slowly falling gender pay gaps at the top than elsewhere in the distribution is a common finding in the recent literature on the gender gap that uses quantile regression methods to study these issues. For example, in earlier work (Blau and Kahn 2006), we used PSID data and found that the unexplained gender pay gap in 1998 at the 90th percentile was larger than at lower percentiles and that it had fallen less since 1979. Similarly, also using PSID data Kassenboehmer and Simming (2014) found that the unexplained gender gap fell by less at the 90th percentile than at lower regions of the distribution over the 1993-5 to 2004-8 period and that, in 2004-8, there was a somewhat larger unexplained gap at the 90th than at the 50th percentile. Moreover, European research also typically finds a larger unexplained gap at the top than the middle of the distribution (e.g., Arulampalam, Booth and Bryan 2007 using microdata on 11 countries for 1995-2001 and Albrecht, Björklund and Vroman 2003 using Swedish data for the 1990s).

2.3 Summary

Our overview of the US gender wage gap shows a substantially decreased but persistent wage gap between men and women. Decompositions indicate the importance of changes in gender differences in education and experience, as well as occupation and union status in accounting for the reduction in the gender pay gap. They also highlight the diminished role of human capital factors in accounting for the gender wage gap over time—due both to the reversal of the education gap between men and women and the narrowing of the gender gap in experience. Gender differences in occupation and industry remain important in explaining the gender wage gap, despite occupational upgrading of women relative to men. However, the role of unions in accounting for gender differences in wages has virtually disappeared as have gender differences in unionization. While a decrease in the unexplained gap played a role in narrowing the gender wage gap in the 1980s, an unexplained gender wage gap remains and has been roughly stable since the 1980s decline. We also found that gender wage gap is currently larger at the top of the wage distribution and has decreased more slowly at the top than at other points in the distribution. This remains the case even after accounting for measured characteristics. We now turn to a discussion of the underlying factors affecting the observed sources of the gender pay gap, as well as in factors that may be included in the unobserved gap in accounting exercises like this one. We also probe for insights on why the gap is larger at the top.

3. Traditional Factors Affecting the Gender Pay Gap

3.1 Labor Force Participation

Labor force participation is a crucial factor in understanding developments in women's wages. This is the case both because the receipt of wages is conditional on employment, and also because women's labor force attachment is a key factor influencing the gender wage gap. U.S. women's labor force participation rates increased dramatically in the five decades following World War II and this increase, driven by rising participation rates of married women, underlies what Goldin (2006) has termed the "quiet revolution" in gender roles that underlies women's progress in narrowing the gender wage gap and other dimensions of labor market outcomes. For that reason, we briefly summarize the trends in female labor force participation in the United States.

The sharp increase in female participation rates is illustrated in Figure 3, which shows the rate rising from 31.8 percent in 1947 to 57.2 percent in 2013. The *gender gap* in participation rates was further reduced by the steady decline in male participation rates over this period. As may be seen in Figure 3, the growth in female participation rates began to slow and then plateau in the 1990s. Female participation rates have fallen in the wake of the Great Recession, mirroring a similar pattern among men.

There is a voluminous literature on the sources of rising female labor force participation rates dating at least from Mincer's (1962) insightful analysis of the early post-World War II increase. Consistent with Mincer's original analysis, numerous studies have continued to find that rising real wages for women have played a major role in explaining the rise in married women's labor force participation. The substitution effect due to increases in female wages more than outweighed the negative income effect due to increases in their husbands' incomes during periods of rising male wages.[18] Moreover, during the 1970s and 1980s, husbands' real incomes stagnated overall and declined for less educated men. While this factor contributed to increases in women's labor force participation during this period, consistent with Mincer's initial insight, it accounted for relatively little of the increase, with rising female wages continuing to play the more important role (Juhn and Murphy 1997; Blau and Kahn 2007). Indeed, the married women with the largest increase in market hours since 1950 were those with high-wage husbands (see Juhn and Murphy 1997 and McGrattan and Rogerson 2008), likely drawn in by widening wage inequality and rising returns to skill (e.g., Autor, Katz and Kearney 2008). Rising returns to skill likely also underlie the much larger increases in labor force participation rates for highly educated women relative to their less educated counterparts (Blau 1998, Blau, Ferber, and Winkler 2014, Figure 6-6).

A number of other factors apart from rising wages and increasing educational attainment have also been found to be important in explaining women's increasing labor force participation. These include the greater availability of market substitutes for home work and improvements in household technology (e.g., Greenwood, Seshadri, and Yorukoglu 2005), the development and dissemination of the birth control pill (Goldin and Katz 2002; Bailey 2006; Bailey, Hershbein, and Miller 2012), and demand shifts that favored occupations like clerical work where women were well represented (Goldin 1990; Oppenheimer 1976). At the same time, however, studies focused on conventional economic variables (wages, nonlabor or husband's income, education, and demographic variables) for periods of rapid increase in female participation rates (i.e., prior to the 1990s) generally find that measured variables, including the key wage and income variables, cannot fully explain the observed increases.[19] This suggests an important role for shifts in preferences and other unmeasured factors. Cotter, Hermsen, and Vanneman (2011) and Fortin (2015) provide some evidence on attitudes, although establishing causation in this relationship is challenging, since people may adjust their attitudes in light of their labor force behavior and outcomes as well as vice versa.

A final point to note is that, between 1980 and 2000, female own wage and income elasticities declined substantially in magnitude (Blau and Kahn 2007; Heim 2007). This is of significance in that it has brought female elasticities closer to male elasticities, and, though a gender difference remains, may be interpreted as an indicator that women are coming to more closely approximate men in terms of the role that market work plays in their lives (Goldin 2006; Blau and Kahn 2007).

3.2 Selection and the Gender Wage Gap

Changes over time in female participation rates raise the issue of selection bias (Heckman 1979; Gronau 1974), since data on wages are available only for a self-selected group of labor force participants. As noted above, inclusion in the wage sample requires employment and, depending on the study, there may be additional requirements, for example, being a wage and salary worker (i.e., not self-employed), working full-time, working full-year or a minimum number of weeks in a year, etc. Selection bias is likely to be a more serious issue for women's than men's wages because the closer the wage sample is to 100 percent of the underlying population, the smaller the selection bias.[20]

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[18] See, e.g., Blau and Kahn (2007) and references therein. For an excellent discussion of longer term factors, see Goldin (2006).

[19] See Blau and Kahn (2007) and references therein.

[20] See Mulligan and Rubinstein's (2008) discussion of the identification-at-infinity method of correcting for selection and associated references.

In considering wage differences between men and women, the focus would ideally be on wage offers rather than observed wages; selection bias arises because the latter are influenced by individuals' decisions about whether or not to participate in the wage and salary sector. Self-selection into the wage sample may take place on either measured or unmeasured factors and both may affect trends in observed wages. Our decompositions in Section 2 and other similar work are able to standardize for shifts in measured factors; however selection on unmeasured factors can bias the estimated coefficients in wage regressions and potentially result in misleading estimates of levels and trends in adjusted gender wage gaps. If inclusion in the wage sample is selective of those with higher (lower) wage offers, the mean of observed wages will be higher (lower) than the mean of wage offers. And, further, there are plausible scenarios under which the magnitude and even the sign of the selection bias may change over time. For example, intuitively we would expect changes in labor force participation rates to change the extent of selection bias and, as we have seen, not only have female participation rates increased over time, the pace of the increase has varied, with rapid rises prior to 1990, followed by slower growth and eventual plateauing thereafter. Moreover, as Mulligan and Rubinstein (2008) point out, selection patterns may change over time even in the absence of changing participation rates with, for example, changes in skill prices.[21] Or, as another example, Blau and Kahn (2006) point to changes in public policies, specifically welfare and the Earned Income Tax Credit (EITC), as affecting selection in the 1990s. Thus, the direction of any potential selection bias on either wage levels or trends is unclear a priori.

Does selection produce misleading estimates of levels and trends in gender wage gap and is the effect sizable? The evidence on this is mixed. Blau and Beller (1988) examine the impact of selection bias on the trends in the gender earnings gap over the 1970s (1971-81), using a standard Heckman 2-step selectivity bias correction for both the male and female wage equations. The first stage was identified by the inclusion of the individual's nonlabor income, a dummy for whether s/he was age 62 or over (and hence entitled to early social security benefits), and the number of family members who were aged 18-64. Demographic variables such as marital status and number of children that are sometimes used to identify the selection correction were included in the wage equation as well as the selection equation.

Blau and Beller found that, while published data on the median earnings of year-round, full-time workers showed little change in the gender pay gap during the 1970s, expanding the sample to include all workers (i.e. part-year and part-time) and using a regression approach to standardize for weeks and hours worked increased the estimate of earnings gains in an OLS context. When they corrected for selectivity bias, they found that wage offers resulted in substantially higher estimates of wage gains for white women relative to white men than did observed wages. Although the effect of the selectivity bias correction was to lower the estimated increase in the earnings ratio for blacks, the coefficients on the selectivity variables were not significant.

Blau and Kahn (2006) examined the gender wage gap over the 1979-98 period, using wage data from the PSID for 1979, 1989 and 1998. They adjusted for selection in several stages. They began by progressively expanding their wage sample, first by adding part-time workers to their base sample of full-time workers; then, for those still lacking wage observations, by using the longitudinal nature of their data set to recover real wages for the most recent year available in a four year window. For the remaining individuals, in the spirit of Neal and Johnson's (1996) and Neal's (2004) analyses of black-white wage differentials, they estimated median regressions and included some additional individuals by making assumptions about whether they placed above or below the median of real wage offers. Specifically, they assumed that individuals with at least a college degree and at least eight years of actual full-time labor market experience had above median wage offers for their gender, and that those with less than a high school degree and less than eight years of actual full-time labor market experience had below-median wage offers for their gender.

[21] Similarly in his comparison of black and white wages for women, Neal (2004) points out that selection may operate differently even for two groups that have roughly similar participation rates.

For each year, Blau and Kahn (2006) find that selection bias is positive, i.e., that the raw and human capital adjusted gender gap in wage offers is larger than the corresponding gaps for observed wages. However, their results suggest that the direction of the selectivity effect on wage *growth* differed between the 1980s and 1990s. In the 1980s, convergence was slower after correcting for selection; however, in the 1990s, convergence was faster after the correction. They argue that the results for the 1980s are consistent with evidence that employment gains for married women were largest for wives of higher-wage men who themselves are likely to be more skilled (on both measured and unmeasured characteristics), while the pattern for the 1990s may reflect the large entry of relatively low-skilled, female single-family heads during this decade (as we have seen increases in married women's participation rates had slowed), which has been linked to changes in welfare policies and the expansion of the EITC (e.g., Meyer and Rosenbaum 2001). For the 1979-98 period as a whole, their results suggest the selectivity adjustment had a nontrivial but small impact on the trends in either the unadjusted or adjusted differential.

In contrast Mulligan and Rubinstein (2008) obtain a much more significant role for selection in accounting for the convergence in observed wages between 1975-79 and 1995-99. Using data from the Current Population Survey and focusing on workers employed full time and full year, they implement two approaches: a Heckman 2-step estimator and an identification-at-infinity method. Their Heckman 2-step estimator is identified by inclusion of number of children aged 0-6 interacted with marital status in the first stage. The identification-at-infinity method entails estimating some of the wage equation parameters on a sample that is selected based on observed characteristics such that nearly all of the sample is predicted to be employed full time and full year. In most cases they find virtually no evidence of closing of the gender wage gap once selection has been accounted for. Mulligan and Rubinstein (2008) explain their findings in terms of rising wage inequality that has increased the returns to skill. In response, women with less human capital may drop out of the workforce, while those with more human capital may enter. While it is possible to control for some indicators of human capital in their CPS data (e.g., formal education), it is also quite possible that some indicators are unmeasured, giving rise to a change in the composition of the female workforce based on unmeasured characteristics and hence an important role for the selectivity bias adjustment. Consistent with this story, they find that selection of women into the full-time, full-year workforce was negative in the 1970s and shifted to positive in the 1990s.

Finally, Jacobsen, Khamis and Yuksel (2014) estimate wage equations for each year in the 1964-2013 period using March CPS data in order to construct a measure of lifetime earnings. Using a similar method and specification to that in Mulligan and Rubinstein (2008), they find increasingly positive selection into employment toward the end of their sample period, like Mulligan and Rubinstein (2008). However, in contrast to Mulligan and Rubinstein's (2008) wage results, they find that the gender gap in lifetime earnings closed in the 1980s although it then stopped converging. These findings for lifetime earnings are broadly similar to the adjusted wage trends reviewed in Section 2.

Possible selection bias in measuring the gender wage gap is an important and complex issue. Thus, it may not be surprising that efforts to address it have not yet achieved a consensus. Some differences arise because each of the reviewed studies not only focuses on a different data set or time period, but each uses a different approach to correcting for selection or implements it differently—including different definitions of the wage sample and different specifications of estimating equations. The PSID (used by Blau and Kahn 2006 and our data source in Section 2) permits a control for actual labor market experience, which will perforce be an unmeasured factor in a study based on the CPS (e.g., Blau and Beller 1988; Mulligan and Rubinstein 2008, and Jacobsen, Khamis and Yuksel 2014), which does not contain this information. More fundamentally, available approaches to correcting for selection bias each have their own strengths and weaknesses. One issue raised by estimation of the Heckman 2-step estimator is that an exclusion restriction (i.e., a variable that affects labor supply but does not affect wages) is needed (or at least desirable). The studies employing this approach reviewed here based identification on variables that could be argued to directly affect wages (such as nonlabor income in the

case of Blau and Beller 1988 or marriage and children in the cases of Mulligan and Rubinstein 2008 and Jacobsen, Khamis and Yuksel 2014). Moreover, while it doesn't require exclusion restrictions, the identification-at-infinity method used by Mulligan and Rubinstein (2008) raises some concern because the experience of the groups identified as having a high probability of year-round, full-time employment may not be representative of the larger male and female wage samples.[22] Finally, while the approach used by Blau and Kahn (2006) of adding observations above and below the median based on high-education, high-experience or low-education, low-experience does not raise identification issues, it does require the assumption that the wage offers for the identified groups are above median or below median, *conditional* on their measured human capital levels. This is an assumption that may reasonably be questioned, particularly at the high end.[23]

Thus, we see the issue of selection bias as an area where continued research, and perhaps new methodologies are needed to resolve the debate,[24] though we note that with the substantial upgrading of women's education, experience levels, and occupations that we documented in Section 2, it seems highly likely to us that unadjusted gaps, at least, have failed to rise.

3.3 Education and Mathematics Test Scores

Education is an area which has seen a reversal of the gender differential, as our analysis of the PSID in Section 2 showed. In the United States, traditionally, men were more likely than women to go to college and beyond. So, for example, in 1971, women received 43 percent of associate and bachelor's degrees, 40 percent of master's degrees, 14 percent of Ph.D.s, and 6 percent of first professional degrees (awarded in post-college professional training programs, including medicine, law, dentistry, pharmacy, veterinary medicine, and theology). By 1980, women had caught up to men in college graduation and subsequently they have surpassed them. As of 2011, women earned 57 percent of bachelor's degrees and 62 percent of associate degrees. There have been comparable gains at the post-graduate level—with women receiving 61 percent of master's degrees, 51 percent of Ph.D.'s and 49 percent of first professional degrees (Blau, Ferber and Winkler 2014, Chapter 8).[25] The broad outlines of these trends prevail across the economically advanced nations and many developing countries as well (Goldin, Katz and Kuziemko 2006, and Becker, Hubbard, and Murphy 2010).

In addition, the type of education women receive has changed toward more mathematics and career-oriented programs. Substantial gender differences in college majors remain, but college majors are considerably less gender segregated than they were in the 1960s (Blau, Ferber, and Winkler 2014, Chapter 8). Much of these gains were achieved by the 1980s, however, with less progress since then

[22] For example, Mulligan and Rubinstein (2008) find that when the sample is restricted to those with characteristics that predict a .8 or higher probability of being employed, it includes .8% (1970s), .5% (1980s), and 1.2% (1990s) of the white female full time, full year observations. This amounts to roughly 300 female observations per five year CPS cross section.

[23] Blau and Kahn argue that this assumption is more likely to be valid for the group with low-education, low-experience group (placed below the median). When they repeat the analyses adding only the low-education, low-experience group, their results are virtually identical.

[24] Blundell, Gosling, Ichimura and Meghir (2007) propose a method that uses bounds, tightened by restrictions based on economic theory, to estimate changes in the distributions of wages that allow for the nonrandom selection into work. Applying this method to the United Kingdom, they find evidence of increases in the relative wages of women. Olivetti and Petrongolo (2008) explore the role of selection in employment in accounting for international differences in the gender wage gap using alternative assumptions on the position of imputed wages of the nonemployed in the spirit of Neal (2004) and Blau and Kahn (2006).

[25] These figures are based on published data from the Department of Education. In 2011, women also received 46 percent of master's degrees in business, which are not included in the tabulation of first professional degrees in the Department of Education data.

(England and Li 2006; Bronson 2013). Significantly, women continue to lag in the STEM (science, technology, engineering and mathematics) fields, particularly in mathematically-intensive fields (Ceci, Ginther, Kahn, and Williams 2014). And gender differences in college major have been found to be an important determinant of the pay gap between college-educated men and women (Black, Haviland, Sanders and Taylor 2008).

As relatively more highly educated female cohorts have replaced earlier ones, women have now become more highly educated than men in the overall population (Blau, Ferber, and Winkler 2014, Chapter 8). The female advantage is particularly evident in the labor force (see Section 2), which is still more highly selected on education for women than for men. The reasons why women have overtaken men in education are not fully understood but seem to take in both pecuniary and nonpecuniary factors. The edge men traditionally enjoyed in college and beyond could be rationalized within a human capital investment framework. Women's shorter expected worklife reduced their gains to investing in large amounts of formal schooling, although other factors, including familial attitudes, social gender norms, and discrimination by educational institutions could be factors as well. From the human capital perspective, women's rising labor force attachment is expected to raise the returns to their investment in higher education and thus to narrow the educational gender gap. Working in the same direction, reductions in occupational segregation associated with the increased entry of college women into higher-paying, formerly male managerial and professional jobs likely provided a further economic incentive for women to invest in college; of course, rising college attendance by women increased their likelihood of qualifying for high level positions as well.[26] These employment gains likely reflect, at least in part, the government's antidiscrimination in employment effort spearheaded by the enforcement of Title VII of the Civil Rights Act and the implementation of Affirmative Action for government contractors (evidence on this is discussed in Section 5).

A number of additional factors likely contributed to the increase in women's educational attainment. First is the development of "the pill" and its growing availability to young, unmarried women beginning in the late 1960s and early 1970s. The availability of the pill was associated with and facilitated a delay in marriage and childbearing, which in turn enabled women to pursue professional training after college (Goldin and Katz 2002 and Bailey 2006). Second, passage and enforcement of Title IX of the Civil Rights Act, which banned discrimination in educational institutions, leading to changes in admission and other practices that facilitated and encouraged women's increased participation in higher education. Third, social norms and views on gender appropriate education investments most likely also changed. Finally, as Goldin, Katz, and Kuziemko (2006) show, girls were well positioned to increase their college attendance in terms of their high school grade point averages and class rank, which surpassed those of boys even during the era in which boys' college-going exceeded girls'. Moreover, while girls' high school preparation and test scores in science and mathematics initially lagged those of boys', these gaps were reduced as girls' expectations of attending college increased.

While the above considerations may help to explain why women have caught up to men in education, or at least why they have *reduced* the gender education gap (since women's expected labor force attachment is still less than men's), women's surpassing men is more puzzling—especially since, as noted earlier, this is an international phenomenon. A number of possible explanations for this have been offered, and all may play a role to some extent.

First, a college education not only increases own income but also results in family-related income gains due to assortative mating. Such gains are likely to be larger for women than men, since, in the

[26] Decreases in occupational segregation were especially pronounced among the college educated (Blau, Brummund, and Liu 2013a and b). It is unclear whether the college wage premium is higher for women than men. Earlier work by Dougherty (2005) and others suggested that returns measured in this way were higher for women, but Hubbard (2011) presents evidence that this is not the case when topcoding in the major data set used in these studies, the CPS, is corrected.

majority of couples, men are still the higher earners. Moreover, college-educated women have lower divorce rates and a lower incidence of out-of-wedlock births, making them less likely to become lower income, single family heads. To the extent this association is causal, this factor would also increase family-related returns to college more for women than men. DiPrete and Buchmann (2006) find that such family-related income gains (adjusted for family size) increased more for women than for men, suggesting that this may be part of the reason for the increase in women's college-going. Further, in the event of a divorce, Bronson (2015) argues that college provides insurance value and presents evidence that this consideration helps to explain the growth in women's college attendance.

Second, there are gender differences in noncognitive skills—for summaries and discussions, see Goldin, Katz and Kuziemko (2006) and Becker, Hubbard, and Murphy (2010)—that suggest girls have lower *nonpecuniary* costs of investing in college than boys. For one thing, as noted earlier, girls have traditionally excelled relative to boys in secondary school academic performance and this was the case even when they were less likely than boys to go to college. This suggests that girls find school less difficult or unpleasant than boys. There is evidence, for example, that boys spend much less time doing homework than girls (Porterfield and Winkler 2007). In addition, boys have a much higher incidence of school disciplinary and behavior problems, ranging from minor infractions to school suspensions and participation in criminal activity, and boys are also two to three times more likely to be diagnosed with attention deficit hyperactivity disorder (Goldin, Katz and Kuziemko 2006). The reasons for these gender differences have not been fully determined but one factor suggest by Goldin, Katz and Kuziemko (2006) may be the later maturation of boys. Regardless of their source, to the extent that females have lower total (pecuniary plus nonpecuniary) costs of investing in education on average than males, they will have a larger response to given increases in the benefits of college.

Becker, Hubbard, and Murphy (2010) also focus on noncognitive skills but emphasize gender differences in their *distribution*. They present evidence that the variance in noncognitive (or what they call nontraditional) skills is smaller for women than men, suggesting that under some circumstances the elasticity of supply to college will be higher for women than men. This depends on the location of the relevant portion of the distribution of costs. If, as appears likely, the relevant portion is close to the mean of costs, the density of individuals that can respond to an increase in benefits is larger for a lower-variability distribution that peaks around the mean—as is the case for women. If women have a higher elasticity of supply to college, then even for equal changes in the benefits, women can overtake men in college attainment.

Gender differences in one cognitive skill, mathematics, have gotten particular attention. A gender differential in mathematics ability and preparation as indicated by test scores is potentially linked to gender differences in wages and occupations. Traditionally, U.S. males have had higher average mathematics test scores than females, as well as higher representation at top performance levels. As noted earlier, the gender difference in math scores has narrowed as high school curricula of boys and girls have gotten more similar. Indeed, some evidence indicates that boys no longer have higher average math test scores during their high school years than girls.[27] However, there is continuing evidence of a gender difference at top performance levels, with males outnumbering females at the very high ranges of science and math tests, and females outnumbering males at the very high ranges of reading and language tests (e.g., Pope and Sydnor 2010). The male advantage at the upper end of math test scores has been cited as a factor in the underrepresentation of women in STEM fields, although this contention has been the focus

[27] Hyde, Lindberg, Linn, Ellis, and Williams (2008); this study used data from state assessments of cognitive performance. However, Fryer and Levitt (2010) continue to find a gender gap at the high school level using the Early Childhood Longitudinal Study Kindergarten Cohort, which is a sample of children entering kindergarten in 1998. Both studies are critical of SAT data since the pool of students taking the test is not representative of the full population and selection into the test may differ by gender.

of considerable debate.[28] Of particular interest, a significant strand of recent research focuses on the social determinants of these differences and implicitly asks whether gender differences in math performance may be influenced by educational policy and other environmental factors.

Evidence that social influences matter comes from a variety of sources. For example, several studies document considerable geographic variation in the gender gap in measured mathematics ability at the mean and at the top levels of performance, both within the United States (Pope and Sydnor 2010) and across countries (Guiso, Monte, Sapienza, and Zingales 2008; Fryer and Levitt 2010; Nollenberger, Rodríguez-Planas, and Sevilla 2014; Hoffman, Gneezy, and List 2011). In addition, the falling gender gap in math performance mentioned earlier also suggests that gender differences in math scores are affected by environmental factors. Moreover, the framing of the test can affect females' performance, as found by Spencer, Steele, and Quinn's (1999) research on stereotype threat: they found that women did as well as men on a difficult math test if they were told that men and women tended to do equally well; however, if women were told that women tend perform less well than men, then they did worse than men on the test. And, in some cases, teachers may discriminate against girls in their assessment of math tests, as found by Lavy and Sand's (2015) study of Israeli schools.

Is the gender gap in math test scores sufficient to account for an important portion of the gender pay gap? In her study of the impact of psychological factors on the gender pay gap, Fortin (2008) estimated wage regressions for two cohorts (the National Longitudinal Study of the High School Class of 1972-NLS 72- and the National Education Longitudinal Study of 1988/94—NELS 88) and controlled for their scores on a math test taken while they were seniors in high school. Fortin's (2008) focus was on the impact of psychological factors, but her inclusion of math scores in her wage regressions allows us to assess their quantitative importance.[29] Her tabulations show that, while males outscored females on the math test, consistent with our earlier discussion, the gap in standardized scores was smaller for the later cohort. For workers in their mid-twenties in the earlier cohort, in 1979, the difference in scores accounted for 4.4% of the raw pay gap (of 0. 237 log points) not controlling for completed schooling, and 3.0% controlling for completed schooling.[30] For workers in their mid-twenties in the later cohort, in 2000, the effects were much smaller: 1.4% of the raw pay gap (of 0.181 log points) not controlling for completed schooling, and 0.7% controlling for schooling. Notably, these small effects do not control for occupation, which is a likely route through which math ability can affect earnings. Thus, differences in math scores do not appear to account for much of the raw gender pay at a point in time. However, our calculations based on the Fortin study suggest that the declining gender difference in math scores between the two cohorts can account for 10-14% of the 0.056 log point decrease in the gender wage gap across cohorts.

3.4 Labor Force Experience and Work Hours

In this section we focus on the empirical literature that illuminates the importance for the gender wage gap of work experience and work hours. Dating from the seminal work of Mincer and Polachek

[28] For example, while Hyde et al. (2008) note the slightly greater variance of male test scores in their data, they argue that gender differences along this dimension are "are insufficient to explain lopsided gender patterns in participation in some STEM fields." In their extensive review, Ceci, Ginther, Kahn and Williams (2014) are also skeptical that math differences can account for the gender underrepresentation in math intensive fields. For an early study delineating the relationship between mathematical ability and field choice and its relationship to male-female differences in earning and occupations, see Paglin and Rufolo (1990).

[29] We multiply the gender gap in the test score by the estimated wage coefficient on the test score, which comes from a regression that pools men and women.

[30] These regressions control for part-time employment, experience, and personal characteristics (race, marital status, and presence of children), as well as a number of noncognitive traits (self-esteem, external locus of control, importance of money/work and family/people). However the estimated effect of math score is similar in the fully specified model when the noncognitive traits are excluded.

(1974), gender differences in experience and labor force attachment have been seen as central to the understanding of the gender wage gap. Under a traditional division of labor by gender in the family, women will anticipate shorter and more discontinuous work lives as a consequence of their family responsibilities; they will thus have lower incentives to invest in on-the-job training than men. Their resulting smaller human capital investments and reduced labor market experience will lower their relative earnings. Human capital depreciation during workforce interruptions will further lower the wages of women upon their return to market work. Women are also expected to choose occupations for which human capital investments are less important and in which the skill depreciation that occurs during time spent out of the labor force is minimized (Polachek 1981).

Further insights are obtained by distinguishing between general training (which is transferable across firms) and firm-specific training (which imparts skills which are unique to a particular enterprise).[31] Women will especially avoid jobs requiring large investments in firm-specific skills because the returns to such investments are reaped only as long as one remains with a particular employer. At the same time, employers are expected to be reluctant to hire women for such jobs because they bear some of the costs of firm-specific training. (Since general training is transferable, a simple model predicts that employees will bear the costs and reap the returns to such training, although under certain circumstances firms may share the costs and benefits here as well; see Acemoglu and Pischke 1999). Such employer behavior would be consistent with models of statistical discrimination where, given employer uncertainty about worker productivity or stability, firms may discriminate against groups like women or minorities based on real or perceived average differences (Phelps 1972; Aigner and Cain 1977; Royalty 1996). As Altonji and Blank (1999) point out, such discrimination is plausible given evidence that firms face uncertainty about the productivity of their workers.[32]

Recent work by Goldin (2014) continues to highlight the role of work force interruptions in lowering women's wages but outlines a different mechanism for this effect. Goldin (2014) analyzes the impact of interruptions in the context of a broader analysis of the impact of temporal flexibility (or the lack thereof) in impacting the gender wage gap. In particular, she focuses on the disproportionate rewards in some occupations/firms for working long hours and particular hours.[33] Her main focus is on hours of work, but as she notes, interruptions can also be analyzed in this context. She argues that the explanation for a high wage penalty for temporal flexibility can best be understood through the lens of personnel economics rather than human capital theory. In particular, she sees such pay differences as arising because of differences across workplaces in the value of long hours rather than of differences across individuals in amounts of human capital. The result is a classic compensating differential equilibrium à la Rosen (1986). Workers place different values on temporal flexibility (with women placing a higher value than men) and firms or sectors confront different cost to providing it—workers sort across workplaces accordingly.[34]

[31] See Becker (1993, 1st ed. 1964) for this distinction and Blau, Ferber, and Winkler (2014) for a graphical development of its application to gender differences in on-the-job training investments.

[32] See, for example Farber and Gibbons 1996; and Altonji and Pierret 1997; or, more recently, Kahn (2013) and Kahn and Lange (2014).

[33] In related work, Cha and Weeden (2014) examine the role of an increase in the prevalence of long (50 or more) work hours and the rising returns to long hours in slowing convergence in the gender wage gap during the 1979-2009 period. They find that this factor worked to increase the gender wage gap by about 10 percent of the total change over this period—mainly due to the rising return to long hours (the gender gap in the incidence of long hours was relatively constant). This factor was particularly important in managerial and professional occupations.

[34] Flabbi and Moro (2012) build a search model in which women's demand for flexibility leads to the kind of compensating differential Goldin (2014) discusses. Interestingly, Flabbi and Moro (2012) define flexibility as having a part time job, explicitly making the connection between work hours and flexibility.

Goldin points to (and presents empirical support for) the importance of occupational characteristics that make providing flexibility extremely costly in some sectors and relatively inexpensive in others. So, the wage penalty for flexibility is likely to be high in jobs that require meeting deadlines (time pressure), being in contact with others to perform the job, maintaining and establishing interpersonal relationships, adhering to preset schedules, and doing work for which other workers are not close substitutes. As an example, there may be a high penalty to shorter hours or workforce interruptions for lawyers at a large, high-powered firm, not because of the smaller amount of human capital acquired by those working fewer hours or the depreciation of their human capital stock during time out of work, but rather due to interruptions in servicing clients and the inability to smoothly hand over work to other employees. We shall return to her findings below in the context of our discussion of individual occupations.

The Goldin analysis is interesting in itself and also highlights that findings showing returns to long hours and labor market experience and penalties to workforce interruptions are susceptible to other interpretations than human capital. In addition to the factors that Goldin highlights affecting the costs of providing flexibility, others include signaling[35]—longer hours and workforce continuity may signal greater willingness to work hard, as well as greater motivation and commitment—and discrimination. Related to the signaling argument, discrimination may be due to statistical discrimination against the "type" of worker who puts a high premium on temporal flexibility.

As we have seen in Section 2, and as borne out in a wide literature, there is considerable evidence that overall gender differences in labor market experience account for a significant, though shrinking, portion of the gender wage gap, and that decreases in the gender experience gap help to account for the corresponding decline in the gender wage gap that we have observed in recent decades (e.g., Blau and Kahn 1997, Blau and Kahn 2006, O'Neill and Polachek 1993; Gayle and Golan 2012).[36] Our results in Section 2 imply that gender differences in experience explained 24 percent of the gender gap in 1980 compared to 16% of the (considerably smaller) gender gap in 2010, while the declining gender difference in experience accounted for 18-31 % of wage convergence between men and women over the 1980-2000 period.[37]

As we have seen, Mincer and Polachek (1974) also point to a negative effect on women's wages of workforce interruptions. Some evidence has been found in support of this expectation. For example, Light and Ureta (1995) analyzed young workers over the 1966-84 period and found that the *timing* of labor market experience accounted for as much as 12% of the unadjusted gender pay gap. However, it is possible that the role of workforce interruptions has diminished as women have become more firmly attached to the labor force. Consistent with this, Blau and Kahn (2013b) find that, although coefficients

[35] See, for example, Landers, Rebitzer, and Taylor (1996); see Goldin (2014) for additional references.

[36] Bailey, Hershbein, and Miller (2012) explore the role of access to the pill in altering women's human capital investments (labor market experience and education) and hence lowering the gender wage gap. Weinberger and Kuhn (2010) examine the extent to which the decline in the gender wage gap was associated with changes across cohorts in the relative rate of wage growth after labor market entry (slopes), versus changes in relative earnings levels at labor market entry (levels). They find that the former (plausibly associated with post-school investments including experience) accounts for about 1/3 of the decline, with the remainder associated with changes across cohorts (i.e., each entry cohort faring better than its predecessor).

[37] Published government data on tenure (length of time with a particular employer) also indicate a precipitous drop in the gender gap. In 1966, men's median tenure was 2.4 years more than women's; by 2012, the gender gap had fallen to only 0.1 years. And the share of long-term workers, those with tenure of 10 or more years, was only slightly higher for men (35 percent) than for women (33 percent). See, U.S. Department of Labor, Bureau of Labor Statistics, "Job Tenure of Workers, January 1966," *Special Labor Force Report* No. 77 (1967); and U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure in 2012," *News Release* (September 18, 2012), available at http://www.bls.gov/news.release/pdf/tenure.pdf (accessed December 1, 2012). Note median tenure data are for workers 16 and over; the share of long tenure is for workers 25 and over.

on variables measuring time out of the labor force are generally negative (though not always significant), estimates of the unexplained gender wage gap are not sensitive to their inclusion, not only in 1999, but in 1990 and 1980 as well.[38] Their data from the Panel Study of Income Dynamics did not permit them to look at the timing of interruptions, but Spivey (2005), using data from the National Longitudinal Survey of Youth 1979, found that timing of experience can explain only a negligible portion of the gender wage gap among workers observed over the 1979-2000 period.[39]

The foregoing results suggesting a relatively small and diminished role for workforce experience and interruptions in explaining the gender wage gap currently are for the labor market as a whole. In contrast, recent influential work has highlighted the particular importance of labor force experience, interruptions, and hours worked in some occupations, including business and professions like law, where work histories and current hours seem to be a particularly important determinant of gender wage differences. Also of interest are findings from Goldin (2014) that point to the high penalty for flexibility in some high wage occupations. This work is of particular interest in that the findings are applicable to the upper end of the wage distribution where, as we have seen, the gender wage gap has declined more slowly than at other regions.

Looking first at lawyers, Noonan, Corcoran, and Courant (2005) focused on two cohorts of graduates of the University of Michigan Law School 15 years after graduation; the first cohort was surveyed between 1987 and 1993 and the second between 1994 and 2000.[40] The results for the two cohorts were quite similar. The gap in pay between women and men was found to be relatively small at the outset of their careers, but 15 years later, men earned over 50 percent more. A considerable portion of this difference reflected choices that male and female workers made, including the greater propensity of women lawyers to currently work shorter hours and to have worked part time in the past or to have taken some time out after child birth. Also important was job setting (type and size of employer).

Bertrand, Goldin, and Katz (2010) examined earnings of MBAs who graduated between 1990 and 2006 from the Booth School of Business of the University of Chicago (they were surveyed in 2006-2007). Like the study of lawyers, the researchers reported a relatively small gender differential at the outset of the career. However, averaged across the full set of MBA graduates (individuals who had been out for 1 to 16 years), men earned 0.29 log points (33 percent) more than women. By 10-16 years post-degree, men earned 0.60 log points (82 percent) more. The study found that the gender gap could largely be explained by labor supply factors like weekly hours and actual post-MBA work experience, which were in turn related to career-family tradeoffs.

This research suggests substantial penalties for shorter hours, lesser experience and workforce interruptions among JDs and MBAs. With respect to hours, it should be noted that both of these decompositions focus on annual earnings, leaving open whether the importance of current hours reflects simply a proportional reduction in earnings or an additional hourly wage penalty for shorter hours. Moreover, these results could be seen in the context of the human capital model, and the particular importance of human capital in these occupations. Goldin (2014), however, views such results as more consistent with her analysis of the high penalties to *flexibility* in these and other high-level occupations, including a convex return to current hours.[41] More generally, for college graduates in the 95 highest

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[38] Data are for full-time workers aged 18-65 in the indicated year.

[39] Respondents were 14-22 in 1979. Spivey provides a useful review of the literature on the wage effects of workforce interruptions.

[40] See also Goldin's (2014) reexamination of these data that arrives at broadly consistent findings.

[41] Goldin (2014) notes that about two thirds of the total penalty from job interruptions among those in the Chicago MBA sample who were 10 to 16 years out is due to taking *any* time out. Cumulative time not working is only about one year for these women, which would seem a relatively modest interruption to elicit large penalties in a human capital context.

earnings occupations, she found that an index of occupational characteristics associated with high costs of flexibility was positively related to (i.e., increased) the (adjusted) gender log wage gap, as was the estimated elasticity of annual earnings with respect to weekly hours in the occupation. Business occupations and law had high values on the inflexibility index and high elasticities of annual earnings with respect to weekly hours, while technology and science jobs scored much lower on the inflexibility measure and had smaller elasticities. The latter finding is surprising in a human capital context in that it might be expected that human capital acquisition and depreciation of skills would be particularly important in science and technology jobs. As a further contrast to business and law, Goldin provides a case study of pharmacists (see also Goldin and Katz 2012) in which industry developments and technological factors have greatly reduced the costs of flexibility and the gender pay gap has fallen accordingly.

At the other end of the spectrum from long hours among full-time workers is the large gender difference in the incidence of part-time work. For example, among wage and salary workers in 2013, 25.6% of women and 13.0% of men worked part-time, defined as usually working less than 35 hours per week (BLS 2014, p. 27). The gender gap in the incidence of part-time work was slightly larger in 1998, with 25.8% of women and 10.7% of men working part-time (BLS 1999, p. 2). Because part-time workers have lower hourly earnings than full-time workers (Blank 1990; Hirsch 2005), the higher incidence of part-time work among women than among men has the potential to increase our estimate of the overall the gender pay gap compared to the data on full-time workers we presented in Section 2. Recall, however, that when we extended the sample of workers in the PSID to include all wage earners, the conclusions were largely unchanged. Nonetheless, given the greater concentration of women in part-time work, it is instructive to consider wage determination among part-time workers and look explicitly at the extent of the part-time penalty.

A simple economic view of part-time work is similar to that offered by Goldin (2014) described above, namely that it is an amenity for those who value flexibility in their work schedule. Since it may cost firms something to allow workers to choose part-time hours (e.g. additional hiring and training expenses), workers' desires for flexibility suggest the formation of an equilibrium compensating wage differential for part-time work, in this case a penalty in hourly wages. Some support for this view of part-time work can be seen by noting that, in 2014, of 25.1 million workers who usually worked part-time, 19.5 million (78%) did so for noneconomic reasons, according to the BLS (http://www.bls.gov/cps/cpsaat20.htm , accessed August 9, 2015).[42] Thus, most workers chose part-time work for reasons other than the lack of availability of full-time jobs, although involuntary part-time employment can be important, especially during recessions (Blank 1990). In addition, the possibility of discrimination may influence the family division of labor and lead women to choose part-time employment for some of the reasons listed by the BLS as voluntary (such as child care).

Estimates of the impact of part-time status on wages confront the issue of selection, since the type of worker choosing part-time employment may well have different measured and unmeasured productivity characteristics from full-time workers. While research is not extensive, it does not appear to support the finding of a part-time penalty once measured characteristics and selection on unobservables have been taken into account.

For instance, an early analysis of the part-time penalty by Blank (1990) for 1987 used both instrumental variables and selectivity bias-correction to address the selection problem. She found that, taking into account personal and job characteristics in an OLS regression, led to a 0.21 log point (24%) part-time penalty for women and a 0.30 log point (35%) penalty for men. However, the results were mixed when she took into account selection and she stressed that unmeasured worker and job heterogeneity were likely important in explaining the observed penalty.

[42] Noneconomic reasons included child care, health, family obligations, school attendance, and the like.

An alternative method for addressing selection that does not require exclusion restrictions is to use longitudinal data and individual fixed effects. Using this approach, Hirsch (2005) found for 1995-2002 data that there was a raw 0.22 log point part-time wage shortfall for women and a 0.46 log point part-time shortfall for men. However, after controlling for worker and job characteristics, including occupational skill requirements, in an OLS regression, the estimated part-time penalty fell to 0.09 log points for women and 0.19 log points for men. Thus, most of the observed part-time shortfall in wages was associated with observed worker and job characteristics. Moreover, using the longitudinal nature of the CPS rotation group structure, he found in wage change equations part-time penalties of only 0.015 log points for women and 0.019 for men (the latter estimate was statistically insignificant). Thus, Hirsch (2005) concludes that the observed difference between part-time and full-time workers' wages is fully explained by measured worker and job characteristics and unobserved worker heterogeneity.[43] Of course, part-time work could adversely affect one's career progression relative to full-time work, which is a separate issue.

3.5 Gender Differences in Formal Training and Turnover

Considerable empirical evidence supports the prediction of the human capital model that women will receive less on-the-job training than men, although much of it is not very recent (e.g., Altonji and Spletzer 1991; Barron and Black 1993). This finding is consistent with employer and worker decisions based on a lower expected probability of women remaining with the firm or in the workforce. A study by Royalty (1996) is particularly illuminating in that she explicitly examined the role of women's higher (predicted) probability of turnover in explaining the gender training difference. While Royalty supports the expectation that expected turnover helps to account for the gender difference in training, interestingly, she finds that a major portion of the training gap remains unexplained even after this and other determinants of training are taken into account. This finding, which is analogous to an unexplained gap in an analysis of the gender wage differential is consistent with a role for discrimination, although, as in that case it may also be due to omitted factors.

As in the case of experience, it would be interesting to see this literature updated to account for the impact of rising women's labor force attachment on the findings. This is especially the case in that younger cohorts of women now have higher educational attainment than men, and more educated workers are believed to get more on-the-job training than less educated workers as implied by their steeper experience-earnings profiles.[44]

Since gender differences in quit behavior can differentially impact the wages and occupations of men and women, it is important to ascertain the extent and sources of such differences. In general, while some evidence suggests that women workers may have higher quit rates on average than men, most of this difference has been found to be due to the types of jobs they are in and the worker's personal characteristics.[45] That is, *all else equal*, women are no more likely to quit than their male counterparts. Indeed, it is unclear that even the average gender difference in quitting still prevails. Using data on young workers from the 1987 wave of the National Longitudinal Survey of Youth (NLSY) 1979, Royalty (1998) finds the average probability of staying on the job is not significantly different for men and women.

However, consistent with women placing a greater priority on family responsibilities to the

[43] There are also a number studies that look within industries and occupations and find the part-time penalty is small after accounting for selection, see Hirsch (2005) for a review.

[44] In a study using data from the NLSY1979 through 2006, Kosteas (2013) found that, consistent with expectations based on the human capital model, women with more traditional gender role attitudes (as measured in 1979) were less likely to invest in training. While Kosteas did not examine results for men, this finding suggests that gender roles are still relevant for some women.

[45] This finding dates back to the first detailed work on this topic by Viscusi (1980) and Blau and Kahn (1981) and is reflected in the findings of more recent studies, e.g., Sicherman (1996); and Royalty (1998).

detriment of their labor market outcomes, evidence indicates that women are more likely to quit their jobs for family-related reasons or to exit to nonemployment, while men are more likely to quit for job-related reasons (Sicherman 1996, Royalty 1998, and Keith and McWilliams 1995), adversely affecting women's wages relative to men's (Keith and McWilliams 1995). It would be of interest to see analyses of both quitting and the reasons for quitting updated to see whether the outlines of the earlier findings still hold. In light of the declining gender differences in labor force attachment, it is reasonable to expect that gender differences in quit behavior have further diminished.

3.6. The Impact of the Gender Division of Labor and Motherhood

Traditional gender roles and women's greater responsibility for nonmarket work may negatively affect women's labor market outcomes beyond their impact of labor force attachment per se. In this section we first consider the motherhood wage penalty, which has gotten considerable attention in the literature. We then review other ways in which traditional gender roles can reduce women's relative wages.

Considerable empirical evidence indicates a negative relationship between children and women's wages, commonly known as the motherhood wage penalty.[46] While the observed empirical association could be causal, it could also be due to selection. The selection argument is plausible in that women with lower wage offers will have lower costs of children. However, there are also a number of reasons for expecting a causal effect, beyond an impact on work experience and the incidence of part-time work. First, particularly in the era before parental leave was mandated, but even to some extent today, the birth of a child may cause a woman to break her tie to her current employer, either to withdraw from the labor force entirely or to switch to a more "child-friendly" job. To the extent this occurs, she forgoes the returns to any prior firm-specific training she might have received as well as any returns to having made a particularly good job match. Second, as we have seen, anticipation of this possibility could deter both women and their employers from making large investments in the firm-specific training of women of childbearing age. Third, motherhood may reduce women's productivity in a variety of ways not readily captured in wage analyses including, for example, less effort expended at work (see, for example, Becker 1985; Albanesi and Olivetti 2009), constraints on work schedules and travel, and reluctance to be promoted to a more demanding job.

A final possibility is that mothers may face discrimination and there is persuasive experimental evidence from Correll, Benard, and Paik (2007) that this is the case. In this study, the authors first conducted a laboratory experiment in which they asked student evaluators to assess résumés of equally-qualified same-sex (female or male) job applicants who differed only as to parental status. Mothers were perceived by evaluators as less competent and less committed to paid work and lower starting salaries were recommended for them. In contrast, the evaluators did not penalize men for being fathers; indeed, they perceived fathers to be more committed and recommended higher starting salaries for them. Correll, Benard, and Paik (2007) further confirmed their lab findings using a field experiment in which they sent résumés and cover letters from fictional, equally-qualified, same-sex applicants to employers advertising for job openings. They found that prospective employers called mothers back only about half as often as nonmothers, while fathers were not disadvantaged in the hiring process, although, in contrast to the lab experiment, fathers were not advantaged relative to nonfathers. (However, a recent experimental study in academic labor markets by Williams and Ceci (2015) did not show a motherhood penalty; we discuss this study further below.) To the extent such discrimination against mothers exists, it could be due to statistical discrimination based on employers' perceptions of average differences in productivity between mothers and nonmothers.

[46] For a recent review of the literature and comparative findings across economically advanced countries see, Sigle-Rushton and Waldfogel (2007). Early influential treatments include, Fuchs (1988), Korenman and Neumark (1992), and Waldfogel (1998).

There has also been some research focusing on the impact of family status on men's wages, with most of the focus on the observed strong positive association between marriage and male earnings controlling for measured characteristics. Here again the question arises as to whether this relationship is causal and, if so, why. The possibility that it reflects selection is intuitively plausible in that, even today, men tend to be the primary wage earners in most families. This gives women a considerable incentive to select spouses with higher earnings potential. There are, however, also reasons for expecting that the relationship to be causal. Specialization in the family à la Becker (1981, enlarged edition 1991) allows married men to focus on the market while their wives have primary responsibility for nonmarket production. Related to this, traditional notions of gender roles which view the husband as the primary earner may increase married men's effort and motivation and hence their wages. It is also possible that employers discriminate in favor of married men—this is hinted at by the findings on parental status discussed above. Overall, as in the case of the motherhood wage penalty, the empirical evidence suggests that some portion of the observed relationship is causal.[47]

As noted earlier, women's generally greater nonmarket responsibilities could impact labor market outcomes in a number of ways. Becker's (1985) theoretical analysis focused on the longer hours that married women and mothers tend to spend in these activities which could reduce the effort that they put into their market jobs, controlling for hours, and thus decrease their hourly wages compared to men. Indeed, it is has been found that additional hours spent in housework are associated with lower wages, all else equal, although results are stronger for married women than married men (see, e.g., Hersch and Stratton 1997 and 2002). The Hersch and Stratton studies pay careful attention to endogeneity by estimating instrumental variable and fixed effect models. An interesting result in Hersch and Stratton (2002) links the strength of the negative effects to the type of housework that women are typically more likely to perform—routine tasks like meal preparation, cleaning, shopping, and laundry—that are more likely to be engaged in on a daily basis and that, the authors argue, are more likely to interfere with market productivity.

Another factor identified by research in this area is the location of the family (see early work by Frank 1978, Mincer 1978, and Sandell 1977). To the extent that families place priority on the husband's, rather than on the wife's, career in determining the location of the family, her earnings are likely to be decreased. She may be a "tied mover," relocating when it is not advantageous for her to leave a job where she has accumulated firm-specific training or that is a particularly good match. Alternatively, she may be a "tied stayer," unwilling to relocate despite better opportunities elsewhere. This pattern need not merely reflect adherence to traditional gender roles. It is economically rational for the family to place greater emphasis on the employment and earnings prospects of the larger earner (generally the husband) whose gains to migration may outweigh any losses of the spouse who is a tied mover. Cooke, Boyle, and Couch (2009) present recent evidence that this is indeed still the case on average, i.e., that migration is associated with a significant increase in total family earnings, despite declines in women's earnings.

Anticipation of a lesser ability to determine the geographic location of the family may also lead women to select occupations in which jobs are likely to be readily obtained in any labor market, thus constraining their occupational choices to geographically flexible jobs. As Benson (2014) points out, even as women have entered higher-level, traditionally-male occupations in recent years, their entry into the more geographically-dispersed occupations (e.g., physicians, accountants, pharmacists, and managers) has been considerably greater than the more geographically-clustered (e.g., specialized engineers and physical scientists). In light of the examples offered by Benson, this factor may play a role in women's lower representation in STEM fields—it would be interesting to know if being geographically clustered is a general characteristic of such jobs.

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[47] For useful reviews of the literature, see, Ribar (2004) and Rodgers and Stratton (2010). For an early influential study, see Korenman and Neumark (1992). There is also some evidence that fatherhood increases male earnings, particularly when the mother experiences a workforce interruption (Lundberg and Rose 2000).

Some recent work has elaborated on how location decisions are likely to be affected as some couples, particularly college-educated "power couples," try to accommodate both careers by making a joint location decision. Costa and Kahn (2000) report that college-educated couples became increasingly located in large metropolitan areas over the 1970-1990 period. They argue that this is because large metropolitan areas offer more potential job matches for both members of the couple. They point to the increase in the share of dual career households among the college educated over this period and note Goldin's (1997) evidence that the career-orientation of college-educated women also increased. They also note that, if returns to education are higher in larger cities, power couples have a greater income loss of locating outside of them than do other dual career couples. Costa and Kahn show that the concentration of power couples in larger metropolitan areas is greater than for other household types and exceeds what would be predicted for observationally identical single individuals, thus supporting the colocation argument.

On the other hand, Compton and Pollak (2007), using longitudinal data, do not find that power couples (again, in which both spouses have college degrees) are more likely to migrate to larger cities than other couples. Rather, their findings suggest that it is the education (and presumably the earning power) of the husband that principally affects the couple's propensity to migrate to a large metropolitan area, implying that, even among of power couples, relocations may still adversely affect women's wages relative to men's.[48] This is plausible in that, even in power couples, it is likely that the husband is the higher earner, as well as more likely to be in an occupation that is geographically clustered.

3.7 Occupations, Industries, and Firms

In this subsection we consider empirical evidence on the extent and dimensions of employment segregation by sex. The results in Section 2 indicate that, while the share of the gender wage gap due to human capital (education and experience) has declined noticeably, the share accounted for by locational factors like occupation and industry actually increased from 27% of the 1980 gap to 49% of the much smaller 2010 gap. Moreover, although occupational upgrading by women contributed to the narrowing of the gap over this period, much of this effect was offset by adverse (to women) movements in returns to occupations. The firm dimension, not accessible in data sets like the PSID and CPS that were used above, has also been shown to be important. Finally, gender differences in representation across the hierarchies within occupations, as particularly emphasized in discussions of the glass ceiling, constitute another dimension of employment differences that is also generally not captured by these data sets, at least directly. Indirectly, some light on this may be shed by quantile regression analyses focusing at the top, as illustrated by our estimates in Section 2.

Of these dimensions of employment differences, occupational differences between men and women have received the most attention. Gender differences in occupations have been and continue to be striking, although they have declined significantly since 1970. In terms of general outlines, in 1970, women were considerably more concentrated than men in administrative support and service occupations, and a bit more highly represented in professional jobs overall, and particularly in predominantly female professions like teaching and nursing. Men were considerably more likely to be in managerial jobs and much more concentrated than women in blue collar occupations, including relatively high-paying craft and skilled positions. They were also considerably more likely than women to be in predominantly male professions like law, medicine, and engineering. Since 1970, women have reduced (but not eliminated) their over-representation in administrative support and service jobs and made significant inroads into management and male professions. There has been little change in gender differences in representation in blue collar occupations. Further, occupational dissimilarity was reduced by men's loss of production jobs

[48] They suggest that the location trends delineated by Costa and Kahn are due to higher rates of power couple formation in larger metropolitan areas. They also note that the trend of increasing concentration of power couples in larger metropolitan areas did not continue between 1990 and 2000.

and increased representation in service occupations.[49]

The Census provides information on some 500+ detailed occupational classifications. The Duncan and Duncan (1955) segregation index provides a useful summary measure, giving the percentage of females (or males) who would have to change jobs for the occupational distribution of women and men to be the same, with a value of 0 indicating no segregation and a value of 100 indicating complete segregation. Early work suggested little change in the extent of occupational segregation prior to 1970 (Gross 1968, Jacobs 1989). Starting in 1970, there was considerable progress in reducing the extent of occupational segregation (Beller 1982, Bianchi and Rytina 1986). For the 1970-2009 period Blau, Brummund, and Liu (2013 a and b) provide estimates based on a comparable set of Census occupational categories for 2000.[50] They report that the index was 64.5 in 1970 and fell to 51.0 by 2009, a sizable decline from an extremely high initial level. However, the index declined at a diminished pace over the decades, falling by 6.1 points over the 1970s and 4.3 points over the 1980s, but only 2.1 points over the 1990s and just 1.1 points (on a decadal basis) over the 2000s. They also report that trends differed across educational groups: substantial progress was made by highly educated women, who succeeded in moving into formerly male managerial and professional occupations; gains were smaller for less-educated women, reflecting the lack of progress in integrating male blue-collar occupations.

While the overall decline in the segregation was substantial, the 51 percent figure for 2009 indicates that occupational differences between men and women remain large. A sizable literature indicates that female occupations pay less than male occupations for workers with similar measured characteristics (e.g., Levanon, England, and Allison 2009).[51] Our estimates in Section 2 imply that occupational differences can explain (in an accounting sense) one third of the gender wage gap in 2010. This estimate includes controls for actual labor market experience and industry but is based on only 21 occupations. Nonetheless, it is very similar to Goldin's (2014) estimate for a number of samples (based on education and labor force attachment) based on the American Community Survey (2009-2011) using the full set of three-digit occupations, but with no control for actual experience (which is not available in the ACS) or industry. Our results in Table 4 also indicate that occupation is the largest single factor accounting for the gender pay gap with the second being industry (14 categories and government employment) at 18 percent. Taken together occupation and industry differences account for over one half of the gender wage gap. There has been less focus in the literature on industry differences in explaining the gender wage gap.

Another related dimension of employment differences between men and women that has also gotten less attention, perhaps in part due to data limitations, is gender differences in the distribution of employment by firm. An early study by Blau (1977) presented evidence of high levels of employment segregation of men and women by firm *within* narrowly-defined occupational categories and showed its important contribution to gender wage differentials within occupations. She developed a model in which employer tastes for discrimination against women à la Becker (1971, orig. pub. 1957) are widespread, but the ability to exercise them is constrained by the firm's position in the wage hierarchy, which is

[49] This discussion is based on Blau, Ferber and Winkler (2014), Chapter 7; 1970 occupational data were converted into Census occupational categories for 2000 using a crosswalk developed in Blau, Brummund and Liu (2013a).

[50] Their findings are similar to earlier studies for overlapping periods, where available.

[51] Early studies highlighting the empirical importance of occupational and in some cases industry differences in explaining the gender wage gap include, Fuchs 1971; Blinder 1973; Oaxaca 1973; and Sawhill 1973. For examples of early studies examining the effect of percent female in the occupation on earnings, see Sorensen (1990) and Macpherson and Hirsch (1995); there is also a wide literature in sociology examining this issue, see Levanon, England, and Allison (2009) for a review. More recently some research suggests that "care work"—occupations in which "concern for the well-being of others is likely to affect the quality of services provided"—may pay less ceteris paribus (for a review see Folbre 2012, quotation is from p. 66). Women are disproportionately represented in such jobs.

determined by a variety of institutional and market forces and cannot easily be altered to accommodate employer discriminatory preferences (comparable to the notion of firm effects). Consistent with this model, she found women were concentrated in firms that paid lower wages to *both* men and women across all occupations, and conversely men tended to be employed at the firms which paid higher wages to both sexes. Subsequent work confirmed the continued importance of differences in the distribution of employment across firms in accounting for overall gender wage differences, although Groshen (1991) finds a larger role for firms than Bayard, Hellerstein, Neumark, and Troske (2003).

With the growing availability of matched firm-worker data, the firm dimension has the potential to become an increasingly active area of research. For example, recent work has considered the role of monopsony in explaining the gender wage gap. A number of studies (discussed in greater detail below) find, consistent with a role for monopsony, that women have lower labor supply elasticities to the firm than men. One of these studies, Webber (forthcoming), uses matched firm-worker data and reports that women's lower labor supply elasticities are primarily due to cross-firm, rather than within firm, differences in elasticities, suggesting a reason why firms that disproportionately employ women tend to be lower paying overall. As another example, a recent study by Card, Cardoso, and Kline (2014), using Portuguese firm-worker data, investigates the relative importance of sorting across firms (i.e., women's greater likelihood of working at low wage firms) and within firm bargaining (with women receiving less of the premium men receive in working for high-wage firms) in explaining the gender wage gap. They find evidence that both factors play a role.

Finally, not only do men and women tend to work in different occupations, they also tend to be employed at different levels of the hierarchy within occupations. This is the case in a number of arenas, ranging from business to academia to unions. So, for example, recent data on Fortune 500 companies indicate that, although women are nearly half of managers, they comprise only 14.3 percent of executive officers, and 3.8 percent (19) of CEOs, and hold just 16.6 percent of board seats.[52] Or, in law, women are less likely than men to be employed as partners in large firms (over 50)—as was true for 26 percent of male compared to 14 percent of female 1979-1985 graduates of the University of Michigan Law School fifteen years after graduation (Noonan, Corcoran, Courant 2005). Similarly, in 2012 only 15 percent of AFL-CIO executive council members were women.[53] And, as a final example, in academia, the female share decreases as we move up the ranks—from assistant professors (61 percent) to associate professors (50 percent) to full professors (28 percent) (Blau, Ferber, and Winkler, Chapter 7).

In all these cases, it is difficult to determine whether the scarcity of women at the top is simply due to the fact that women are relative newcomers and it takes time to move up through the ranks (the "pipeline" argument) or whether it represents particular barriers to women's advancement (i.e., a "glass ceiling"). Moreover, a lower representation of women at higher levels could be due to discrimination or subtle barriers facing women but could also reflect greater work-family conflicts for women that reduce their productivity and/or interest in high level positions.

Nonetheless, there are indicators that at least some of the gender difference reflects discrimination. For example, a number of studies (e.g., Blau and DeVaro 2007, Cobb-Clark 2001, McCue 1996, and Addison, Ozturk, and Wang 2014 for college women), find that women are less likely to be promoted, all else equal, although some do not (e.g., Hersch and Viscusi 1996). For academics, some studies find lower

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[52] Data on executive officers are for 2012 and for CEOs and boards of directors for 2011. See, *2012 Catalyst Census: Fortune 500 Women Executive Officers and Top Earners*, available at http://www .catalyst.org/ (accessed December 11, 2012); Catalyst, *Catalyst Pyramid: U.S. Women in Business* (New York: Catalyst, 2012), available at www.catalyst.org (accessed December 21, 2012); and "*2012 Catalyst Census: Fortune 500 Women Board Directors*, available at http://www .catalyst.org/ (accessed December 11, 2012).

[53] "About AFL-CIO," at www.aflcio.org, accessed March 2012. The American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) is the largest union federation in the United States.

probabilities of promotion for women, even after accounting for indicators of qualifications like number of publications, although results differ by field and gender differences appear to have diminished in recent years (Ginther and Kahn, forthcoming and Ceci, Ginther, Kahn, and Williams 2014).[54] The possibility of discrimination is further suggested by studies in both the corporate world (Bell 2005, Shin 2012, Kurtulus and Tomaskovic-Devey 2012) and academia (Ehrenberg, Jakubson, Martin, Main, and Eisenberg 2012) finding that women at the lower ranks fare better (in terms of representation or wages) when women are more highly represented at the higher ranks.[55]

A study by Gayle, Golan and Miller (2012) on executives finds that women are less likely overall to become executive managers. However, the authors attribute this difference to women's greater likelihood of leaving the occupation; among those who survive in the occupation, the authors find that women are in fact more likely to be promoted, all else equal. Whether women's higher exit level is due to discrimination is, in the authors' view an open question. We would also point out that, given women's higher exit rate, women survivors in the executive labor market may be an especially positively-selected group, which might suggest that a promotion comparison could understate ceteris paribus gender differences.

Whatever the sources of the women's lesser representation at the top, research suggests it can have substantial consequences for gender wage differences. For example, our own data analyses in Section 2 indicated that gender wage gaps at higher levels of the wage distribution were larger and declined more slowly over time than at lower levels. And, as we noted, this result appears in line with other research both in the United States and abroad. As another example, Bertrand and Hallock's (2001) study of gender differences in pay among the five highest-paid executives in S&P 1500 firms found that the 2.5 percent of executives in their sample who were women earned 45 percent less than their male counterparts. This was partly due to female executives being younger and thus having less seniority. However, three-quarters of the gender pay gap was due to women managing smaller companies, as well as their lower likelihood of being the CEO, chair, or president of their company.

3.8. Theoretical Perspectives on Labor Market Discrimination

To the extent that gender differences in outcomes are not fully accounted for by productivity differences due to gender differences in human capital and other supply-side sources, models of labor market discrimination offer an explanation. Theoretical work in this area was initiated by Becker's (1971, orig. pub. 1957) model of racial discrimination. Becker conceptualized discrimination as a taste and analyzed three cases: those in which the discriminatory tastes were held by employers, co-workers, and customers or clients. Under certain circumstances, such discrimination will cause a wage differential between men and women. Discriminatory employers will only hire women at a sufficient wage discount that compensates them for the disutility of employing women. Discriminatory male workers will demand a wage premium to work with women thus raising men's relative wages, and the reluctance of discriminatory customers or clients to buy goods or services provided by women will make women less productive in terms of revenue brought in, thus depressing their relative wages.

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[54] Focusing on the most recent research, evidence of a ceteris paribus female shortfall in promotions is found for economics and the life sciences, but not for other social sciences and natural sciences.

[55] A recent paper by Bertrand, Black, Jensen, and Lleras-Muney (2014) examining the effects of corporate board quotas for women in Norway found that the reform increased the representation of women on corporate boards and reduced their pay gap relative to male board members. However, although they found evidence suggestive of a growing representation of female employees at the very top of the firms' income distribution (top 5 highest earners), they did not find evidence of female gains elsewhere in the firms' income distribution (i.e., they found no evidence of "trickle down" below the top 5 highest earners).

Becker (1971, orig. pub. 1957) and others (e.g., Arrow 1973) have pointed out that competitive forces should reduce or eliminate employer discrimination in the long run because the least discriminatory firms, which hire more lower-priced female labor, would have lower costs of production and should drive the more discriminatory firms out of business. One answer to why this does not appear to have occurred, suggested initially by Becker himself, is that discrimination will be located in sectors of the economy that are not competitive.

While Becker emphasized monopolistic elements in the product market, a related approach targets monopsonistic power on the part of the employer in the labor market (e.g., Madden 1973; Black 1995).[56] Monopsony could help to explain how discriminatory gender wage differences arise and persist if employers wield greater monopsony power over women than men workers. For this to hold, women's supply of labor to the *firm* must be less wage elastic than men's. This might seem counter-intuitive at first blush, in that there is clear evidence that women have a *larger* own-wage elasticity of labor supply to the *labor market* than men, although, as noted previously, in the United States the gender difference has been decreasing since 1980 (Blau and Kahn, 2007; Heim, 2007). However, a variety of factors could still potentially result in women having a smaller responsiveness to wage changes at the firm level. Perhaps the most intriguing possibility is discrimination itself. Black (1995) develops a model in which search costs give employers a degree of monopsony power. If there is discrimination against women, women will face higher search costs than men, increasing employers' monopsony power over them.

In addition, models of statistical discrimination (Phelps 1972) were developed, in part to explain the persistence of discrimination in the long run in the face of competitive forces. Such models assume uncertainty and imperfect information; thus differences between groups in the expected value of productivity or in the reliability with which productivity may be predicted may result in differences in the treatment of members of each group. As a consequence, firms may pay women less, exclude them from jobs requiring substantial firm-specific training, or deny them promotions (for promotions, see Lazear and Rosen 1990).

It has been argued that such statistical discrimination (making decisions on the basis of the average characteristics of the group) is consistent with profit maximization and can thus persist in the face of competitive forces. However, Aigner and Cain (1977) contend that such models are no more convincing in explaining the persistence of discrimination than models based on tastes. To the extent that employers' views are correct, the lower expected productivity of women will reduce their wages but women as a group will be paid their expected productivity. This does not constitute labor market discrimination as economists define it, i.e., pay differences that are not accounted for by productivity differences. Moreover, they argue that when employer beliefs regarding average differences are erroneous, discrimination clearly exists but discrimination based on such misperceptions is even less likely to persist in the long run than discrimination based on tastes. However, if women's productivity is less reliably predicted than men's, this difference may lead to a productivity shortfall among women if assignment mistakes are important. In this case, even with free entry, a discriminatory differential might persist, although the authors expect that a market for more accurate productivity assessment would arise, reducing such a differential. Finally, although they acknowledge that less reliable predictions of a group's productivity combined with risk aversion by employers could produce a discriminatory differential, a perfectly elastic supply of risk neutral entrepreneurs would be expected to erode discriminatory differentials based on this factor.

In the context of Aigner and Cain's model, suppose first that employer perceptions are correct—is it appropriate to consider this a form of 'discrimination' in any sense? From a normative perspective, the answer may be yes, to the extent that basing employment decisions on a characteristic like sex could

[56] See Manning (2003) for a systematic development of the "new monopsony" literature and its application to the gender wage gap among other issues.

be viewed as inequitable. Indeed, the practice of judging an individual on the basis of group characteristics rather than upon his or her own merits seems the very essence of stereotyping or discrimination. Such behavior is certainly not legal, for example, under antidiscrimination laws and regulations.

Now consider the situation where employer perceptions are incorrect. If statistical discrimination is accompanied by feedback effects, this may be a credible source of persistent discriminatory pay differences (Arrow 1973; Lundberg and Startz 1983). For example, if employers incorrectly expect that women are more likely to quit their jobs, they may respond by giving women less firm-specific training or assigning them to dead-end jobs. Faced with fewer incentives to remain on the job, women may respond by exhibiting the higher turnover that employers expect.

Further insight on the persistence of discrimination is suggested by what Bertrand, Chugh and Mullainathan (2005) have termed implicit discrimination. This is based on findings from social psychologists that discriminatory attitudes and stereotyping may be unconscious (e.g., Fiske 1998)—suggesting that they would not be easily eliminated. Indeed, as gender discrimination has become less socially acceptable, it has likely become less overt and more subtle, as well as unconscious. Finally, as our discussion of statistical discrimination above suggests, discrimination can adversely affect women's human capital investments and labor force attachment by lowering the market rewards to this behavior—i.e., through feedback effects (e.g., Weiss and Gronau 1981).

Models based on tastes for discrimination are consistent with employment segregation, but do not necessarily predict it will occur. If wages are flexible, it is possible that discrimination will result in lower pay for women, but produce little or no segregation. However, if discriminatory tastes against women in traditionally male pursuits are both strong and prevalent, women may tend to be excluded from these areas. If such segregation does occur, it may or may not be associated with gender pay differentials. In the presence of sufficient employment opportunities in the female sector, equally qualified women may earn no less than men. The relationship between occupational segregation and earnings differentials in an otherwise competitive setting is clarified in Bergmann's (1974) overcrowding model. If potentially equally qualified men and women are segregated by occupation, the wages in male and female jobs will be determined separately by the supply and demand for labor in each sector. Workers in male jobs will enjoy a relative wage advantage if the supply of labor is more abundant relative to demand for female than for male occupations.

3.9 Evidence on Labor Market Discrimination

Empirical research on the extent of discrimination began with work that used regression methods and versions of the Oaxaca-Blinder decomposition discussed above to calculate unexplained female wage shortfalls (i.e., a wage gap not accounted for by gender differences in measured characteristics) as estimates of discrimination. For example, in Section 2, we presented results on the unexplained gap for a number of years based on PSID data. We found an unexplained gender wage gap in each year, although the magnitude of the gap had declined over time. The finding of such an unexplained gap is fairly standard in the literature (for reviews, see e.g., Altonji and Blank 1999, Stanley and Jarrell 1998, and Hersch 2006). Such an unexplained or residual wage gap is often taken as an estimate of labor market discrimination. However, as is well known, such estimates are suggestive, but not conclusive. Discrimination is overstated if men have higher levels of unmeasured productivity (or poorer working conditions). On the other hand, if women are better endowed with unmeasured characteristics on average, as may be the case with some variables, like people skills discussed below, regression methods would understate discrimination. The unexplained gap will also understate discrimination if some of the explanatory variables such as experience, occupation, industry or union status have themselves been influenced by discrimination—either directly through the discriminatory actions of employers, co-workers or customers or indirectly through feedback effects. For these reasons, the literature has moved in the direction of research designs that use various strategies to overcome the problems of traditional

statistical analyses. For example, some studies use samples of men and women such as lawyers or MBAs in which samples are more homogeneous and the controls for qualifications are much more detailed than in commonly-used databases such as the CPS or the PSID. Presumably omitted-variable biases are less severe in such homogeneous samples.[57] In addition, experimental research, such as audit studies, tests for discrimination under circumstances where, by construction, men and women have identical qualifications. Finally, we will briefly consider the small number of studies that have tested other predictions of Becker's (1971, orig. pub. 1957) discrimination model for gender to see whether or not the results are consistent with discrimination.

As noted above, studies applying the same statistical techniques as labor-market wide studies, but focusing on more homogeneous groups of workers like lawyers and MBAs may provide more convincing evidence of labor market discrimination. In addition, given their data sources, they are able to control for detailed characteristics (e.g., grade point averages while in school), not available in broader studies. We have already considered such studies above and found that they also provide deeper insights into the supply-side sources of gender differentials, particularly the important role of hours worked and workforce interruptions in demanding professions. Here we focus on their implications for estimates of discrimination.

One qualification that must be made in interpreting the results of such studies for this purpose is that, when we focus on specific occupations, we introduce an additional element of selection, beyond selection into employment discussed above. The direction of such selection is unclear a priori, however it seems reasonable to us that, when we focus on high-level, traditionally male-oriented professions, women may be a positively selected group relative to men. If this is the case, then studies of such occupational subgroups will understate the extent of discrimination.

The studies of lawyers (Noonan, Corcoran, and Courant 2005) and MBAs (Bertrand, Goldin, and Katz 2010) referenced earlier find that, even if one accounts for variables related to family status, like work force interruption and fewer hours worked, unexplained gender earnings differences remain which are potentially due to discrimination, although they are of course susceptible to other explanations. In the law study, men earned 11 percent more, controlling for an extensive list of worker qualifications and other factors, including grades while in law school, detailed work history data, and type and size of employer. In the MBA study, men earned nearly 7 percent more even accounting for work force interruptions, fewer hours worked, and gender differences in business school GPAs and finance courses taken.

There has also been research analyzing gender differences in the most mathematically-intensive academic fields (geoscience, engineering, economics, mathematics/computer science and the physical sciences). The findings of this literature have recently been reviewed by Ceci, Ginther, Kahn and Williams (2014). These results are mixed, with some studies finding little gender salary gap in these fields once experience and productivity are controlled for, while others finding that a male salary premium persists even after controlling for these factors.

Given the problems with traditional statistical studies, researchers have been interested in uncovering alternative sources of evidence on discrimination. As noted above, one approach that provides particularly persuasive evidence of discrimination is experiments, either naturally occurring labor market events that may be seen and analyzed as if they were experiments or actual experiments in which the researcher manipulates the treatment so as to test for discrimination, either in the laboratory or in the field. An advantage of experimental studies is that they offer estimates of the role of discrimination that are potentially less contaminated by unmeasured factors. A disadvantage is that they do not yield evidence about discrimination (i.e., the presence or absence thereof) beyond the focal group of the study.

[57] While we believe the findings of such studies are instructive for studying discrimination, we do not mean to imply that the Bertrand, Goldin, and Katz (2010) study which we reference below was designed for this purpose.

This is a rapidly growing research approach and we illustrate the findings by a selection of studies that impart the flavor and show the breadth of these findings.

The first study we consider is Goldin and Rouse's (2000) investigation of the impact of the natural experiment created when symphony orchestras began to adopt "blind" auditions for musicians in which a screen is used to conceal the identity of the candidate. They found that the adoption of the screen substantially increased the probability that a woman would advance out of preliminary rounds and be the winner in the final round. The switch to blind auditions was found to explain one quarter of the increase in percentage female in the top five symphony orchestras in the United States, from less than 5 percent of all musicians in 1970 to 25 percent in 1996.

A second study, Neumark (1996), was a field experiment or hiring audit. Male and female pseudo-job seekers were given similar résumés and sent to apply for jobs waiting on tables at the same set of 65 Philadelphia restaurants. The results provided statistically significant evidence of discrimination against women in high-priced restaurants (where earnings of workers are generally higher). In these restaurants, a female applicant's probability of getting an interview was 40 percentage points lower than a male's and her probability of getting an offer was 50 percentage points lower.

A third experimental study, a field experiment by Moss-Racusin, Dovidio, Brescoll, Graham, and Handelsman (2012) sheds light on possible bias in academic science. Science faculty from the fields of biology, chemistry, and physics at six large, research-intensive universities (three public and three private) were asked to provide feedback on the application materials of (fictitious) senior undergraduate students who they were told ultimately intended to go to graduate school and had recently applied for a science laboratory manager position. Faculty participants rated the male applicant as significantly more competent and suitable for the position than the (identical) female applicant. Participants also set a starting salary for male applicants that was almost $4,000 higher than the salary offered to female applicants, and offered more career mentoring to the male applicants. Female faculty were equally likely to exhibit bias against the female students as male faculty.

A fourth study, by Reuben, Sapienza, and Zingales (2014), implemented a laboratory experiment where some subjects (employers) hired other subjects (applicants) to perform an arithmetic task that, on average, men and women perform equally well. Their findings are consistent with negative stereotyping of women in math-related areas. They found that when employers had no information about applicants other than appearance (which makes sex clear), both male and female employers were twice as likely to hire a man as a woman. The discrimination (sex differential) was similar when applicants self-reported their expected performance, largely because men tended to overestimate future performance (women also slightly underestimated theirs)—and employers did not correct for this. Gender discrimination in hiring was reduced, but not eliminated (i.e., women were still under-hired), when employers were provided with full information about applicants' previous performance on the task. One very interesting feature of this study is that subjects (employers) were given the Implicit Association Test (IAT), a computer-based behavioral assessment designed to measure implicit or unconscious gender stereotyping or bias.[58] They found that that IAT scores were correlated with the initial bias in sex-related beliefs (when employers only knew the sex of the applicant) and with a bias in updating expectations when performance information was self-reported (i.e., not sufficiently correcting for male overestimation). While, as we have noted, discrimination against women persisted even when information about applicants' previous performance was available, the extent of such discrimination was not correlated with IAT score.

Fifth, we point to the results of the study by Correll, Bernard, and Paik (2007) summarized above that suggests that women, but not men, face discrimination based on their parental status. Using both laboratory and field experiments, they found that the participants had less favorable views regarding the

[58] See, Greenwald, McGhee, and Schwartz (1998). Subjects took the version measuring the association between sex and science-related abilities.

résumés of equally-qualified mothers relative to those of nonmothers, while fathers were not disadvantaged relative to nonfathers. Such a finding suggests discrimination against women based on parental status.

Finally, in a field experiment of university hiring of STEM field faculty, Williams and Ceci (2015) confronted faculty respondents with materials for matched male and female applicants. In their main experiments, subjects received, for each of three shortlisted candidates, a search-committee chair's narrative summary of the candidate's credentials (with no curriculum vitae or specifics on publications in order that the same narratives could cover multiple fields and institutions). Importantly, the narratives included the mean numerical rating given by faculty members of the hypothetical department based on research publications, job talk, reference letters, and interviews with individual faculty. Two of the applicants, one male and one female, received an identical highest rating of 9.5, with a third "foil" candidate receiving a lower but still excellent rating. The authors found that the respondents exhibited, on average, a preference for female applicants in biology, psychology, and engineering, and gender neutrality in economics. One difference between this study and the previous ones we have reviewed that found evidence of discrimination is that, as emphasized by the authors, it focused on a select group of applicants, with Ph.D.'s, publications, etc., for tenure-track positions. Williams and Ceci speculate that bias is more likely to arise when applicants' records are more ambiguous. Even to the extent this the case, it is still of concern that there may be discrimination in opportunities like lab manager or in mathematics tasks that could provide the gateway to STEM fields. However, a concern that we have about the Williams and Ceci setup is that it equalizes the candidates with a specific numerical rating, which seems to us unrealistic in most hiring situations in academia. This in effect experimentally eliminates any discrimination that could take the form of a biased evaluation of qualifications; such a bias may arise in the more realistic situation in which qualifications are appraised by those making the hiring decision.

As we have seen, Becker (1971, orig. pub. 1957) and others (e.g., Arrow 1973) have pointed out that competitive forces should reduce or eliminate employer discrimination in the long run because the least discriminatory firms, which hire more lower-priced female labor, would have lower costs of production and should drive the more discriminatory firms out of business. For this reason, Becker suggested that discrimination would be more severe in firms or sectors that are shielded to some extent from competitive pressures. Consistent with this reasoning, Hellerstein, Neumark and Troske (2002) found that, among plants with high levels of product market power (and hence the ability to discriminate), those employing relatively more women were more profitable. Similarly, Black and Strahan (2001) reported that, with the deregulation of the banking industry beginning in the mid-1970s, the gender wage gap in banking declined. (Deregulation was viewed as increasing competitiveness within the industry.) And Black and Brainerd (2004) found that increasing vulnerability to international trade (i.e., increased competitive pressure) reduced apparent gender wage discrimination in concentrated industries, again as predicted by the Becker model. In a similar vein, Heyman, Svalerty, and Vlachos' (2013) study based on Swedish worker-firm matched data found evidence that a firm takeover was associated with a reduction in the gender wage gap. They interpret takeovers as a manifestation of competitive pressure.

There is also some evidence consistent with statistical discrimination against women, based on employers' difficulty in distinguishing more from less career oriented women. So, for example, Gayle and Golan (2012) propose a model in which workers have private information on their costs of participating in the labor force. They show that this asymmetric information is quantitatively important in explaining of the gender pay gap. Similarly, Thomas (2015) proposes a model which shows that if there is asymmetric information about worker's future labor force participation, the imposition of mandated maternity leave policies can increase the gender gap in promotion. This is because such policies make it more difficult for employers to distinguish between more and less family-oriented women, since they disproportionately raise post-birth employment by the former. Consistent with the model, she presents evidence that the Family and Medical Leave Act of 1993 increased women's probability of remaining

employed but lowered their probability of promotion and that information asymmetry played a role in producing this result.

Finally, as we discussed above, greater monopsony power of employers over women than men workers provides a possible mechanism for the existence and persistence of a discriminatory gap. This requires greater elasticity of labor supply to the firm for men than women. Evidence on gender differences in labor supply elasticities at the firm level for the United States is mixed. On the one hand, using data from labor force surveys, Viscusi (1980), Blau and Kahn (1981), and Light and Ureta (1992) all find that women's quit rates are at least as wage responsive as men's; Manning (2003) too finds no evidence of lower female separation elasticities in data for the United States and the United Kingdom. On the other hand, Ransom and Oaxaca (2010) report some evidence consistent with the monopsony model as an explanation for gender wage differentials at a chain of grocery stores, as do Ransom and Sims (2010) for schoolteachers in Missouri. Moreover, using economy-wide linked employer-employee data, Webber (forthcoming) finds evidence of lower labor supply elasticities for women. Internationally, Barth and Dale-Olsen (2009) and Hirsch, Schank, and Schnabel (2010) find evidence using matched employer-employee data that men's turnover is more wage-elastic than women's in Norway and Germany, respectively.

4. Norms, Psychological Attributes, and Noncognitive Skills

Labor economists have become increasingly interested in the effect of noncognitive or "soft" skills—including psychological attributes, preferences, and personality—on labor market outcomes and behavior (Heckman and Kautz 2012). This trend has been driven by a number of factors but perhaps most important is that, although considerable evidence supports the importance of traditional economic variables in explaining labor market behavior and outcomes, there is almost always a sizeable component of any behavior or outcome that is not explained by these variables, leading researchers to reach out beyond the confines of traditional economic models for explanations. With respect to gender, intriguing findings suggest a number of psychological attributes that differ between women and men. For example, women have been found to be less willing than men to negotiate and compete and to be more risk averse (for reviews, see Bertrand 2011; Croson and Gneezy, 2009). Gender differences in such characteristics have been proposed as an explanation for women's lower wages and lower representation in high-level jobs.

In considering research on gender differences in psychological attributes or noncognitive skills, some cautions must be borne in mind. First, even if men and women do differ on average, it is not possible at this point to know the role of nature versus nurture. We do not attempt to address this fundamental issue here, however, we consider it important that research suggests social factors play a part and have highlighted such findings. Moreover, whatever their origin (nature or nurture), gender differences may still be malleable—so, for example, women may be encouraged to negotiate and given tips on improving their negotiating skills. Second, gender differences in noncognitive skills do not necessarily all favor men. For example, there is some evidence that women have better interpersonal or "people" skills than men (Borghans, ter Weel, and Weinberg 2014). Another area where differences favor women is that, as we saw in our discussion of education, the greater behavioral problems of boys appear to contribute to their lower rate of college going. Also, it should be noted that a particular psychological attribute—like men's willingness to compete or lower risk aversion—may be an advantage in some settings but a disadvantage in others.[59] In addition, as we shall see below, the same trait may be rewarded differently for men and women, or indeed even be penalized for women when it is rewarded for men.

[59] For example, Eckel and Füllbrunn (2015) provide experimental evidence from a financial asset market that female traders are less likely to produce speculative price bubbles.

Finally, much of the evidence on gender differences in psychological attributes has been gleaned from laboratory experiments and there are reasonable concerns about generalizing the results of such experiments outside the lab. And, while confirmation of lab results in the field is suggestive, even in this case, there may be questions about how well the experiment represents what would occur in a real world setting (Harrison and List 2004, and Pager 2007). Moreover, importantly, findings from laboratory or field experiments generally cannot be easily translated into accounting for a particular portion of the gender wage gap. Studies based on survey questions in data sets that include information on respondents' attitudes and preferences along with other characteristics and labor market outcomes are more promising in this regard but elicit their own sets of concerns about endogeneity and precisely what it is (i.e., what particular trait or traits) one is really measuring.

Capitalizing on two excellent recent reviews (Bertrand 2011; Croson and Gneezy, 2009), we discuss this work selectively. And, in light of the above cautions, we particularly focus on research that contributes to our understanding of the applicability and broader significance of the findings from lab experiments, as well as on research that sheds light on the role of social factors in producing the observed gender differences. To particularly address the gap in our knowledge of the quantitative importance of noncognitive factors, we begin by summarizing survey-based evidence where authors have provided sufficient information for us to compute the contribution of these factors to explaining the gender wage gap. We acknowledge that such studies, still relatively scarce, do not comprise the "last word" on the importance of such factors and discuss the issues such studies confront below. However, we believe it is nonetheless useful to get some indication of the potential impact of such factors.

4.1 Survey-Based Evidence on the Impact of Psychological Attributes on the Gender Pay Gap

As our decompositions of the gender pay gap showed, there is a persistent unexplained pay gap; moreover, gender differences in occupations and industries also contribute importantly to the gender pay gap. While discrimination could explain such results, a recent series of papers (see Table 7) based on survey evidence attempts to test whether gender differences in personality traits, or noncognitive skills, could provide an alternative explanation for both types of outcomes. Men are found to place a higher value on money, to have higher self-esteem, to be less risk averse, more competitive, self-confident and disagreeable, and to believe that they control their own fate (an internal, as opposed to external, locus of control) to a greater extent than women (see the studies in Table 7). Psychological attributes such as self-confidence may contribute to a worker's productivity and thus act like human capital variables in a wage regression (Mueller and Plug 2006). Alternatively, a trait such as placing a high value on money may signal a willingness to accept a difficult working environment in return for higher pay (Fortin 2008). In this latter case, psychological factors stand in for compensating wage differentials. Under either interpretation (human capital or compensating differentials), in equilibrium, we expect such traits to be related to wages, and, if men and women differ in psychological attributes, then they will contribute to explaining the gender pay gap.

Some of the studies of the impact of psychological factors on the gender pay gap use information on respondents' answers to attitudinal questions to construct indexes of psychological traits, which then become explanatory variables in wage regressions. One can then assess the quantitative importance of such controls in explaining the level or change in the gender pay gap. In addition, one study measured respondents' tastes for competition at a time before labor market entry and then estimated the effect of gender differences in these tastes on the gender pay gap observed after they entered the labor market (Reuben, Sapienza and Zingales 2015).

Researchers in this area have had to confront several difficult empirical issues in implementing their tests. First, if the psychological factors are measured at the same time wages are measured, then one cannot rule out the possibility of reverse causality. For this reason, some authors use data in which psychological attributes were measured before labor market outcomes (e.g. Fortin 2008, Reuben, Sapienza and Zingales 2015, and Cattan 2014), reducing the possibility of reverse causality. In other

cases, authors appeal to psychological research suggesting that basic personality traits do not change much over the life cycle (Mueller and Plug 2006); if so, then labor market developments would not affect personality traits. We would point out, however, that anticipated discrimination can affect one's attitudes even if they are measured before one enters the labor market. Second, combining a battery of questions into a usable index presents measurement issues that have been the subject of much psychometric research; attention is paid in the economics literature to the reliability of such measures (Mueller and Plug 2006; Cattan 2014; Nyhus and Pons 2011). Third, as suggested above, psychological traits can affect wages directly, controlling for measured factors such as human capital, industry and occupation, as well as indirectly through their influence on schooling, experience, and occupation and industry (e.g., risk takers are likely to be more attracted to the financial sector). Some of the economic research in this area attempts to separate the direct and indirect effects of psychological factors. This is usually done in one of two ways. One may estimate reduced form wage regressions, excluding the intermediate factors and including the psychological factors; one can then compare the impact of psychological factors controlling and not controlling for covariates that they are believed to affect. Alternatively, one can estimate a structural model where the intermediate factors (schooling, occupation, etc.) and wages are endogenous variables (Cattan 2014).

A fourth issue in estimating the impact of psychological factors on wages concerns the possible heterogeneity of effects. For example, self-confidence may be rewarded differently among executives than clerical workers (Cattan 2014). Importantly from our point of view is, as mentioned earlier, that the labor market may reward the same trait differently for men than for women (Manning and Swafford 2008). For example, ambitiousness may be seen as a positive trait for men but a negative one for women. This discussion raises the issue of how one should assess gender differences in psychological factors. Some studies run a pooled regression to estimate the wage effects of psychological factors, while others present estimates based on male and then female coefficients.

Table 7 summarizes the results of several studies that examine the importance of psychological factors or noncognitive skills on the gender pay gap where, if needed, we estimated this impact based on data presented in the paper. The notable finding from this table is that, in each case, gender differences in psychological factors account for a small to moderate portion of the gender pay gap. The proportion of the total gender pay gap accounted for by gender differences in psychological factors ranges from 2.5% to 28%, with all of the studies except for Manning and Swafford (2008) finding that these traits account for 16% or less of the gender pay gap. Recall from Table 4 that in 2010, occupation and industry differences accounted for about 51% of the gender pay gap. Of course, as noted, some of these occupational and industry effects may have due to psychological factors, and below, we discuss some research that sheds light on this possibility.

A related question these analyses can potentially address is whether our estimates of the unexplained gap such as those shown in Table 4 would be smaller if one had data on psychological factors. To the extent that some of the measured factors (like occupation or education) are in part the outcome of noncognitive skills, or at least correlated with them, controls for these measurable may implicitly adjust for much of the effect of noncognitive factors. And there is also the related question of whether any such reduction would be large in magnitude. Of the studies in Table 7, Semykina and Linz's (2007) analysis of Russia, Nyhus and Pons's (2011) study of Denmark, and Reuben, Sapienza and Zingales' (2015) study of the University of Chicago Booth MBA cohort of 2008 shed light on this question. In Nyhus and Pons's (2011) paper, the authors did not control for occupation or industrial sector but did include a control for working in the public sector. They found that adding psychological traits to the equation reduced the unexplained gender pay gap from 0.185 to 0.154 log points, a reduction of 0.031 log points, or 17% of the unexplained gap. Semykina and Linz (2007) controlled for sector and whether the respondent was a manager. Adding psychological traits led to a reduction in the unexplained pay gap from 0.196 to 0.185 log points, or about 6% of the unexplained gap. Reuben, Sapienza and Zingales (2015) measured MBA students' tastes for competition while they were students using a similar

instrument as in Niederle and Vesterlund's (2007) study of gender differences in competitiveness (discussed below). The authors then collected data on respondents' total earnings in their first year after leaving the MBA program and analyzed the impact of competitiveness on the gender pay gap. Using a pooled regression of log earnings on covariates, the data showed a statistically significant female wage shortfall of 0.097 log points when the authors controlled for a measure of risk aversion, several psychological traits such as trust and reciprocity, age, race, marital status, GMAT test scores, performance in business school and pre-MBA work experience and sector, but not competitiveness. When the authors' measure of competitiveness was added to the model, the female pay shortfall was reduced to 0.087 log points, or by about 10%. Note that the raw gender pay gap was 0.119 log points, so controlling for a long list of psychological factors (other than competitiveness), ability measures, demographic information, and prior work experience only reduced the gap to 0.097 log points.[60] Based on the results of these three studies, psychological factors do not account for a large share of the unexplained pay gap.

As noted, several studies examined both the direct and indirect effects of psychological traits on the gender pay gap (Nyhus and Pons 2011; Cattan 2014; Fortin 2008; Mueller and Plug 2006; Semykina and Linz 2007). With the exception of Mueller and Plug's (2006) study of the 1957 high school senior class in Wisconsin as of 1992, these papers found that the indirect effects of psychological factors were small—most of the modest effects we see in Table 7 occur controlling for covariates such as schooling, industry and occupation. In Mueller and Plug's (2006) case, adding psychological factors alone explained 16% of the gender pay gap; however, when the authors controlled for human capital, region, marital status and number of children, psychological factors accounted for 10% of the raw pay gap. And when the authors further controlled for industry and occupation, these traits explained only 7% of the gender pay gap. Thus, this paper suggests some important indirect effects of psychological factors on schooling, industry and occupation. Notably, this study had the most extensive industry and occupation controls of those in Table 7.

While Mueller and Plug (2006) did not assess the contribution of adding psychological factors to the unexplained pay gap, we note that when they added industry and occupation to a model that controlled for human capital, region, marital status, children and psychological factors the unexplained gap fell from 0.280 to 0.184 log points, a reduction of 0.096 log points, or about 34% of the unexplained gap. This reduction is similar to the decrease in the unexplained gap we found for the Full vs. the Human Capital Specifications in Section 2 (Table 4), where we of course did not have psychological variables available.[61] Hence the Mueller and Plug (2006) results provide further support for the importance of industry and occupation even, in this case, controlling for psychological factors.

Of the studies in Table 7, Fortin's (2008) is noteworthy because it assesses the importance of psychological factors both at a point in time and in accounting for the reduction in the gender pay gap since the 1970s. Specifically, as noted earlier, she analyzed two cohorts of students (the National Longitudinal Study of the High School Class of 1972 and the National Education Longitudinal Study of 1988/94) to examine the effect of psychological factors measured while in school. For workers in their mid-twenties, she found that a reduction in gender differences in psychological factors accounted for about 10% of the intercohort reduction in the gender pay gap between 1979 and 2000 (from 0.237 to 0.181 log points). She also found that psychological traits were somewhat more important for the 1972 cohort when they reached their early thirties, explaining up to 14% of the gender pay gap in 1986

[60] Reuben, Sapienza and Zingales (2015) were only able to observe first year earnings, and it is likely that in the long run the gender pay gap would increase, as in Bertrand, Goldin and Katz's (2010) study of an earlier cohort of Chicago Booth MBAs. Whether competitiveness differences would help account for such an increase in the gender pay gap within a cohort is an open question.

[61] In Table 4, adding industry, occupation and union status to the human capital model led to reduction in the unexplained gap of 0.109 log points in both 1980 and 2010, or 32-55% of the unexplained gap.

compared to 6% in 1979 when they were in their mid-twenties. The within-cohort comparison suggests that some of the gender difference in career advancement may be related to psychological traits.

Finally, we note that although most of the studies in Table 7 used a pooled regression to assess the effects of gender differences in psychological traits, Manning and Swafford (2008) used separate regressions and then male and then female regression coefficients. The authors found that, using male coefficients, gender differences in psychological factors accounted for 28% of the gender pay gap among 30 year olds in 2000, a seemingly important effect. However, when they used female coefficients, psychological factors account for only 2.5% of the gender pay gap. This discrepancy in findings suggests generally lower rewards to psychological traits for women than men. The female coefficients might be most relevant for an individual woman who happens to have "male" levels of the psychological factors however, it is possible that if women in general were to change their traits, then then the male and female wage functions might change as well. [62]

As noted earlier, not all gender differences in noncognitive factors favor men in their relationship to wages. For example, Mueller and Plug(2006) found that women are on average more conscientious than men, a difference also suggested in Goldin, Katz and Kuziemko's (2006) analysis of why female education levels have overtaken those of males. Moreover, Borghans, ter Weel, and Weinberg (2014) present evidence that there is a female advantage in "people skills" and find evidence of a people skills premium in wages. Further, Borghans, ter Weel, and Weinberg's (2014) results indicate a growing importance of interpersonal interactions (in part due to increased computer use) in affecting wages that can help explain rising female relative wages, although they do not assess the quantitative importance of people skills in accounting for the reduction in the gender pay gap.

The issue we raised earlier, of gender differences in returns to psychological attributes is highlighted by Mueller and Plug's (2006) study of the reward to the "big five" personality traits–openness to experience, conscientiousness, extroversion, agreeableness, and neuroticism.[63] One of the most consistent gender differences in personality traits has been found for agreeableness, with women being found to be more agreeable than men (Bertrand 2011). Agreeableness refers to being more trusting, straightforward, altruistic (warm), compliant, modest, and sympathetic. Perhaps not surprisingly given labor market realities, Mueller and Plug (2006) find, in a regression context, that men earned a premium for being *disagreeable*. However, this attribute was *not* found to be related to women's wages. Thus, the gender difference in agreeableness contributed to the gender earnings gap both because men were considerably more disagreeable than women, but also because only men were rewarded for this trait (Mueller and Plug 2006).[64] These findings hint at a double bind for women. As in the case of negotiation

[62] In a recent study of 624 graduating seniors from the classes of 2011, 2012 and 2013 at the University of Santa Clara and Haverford College, Kanas and Preston (2015) study the effect on the gender gap in pay of personality traits measured while the students were seniors using experiments similar to those of Niederle and Westerlund (2007). Men were found to be more competitive and confident and less risk averse than women. The authors then collected information on the students for the 2012-2014 period, a very early stage of their career. Controlling for performance on a math task and years since graduation, competitiveness did not appear explain the gender pay gap in this sample. However, the subgroup of women who were confident and chose to compete earned as much money as men did and much more than other women. While this result was based on a small number of women (9.9% of the original 344 female participants—i.e. 34 students-- were judged as confident and chose to compete), the result does suggest that psychological attributes can interact, increasing their importance.

[63] For a definition of each trait, see Mueller and Plug (2006).

[64] See also Judge (2012). One must of course be cautious in basing conclusions about the contribution of gender differences in individual regression coefficients (on either categorical or continuous variables) to the gender pay gap in isolation from the other coefficients in the model (Oaxaca and Ransom 1999). Additional results were that men were also rewarded for emotional stability and openness to experience, while women were rewarded for conscientiousness and openness to experience.

(discussed below), women face potential penalties for not engaging in this behavior but, if they do, may elicit negative or less positive responses than men. Also striking is Manning and Swafford's (2008) finding noted above that psychological attributes accounted for a much larger share of the gender wage gap using male than female coefficients.

While findings such as those in Table 7 are informative in elucidating some of the possible omitted factors that lie behind gender differences in wages as well as the unexplained gap in traditional wage regressions, in general, the results suggest that these factors do not account for a large portion of either the raw or unexplained gender gap. Moreover, the coefficients on noncognitive skills in a wage equation cannot necessarily be given a causal interpretation. Both wages and attitudes, for example, may be determined by the same exogenous factor(s). And, as in the case of the traditional productivity proxies discussed above, there may be important feedback effects from differential treatment in the labor market (and the anticipation of such differential treatment) to noncognitive traits. So, for example, gender differences in the importance placed on money may influence wages through negotiating behavior or effort, but the source of women's lower emphasis on money could be, at least in part, anticipation of lower income due to labor market discrimination. Finally, in analyses based on self-reported survey data, there is likely to be some ambiguity as to precisely what trait one is measuring. For these reasons, just as research on labor market discrimination has tended to move towards experimental evidence, at least in confirming findings based on statistical analyses of survey data, there has been a parallel development in studying the impact of psychological characteristics. We move to a consideration primarily of experimental evidence in the next subsections.

4.2 Negotiation

Researchers have found that men's and women's average propensity to negotiate differs, with women being much less likely to do so (Babcock and Laschever 2003; see also reviews in Bertrand 2011; and Croson and Gneezy, 2009). Women's lower propensity to negotiate over salaries, raises, or promotions, could reduce their pay relative to men's. The observed gender difference could reflect social factors, including women being socialized to feel that they are being pushy or overbearing (unfeminine) if they negotiate—i.e., pursue their own goals in the face of conflict with others (Babcock and Laschever 2003). Consistent with the notion that the female gender role is seen as incongruent with negotiating, a meta-analysis by Mazei et al (2015) found that gender differences in negotiating outcomes were reduced when negotiators negotiated on behalf of *another individual*. Moreover, women may have learned that their negotiating can trigger a negative response from others. For example, in a series of laboratory experiments, Bowles, Babcock, and Lai (2007) asked study participants to evaluate managers based on a transcript or a video of a job placement interview. They found that participants were disinclined to work with female managers who negotiated for higher compensation but that negotiating had little effect on their evaluation of male managers.

Results from a field experiment by Leibbrandt and List (forthcoming) confirm the gender differences in negotiating behavior obtained in the lab studies but suggest that such differences may be sensitive to the cues given. In examining the response of applicants to job advertisements, they found that men were more likely to negotiate than women when there was no *explicit* statement that wages were negotiable. However, when it was explicitly stated that wages were negotiable, the gender difference disappeared and even reversed. This suggests that, for women, negotiating is less acceptable behavior but the gender difference can be overcome if it is signaled to be appropriate.

While it may be possible to enhance women's negotiating skills and reduce the gender difference in negotiating, it is also important to realize that there are limitations to what may be achieved by doing so. Negotiation is a form of bargaining and as such the outcome is influenced by the alternatives available to the individual. To the extent that women face discrimination in the labor market that lowers their wages relative to men's, their expected outcome from the bargaining process will be smaller than for their male counterparts. Moreover, if, as we have seen may be the case, women who negotiate elicit negative

responses compared to men, the gender difference in the prospective result from negotiating is further widened.

4.3 Competition

There is evidence from laboratory experiments that, on average, men are more competitively inclined than women (Bertrand 2011; Croson and Gneezy 2009). In Niederle and Vesterlund's (2007) influential study, for example, subjects were given a task (adding up sets of two–digit numbers) for which there was no average gender difference in performance. Subjects received feedback on their own performance but not on their performance relative to others. When subsequently given a choice between a noncompetitive compensation scheme (a piece rate—pay according to the number of problems correctly solved) and a competitive compensation scheme (a tournament where only the highest scorer out of a group of 4 was compensated), men overwhelmingly (73 percent) selected the tournament while only a minority (35 percent) of the women did so. Low performing men chose to compete more than high performing women. Interestingly, while high-scoring women lost out financially by shying away from competition, low-performing men competed too much from a payoff-maximizing perspective. The gender difference in attitudes towards competition could be a disadvantage for women in the labor market, potentially lowering their relative pay and leading them to avoid certain occupations or business settings, although these findings also suggest that men may sometimes compete more than is optimal.

An interesting recent study suggests that differences in attitudes toward competition observed in the lab do translate into differences in career choices. Buser, Niederle, and Oosterbeek (2012) collected data on the competitiveness of high school students in the Netherlands through in-class experiments and then tracked their subsequent education choices across four study profiles at age 15. While boys and girls had very similar levels of academic ability, boys were substantially more likely than girls to choose the more prestigious profiles. The authors found that up to 23 percent of the gender difference in profile choice could be attributed to gender differences in competitiveness as assessed by the in-class experiments.

Some evidence that women shy away from competitive environments is also indicated by a recent large-scale field experiment. Flory, Leibbrandt and List (2015) randomly assigned job-seekers into viewing online job advertisements with different compensation schemes. Consistent with the results of lab experiments, the more heavily the compensation package tilted towards rewarding the individual's performance relative to a coworker's performance, the more the applicant pool shifted to being more male dominated. However, there was little or no gender difference when compensation was *only slightly* (rather than heavily) based on performance relative to a coworker's or when the job was to be compensated based on team (rather than individual) relative performance. Moreover, the sex-type of the job mattered. The occupation under study was administrative assistant. A male-oriented ad described tasks focused around sports. The "female" ad was similar in other respects but the focus was general—the authors deemed this a female-type job because, nationally, administrative assistant is a predominantly female occupation (79 percent female in 2001). Strikingly, there were no gender differences in propensity to apply under any of the compensation schemes for the female treatment—the gender differences described above were only obtained for the male-type job. While it would have been interesting to see results for a completely neutral occupation, these findings suggest a strong interaction between the gender role or identity of the task and men's and women's propensity to compete. Moreover, while individual responses to compensation schemes were not correlated with readily observable characteristics like education and experience, a blind analysis of the quality of interview questionnaire responses suggested that the highly competitive regime disproportionately attracted low-ability males. As the authors note, this is consistent with Niederle and Vesterlund's (2007) finding that "males compete too much" in terms of maximizing monetary payoffs.

While much of this evidence does indeed suggest that men are, on average, more attracted to competitive environments than women, what are the effects of this difference on the gender pay gap? Using the British Workplace Employment Relations Survey for 1998 and 2004, Manning and Saidi

(2010) find, as expected, that women were indeed less likely to have jobs with pay for performance than men. However, this gender difference accounted for only a very small portion of the British pay gap overall and among managerial workers. Thus, the impact of gender differences in competitiveness on the gender pay gap based on this evidence appears to be very limited.

Finally, also of interest is a study that compared the results of lab experiments testing for gender differences in preferences for competition in two different cultures (Gneezy, Leonard and List 2009). The findings of this study strongly suggest that men's and women's attitudes towards competition are influenced by broader social factors. The authors found that, consistent with the results in developed countries, men opted to compete at roughly twice the rate of women in a traditional patriarchal society (the Maasai of Tanzania). However, in a matrilineal/matrilocal society where inheritance and residence are determined by the female lineage (the Khasi of India), women chose the competitive environment more often than men.

There is also some evidence that competition increases the *relative* performance of men compared to women when both participate in the activity, although the evidence on this is more mixed (Croson and Gneezy 2009). On the one hand, Gneezy, Niederle and Rustichini (2003), for example, found no significant difference in performance by gender under piece rates for a maze solving task on the computer. However, when pay was competitive, men's performance was increased significantly and women's stayed the same, yielding a gender difference. On the other hand, Niederle and Vesterlund's (2007) study discussed above found that the performance of both men and women improved similarly under the tournament and that there was still no gender difference in performance.[65]

Some particularly compelling evidence on the impact of competition on performance is presented in a recent study by Örs, Palomino, and Peyrache (2013). The authors examine gender differences in performance for the same group of subjects on real-world academic achievement examinations that differed in their levels of competition. They found that men performed better than women on the highly competitive entrance exam for admission to the Master of Science in Management at the École des Hautes Études Commerciales (HEC) in Paris even though, for the same cohort, women performed significantly better than men on the national baccalauréat exam two years prior, which the authors characterize as "noncompetitive." Moreover, among the subset admitted to HEC, women outperformed the same males in first year grades in nonmathmatically-oriented classes (where grades are based on relative performance only in a very loose sense).

4.4 Risk Aversion

Based on the laboratory experiments they review, Croson and Gneezy (2009) report that women are, on average, more risk averse than men.[66] All else equal, occupations with more variable earnings are expected to pay a compensating wage differential to induce workers to accept the higher levels of risk. To the extent women are more likely to avoid such jobs, women's greater risk aversion could lower their earnings relative to men (Bertrand 2011). Risk aversion could also plausibly affect job performance in particular occupations, such as money managers.

Interestingly, Croson and Gneezy (2009) report that, while women are found to be more risk averse among persons drawn from the general population or among university students, studies that focus on managers and professionals have found little or no evidence of gender differences in financial risk preferences. For example, one study of mutual fund managers found that funds managed by men and women did not differ in risk or performance. Similarly, male and female managers and entrepreneurs

[65] See also the review of recent studies in Örs, Palomino, and Peyrache (2013).

[66] Manning and Swafford's (2008) survey evidence also indicates that women are more risk averse than men. A review and analysis by Nelson (2015) finds the results to be more mixed, with some studies reporting higher female average risk taking and many cases in which the male advantage lacked statistical significance.

displayed similar risk propensities. It is not possible to know whether such findings are due to the type of selection we have just discussed (with more risk-taking individuals of both sexes choosing to enter or remain in particular fields) or learning (people who initially differ in their risk propensities may learn from their professional environment). In either case, however, these findings suggest that while women's relative aversion to risk may lower their relative earnings due to occupational sorting, this factor probably does not help to explain *within* occupational earnings differences (or at least not within the occupations studied). Further, to the extent these findings are due to learning, it suggests that these preferences can be shaped by environment.

4.5 Norms and Gender Identity

Recent work by Bertand, Kamenica, and Pan (2015) points to possible far-reaching effects of adherence to traditional gender roles on the relative outcomes of men and women. They draw on Akerlof and Kranton's (2010) development of the concept and implications of identity, defined as a sense of belonging to a social category, combined with a view about how people who belong to that category should behave. Departures from these norms are perceived as generating costs and hence people seek to avoid them.

Bertrand, Kamenica, and Pan probe the consequences of the view that a wife should not earn more than her husband and find it to impact a number of outcomes. For example, they find that, within marriage markets, as the probability that a randomly chosen woman would outearn a randomly chosen man increases, marriage rates decline. Similarly, couples in which the wife outearns her husband have lower rates of marital satisfaction and are more likely to divorce. Of particular relevance to the issues under consideration here, they find that, in couples in which the wife's potential income is likely to exceed her husband's (based on predicted income), the wife is less likely to be in the labor force and, if she does work, her income is lower than predicted. Such a selection pattern would lower the observed relative wages of employed married women. Also of interest, given the inverse relationship between housework and wages, they find, based on time use surveys, that the gender gap in nonmarket work is *increased* if the wife earns more than her husband. This finding is particularly surprising given that Beckerian notions of comparative advantage would lead us to expect the opposite (Becker 1981, enlarged edition 1991),[67] assuming that relatively higher earning women do not generally have even higher relative values of nonmarket time. A possible interpretation of this pattern is that these high earning wives are attempting to compensate for violating the gender norm of earning more than their husbands. As we have seen, greater housework time is expected to negatively affect wages.

The findings from Bertrand, Kamenica, and Pan suggest that additional explorations of gender norms and identity by economists would be fruitful in understanding the gender wage gap and other gender differences in outcomes. However, while the findings in this paper are striking, it is possible that the strength of this norm may be diminishing. First, the share of married couple families in which the wife outearns her husband has been growing steadily, as married women's labor force participation and education levels have increased and the male-female wage gap has declined. For example, this share increased by over 80 percent between 1988 and 2012, both among families in which both members of the couple had earnings (from 15.9 to 29.0 percent) and among married couples overall (from 8.2 to 15.4 percent).[68] Moreover, there is evidence that in the bulk (60 percent) of couples in which the wife outearns

[67] That is, the division of labor in the family should be determined by the comparative advantage of each spouse in market vs. nonmarket activity.

[68] U.S. Census Bureau, Historical Income Tables-Families, "Table F-22. Married-Couple Families with Wives' Earnings Greater Than Husbands' Earnings: 1988 to 2012," http://www.census.gov/hhes/www/income/data/historical/families/ , accessed June 26, 2014. Similarly, Wang, Parker, and Taylor (2013) report that, among married couples with children under age 18, the share of families in which the mother earned more than the father increased from 3.8 percent in 1960 to 22.5 percent in 2011.

her husband, this disparity is relatively permanent—that is, it persists over a three-year period (Winkler, McBride, and Andrews 2005). Second, attitudes seem to be becoming more permissive along this dimension. A 2013 attitude survey found that only 28 percent of adults agreed that "It's generally better for a marriage if the husband earns more than his wife" compared to 40 percent in 1997. College graduates had especially permissive views, with only 18 percent supporting this view (Wang, Parker, and Taylor 2013). While an adherence to traditional gender norms need not be conscious and overt in order to influence behavior, it is nonetheless of interest that such views, as expressed, are becoming more permissive. Moreover, this has been occurring at the same time the share of couples where the wife outearns her husband has been increasing. This points to the likelihood that couples are acting on their more permissive views and also to the possibility that behavior (the increasing incidence of such families) influences norms and attitudes as well as the reverse.

5. Evidence on the Impact of Policy

Women's relative skills and the degree of discrimination they face can be affected by equal employment opportunity laws and regulations, as well as by government policies directed at the difficulties of combining work and family. In this section, we briefly consider what is known about these types of policies and their impacts, focusing primarily on the United States.

The United States was a world leader in implementing equal employment opportunity policy as the first economically advanced nation to pass and implement antidiscrimination laws and regulations (Blau and Kahn 1996b). The centerpiece of the government's antidiscrimination activities is Title VII of the Civil Rights Act of 1964 which broadly bans discrimination by sex (as well as by race, religion and national origin) in virtually all aspects of the employment relationship, including hiring and firing, training, promotion, wages, and fringe benefits and covers all businesses employing 15 or more workers. Title IX, an important amendment to the Civil Rights Act passed in 1972, prohibits sex discrimination in most educational institutions. In addition, the Equal Pay Act of 1963 mandates equal pay for men and women who do substantially equal work in the same establishment. Further, under some circumstances, affirmative action, or "pro-active steps ... to erase differences between women and men, minorities and nonminorities, etc." (Holzer and Neumark, 2000a, p. 484), is also required, primarily for government contractors under an Executive Order promulgated in 1965 and amended to include women in 1967. Affirmative action has also been voluntarily adopted by many employers.

In thinking about the impact of the government's antidiscrimination enforcement effort, one question that arises is whether the time path of the increase in women's relative earnings (see Figure 1) appears compatible with an effect of these laws and regulations. This question arises because we see no indication of a notable improvement in women's relative earnings in the immediate post-1964 period that might be attributable to the effects of the government's antidiscrimination effort; the gender pay ratio remained basically flat through the late 1970s or early 1980s, after which it began to increase. In contrast, blacks experienced considerable increases in their relative earnings in the decade following the passage of the civil rights laws that many scholars attribute, at least in part, to the impact of these laws (e.g., Donohue and Heckman 1991).

Nonetheless, there is some evidence from a variety of detailed, micro-level studies of a positive effect of government equal employment opportunity policies on women's earnings and occupations. Beller (1979, 1982) used enforcement activity as an indicator of the strength of government sanctions under Title VII and found evidence of improvements over the 1967-1974 period in women's relative earnings (Beller 1979) and their probability of being employed in a predominantly male occupation (Beller 1982). Carrington, McCue and Pierce (2000) took firm size as an indicator of coverage and enforcement and found that, over the 1963-87 period, the relative employment of women and blacks by larger employers increased. Kurtulus (2012) found that the share of women and minorities in high-paying skilled occupations grew more over the 1973–2003 period at federal contractors than other employers. Moreover, she found that these gains took place primarily prior to or in the early years of the Reagan

Administration and after 1991; a pattern that matches what is known about climate of enforcement of affirmative action and antidiscrimination laws more broadly, including a winding down of the enforcement effort during the Reagan years. Kurtulus' (2012) findings are consistent with an earlier study by Leonard (1990), which found faster employment growth for black and white females at contractor establishments over the 1974-80 period. Finally, Holzer and Neumark (1999 and 2000 b) measured affirmative action by employer self-reports (this could include both mandated and voluntary programs) and found cross-sectional evidence that affirmative action reallocates women and minorities to the affirmative action sector by increasing both their applications and employment. This is likely to raise their relative wages since the authors find that such firms are higher paying and, in addition, have smaller race and sex differences in wages (see also Holzer and Neumark 2000a for a review).

We find these results of female gains due to equal employment policy not implausible, despite the time pattern of aggregate female relative earnings gains, for at least two reasons. First, we note that some improvements in women's status do indeed date to the 1970s—chiefly, the growth in women's enrollments in professional schools and the beginning of a substantial decline in occupational segregation. The educational shifts may reflect, at least in part, the impact of Title IX, but also a response to perceived increases in labor market opportunities that improved the incentives for women to train for nontraditional jobs. (Of course these shifts also reflect a variety of supply-side factors that we discussed in Section 3.3.) Moreover, since occupational segregation by sex was considerably more pronounced than by race (Fuchs 1988 and Jacobsen 1994), such occupational shifts may have been more necessary for women than for blacks to reap wage gains from the government's antidiscrimination efforts, thus resulting in a greater lag in the impact of the government's equal employment opportunity policies on women's relative earnings. Second, these laws and regulations were rolled out during a period of extremely high growth in female labor supply; the negative wage effects of this expansion in labor supply could have camouflaged an otherwise positive effect of the government's efforts.[69] On the other hand, it is puzzling that the largest female relative wage gains and the strongest evidence of a decline in the unexplained gender wage gap were during the 1980s (see Section 2 and Section 6), which includes a period in which the government's antidiscrimination effort was noticeably scaled back.

Turning to work-family policy, we focus on parental leave, although we note that there are a wide range of other possible policies, including child care that might be considered. The Family and Medical Leave Act (FMLA) of 1993 mandates that eligible workers be allowed to take up to 12 weeks of unpaid leave for birth or adoption, acquiring a foster child, illness of a child, spouse, or parent, or their own illness.[70] (Firms may voluntarily provide longer and/or paid leave.) Workers are entitled to their jobs upon returning from the leave. To the extent that parental leave policies strengthen worker attachment to the firm, they may encourage firm-specific investments, thus raising women's relative wages (since parental leave is much more likely to be taken by women than men). However, they may also encourage labor force withdrawal for longer periods of time than otherwise (especially if they are of long duration), reducing women's accumulation of experience. Mandated leaves, again, particularly of long duration, may also diminish women's opportunities by increasing employer costs of hiring women and hence providing incentives to discriminate against them. Mandated leaves might also reduce women's relative wages to finance the benefit (e.g., Gruber 1994). Thus, the effect of parental leaves on the gender wage gap is theoretically ambiguous. Empirical evidence for the United States suggests that the effect of the FMLA has been modest; it has been found to have a small positive effect on employment and no effect on

[69] In addition, prior to 1980, large increases in the labor force participation of younger women resulted in a small decline in average experience for women as a whole, due to the shifting age composition of women workers (Goldin 1990, p. 41).

[70] The FMLA requires the individual to have worked at least 1250 hours in the past year and covers only workers in firms with at least 50 employees. In addition, the Pregnancy Discrimination Act of 1978 (an amendment to Title VII of the Civil Rights Act) prohibits employers from discriminating against workers on the basis of pregnancy.

wages (Baum 2003 and Waldfogel 1999). Results are broadly similar for California's introduction of 6 weeks of paid leave (with a replacement ratio of 55 percent) in 2004. Employment probabilities in the post-leave period were increased; and the effect on wages was not statistically significant (see, Baum and Ruhm 2013). A recent study by Thomas (2015), discussed above, does however suggest that FMLA increased the gender gap in promotion.

Since provision of parental leave in the United States is considerably less generous (in both duration and payment) than in other economically advanced countries, international comparisons may shed light on potential effects of more generous leave policies. In a study of 9 Western industrialized countries, Ruhm (1998) found that female earnings were unaffected by rights to short parental leaves, while longer leaves (more than 5 or 6 months) lead to reductions in women's relative wages. These findings are consistent with results from Blau and Kahn (2013a), which found that the greater expansion of family-friendly policies in other economically advanced countries than in the United States between 1990 and 2010 increased female labor force participation in these countries relative to United States, but was associated with a lower likelihood of women having full-time jobs or working as managers or professionals. (The mean duration of leave in these other countries was 57 weeks in 2010, up from 37 weeks in 1990.) Taken together, these results suggest that a number of offsetting factors may be at work, with a little impact on wages for shorter leaves and a negative effect dominating for long periods of mandated parental leave. Some innovative policies have been developed recently, including parental leave entitlements that incentivize fathers' leave taking (Dahl, Løken, and Mogstad 2013; Patnaik 2015), which may reduce the negative effects of extended leaves on women. The long run impact of these policies on gender and the labor market as well as the division of labor within the family is an important research topic.

6. Wage Structure, Demand and Institutions

Much research on the gender pay gap focuses on gender-specific factors: differences in qualifications, including experience, or treatment of women by firms (discrimination). In addition, however, men and women work in a world economy in which labor market prices, such as the returns to education or experience, are affected by larger forces of supply and demand as well as by labor market institutions in the various countries. We now consider research that studies the impact of these larger economic forces on the gender pay gap.

A useful starting point is a key insight of Juhn, Murphy and Pierce (1991), a study of black-white wage differentials, that the overall wage structure can affect the relative wages of specific groups. By "wage structure," we mean the returns that the labor market offers for various skills and for employment in various industries or occupations. For example, countries with strong unions that raise the wages of less-skilled workers tend to have a relatively compressed wage structure, while, in the United States, wages are determined in a more decentralized manner, resulting in a more dispersed wage structure. The wage structure can also change over time as rewards to skills and premiums for employment in high-wage occupations and industries increase or decrease.

Both the human capital and discrimination explanations of the gender pay gap suggest a potentially important role for wage structure in determining how women fare relative to men across countries or over time. We illustrate by some examples focused on the temporal dimension. For example, despite important recent gains, women still have less experience than men, on average. If the labor market return to experience rises over time, women will be increasingly disadvantaged by their lesser amount of experience. In addition, both the human capital and discrimination models suggest reasons why women are likely to be employed in different occupations and perhaps in different industries than men. This implies that an increase in the returns to employment in "male" occupations or industries will also place women at an increasing disadvantage. In fact, the patterns of rising overall wage inequality in the labor market, particularly in the 1980s, resulted from precisely such increases in the market rewards to skill and to employment in high-wage male sectors (Blau and Kahn 1997). This means

that women as a group were essentially "swimming upstream" in a labor market growing increasingly unfavorable to workers with below-average skills—in this case, below-average experience—and for workers employed in disproportionately female occupations and industries. Yet the 1980s were precisely the time period in which women made the largest gains.

6.1 U.S. Evidence on the Impact of Wage Structure on the Gender Wage Gap

How were U.S. women able to swim upstream and narrow the gender wage gap in the face of economy-wide forces working against them? Blau and Kahn (1997 and 2006) found that this was the outcome of two broad sets of countervailing factors. On the one hand, working to decrease the gender wage gap, women increased their qualifications relative to men and, in the 1980s, the unexplained gender gap also narrowed substantially. On the other hand, working to widen the gender wage gap, particularly during the 1980s, were changes in wage structure (or returns to characteristics) that favored men over women. Of particular importance were a rise in the return to experience and increases in returns to employment in occupations and industries where men are more highly represented.[71] The sizable increase in the supply of women over the 1980s is another factor that likely worked to widen the gender wage gap as well. The decrease in the gender wage gap occurred because the factors favorably affecting women's wages were large enough to more than offset the impact of unfavorable shifts in returns and increasing female labor supply.

However, the matter may be more complicated than a simple decomposition of the trends would suggest. While rising demand for skill did shift labor market prices in a way that worked against women on net in the 1980s, the underlying labor market demand shifts that widened overall wage inequality appear to have favored women relative to men in certain ways. Thus these demand shifts likely also contributed to a decrease in the unexplained gender gap identified in Blau and Kahn (1997 and 2006) and Section 2. Overall, manufacturing employment declined, particularly in the 1980s. In addition, some evidence indicates that technological change produced within-industry demand shifts that favored white-collar relative to blue-collar workers in general. Given that men have tended to hold a disproportionate share of manufacturing and blue-collar jobs, these shifts would be expected to benefit women relative to men (Berman, Bound and Griliches 1994; Blau and Kahn 1997 and 2006). Further, evidence suggests that increased computer use favors women's wages compared to men (Krueger 1993; Weinberg 2000; Welch 2000; Autor, Levy and Murnane 2003; Beaudry and Lewis 2014). This may reflect women's greater comparative advantage in cognitive relative to manual or motor skills ("brains" versus "brawn" to borrow Welch's (2000) terminology).[72] Moreover, Borghans, ter Weel and Weinberg (2014) present evidence that interpersonal interactions have become more important with the spread of computers. Since women's interpersonal skills tend to exceed men's, on average, this factor worked to increase women's wages relative to men's (Borghans, ter Weel and Weinberg 2014).

Finally, Figures 1 and 2 show that the gender pay gap closed much more slowly after 1990 than during the 1980s. Some evidence for the importance of demand shifts in causing this slowdown comes from Blau and Kahn (2006), who find that demand shifts related to industries and occupations favoring women were smaller in the 1990s than in the 1980s. Moreover, Borghans, ter Weel and Weinberg (2014) find that the growth in the demand for interpersonal skills was faster in the 1980s than in the 1990s. In both of these studies, the slowdown in demand shifts favorable to women coincided with the slowdown in

[71] While this was true of price shifts in the 1980s, our findings in Table 5 indicate that for the 1980-2010 period, only changes in rewards to occupations produced substantial adverse price shifts for women.

[72] Bacolod and Blum (2010) present evidence that there has been an increase in the labor market return to cognitive skills and a corresponding decrease in the return to motor skills. This has likely benefited women relative to men since women tend to be more highly represented in occupations where cognitive skills are important while men are more likely to be in jobs that emphasize motor skills.

gender wage convergence overall and in the unexplained gap obtained in decompositions like those presented in Section 2.

6.2 International Comparative Evidence on the Impact of Wage Structure on the Gender Wage Gap

As mentioned earlier, many other countries have far more centralized wage-setting institutions than the United States, resulting in a far higher degree of wage compression. Centralized collective bargaining tends to reduce wage differentials through the negotiation of relatively high wage floors, which raise the relative wages of those near the bottom of the distribution, including women (Blau and Kahn, 1996a). In countries such as many of those in the OECD, unions cover a much larger portion of the labor market than in the United States, and wage-setting is much more centralized, leading to overall wage compression. Several studies have found that this kind of overall wage compression helps to explain in international differences in the gender pay gap at a point in time. For example, Blau and Kahn (1992 and 1996b) found that wage compression explained all of the difference between the United States (with a relatively high) gender pay gap and that in nine other industrialized countries; and Blau and Kahn (2003) found that differences in wage compression were an important factor explaining differences in the gender pay gap across 22 countries. Similarly, Kidd and Shannon (1996) found that wage compression helped explain Australia's smaller gender pay gap in relation to Canada's. And some studies have found that changes in wage compression over time within a country help explain changes in the gender pay gap (Edin and Richardson 2002—Sweden; Datta Gupta and Smith 2006—Denmark).

One of the most dramatic changes in the world over the last 25 years has been the fall of Communism. In former Soviet Bloc countries and in China, highly centralized wage-setting institutions with considerable wage compression were replaced with market-oriented, decentralized wage setting. These changes in institutions may be expected to widen the gender pay gap and this has indeed been found to be the case. For example, Brainerd (2000) found for the Czech Republic, Hungary, Poland, Russia, the Slovak Republic, and Ukraine that, after the fall of Communism, the wage structure became more dispersed and this raised the gender pay gap. Moreover, Orazem and Vodopivec (2000) found similar results for Slovenia after the fall of Communism there, although there was little effect of the changing wage structure on the gender pay gap in Estonia. Finally, focusing on the 1988-2004 period during which China's labor market became much less centralized as its economy became much more market oriented, Zhang, Han, Liu and Zhao (2008) found that the resulting spread in the wage structure raised the gender pay gap considerably.

If firms take labor costs as given, high union-negotiated wage floors should lower female relative employment. And this is precisely what Bertola, Blau and Kahn (2007) find in a study of relative employment in 17 countries over the 1960–96 period. Specifically, they find that greater coverage by highly centralized unions lowers female employment and raises female unemployment compared with men's.

7. Conclusion

We have shown that the gender pay gap in the United States fell dramatically from 1980 to 1989, with slower convergence continuing through 2010. Using PSID microdata, we documented the improvements over the 1980-2010 period in women's education, experience and occupational representation, as well as the elimination of the female shortfall in union coverage, and showed that they played an important role in the reduction in the gender pay gap. Particularly notable is that, by 2010, conventional human capital variables (education and labor market experience) taken together explained little of the gender wage gap in the aggregate. This is due to the reversal of the gender difference in education, as well as the substantial reduction in the gender experience gap. On the other hand, gender differences in location in the labor market—distribution by occupation and industry—continued to be important in explaining the gap in 2010. A decrease in the unexplained gap over the 1980s contributed to the robust convergence in the gender wage gap over that decade, with the unexplained gap falling sharply from 21-29% in 1980 to 8-18% by 1989. However, the unexplained gap did not fall further subsequently,

remaining in this range over the succeeding 20 years. We also found that both the raw and the unexplained gender pay gap declined much more slowly at the top of the wage distribution that at the middle or the bottom. By 2010, the raw and unexplained female shortfalls in wages, which had been fairly similar across the wage distribution in 1980, were larger for the highly skilled than for others, suggesting that developments in the labor market for executives and highly skilled workers especially favored men.

Our review of the literature was designed to shed light on the explanations for the gender wage gap, both factors that have been traditionally emphasized and newer explanations that have been offered. We provided a discussion of the causes of women's improvements in measured skills, emphasizing the remarkable reversal of the gender gap in college attendance as well as women's increasing commitment to the paid labor force. In light of the persistent unexplained pay gap, we then discussed recent research on gender differences in factors that standard data sets cannot measure, or which have not been the focus of conventional wage gap studies. We considered the ways in which conventional gender roles and gender identity as well as the presence of children, can contribute to the gender wage gap. We also examined evidence on gender difference in mathematics test scores and noncognitive skills such as gender differences in attitudes toward competition, negotiation, and risk aversion.

We conclude that many of the traditional explanations continue to have salience for understanding the gender wage gap and changes in the gap, although some factors have increased and others have decreased in importance. One of our findings is that while convergence between men and women in traditional human capital factors (education and experience) played an important role in the narrowing of the gender wage gap, these factors taken together explain relatively little of the gap wage gap in the aggregate now that, as noted above, women exceed men in educational attainment and have greatly reduced the gender experience gap. For a portion of the labor market, however, recent research suggests a continued and especially important role for work force interruptions and shorter hours in explaining gender wage gaps in high skilled occupations than for the workforce as a whole—this work is particularly relevant in that, as we have seen, the gender wage gap at the top of the wage distribution appears to have decreased more slowly than at the middle and the bottom. While this might suggest a continued relevance of human capital factors for these labor markets, the interpretation of these findings in a human capital framework has been challenged. Goldin (2014), for example, argues that they more likely represent the impact of compensating differentials, in this case wage penalties for temporal flexibility. Additional research pinpointing when and where labor force interruptions and hours differences are important and testing the reasons for their impact would be useful.

Although decreases in gender differences in occupational distributions contributed significantly to convergence in men's and women's wages, gender differences in occupations and industries are quantitatively the most important measurable factors explaining the gender wage gap (in an accounting sense). Thus, in contrast to human capital factors, gender differences in location in the labor market, a factor long highlighted in research on the gender wage gap, remains exceedingly relevant. The continued importance of gender differences in employment by industry and occupation, as well as by firm, suggest the fruitfulness of research aimed at better understanding the underlying reasons for these gender difference as well as their consequences. The growing availability of matched firm-worker data should facilitate such research.

Another factor emphasized in traditional analyses that remains important is differences in gender roles and the gender division of labor. Current research continues to find evidence of a motherhood penalty for women and of a marriage premium for men. Moreover, the greater tendency of men to determine the geographic location of the family continues to be a factor even among highly educated couples. The importance of dual career issues in the location of families highlights another area of potentially useful research in an era in which such couples have become increasingly important. Here, as in other areas, greater understanding of feedback effects would be important—the division of labor in the family potentially responds to, as well as causes, gender differences in wages.

The persistence of an unexplained gender wage gap suggests, though it does not prove, that labor market discrimination continues to contribute to the gender wage gap, just as the decrease in the unexplained gap we found in our analysis of the trends over time in the gender gap suggests, though it does not prove, that decreases in discrimination help to explain the decrease in the gap. We cited some recent research based on experimental evidence that strongly suggests that discrimination cannot be discounted as contributing to the persistent gender wage gap. Indeed, we noted some experimental evidence that discrimination against mothers may help to account for the motherhood wage penalty as well. Future work could usefully focus on efforts to test for discrimination and understand its quantitative importance as well as better understand which model or models of discrimination are most consistent with the patterns we observe.

Psychological attributes or noncognitive skills comprise one of the newer explanations for gender differences in outcomes and we have reviewed an impressive array of recent research suggesting that there are indeed notable gender differences along this dimension. While male advantages in some of factors like risk aversion, and propensity to negotiate or compete may help to explain not only some of the unexplained gender wage gap but also gender differences in occupations and fields of study, it is important to note that women may have advantages in some areas, like interpersonal skills. Moreover, we found evidence that these gender differences can themselves be affected by social context and thus might not be independent causes of the gender pay gap in the first place. And, while there are gender differences in some psychological attributes/noncognitive skills, more work is needed to confirm these differences outside the laboratory setting where much of the research has been focused, although we have reviewed some recent studies that have done so. In addition, there is also relatively little research that would enable us to determine the quantitative importance of these differences for the gender wage gap. To address this issue, we focused on a subset of papers in this area that used methods, primarily regression analysis of survey data, which permitted us to calculate the quantitative evidence on the importance of these factors. The notable finding from this exercise is that, in each case, gender differences in psychological factors account for a small to moderate portion of the gender pay gap, considerably smaller than say occupation and industry effects, though they appear to modestly contribute to these differences. Thus, this source of the gender gap, based at least on what we know at this point, while worth pursuing, does not appear to provide a silver bullet in our understanding of gender differences in labor market outcomes. Continued research in this and other areas is likely to benefit from field experiments, which arguably provide credible exogenous variation in the economic environment facing workers as well as real-world settings, will likely continue to provide insights into gender differences in preferences, behavior, and labor market outcomes.

Finally, we reviewed research that finds that, given men's and women's differing skill levels and locations in the economy (by occupation, industry, and firm), overall labor market prices can have a significant effect on the gender wage gap. In particular, the more compressed wage structures in many other OECD countries due to the greater role of unions and other centralized wage setting institutions in these countries have served to lower the gender pay gap there relative to the United States by bringing up the bottom of the wage distribution. This appears to have also lowered female employment and raised female unemployment compared with men, as would be expected if higher wage floors are binding. This evidence on the impact of wage setting institutions on the gender wage gap could become increasingly relevant to the United States as minimum wage hikes, some quite substantial, are being contemplated at many levels of government.

Data Appendix

The analysis in Tables 1-6 is based on microdata taken from the indicated waves of the PSID and the March CPS. The PSID is the only data source which has information on actual labor market experience for the full age range of the population. However, because the PSID only supplies this work history information for family heads and spouses/cohabitors, it does not cover adults who are living with relatives, such as grown children living at their parents' house. In addition, the PSID's base sample began with roughly 5,000 families from 1968, when immigrants were a much smaller portion of the population. This means that the current PSID sample, which consists of these original families plus splitoffs, undercounts immigrants today. For these reasons, we also show data from the CPS which are more representative of the whole U.S. population.

We focus on men and women age 25-64 who were full time, non-farm, wage and salary workers and who worked at least 26 weeks during the preceding year. We also excluded those in the military. See Table 1 for sample sizes. This age group has, for the most part, left school, allowing us to abstract from issues of combining work and school attendance. Limiting the top of the age range to 64 to some degree abstracts from normal retirement issues (patterns were very similar when we limited the sample to ages 25-54). In addition, by limiting our sample to those who worked full time and had at least 26 weeks of work in the prior year, we are focusing on those with a relatively strong labor market commitment. This sample restriction leads to a relatively homogeneous sample with respect to this commitment, allowing us to reach more accurate conclusions about the prices women and men face in the labor market. We exclude the self-employed and those in agriculture on the grounds that it is difficult to separate labor income from capital income or income in kind for these groups. Our basic dependent variable is the log of average hourly earnings, which we compute in the PSID by dividing annual labor earnings by annual hours worked and in the CPS by dividing annual wage and salary earnings by annual hours worked. Means and other data presented here are for the sample used in our regression analyses. In the PSID, we exclude cases with missing data on the dependent or explanatory variables, or variables needed to compute them. In the CPS, we exclude cases with allocated earnings.

For early years of the PSID, separate values for wage and salary income and self-employment/farm income are not available for wives. In earlier work (Blau and Kahn 2004) we showed that this omission did not have an important effect on average hourly earnings among household heads, a group for which we had data on wage and salary earnings. While the PSID does not topcode earnings, the CPS does. To adjust for this in the CPS, we multiplied the topcoded value by 1.45. (In each year, less than 2% of the sample was topcoded.) In both data sets, we exclude those earning less than $2/hr in 2010 dollars, using the Personal Consumption Expenditures deflator (taken from www.bea.gov). This cutoff equals 28-38% of the real Federal minimum wage across our sample period (see http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&904=1980&903=4&906=a&905=2014&910=x&911=0 , accessed August 19, 2014 and http://www.dol.gov/whd/minwage/chart.htm , accessed August 19, 2014). We experimented with other cutoffs, including a flat $3/ hour in 2010 dollars, as well as using 50% of each year's real minimum wage as a cutoff. The results were very similar to those presented here.

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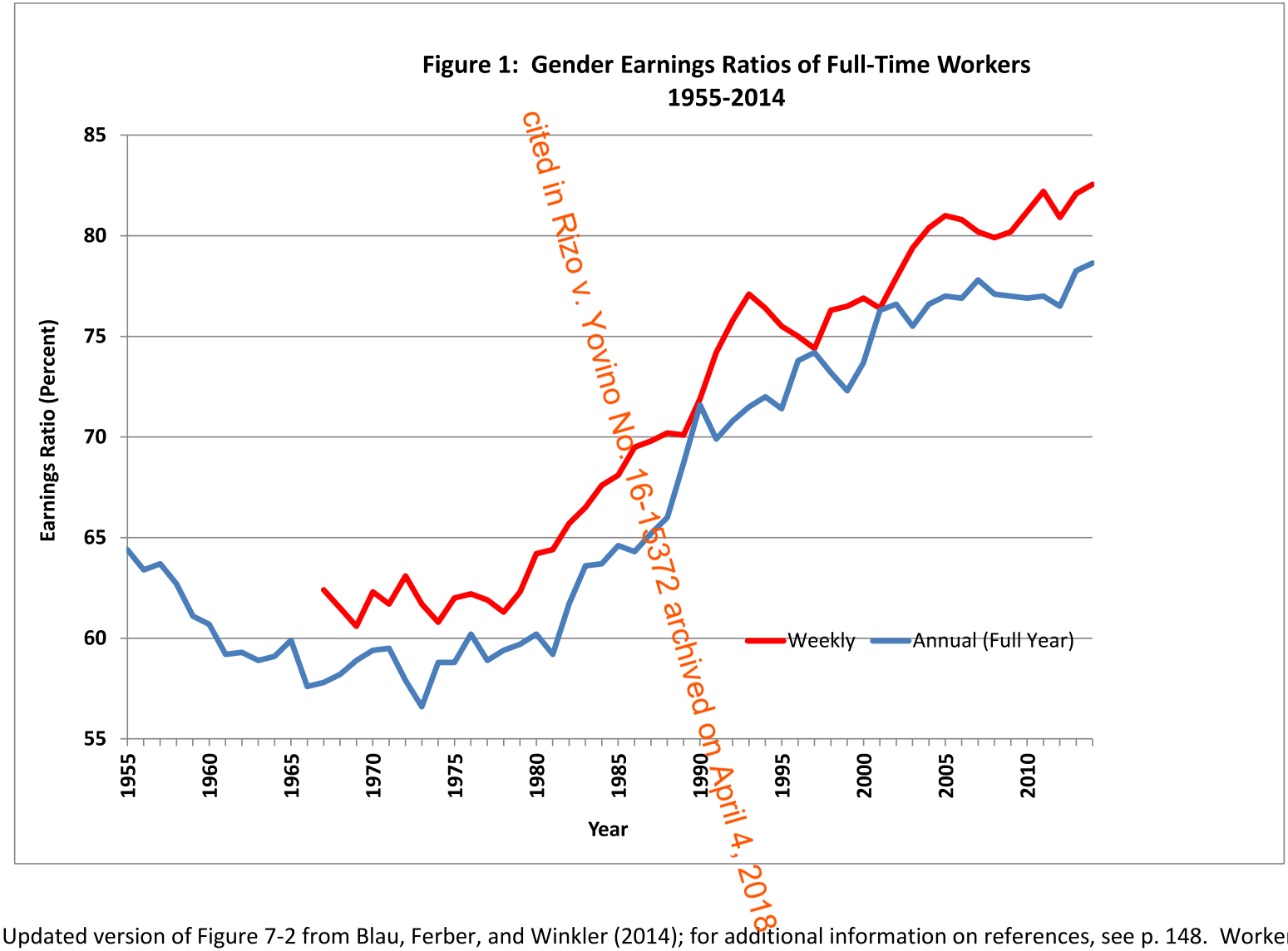
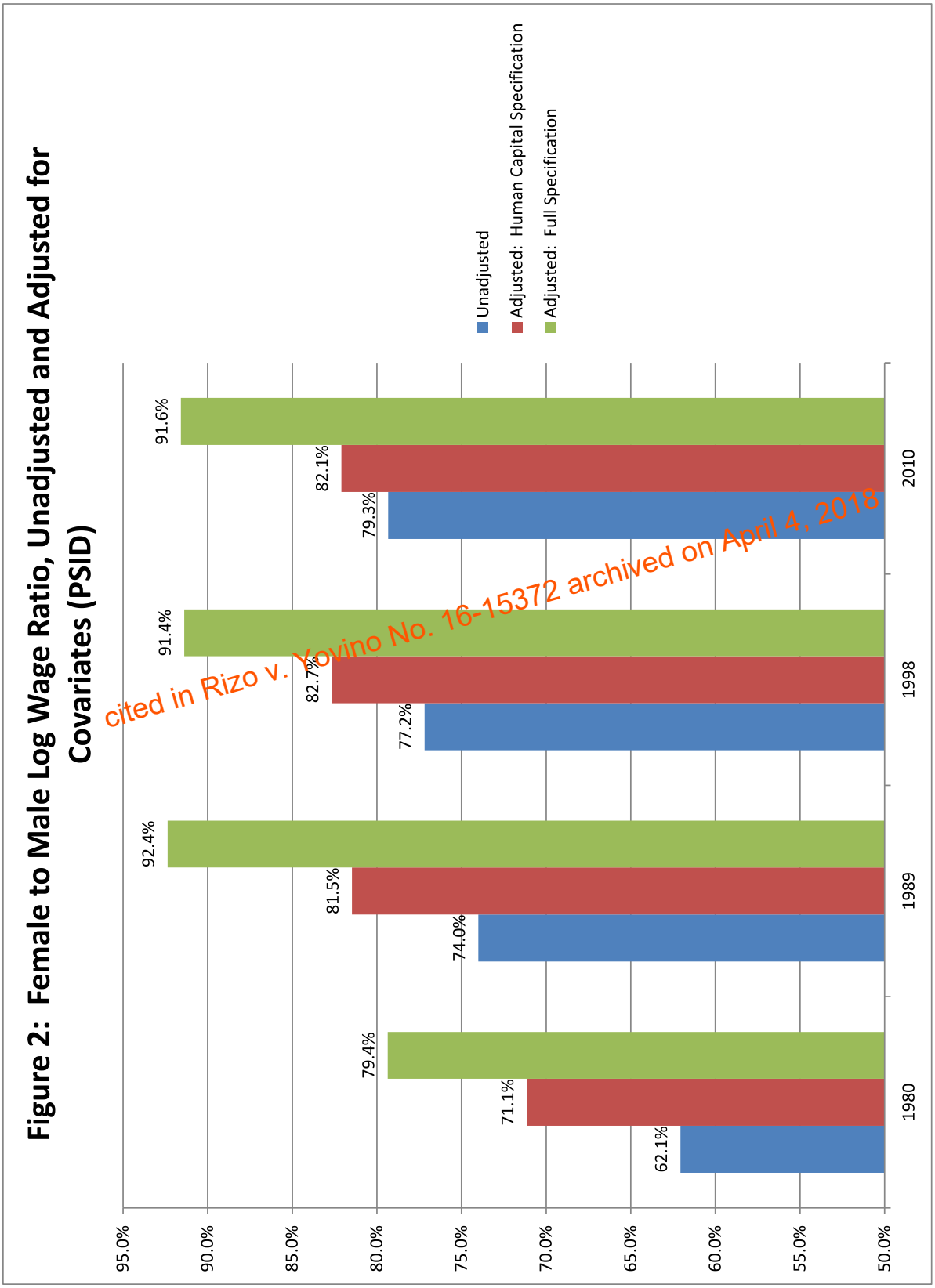


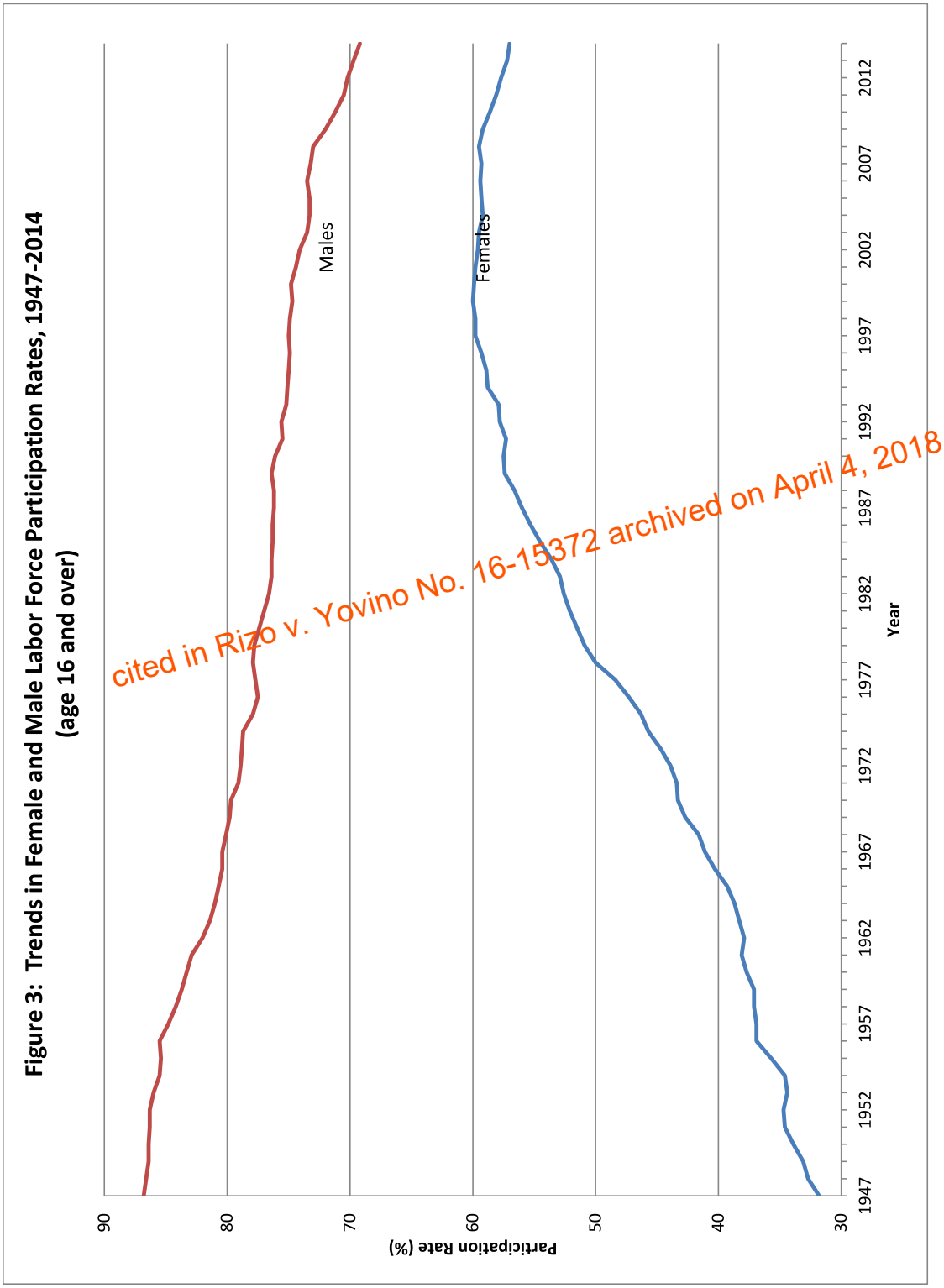
Notes: Updated version of Figure 7-2 from Blau, Ferber, and Winkler (2014); for additional information on references, see p. 148. Workers aged 16 and over from 1979 onward, and 14 and over prior to 1979.

Figure 2: Female to Male Log Wage Ratio, Unadjusted and Adjusted for Covariates (PSID)



Source: Authors' calculations from Panel Study of Income Dynamics (PSID) data. See text for definitions.

Figure 3: Trends in Female and Male Labor Force Participation Rates, 1947-2014
(age 16 and over)



Notes: Updated version of Figure from Blau, Ferber and Winkler (2014) based on data from the Current Population Survey available at www.bls.gov and Employment & Earnings, various issues.

Table 1: Unadjusted Female/Male Log Hourly Wage Ratios, Full Time Workers

Year	Sample Size		Mean	10th Percentile	50th Percentile	90th Percentile
	Men	Women				
			Panel Study of Income Dynamic (PSID)			
1980	2282	1491	62.1%	64.8%	60.1%	62.4%
1989	2617	2068	74.0%	76.3%	72.4%	74.6%
1998	2391	2146	77.2%	80.3%	79.8%	73.8%
2010	2368	2456	79.3%	81.5%	82.4%	73.9%
			March Current Populations Survey (CPS)			
1980	21428	13484	63.5%	68.7%	61.9%	64.3%
1989	21343	16487	72.4%	78.1%	72.2%	71.4%
1998	17520	14231	77.1%	81.3%	76.2%	76.1%
2010	24229	20718	82.3%	87.6%	82.2%	76.6%

Notes: Sample includes nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment. Entries are exp(D), where D is the female mean log wage, 10th, 50th or 90th percentile log wage minus the corresponding male log wage.

Table 2: Schooling and Actual Full Time Work Experience by Gender, PSID

Year	Men	Women	Men-Women
Years of Schooling			
1981	13.3	13.2	0.2
1990	13.8	13.7	0.0
1999	14.2	14.3	-0.1
2011	14.3	14.5	-0.2
Bachelor's Degree Only			
1981	18.1%	15.3%	2.7%
1990	20.0%	17.6%	2.3%
1999	23.4%	22.2%	1.2%
2011	26.2%	24.7%	1.5%
Advanced Degree			
1981	10.0%	7.4%	2.5%
1990	10.3%	8.7%	1.6%
1999	11.7%	10.8%	0.9%
2011	12.9%	15.7%	-2.8%
Years of Full Time Experience			
1981	20.3	13.5	6.8
1990	19.2	14.7	4.5
1999	19.8	15.9	3.8
2011	17.8	16.4	1.4

Notes: Sample includes full time nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment.

Table 3: Incidence of Managerial or Professional Jobs and Collective Bargaining Coverage by Gender, PSID

Year	Men	Women	Men-Women
Managerial Jobs			
1981	21.5%	9.2%	12.3%
1990	21.1%	10.9%	10.2%
1999	21.8%	15.3%	6.5%
2011	18.3%	16.2%	2.2%
Professional Jobs			
1981	17.0%	21.8%	-4.8%
1990	19.4%	26.1%	-6.6%
1999	20.4%	26.9%	-6.4%
2011	21.7%	31.1%	-9.4%
"Male" Professional Jobs			
1981	14.6%	10.1%	4.5%
1990	17.3%	14.1%	3.2%
1999	17.6%	13.2%	4.4%
2011	18.6%	17.8%	0.8%
Collective Bargaining Coverage			
1981	34.5%	21.1%	13.3%
1990	25.4%	19.4%	6.1%
1999	21.5%	18.2%	3.3%
2011	17.4%	18.9%	-1.5%

Notes: Sample includes full time nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment. "Male" Professional jobs are professional jobs excluding nurses and K-12 and other non-college teachers.

Table 4: Decomposition of Gender Wage Gap, 1980 and 2010 (PSID)

	1980		2010	
	Effect of Gender Gap in Explanatory Variables		Effect of Gender Gap in Explanatory Variables	
Variables	Log Points	Percent of Gender Gap Explained	Log Points	Percent of Gender Gap Explained
A. Human Capital Specification				
Education Variables	0.0129	2.7%	-0.0185	-7.9%
Experience Variables	0.1141	23.9%	0.0370	15.9%
Region Variables	0.0019	0.4%	0.0003	0.1%
Race Variables	0.0076	1.6%	0.0153	6.6%
Total Explained	0.1365	28.6%	0.0342	14.8%
Total Unexplained Gap	0.3405	71.4%	0.1972	85.2%
Total Pay Gap	0.4770	100.0%	0.2314	100.0%
B. Full Specification				
Education Variables	0.0123	2.6%	-0.0137	-5.9%
Experience Variables	0.1005	21.1%	0.0325	14.1%
Region Variables	0.0001	0.0%	0.0008	0.3%
Race Variables	0.0067	1.4%	0.0099	4.3%
Unionization	0.0298	6.2%	-0.0030	-1.3%
Industry Variables	0.0457	9.6%	0.0407	17.6%
Occupation Variables	0.0509	10.7%	0.0762	32.9%
Total Explained	0.2459	51.5%	0.1434	62.0%
Total Unexplained Gap	0.2312	48.5%	0.0880	38.0%
Total Pay Gap	0.4770	100.0%	0.2314	100.0%

Notes: Sample includes full time nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment. Entries are the male-female differential in the indicated variables multiplied by the current year male log wage coefficients for the corresponding variables. The total unexplained gap is the mean female residual from the male log wage equation.

Table 5: Effect of Changes in Explanatory Variables and Male Wage Coefficients on the Change in the Gender Wage Gap, 1980-2010

	Base: 1980 Male Wage Equation; 2010 Male-Female Gap in Explanatory Variables		Base: 2010 Male Wage Equation; 1980 Male-Female Gap in Explanatory Variables	
Variables	**Human Capital Specification**	**Full Specification**	**Human Capital Specification**	**Full Specification**
Effect of Changing Means				
Education Variables	-0.0219	-0.0219	-0.0461	-0.0343
Experience Variables	-0.0767	-0.0674	-0.0460	-0.0433
Region Variables	-0.0058	-0.0030	-0.0004	0.0002
Race Variables	-0.0018	-0.0017	0.0006	0.0003
Unionization	--	-0.0331	--	-0.0303
Industry Variables	--	-0.0080	--	0.0032
Occupation Variables	--	-0.0253	--	-0.0369
All X's	-0.1062	-0.1603	-0.0920	-0.1411
Effect of Changing Coefficients				
Education Variables	-0.0095	-0.0041	0.0148	0.0083
Experience Variables	-0.0004	-0.0006	-0.0310	-0.0246
Region Variables	0.0042	0.0037	-0.0011	0.0005
Race Variables	0.0096	0.0049	0.0071	0.0030
Unionization	--	0.0003	--	-0.0025
Industry Variables	--	0.0031	--	-0.0082
Occupation Variables	--	0.0506	--	0.0622
All B's	0.0039	0.0579	-0.0103	0.0386
Effect of Changing Unexplained Gaps	-0.1433	-0.1432	-0.1433	-0.1432
Change in the Total Wage Gap	-0.2456	-0.2456	-0.2456	-0.2456

Notes: Effect of Changing Means is the change over the 1980-2010 period in the male-female difference in the indicated variables multiplied by the indicated male log wage coefficients for the corresponding variables. Effect of Changing Coefficients is the the change over the 1980-2010 period in the male wage coefficients for the indicated variables, multiplied by the corresponding male-female difference in the means of the indicated variables.

Table 6: Decomposition of the Gender Log Wage Gap by Unconditional Distribution Percentile (PSID)

	1980		2010	
	Specification		Specification	
Percentile	Human Capital	Full	Human Capital	Full
A. Effect of Covariates				
10th percentile	0.1767	0.2729	0.0721	0.1648
	(0.0234)	(0.0374)	(0.0249)	(0.0453)
50th percentile	0.1215	0.2381	0.0237	0.1274
	(0.0167)	(0.0279)	(0.0151)	(0.0235)
90th percentile	0.1139	0.2281	0.0265	0.1246
	(0.0188)	(0.0260)	(0.0203)	(0.0329)
B. Effect of Wage Coefficients				
10th percentile	0.2958	0.1886	0.1134	0.0319
	(0.0429)	(0.0487)	(0.0359)	(0.0511)
50th percentile	0.3876	0.2598	0.1836	0.0835
	(0.0220)	(0.0275)	(0.0231)	(0.0255)
90th percentile	0.3316	0.2336	0.2749	0.1790
	(0.0269)	(0.0285)	(0.0341)	(0.0357)
C. Sum of Covariate and Wage Coefficient Effects				
10th percentile	0.4725	0.4615	0.1855	0.1967
	(0.0367)	(0.0353)	(0.0266)	(0.0314)
50th percentile	0.5091	0.4979	0.2073	0.2109
	(0.0226)	(0.0232)	(0.0236)	(0.0211)
90th percentile	0.4455	0.4617	0.3014	0.3036
	(0.0314)	(0.0311)	(0.0346)	(0.0342)

Notes: Sample includes full time nonfarm wage and salary workers age 25-64 with at least 26 weeks of employment. Entries are based on the decomposition of the unconditional gender log wage gap at each indicated percentile, based on methods in Chernozhukov, Fernández-Val and Melly (2013). Standard error are in parentheses and are computed by bootstrapping with 100 repetitions.

Table 7: Selected Studies Assessing the Role of Psychological Traits in Accounting for the Gender Pay gap

Study	Sample	Traits Examined	Raw Gender Wage Gap (logs)	Effect of Gender Differences in Psych. Factors on Gender Pay Gap (logs)	Percentage of Gender Pay Gap Due to Gender Differences in Psych. Traits
Mueller and Plug (2006)	Wisconsin 1957 HS Grads, 1992 Data	"Big 5": Extroversion; Agreeableness; Conscientiousness; Neuroticism; Openness	0.587	0.043-0.095	7.3-16.2%
Semykina and Linz (2007)	Russia 2000-2003	Locus of Control; Challenge/Affiliation	0.311-0.397	0.012-0.026	3.0-8.4%
Fortin (2008)	US NELS 1972 and 1988 Cohorts: 1979, 1986 and 2000	Self-Esteem; Locus of Control; Money/Work Importance; People/Family Importance	0.181-0.237	0.008-0.032	4.4-14.0%
Manning and Swafford (2008)	British Cohort Study: 1970 Birth Cohort, 2000 Data	Risk; Competitiveness; Self-Esteem; Other-Regarding; Career Orientation; Locus of Control	0.203	0.005-0.056	2.5-27.6%
Nyhus and Pons (2011)	Denmark 2005	Locus of Control; Time Preference	0.246	0.028-0.035	11.5-14.1%
Reuben, Sapienza and Zingales (2015)	2008 Univ. of Chicago Booth MBA Cohort	Taste for Competition	0.119	0.010-0.012	8.4-10.1%
Cattan (2014)	NLSY 1979, 4 points in life cycle	Self-Confidence	0.18-0.30	0.010-0.036	5.4-14.5%

Notes: Manning and Swafford (2008) entries based on their model with all psychological variables included (Table 9, Line 8).
Cattan (2014) entries based on marginal effect of self-confidence (Table 9, Panel C).

JOHN F. KENNEDY

XXXV *President of the United States: 1961-1963*

233 - Remarks Upon Signing the Equal Pay Act.

June 10, 1963

I AM delighted today to approve the Equal Pay Act of 1963, which prohibits arbitrary discrimination against women in the payment of wages. This act represents many years of effort by labor, management, and several private organizations unassociated with labor or management, to call attention to the unconscionable practice of paying female employees less wages than male employees for the same job. This measure adds to our laws another structure basic to democracy. It will add protection at the working place to the women, the same rights at the working place in a sense that they have enjoyed at the polling place.

While much remains to be done to achieve full equality of economic opportunity--for the average woman worker earns only 60 percent of the average wage for men--this legislation is a significant step forward.

Our economy today depends upon women in the labor force. One out of three workers is a woman. Today, there are almost 25 million women employed, and their number is rising faster than the number of men in the labor force.

It is extremely important that adequate provision be made for reasonable levels of income for them, for the care of the children which they must leave at home or in school, and for protection of the family unit. One of the prime objectives of the Commission on the Status of Women, which I appointed 18 months ago, is to develop a program to accomplish these purposes.

The lower the family income, the higher the probability that the mother must work. Today, 1 out of 5 of these working mothers has children under 3. Two out of 5 have children of school age. Among the remainder, about 50 percent have husbands who earn less than $5,000 a year--many of them much less. I believe they bear the heaviest burden of any group in our Nation. Where the mother is the sole support of the family, she often must face the hard choice of either accepting public assistance or taking a position at a pay rate which averages less than two-thirds of the pay rate for men.

It is for these reasons that I believe we must expand day-care centers and provide other assistance which I have recommended to the Congress. At present, the total facilities of all the licensed day-care centers in the Nation can take care of only 185,000 children. Nearly 500,000 children under 12 must take care of themselves while their mothers work. This, it seems to me, is a formula for disaster.

I am glad that Congress has recently authorized $800,000 to State welfare agencies to expand their day-care services during the remainder of this fiscal year. But we need much more. We need the $8 million in the 1965 budget for the Department of Health, Education, and Welfare allocated to this purpose.

We also need the provisions in the tax bill that will permit working mothers to increase the deduction from income tax liability for costs incurred in providing care for their children while the mothers are working. In October the Commission on the Status of Women will report to me. This problem should have a high priority, and I think that whatever we leave undone this year we must move on this in January.

I am grateful to those Members of Congress who worked so diligently to guide the Equal Pay Act through. It is a first step. It affirms our determination that when women enter the labor force they will find equality in their pay envelopes.

We have some of the most influential Members of Congress here today, and I do hope that we can get this appropriation for these day-care centers, which seems to me to be money very wisely spent, and also under consideration of the tax bill, that we can consider the needs of the working mothers, and both of these will be very helpful, and I would like to lobby in their behalf.

Note: The President spoke in his office at the White House. As enacted, the Equal Pay Act of 1963 is Public Law 88-38 (77 Stat. 56).

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Citation: John F. Kennedy: "Remarks Upon Signing the Equal Pay Act.," June 10, 1963. Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*. http://www.presidency.ucsb.edu/ws/?pid=9267.

The U.S. Equal Employment Opportunity Commission

EEOC	DIRECTIVES TRANSMITTAL	Number 915.003
		12/05/00

SUBJECT: EEOC COMPLIANCE MANUAL

PURPOSE: This transmittal covers the issuance of Section 10 of the new Compliance Manual on "Compensation Discrimination." The Manual Section provides guidance and instructions for investigating and analyzing claims of compensation discrimination under each of the statutes enforced by the EEOC.

EFFECTIVE DATE: Upon receipt

DISTRIBUTION: EEOC Compliance Manual holders

OBSOLETE DATA: Sections 633, 701, 704, and 708 of Compliance Manual, Volume 2

FILING INSTRUCTIONS: This is the fourth section issued as part of the new Compliance Manual.

/s/
Ida L. Castro
Chairwoman

SECTION 10: COMPENSATION DISCRIMINATION

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10-VI RELIEF

10-VII RETALIATION

SECTION 10: COMPENSATION DISCRIMINATION

10-I BACKGROUND

Despite longstanding prohibitions against compensation discrimination under the federal EEO laws, pay disparities persist between workers in various demographic groups. For example, in 1999, women who worked full-time had median weekly earnings that were 75.7% of the median for men.(1) Median earnings for African Americans working at full-time jobs were 75.9% of the median for whites.(2) The median earnings of Hispanics were 65.9% of the median for whites and 86.8% of the median for African Americans.(3) There also is evidence that median earnings for individuals with disabilities are significantly lower than median earnings for individuals without disabilities.(4)

While some compensation disparities certainly are attributable to differences in occupations, skills, and experience, as well as differences in other legitimate factors, not all disparities can be explained by such factors. In 1998, the President's Council of Economic Advisers issued a report on the gender wage gap in which it stated that one rough but plausible measure of the extent of pay discrimination is the unexplained difference in pay. The Council determined that after accounting for measurable factors, there still is an unexplained 12% gap between the pay of men and women.(5) In a 2000 report, the Council also estimated an unexplained 12% pay gap between men and women in the field of information technology.(6) In terms of race, a private study has estimated that only about half of the wage gap between African-American and white women is explainable by differences in occupation, education, and other legitimate factors.(7)

10-II OVERVIEW OF THIS SECTION

This Manual Section sets forth the standards under which compensation discrimination is established in violation of Title VII of the Civil Rights Act (Title VII), the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act (ADA), or the Equal Pay Act (EPA).(8) It replaces Sections 633, 701, 704, and 708 of Volume II of the Compliance Manual.(9)

Title VII, the ADEA, and the ADA prohibit compensation discrimination based on race, color, sex, religion, national origin, age, disability, or protected activity.(10) A claim of compensation discrimination can be brought under one of these statutes even if no person outside the protected class holds a "substantially equal," higher paying job. Furthermore, Title VII, the ADEA, and the ADA prohibit discriminatory practices that indirectly affect compensation -- such as limiting groups protected by these statutes to lower paying jobs. These practices are not covered by the EPA.

The EPA is more targeted. The EPA requires employers to pay male and female employees at the same establishment equal wages "for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions."(11) The jobs that are compared need be only substantially equal, not identical. Unequal compensation can be justified only if the employer shows that the pay differential is attributable to a bona fide seniority, merit, or incentive system, or any other factor other than sex.

A claim of unequal compensation based on sex can be brought under either the EPA or Title VII, as long as the jurisdictional prerequisites are met. To fully protect the charging party's rights and to maximize recovery, a charge alleging compensation discrimination based on sex should usually allege a violation of both Title VII and the EPA. While there is considerable overlap in the coverage of the two statutes, they are not identical. Title VII broadly prohibits discriminatory compensation practices, while the EPA only prohibits sex-based differentials in compensation for substantially equal jobs in the same establishment.

Therefore, not all compensation practices that violate Title VII also violate the EPA. On the other hand, the Commission's EPA guidelines state that a practice that violates the EPA also will violate Title VII.(12)

All of the anti-discrimination statutes prohibit retaliation for opposing violations of the statutes or participating in the statutory complaint process. The anti-retaliation provisions protect persons who take steps to oppose compensation discrimination, or who participate in complaint proceedings addressing allegations of compensation discrimination.

10-III COMPENSATION DISCRIMINATION IN VIOLATION OF TITLE VII, ADEA, OR ADA

Title VII, the ADEA, and the ADA prohibit discrimination in "compensation" based on race, color, religion, sex, national origin, age, disability, or protected activity. The term "compensation" includes any payments made to, or on behalf of, an employee as remuneration for employment.(13) Compensation discrimination in violation of Title VII, the ADEA, or the ADA can exist in a number of forms:

- An employer pays employees inside a protected class less than similarly situated employees outside the protected class, and the employer's explanation (if any) does not satisfactorily account for the differential;
- An employer maintains a neutral compensation policy or practice that has an adverse impact on employees in a protected class and cannot be justified as job-related and consistent with business necessity;
- An employer sets the pay for jobs predominantly held by protected class members below that suggested by the employer's job evaluation study, while the pay for jobs predominantly held by employees outside the protected class is consistent with the level suggested by the job evaluation study;(14)
- A discriminatory compensation system has been discontinued, but salary disparities caused by the system have not been eradicated;(15) or
- The compensation of one or more employees in a protected class is artificially depressed because of a discriminatory employer practice that affects compensation, such as steering employees in a protected class to lower paid jobs than persons outside the class, or discriminating in promotions, performance appraisals, procedures for assigning work, or training opportunities.

Subsections A through D, below, discuss the standards and suggested steps for investigating a charge of compensation discrimination under Title VII, the ADEA, or the ADA. Subsection A discusses disparate treatment; subsection B discusses disparate impact; subsection C discusses non-base elements of compensation (e.g., bonuses); and subsection D discusses discriminatory practices affecting compensation.

A. Disparate Treatment

Because direct evidence of discrimination is rare,(16) investigators typically must evaluate whether comparative evidence supports a finding of compensation discrimination. Although not intended as an exclusive method, the method suggested in this subsection for conducting a comparative compensation analysis has three general components:

- Identify employees similarly situated to the charging party, based on job similarity and other objective factors, and compare their compensation.
- If the charging party's compensation is lower than the compensation of his or her comparator(s), ask the employer to offer a nondiscriminatory explanation for the differential, and evaluate the employer's explanation.
- Consider a systemic investigation using statistics.

Each component of the analysis is discussed below.

1. Identifying Employees Similarly Situated to the Charging Party

Investigators should identify similarly situated employees both inside and outside the charging party's protected class. Similarly situated employees are those who would be expected to receive the same compensation because of the similarity of their jobs and other objective factors.

a. Initial Requests for Information

When beginning an investigation for compensation discrimination, it is important to acquire information about the respondent's general system for compensating its employees. It will be useful to identify employees similarly situated to the charging party for purposes of comparing their compensation. If investigators have questions in any particular case about what the initial request for information should include, they should contact the Research and Technical Information division of the Office of Research, Information and Planning (ORIP), or the Office of General Counsel's Research and Analytical Services (RAS) division.(17)

As in other investigations, the initial request for information may, if necessary, be followed by requests for more specific compensation information. The investigator should design requests for information to facilitate an efficient and thorough investigation. Depending on the case, this request may include, by way of example, the following:

- Organization charts and other documents which reflect the relative position of the charging party in comparison to other employees, including written detailed job descriptions;
- Written descriptions of the respondent's system for compensating employees -- including collective bargaining agreements; entry level wage rates or salaries; any policies or practices with regard to periodic increases, merit and other bonus compensation plans; and the respondent's reasons for its pay practices; and
- Job evaluation studies, reports, or other analyses made by or for the employer with respect to its method of compensation and pay rates.

Sometimes much of the above information will have been provided by the charging party or other witnesses. After using the information to identify the jobs or positions whose occupants are potentially similarly situated to the charging party, the investigator should obtain relevant job descriptions for those positions, as well as other documents, such as work orders and sample work products, that would reveal the types of tasks performed by those employees and the complexity of the tasks.

As in any investigation, the investigator should consider supplementing the review of the respondent's written submission with respondent interviews and interviews of other witnesses. An on-site inspection also may be helpful.

b. Job Similarity

The investigator should determine the similarity of jobs by ascertaining whether the jobs generally involve similar tasks, require similar skill, effort, and responsibility, working conditions, and are similarly complex or difficult.(18) The actual content of the jobs must be similar enough that one would expect those who hold the jobs to be paid at the same rate or level. Job titles and formal job descriptions are helpful in making this determination, but because jobs involving similar work may have different titles and descriptions, these things are not controlling.(19) Similarly, the fact that employees work in different departments or other organizational units may be relevant, but is not controlling.(20) The facts of Examples 1 and 2, below, illustrate these points.

Example 1: R is a large manufacturer of electronic equipment. R has four line departments: Development, Testing, Manufacturing, and Marketing. CP, an Asian American, is an electronics engineer in the Development department. He is on a team of engineers responsible for upgrades to the "OmniWidget," the company's flagship product. CP's charge alleges that he is paid less than other engineers on his team because he is Asian American. The investigation reveals that the OmniWidget design team has five team members and one supervisor. Teams responsible for the company's other products are similarly structured. The investigator analyzes the content of the electronics engineer jobs on the OmniWidget team and the other product teams and concludes that the jobs involve similar tasks, require similar skill, effort, and responsibility, and are similarly complex or difficult. Therefore, the investigator concludes that the engineers on all the teams in Development are similarly situated for purposes of comparing their treatment.

c. Other Objective Factors

Factors other than job content also may be important in identifying similarly situated comparators. For example, minimum objective qualifications, such as a specialized license or certification should be taken into account.(21) Persons in jobs requiring certain minimum objective qualifications should not be grouped together with persons in jobs that do not require those qualifications, even though the jobs otherwise are similar. Although minimum objective qualifications should be taken into account in defining the pool of similarly situated employees,employees' relative qualifications should *not* be considered at this stage. While differences in qualifications, experience, and education ultimately may explain a pay differential, such factors require a pretext or disparate impact analysis to determine whether they are legitimate,(22) and thus should be considered only after the pool of comparators has been determined (*see* 10-III A.2 and B, *infra*). This approach allows for an orderly analysis that first identifies the relevant comparators, and then gives due consideration to factors that might explain compensation disparities.

Example 2: Same as Example 1, above. The investigator also analyzes the jobs in the Testing, Manufacturing, and Marketing departments. The investigator quickly concludes that the jobs in Manufacturing and Marketing are not similar to CP's job in Development. But the investigator discovers that the engineers in Development work closely with the engineers in Testing, and that engineers in both departments often perform tasks generally associated with the other. The investigator concludes that the jobs in Testing are sufficiently similar to the jobs in Development, in terms of content, that one would expect engineers in the two departments to be paid at the same rate or level. In the respondent's "position statement" that accompanied its initial submission of information, the respondent has identified a number of individuals who it asserts are not similarly situated to the charging party for various reasons such as performance, experience, and other relative qualifications. The factors the respondent proffered to explain the compensation differential are best included in the analysis after the pool of comparators has been established so that they can be properly evaluated. Absent an explanation that does not require such an analysis, the investigator should conclude that engineers in Testing and Development are similarly situated for purposes of comparing their treatment.

Notwithstanding the facts of Examples 1 and 2, differences in job titles, departments, or other organizational units may reflect meaningful differences in job content or other factors that preclude direct pay comparisons between employees. As always, however, enforcement staff should determine whether

evidence uncovered in those other job categories, departments, etc., warrants expanding the investigation's scope, up to and including a systemic investigation.(23) ORIP and RAS are available to help enforcement staff with the technical issues involved in a systemic investigation.(24)

In any event, after employees similarly situated to the charging party have been identified, the next step is to determine whether the charging party receives less compensation than similarly situated employees outside his or her protected class.(25) The investigator should request relevant payroll data from the respondent if that information has not already been provided.

2. Determining Whether Compensation Differences Are Due to Discrimination

If a compensation differential(s) exists, the respondent should be asked to produce a non-discriminatory reason for the differential. If a respondent leaves the pay disparity unexplained, or provides an explanation that is "too vague, is internally inconsistent, or is facially not credible,"(26) the investigator should find "cause." If the respondent does provide a nondiscriminatory reason, an inquiry should be made into whether it satisfactorily explains the pay differential.(27)

Example 3: CP (African American named A. Jones) is a salaried waiter in an upscale restaurant. A. Jones alleges that he is being discriminatorily paid. The investigation shows that A. Jones is paid less than his comparators, who are white. The respondent alleges that the compensation differential is due to the other employees' superior job performance and their experience as waiters in the restaurant. The investigator then creates the following chart regarding A. Jones and similarly situated employees:

Employees in Protected Class	Salary	Alleged Factors Affecting Salary	Do Proffered Reasons Explain Disparity?	Employees Not in Protected Class	Salary	Alleged Factors Affecting Salary
A. Jones (CP)	$23,000	-3 yrs. exp. -avg. 2 perf. rating	No - A. Jones has the same experience and avg. perf. ratings as A. Smith but receives a lower salary.	A. Smith	$31,000	-3 yrs. exp. -avg. 2 perf. rating
				B. Thomas	$34,000	-5 yrs. exp. -avg. 4 perf. rating
				C. Adams	$37,000	-5 yrs. exp. -avg. 5 perf.

						rating
				D. Buckley	$40,000	-6 yrs. exp. -avg. 5 perf. rating

As noted in the middle column above, the investigator concludes that the respondent's explanation does not account for the pay disparity because A. Jones has the same experience and average performance rating as A. Smith but receives a lower salary. Therefore "cause" is found.

The employer's explanation should account for the entire compensation disparity. Thus, even if the employer's explanation appears to justify some of a compensation disparity, if the disparity is much greater than accounted for by the explanation, the investigator should find cause.

Example 4: Same as Example 3, except A. Smith has more years of experience and a higher average performance rating than A. Jones.

Employees in Protected Class	**Salary**	**Alleged Factors Affecting Salary**	**Do Proffered Reasons Explain Disparity?**	**Employees Not in Protected Class**	**Salary**	**Alleged Factors Affecting Salary**
A. Jones (CP)	$23,000	-3 yrs. exp. -avg. 2 perf. rating	No. A. Jones' pay differential is out of proportion to the difference in explanatory factors.	A. Smith	$31,000	-4 yrs. exp. -avg. 3 perf. rating
				B. Thomas	$34,000	-5 yrs. exp. -avg. 4 perf. rating
				C. Adams	$37,000	-5 yrs. exp. -avg. 5 perf. rating
				D. Buckley	$40,000	-6 yrs. exp.

						-avg. 5 perf. rating

In this variation of the example, despite the fact that A. Smith has more years of experience and a higher average performance rating than A. Jones, the investigator concludes that the respondent's explanation for A. Jones' salary is not credible because the explanation accounts for much smaller differences in pay between the white waiters than for A. Jones. For example, the same experience and performance differences that account for an $8000 pay gap between A. Smith and A. Jones (one year of experience; one point average performance) account for only a $3000 difference between B. Thomas and A. Smith. Therefore "cause" is found.

The investigator should be sure to include in the analysis all employees similarly situated to the charging party. The mere fact that one or more employees in the protected class are paid the same as, or more than, the employees outside the class does not necessarily mean that there is no discrimination.[(28)] It could be that other factors, such as red circling[(29)] or seniority, account for the higher pay those particular protected-class-members receive, and that the data with respect to the other members of the protected class still suggests discrimination.

Nevertheless, the investigator should analyze the compensation of all similarly situated employees because even if a comparison of only one or two similarly situated individuals might raise an inference of compensation discrimination, a comparison of all similarly situated individuals might dispel this inference. The next example is designed to demonstrate this.

Example 5: Same as Example 4, except there are additional comparators inside CP's protected class:

Employees in Protected Class	Salary	Alleged Factors Affecting Salary	Do Proffered Reasons Explain Disparity?	Employees Not in Protected Class	Salary	Alleged Factors Affecting Salary
A. Jones (CP)	$23,000	-3 yrs. exp. -avg. 2 perf. rating	See explanation below.	A. Smith	$31,000	-4 yrs. exp. -avg. 3 perf. rating
B. West	$33,000	-4 yrs. exp. -avg. 4 perf. rating		B. Thomas	$34,000	-5 yrs. exp. -avg. 4 perf. rating
C. Barnes	$39,000	-5 yrs. exp. -avg. 5 perf.		C. Adams	$37,000	-5 yrs. exp. -avg. 5 perf.

		rating				rating
				D. Buckley	$40,000	-6 yrs. exp. -avg. 5 perf. rating

In this variation of the example, the salary of B. West, an African American, is in line with his white counterparts' salaries, given his experience and average performance rating. In addition, C. Barnes, the other African American comparator, receives a higher salary than his white counterpart with the same years of experience and the same average performance rating. These facts suggest that discrimination probably is not the reason for A. Jones' low salary. The charge should be dismissed without a cause finding.

3. Using Statistics

Statistics can have various uses in a compensation case. Statistical evidence can help determine if there is a broad pattern of intentional discrimination, i.e., whether intentional discrimination is the respondent's "standard operating procedure."(30) If the scope of the investigation is narrower, statistics still can help determine whether an individual has suffered from intentional discrimination in compensation.(31) Statistics also are useful for determining whether a neutral compensation policy or practice has an adverse impact on members of a protected group.

This subsection explains one approach to investigating compensation practices using an analytical tool known as statistical inference. It allows one to determine whether differences between a protected class target group and a comparison group are "statistically significant," i.e., whether the difference could not be expected to have occurred by chance.(32) This differs from the basic comparison of raw numbers or percentages, which is known as descriptive statistics. Statistical inference helps ensure consistent decisionmaking, whereas the meaning of descriptive statistics may be interpreted differently by different individuals.

The decision about whether and how to use statistics to aid in an investigation should be made on a case by case basis. Statistical analyses are less reliable when they encompass a small number of people, so investigators should contact ORIP or RAS (see footnote 17) with questions about whether the number of comparators is large enough to perform a statistical analysis in any particular case.

a. Necessary Information

In preparation for performing a statistical analysis, the investigator will have to request from the respondent payroll data for employees in the group of similarly situated employees if that information has not already been provided. Before issuing the request for information, the investigator should consult with ORIP or RAS concerning: (a) what information to request; (b) what format to request the information in; and (c) how to document that format (e.g., how to document what hardware and software produced the data, how the data was organized, etc.).

It is almost always preferable to request that the employer provide this information in computerized format if possible. This especially is true if: (a) the number of similarly situated individuals exceeds 25; or (b) it is anticipated that the respondent will raise a number of explanations and/or defenses; or (c) it appears that the investigation is likely to raise issues other than pay equity -- especially related ones such

as discriminatory promotions or assignments. Once the respondent has submitted the appropriate data for all the similarly situated employees, the investigator can begin to determine the effect of the respondent's pay practices on persons inside and outside the charging party's protected class.

b. Threshold Statistical Test

There are alternative statistical tests for analyzing compensation data for patterns of potential discrimination. ORIP or RAS are available to help enforcement staff with statistical procedures and the identification of possible alternatives. Below is a description of one statistical method that takes advantage of the EEOSTAT statistical software already being used by enforcement staff.

This threshold statistical test will tell the investigator whether there is a statistically significant difference (i.e., a difference unlikely to have occurred by chance) between the expected and actual number of employees in the protected class who earn less than or equal to the median pay of all comparators. However, this test cannot tell an investigator what actually has caused an observed pattern. Investigators therefore are advised to use it only as an initial tool for determining whether a statistically significant pattern exists that warrants the use of more sophisticated and resource-intensive statistical techniques (*see infra* 10-III A.3.c.) to test the respondent's explanation for the pattern, if any.

i) Determining Median Compensation

The threshold statistical test first requires the investigator to calculate the median wage or salary of the employees in the comparator pool. The median is the mid-point of the wages or salaries when they are arranged from lowest to highest, or vice versa. Spreadsheet software that will calculate the median is available.

Example 6: Using spreadsheet software, the investigator creates the following table for the pool of similarly situated employees:

RESPONDENT: EMPLOYEES SORTED BY SALARY				
No.	**ID**	**Race**	**SALARY**	
1	*321-11-7892*	BLACK	*$22,100*	
2	*321-11-3211*	*WHITE*	*$22,200*	
3	*421-11-7892*	*WHITE*	*$22,300*	
4	*521-11-7892*	*WHITE*	*$22,400*	
5	*111-11-1115*	*BLACK*	*$22,500*	
6	*111-11-1116*	*BLACK*	*$22,600*	
7	*111-11-1117*	*BLACK*	*$22,700*	
8	*111-11-1118*	*BLACK*	*$22,800*	
9	*111-11-1119*	*BLACK*	*$22,900*	
10	*211-11-1111*	*BLACK*	*$23,000*	

11	311-11-1111	BLACK	$23,100	
12	511-11-1111	BLACK	$23,200	
13	111-11-1216	BLACK	$23,300	
14	611-11-1111	BLACK	$23,400	
15	711-11-1111	BLACK	$23,500	
16	811-11-1111	BLACK	$23,600	<MEDIAN VALUE>
17	911-11-1111	WHITE	$23,700	
18	101-11-1111	WHITE	$23,800	
19	121-11-1111	WHITE	$23,900	
20	131-11-1111	BLACK	$24,000	
21	141-11-1111	BLACK	$24,100	
22	151-11-1111	WHITE	$24,200	
23	201-11-1111	WHITE	$24,300	
24	321-11-1111	WHITE	$24,400	
25	321-47-7892	WHITE	$24,500	
26	459-47-3211	WHITE	$24,600	
27	322-47-7792	BLACK	$24,700	
28	459-47-7892	BLACK	$24,800	
29	321-00-3211	WHITE	$24,900	
30	230-47-3211	WHITE	$25,000	
31	321-74-7801	WHITE	$25,100	

Because there is an odd number of comparators, the median salary is $23,600 -- the midpoint of the salaries when arranged from lowest to highest. Had there been an even number of comparators, the median would have been the average of the two salaries closest to the midpoint. Even though this example only considered the comparators' races, the spreadsheet also can be set up to analyze multiple bases together (such as race and sex).

ii) Determining Whether a Statistically Significant Pattern Exists

Once the median wage or salary has been determined, a comparison should be made between the expected and actual number of employees in the protected class whose wages or salaries are at or below the median wage or salary of all comparators. The purpose of the comparison is to determine whether there is a statistically significant difference. The Commission's EEOSTAT computer software includes a program called SQUARE, which may be used to make this calculation.

Example 7: Same as Example 6. The investigator obtains the help of ORIP to run the data through the EEOSTAT/SQUARE computer program. The following result indicates that the actual number of blacks with salaries below the median was thirteen (13), but the expected number was slightly less than nine (9). The difference between the expected number and the actual number is statistically significant because the Fisher's Exact probability value is less than 0.05.

	WHITE	**BLACK**	
Above Median	11 6.8	4 8.2	15 48.4%
Median & Below	3 7.2	**13** **8.8**	16 51.6%
	14 45.2%	17 54.8%	31

Chi Square Test
*X*2 = **9.31 (7.24)** df = 1
p = 0.0023 (0.0071)
Expected values sufficient for the Chi-Square test
Option is Expected Number
() = continuity correction

Fisher's Exact Test
P (one-tail) = **0.0031**
P (two-tail) = **0.0038**

If no statistically significant group-wide pattern is present, the investigator should determine whether reasonable cause exists based only on non-statistical evidence (*seesupra* 10-III A.2). If the statistical analysis above does produce a statistically significant compensation pattern, the investigator should ask the employer to provide an explanation for the pattern so that a more sophisticated statistical analysis can be performed that takes account of the respondent's explanation.

c. Using More Sophisticated Statistical Techniques to Evaluate Respondent's Explanation

A respondent's failure to provide an explanation for a statistically significant pay pattern should result in a "cause" finding. More typically, a respondent will have asserted that pay disparities are caused by nondiscriminatory factors. Such factors could include the employees' education, work experience with previous employers, seniority in the job, time in a particular salary grade, performance ratings, and others. The Commission will need accurate information about all the variables on which the employer relies, for each employee similarly situated to the charging party. The employer should be asked to provide and explain all of its reasons for a compensation differential to reduce the need for burdensome repetitive requests.

Once a respondent provides one or more legitimate nondiscriminatory reasons for a statistically significant compensation pattern, the reasons must be analyzed to determine whether they explain the compensation disparity. The investigator should contact ORIP or RAS to consider more sophisticated statistical tests for this purpose, including multivariate analyses. A multivariate analysis shows the extent of the relationship between one or more independent factors (e.g., race, length of service, performance

rating) and one dependent factor (e.g., compensation). The ultimate question is whether employees' protected status has a statistically significant relationship to their compensation even after taking into account other factors that, according to the respondent, affect compensation. If a respondent prepares and submits a statistical analysis of its own purporting to explain pay disparities in nondiscriminatory terms, the investigator should call ORIP or RAS to evaluate the respondent's analysis.

Example 8: CP, an African-American financial assistant in an investment firm, alleges that she receives lower pay than similarly situated employees who are not African American. The investigator obtains detailed information about the jobs that CP identifies as similar, determines which ones can be compared for Title VII purposes, and then requests the salary and race of all employees in those jobs. The investigator performs the threshold statistical test to determine whether a statistically significant difference in compensation patterns exists. The investigator first calculates the median salary, which is $42,000. Fifty-five (55) out of seventy-five (75) African American employees, and thirty- six (36) out of one hundred twenty (120) employees not African American earn less than the median. The investigator then uses the EEOSTAT/SQUARE program to discover that the difference between the expected and actual number of African Americans whose salaries are at or below the median salary of all comparators is statistically significant. The investigator asks the employer to explain the pay disparity. The respondent alleges that the pay differential is attributable to differences in length of service, education, and performance. After consulting with RAS, the investigator asks the respondent to provide data on each of these factors for all the comparators. RAS performs additional statistical tests and concludes that the compensation factors proffered by the respondent do not satisfactorily account for the pay differential. The investigator therefore relies on RAS's statistical analysis in making the cause determination.

B. Disparate Impact

Disparate impact analysis is aimed at "practices that are fair in form, but discriminatory in operation."(33) It is another analytical tool for determining whether compensation discrimination has occurred.(34) The focus in a disparate impact analysis is whether a neutral compensation practice or policy disadvantages employees in a protected class. In the area of compensation, practices that may fall within disparate impact analysis include: educational requirements, performance appraisals, examinations, qualification standards, and other practices or policies. A disparate impact analysis can rely on the same statistical methods described above with respect to disparate treatment.

Under the disparate impact method, the investigator must attempt to determine what particular practice or policy caused the impact. For example, if an employer provides extra compensation to employees who are the "head of household" -- i.e., married with dependents and the primary financial contributor to the household -- that policy may have a disparate impact on women.

Where the elements of the respondent's decisionmaking process cannot be separated for analysis, the investigator may analyze the decisionmaking process as one unified employment practice.(35) For example, it may be impossible to identify the particular cause of the disparate impact where the employer destroyed or otherwise failed to keep required records related to its compensation decisions.

Once a disparate impact has been established, the investigator should determine whether the challenged compensation practice or policy is "job related for the position in question and consistent with business necessity."(36) If it is not, then the investigator should find "cause." Even if the compensation practice or policy is job-related and consistent with business necessity, the investigator should determine whether there are one or more alternative practices that serve the employer's business need without a disparate impact on the protected class.

Example 9: CP, a janitor, files a charge alleging discriminatory pay because he is Hispanic. The investigation reveals that R's policy is to pay janitorial employees with a high school diploma a higher salary than those without a high school diploma. The investigator determines through statistical data that the high school degree requirement has a disparate impact on Hispanics. The investigator also determines that the higher salary does not correlate with any difference in duties or responsibilities, and therefore is not job related and consistent with business necessity. Therefore "cause" is found.

C. Non-base Compensation

Base salaries or wages often make up only part of the compensation package for employees. Employee compensation also can consist of stock options, bonuses, perquisites, and other payments made as remuneration for employment. Non-base compensation can be discriminatory even if base compensation is not.

Non-base compensation items -- such as bonuses, commissions, and perquisites -- usually are a function of an employer policy defining who is eligible to receive them, and in what amount. As a result, the job content of particular jobs likely will be irrelevant in defining the pool of employees who are similarly situated to the charging party. Instead, investigators should examine the employer's policy to identify those to whom the employer makes the benefit available.

The investigation should focus on whether the employer's policy is non-discriminatory in design and application. There are two issues the investigator should explore: (1) how the respondent applies the eligibility criteria for non-base compensation to persons inside and outside the protected class; and (2) whether, among those eligible for the non-base compensation, persons inside and outside the protected class receive non-base compensation in nondiscriminatory amounts.

1. Eligibility

If all employees are eligible for the same non-base compensation, then no potential exists for discriminatory application of eligibility standards. However, if some employees are not eligible for the same non-base compensation, then the investigator should determine whether, for each type of non-base compensation at issue, the eligibility standards are applied consistently and without regard to the protected characteristic involved (e.g., sex). The statistical methods discussed earlier in this Manual Section can be used to analyze eligibility criteria under the disparate treatment or disparate impact methods of proof, as appropriate.

Example 10: CP, an economist at a management consulting firm, files a charge alleging that she has been denied participation in R's bonus program because of her sex. The investigation reveals that R limits participation in its bonus program to management consultants, and that no economists at the firm, including males, participate in R's bonus program. The charge should be dismissed without a cause finding because nondiscriminatory eligibility standards explain why CP does not participate in R's bonus program.

Example 11: Another charge is filed against R, the management consulting firm in Example 10, this time by a female management consultant who alleges that her bonuses over the last two years have been less than those of her male counterparts. R has one hundred fifty (150) consultants on staff. R operates a two-part cash bonus system for consultants. Half of each consultant's bonus is based on the firm's profitability. This portion of each consultant's bonus is always the same as that of the other consultants. The other half of each consultant's bonus is based on his or her personal performance as measured

against predetermined criteria. The investigator concludes that every consultant is eligible to participate in R's bonus system and theoretically is eligible for the same bonuses. The investigator next must determine whether the amount of each person's bonus is nondiscriminatory (see Example 12).

2. Amount

Even if the respondent's eligibility standards for non-base compensation are nondiscriminatory in design and application, the amount of non-base compensation paid to the charging party and other members of the protected class still could be discriminatory. Therefore, the investigator should determine whether, among the eligible employees, those in the protected class receive the non-base compensation at issue in the same amount as those outside the protected class -- and, if not, whether the disparity is attributable to discrimination. Again, the statistical methods discussed earlier in this Manual Section can be used here.

Example 12: Same as Example 11. The investigator obtains the help of ORIP to analyze R's bonus system using statistics. That analysis shows a statistically significant difference between the expected and actual number of female consultants whose bonuses are less than the median. R asserts that the difference is attributable to performance. The investigator obtains performance records for the comparator group and ORIP performs additional statistical tests comparing bonus amounts by sex, controlling for performance. The analysis reveals that the sex of employees has a statistically significant relationship to their bonus amounts even when taking performance appraisals into account. Non-statistical evidence does not dispel the inference of discrimination and the investigator finds "cause."

Example 13: R, a thriving computer software company, has an incentive program by which employees receive bonuses in the form of stock options. The stock options give employees the right, after a three-year vesting period, to buy company stock at the market price at the time the bonuses were awarded. All programmers are eligible for the program. CP, a Hispanic programmer, files a charge against R alleging that he received fewer stock options in year 20XX than employees who are not Hispanic. R provides evidence that the number of stock options granted to each programmer is tied to the sales of the software packages for which the programmer is responsible. R also demonstrates that other Hispanics working on projects different than CP's received more stock options than CP and non-Hispanic programmers working on CP's project. The investigator finds no evidence that R's explanation is not credible. Therefore, the charge should be dismissed without a cause finding.

D. Discriminatory Practices Affecting Compensation

Compensation disparities also can arise because of discriminatory practices that affect compensation indirectly. For example, the so-called "glass ceiling" phenomenon -- i.e., artificial barriers to the advancement of individuals within protected classes -- can depress the compensation of members of protected classes. These types of unlawful practices can include, for example, discriminatory promotion decisions, performance appraisals, procedures for assigning work, or training opportunities, or a company practice of steering protected class members into low paying jobs or limiting their opportunity to transfer to better jobs.[(37)]

These practices violate Title VII, the ADEA, and the ADA in their own right, in addition to affecting employee compensation. Thus, when investigating a charge of compensation discrimination, the

investigator also should be alert to evidence that the respondent has violated Title VII, the ADEA, or the ADA by engaging in glass-ceiling type practices.(38)

Example 14: CP, a Hispanic administrative assistant, filed a charge alleging that she receives less pay than the office manager even though in her opinion they perform similar work. The investigator concludes that CP is not similarly situated to the office manager due to the difference in responsibility associated with the jobs. Nevertheless, the investigation reveals that all but one of R's Hispanic employees hold lower paying clerical, secretarial, and low-level administrative positions. Many of these employees testified to the lack of promotional opportunities into higher paying jobs. R asserted that it does not employ Hispanics in higher paying jobs because of a lack of qualified applicants. The investigator determines that qualified Hispanic employees have applied for these jobs but nearly all, like CP, have not been promoted. "Cause" is therefore found with respect to steering Hispanics into the lower-paying positions and denying them promotions.

Example 15: CP (female) has worked six months in R's human resources department as a recruiter when she files a charge alleging that she receives a lower salary than a male counterpart. The investigator analyzes the two jobs and concludes that they are not similar because CP recruits for low level positions whereas the male recruits for upper level positions and thus has more responsibility. However, the investigation also reveals that at the same time CP applied for a job in R's human resources department, she also applied for an opening in R's marketing department. CP was qualified for both jobs, but the marketing job was her first choice. The investigator obtains an e-mail authored by the person who rejected CP for the marketing job that states that CP is a "better fit" for human resources because women "tend not to be assertive enough for the marketing department." The investigator also uncovers, through further investigation, evidence that other women were unlawfully steered away from jobs in line departments to less lucrative jobs in support departments such as human resources. Based on this evidence, the investigator finds "cause" to believe that R had a practice of unlawfully steering women into lower-paying jobs.

10-IV COMPENSATION DISCRIMINATION IN VIOLATION OF THE EQUAL PAY ACT

In addition to Title VII, the ADEA, and the ADA, the Equal Pay Act (EPA) also prohibits discrimination in compensation. Because of this overlap, enforcement staff may refer to the applicable analysis in 10-III, including the discussion on statistical analysis, when analyzing EPA complaints. The EPA, however, is a different statute with its own scheme. Moreover, it is targeted only at pay discrimination between men and women performing substantially equal work in the same establishment.

A. Expeditious Investigation Required

An individual alleging a violation of the EPA may go directly to court and is not required to file an EEOC charge beforehand. The time limit for filing an EPA charge with the EEOC and the time limit for going to court are the same: within two years of the alleged unlawful compensation practice(39) or, in the case of a willful violation, within three years. The filing of an EPA charge does not toll the time frame for going to court. Investigations thus should be completed well before the time limit expires, so that the charging party and/or the Commission will be able to bring a timely lawsuit with the benefit of a completed investigation. In addition, the EPA limits the recovery of back pay to two years (or three years if the violation was willful) before the filing of suit or the end of successful conciliation. The back pay period will

be a rolling two- or three-year window, with each added day of investigation moving the back pay period forward one day, resulting in lower relief for a charging party. Therefore, each added day of investigation will directly impact the bottom-line relief for the charging party.

B. Elements of Claim

The elements of an EPA claim are as follows:

EPA Claim

- **Prima Facie Case:** (1) the complainant receives a lower wage than paid to an employee of the opposite sex in the same establishment; and (2) the employees perform substantially equal work (in terms of skill, effort, and responsibility) under similar working conditions.
- **Affirmative Defense:** If the respondent cannot defeat the showing of unequal pay for substantially equal work, it must prove that the compensation difference is based on a seniority, merit, or incentive system, or on any other factor other than sex.

The models of proof under Title VII, the ADEA, and the ADA do not apply to the EPA. The complainant need only demonstrate a sex-based wage disparity in substantially equal jobs in the same establishment. If the employer cannot rebut that showing, it must prove that the wage disparity is based on one of the four affirmative defenses.

C. Definition of "Wages" and "Wage Rate"

- **The term "wages" encompasses all forms of compensation, including fringe benefits.**
- **"Wage rate" is the measure by which an employee's wage is determined.**

"Wages" include "all payments made to [or on behalf of] an employee as remuneration for employment." (40) The term encompasses all forms of compensation, including fringe benefits. Wages include payments whether paid periodically or at a later date, and include (but are not limited to) wages, salary, overtime pay; bonuses; vacation or holiday pay; cleaning or gasoline allowances; hotel accommodations; use of company car; medical, hospital, accident, life insurance; retirement benefits; stock options, profit sharing, or bonus plans; reimbursement for travel expenses, expense account, and benefits. Thus, for example, if male and female employees performing substantially equal work receive equal salaries but unequal fringe benefits, an EPA violation can be established.

"Wage rate" is the measure by which an employee's compensation is determined. It encompasses rates of pay calculated on a time, commission, piece, job incentive, profit sharing, bonus, or other basis. An employer that pays different wages to a male than to a female performing substantially equal work does not violate the EPA if the wage rate is the same. For example, if a male and a female employee performing substantially equal sales jobs are paid on the basis of the same commission rate, then a difference in the total commissions earned by the two workers would not violate the Act. Conversely, if the commission rates are different, then a prima facie violation could be established even if the total compensation earned by both workers is the same.(41)

Equal wages must be paid in the same form. For example, a male and female who are paid on an hourly basis for substantially equal work must receive the same hourly wage. The employer cannot pay a higher

hourly wage to one of those employees and then attempt to equalize the difference by periodically paying a bonus to the employee of the opposite sex.

Example 16: A male tennis instructor and a female tennis instructor at a particular health club provide tennis lessons that are substantially equal. The male instructor is paid a weekly salary, but the female instructor is paid by the lesson. Even if the two instructors receive essentially the same pay per week, there is a violation because the male and female are not paid in the same form for substantially equal work.

D. Definition of "Establishment"

- **"Establishment" ordinarily means a physically separate place of business.**
- **Two or more physically separate portions of a business should be considered one "establishment" if personnel and pay decisions are determined centrally and the operations of the separate units are interconnected.**

The prohibition against compensation discrimination under the EPA applies to jobs "within any establishment." An "establishment" is "a distinct physical place of business rather than . . . an entire business or 'enterprise' which may include several separate places of business."(42) For example, separate facilities of a chain store generally cannot be compared to each other.(43)

In certain circumstances, however, physically separate places of business should be treated as one establishment. This would be the case if a central administrative unit hires the employees, sets the compensation, and assigns work locations.(44)

Example 17: CP, a school teacher, alleges that she is paid less than a male teacher who performs equal work in the same school district. The school district asserts that their compensation cannot be compared under the EPA because they work in different schools. The investigation determines that the school district is a single establishment because hiring, assignments of teachers, and compensation rates are determined centrally, and personnel are sometimes reassigned to different schools. Therefore, the compensation rates of the two teachers can be compared.

Example 18: CP, a female, works for a computer services firm that has offices in numerous cities. She alleges that she is paid less than a male who performs the same job in a different branch office. The employer claims that the separate offices are separate establishments and that, therefore, the compensation rates in each office cannot be compared. The evidence shows that while the headquarters of the company exercises some control over the branches, the specific salaries offered to job applicants are determined by supervisors in each local office. The local offices therefore constitute separate establishments, and CP's salary cannot be compared to the salary of an employee in a different office.

In narrow circumstances two or more portions of a business enterprise that are located in a single place of business may constitute separate establishments. This would be the case if, for example, portions of the enterprise are physically segregated, engage in functionally separate operations, and have separate administrative structures, employees, and record keeping.

E. Prima facie Case: Appropriate Comparison

1. Opposite-Sex Comparators

A prima facie EPA violation is established by showing that a male and a female receive unequal compensation for substantially equal jobs within the same establishment. A complainant cannot compare herself or himself to a hypothetical male or female; rather, the complainant must show that a specific employee of the opposite sex earned higher compensation for a substantially equal job.

There is no requirement that the complainant show a pattern of sex-based compensation disparities in a job category.(45) In other words, if a woman is paid less than male employees performing the same work, the lack of other women with low salaries in the job category does not preclude finding an EPA violation as to the complainant. However, the employer's treatment of other women is relevant to the complainant's case -- if other women are paid the same as or more than males, this may indicate that a factor other than sex explains the complainant's compensation.(46)

The comparators need not have held their jobs at the same time. For example, a prima facie violation of the EPA can be established if a male employee is replaced with a lower paid female, or a female employee is replaced with a higher paid male. On the other hand, if there have never been any men performing substantially the same work as women in a work establishment, or vice versa, it is not possible to establish an EPA violation.(47)

2. Comparison of Work

The important comparison in determining whether the "equal work" requirement is met is the comparison of the jobs, not the people performing the jobs. Thus, a difference between the *comparators* has no bearing on whether the *jobs* are equal. The critical question at this point in the analysis is whether the jobs involve equal work. However, a difference between the comparators could qualify as a defense to a compensation disparity. Such defenses are explained later in this Manual Section.(48)

The EPA speaks in terms of "equal work," but the word "equal" in the EPA does not require that the jobs that are compared be identical, only that they be substantially equal. Thus, minor differences in the job duties, or the skill, effort, or responsibility required for the jobs will not render the work unequal. In comparing two jobs for purposes of the EPA, consideration should be given to the *actual* duties that the employees are required to perform. Job *content*, not job titles or classifications, determines the equality of jobs.(49) The fact that jobs are in different departments is not determinative, although in some cases it may be indicative of a difference in job content.(50)

In evaluating whether two jobs are substantially equal, an inquiry should first be made as to whether the jobs have the same "common core" of tasks, i.e., whether a significant portion of the tasks performed is the same.(51) If the common core of tasks is not substantially the same, no further examination is needed and "no cause"can be found on the EPA violation.(52) If a significant portion of the tasks performed in the two jobs is the same, an inquiry should be made as to whether the comparators perform extra duties which make the work substantially different. Jobs with the same common core of tasks are equal, even though the comparators perform extra duties, if the extra duties are insubstantial.(53)

Example 19: CP, a college teacher, alleges that she is paid less than a male teacher in the same school, in violation of the EPA. The school alleges that their jobs are not equal because the male teacher has a heavier load of courses. The evidence shows, however, that the only difference in workload is that the male

teacher gives an occasional additional lecture. This difference is not significant enough to defeat a finding that the jobs are substantially equal.

Example 20: CP manages insurance claims for an insurance brokerage firm. She investigates claims, submits claims to insurance companies, and advises clients with respect to their claims. CP alleges that she is paid less than male account executives in violation of the EPA. The male comparators do brokerage work, negotiating appropriate insurance coverage between insurance carriers and the firm's clients. CP does not do brokerage work and the male comparators do not manage claims. The differences in job tasks render the two jobs unequal.

If the jobs to be compared share the same common core of tasks, consideration should be given to whether, in terms of overall job content, the jobs require substantially equal skill, effort, and responsibility and whether the working conditions are similar.

a. Skill

***Skill* is measured by factors such as the experience, ability, education, and training required to perform a job.**

Two jobs require equal skill for purposes of the EPA if the experience, ability, education, and training required are substantially the same for each job.[(54)] In comparing the skill required to perform two jobs, the characteristics of the *jobs* should be compared. Possession of a skill not needed to meet the requirements of the job should not be considered.[(55)]

If two jobs generally share a common core of tasks, the fact that one of the jobs includes certain duties that entail a lower level of skill would not defeat a finding that the jobs are equal. For example, if two people work as bookkeepers, and one of the individuals performs clerical duties in addition to bookkeeping tasks, the skill required to perform the two jobs would be substantially equal.

On the other hand, if the jobs require different experience, ability, education, or training, then the jobs are not equal. For example, a vice president of a trade association could not show that her work was equal to the work performed by other vice presidents, where they performed key policymaking for the association, a skill that her position did not require.[(56)] The proper analysis is the functional one -- the analysis of the skills the jobs actually require.

Example 21: CP, a hotel clerk, alleges that she is paid less than a male who performs substantially equal work. CP only has a high school degree, while the male comparator has a college degree. However, performance of the two jobs requires the same education, ability, experience, and training. A college degree is not needed to perform either job. Therefore, the skill required to perform the two jobs is substantially equal.

Example 22: CP, a male, works for a telephone company diagnosing problems with customer lines. He alleges that he is paid less than hisfemale predecessor in violation of the EPA. The evidence shows that the job of CP's predecessor required expert training in diagnostic techniques and a high degree of specialized computer skill. The respondent switched to a newer, more advanced computer testing system after CP's predecessor resigned. The job now requires

much less overall skill, including computer skill, than was required when CP's predecessor held it. Therefore, the skill is not equal, and no violation is found.

Example 23: CP, a sales person in the women's clothing department of the respondent's store, alleges that she is paid less than a male sales person in the men's clothing department. The respondent asserts that differences in skills required for the two jobs make them unequal. The investigation reveals, however, that the sale of clothing in the two departments requires the same skills: customer contact, fitting, knowledge of products, and inventory control. Therefore, the skill required for the two jobs is substantially equal.

b. Effort

***Effort* is the amount of physical or mental exertion needed to perform a job.**

Job factors that cause physical or mental fatigue or stress are to be considered in determining the effort required for a job. Differences in the *kind* of effort exerted do not justify a compensation differential if the *amount* of effort is substantially the same.

Example 24: CP alleges that she and other female grocery store workers are paid less than males who perform substantially equal work. Most of the tasks performed by the males and females are the same. In addition to those same tasks, the male employees place heavy items on the store shelves, while the female employees arrange displays of small items. The extra task performed by the men requires greater physical effort, but the extra task performed by the women is more repetitive, making the amount of effort required to perform the jobs substantially the same.

Example 25: Same as Example 24, except two of the male grocery store workers also regularly haul heavy crates from trucks into the store. In this case, the employer can lawfully pay a higher rate to the persons who perform the extra task. On the other hand, a violation would be found if all males receive higher compensation based on the extra effort required for only some of the males' jobs.

c. Responsibility

***Responsibility* is the degree of accountability required in performing a job.**

Factors to be considered in determining the level of responsibility in a job include:

- the extent to which the employee works without supervision;
- the extent to which the employee exercises supervisory functions; and

- the impact of the employee's exercise of his or her job functions on the employer's business.

Differences in job responsibilities do not depend on job titles. Thus, designation of an employee as a "supervisor" will not, by itself, defeat a comparison under the EPA with an employee who is not designated as such. Moreover, the mere fact that an employee has assistants does not necessarily demonstrate that he or she has a more responsible position than one who does not have assistants. In addition, investigators should consider whether employees of the lower paid sex are being discriminatorily denied the opportunity to assume the additional responsibilities borne by the employees of the higher paid sex.(57)

If one employee in a group performing otherwise equal jobs is given a different task that requires a significant degree of responsibility, then the level of responsibility in that person's job is not equal to the others.(58)

Example 26: CP, a female sales clerk, claims that a male sales clerk performs substantially equal work for higher compensation. The evidence shows that the male comparator, in addition to performing the tasks that CP performs, is solely responsible for determining whether to accept personal checks from customers. That extra duty is significant because of potential losses if bad checks are accepted. The two jobs are not substantially equal due to the difference in responsibility.

Example 27: Same as Example 26, except that CP, her male comparator, and the other sales clerks rotate handling the additional responsibility of determining whether to accept personal checks. In this case, the jobs are substantially equal.

Example 28: Same as Example 26, except the only difference in responsibility between the jobs of CP and her comparator is that the comparator occasionally is given the responsibility for performing a "walk around" inside the building at the end of the day to make sure nothing is out of the ordinary. In this case, the jobs are substantially equal because the difference in responsibility is minor.

d. Working Conditions

Working conditions **consist of two factors:**

- **surroundings; and**
- **hazards.**

"Surroundings" take into account the intensity and frequency of environmental elements encountered in the job, such as heat, cold, wetness, noise, fumes, odors, dust, and ventilation. "Hazards" take into account the number and frequency of physical hazards and the severity of injury they can cause. The time of day or night in which each of the jobs is performed is not a working condition for purposes of determining whether the jobs are substantially equal within the meaning of the EPA.(59) The fact that jobs are performed in different physical surroundings does not necessarily defeat a finding that the working conditions are similar.(60)

Comparability of "working conditions" is measured by a more flexible standard than skill, effort, or responsibility, because the statute only requires that the working conditions be "similar," not "equal."

Similarity of working conditions is seldom in dispute because employees who perform jobs requiring substantially equal skill, effort, and responsibility are likely to be performing them under similar working conditions.

Example 29: R is a company that occupies a large office park. CP, a female, delivers intra-office mail for R. CP files a charge alleging she is being paid less than a male who also delivers mail. The investigator discovers, however, that the male's job involves extended periods of time outside, carrying mail between buildings in the office park, often under extreme weather conditions (heat in the summer; cold and snow in the winter). CP, on the other hand, delivers mail only within one building. There is no evidence that the company bars women, including CP, from obtaining the more lucrative position when there is an opening. The investigator determines that the jobs are not equal because of different working conditions (there may also be a difference in the effort required in the two jobs).

F. Defenses

If the evidence establishes a prima facie violation of the EPA, then the employer must prove that the compensation disparity is based on one of the four affirmative defenses in the statute. The burden is a heavy one, because the employer must show that sex played no part in the compensation differential.

EPA Defenses

A sex-based compensation difference in substantially equal jobs is justified if it is based on:

- a ***seniority system***;
- a ***merit system***;
- a ***system which measures earnings by quantity or quality of production ("incentive system")***; or
- ***any other factor other than sex***.

1. Seniority, Merit, or Incentive System Must Be Bona Fide

An employer may lawfully compensate employees differently on the basis of a bona fide seniority, merit, or incentive system. A seniority system rewards employees according to the length of their employment. A merit system rewards employees for exceptional job performance. An incentive system provides compensation on the basis of the quality or quantity of production. To be a bona fide system, it must not have been adopted with discriminatory intent; it must be based on predetermined criteria; it must have been communicated to employees; and it must have been applied consistently and even-handedly to employees of both sexes.

Seniority, Merit, or Incentive System Defense

A seniority, merit, or incentive system must be bona fide to operate as an EPA defense. This means it:

- was ***not adopted with discriminatory intent***;
- is an established system containing ***predetermined criteria*** for measuring seniority, merit, or productivity;
- has been ***communicated*** to employees;
- has been ***consistently and even-handedly applied*** to employees of both sexes; and
- ***is in fact the basis*** for the compensation differential.

A seniority system allocates rights, benefits, and compensation according to length of employment. It should be consistently applied to all employees unless there are defined exceptions which are known and understood by the employees.

A merit system, to operate as a defense, must be a structured procedure in which employees are evaluated at regular intervals according to predetermined criteria, such as efficiency, accuracy, and ability. (61) The merit system can be based on an objective measurement such as a test, or a subjective rating. However, a merit system that is subjective should be strictly scrutinized to assure that it is consistently applied. (62)

Example 30: CP, a bank teller, alleges that she is paid less than a male bank teller who performs the same job. The respondent claims that the compensation disparity is justified because wages are paid under a merit system. That alleged merit system is unstructured, based on a manager's "gut feeling." Furthermore, the respondent offers no objective evidence to support CP's lower compensation under its merit system. In this case, the merit system is not bona fide and does not justify the compensation disparity.

Example 31: Same as Example 30, except that the respondent proves that its merit system is a systematic and formal process that was communicated to employees and is guided by sex-neutral, objective standards. The respondent also proves that under its merit system, the comparator's work performance merited higher compensation than CP's. In this case, the merit system justifies the compensation disparity.

An incentive or productivity system is designed to encourage employees to work more productively and efficiently. For example, an employer might pay word processors a certain amount of money for every document produced. Similarly, a store may pay sales people by commission, based on their volume of sales.

A seniority, merit, or incentive system operates as a defense only to the extent that it accounts for the compensation disparity.

Example 32: CP, a high school teacher, alleges that she is paid $5,000 less than a male teacher who performs substantially equal work. The respondent states that the compensation difference is due to its seniority system and that the male teacher has greater seniority. The investigation reveals that the male has worked at the school three years longer than CP, which would only justify a $3,000 difference in pay under the seniority system. An EPA violation is found.

Example 33: Same as Example 32, except there is a $10,000 pay disparity. The respondent asserts that the disparity is caused by both its seniority system and its merit system. Again, the investigation reveals that seniority accounts for about a $3,000 difference in pay. The investigator also determines that the respondent in fact does have a merit system, and it appears bona fide. But CP's merit increases have been about the same as those of the male comparator, so differences in merit do not explain the remaining $7,000 gap in pay. An EPA violation is found.

2. "Factor Other Than Sex"

The EPA permits a compensation differential based on a factor other than sex.(63) While this defense encompasses a wide array of possible factors, the employer must establish that a gender-neutral factor, applied consistently, in fact explains the compensation disparity.(64) An employer asserting a "factor other than sex" defense also must show that the factor is related to job requirements or otherwise is beneficial to the employer's business.(65) Moreover, the factor must be used reasonably in light of the employer's stated business purpose as well as its other practices.(66)

The following are examples of justifications that employers have asserted as factors other than sex, along with a discussion of the appropriate analysis:

a. Education, Experience, Training, and Ability

While the relative education, experience, training, and/or ability of individual jobholders are not relevant to determining whether their jobs require equal skill, these factors can, in some cases, justify a compensation disparity. Employers can offer higher compensation to applicants and employees who have greater education, experience, training, or ability where the qualification is related to job performance or otherwise benefits the employer's business.(67) Such a qualification would not justify higher compensation if the employer was not aware of it when it set the compensation, or if the employer does not consistently rely on such a qualification.(68) Furthermore, the difference in education, experience, training, or ability must correspond to the compensation disparity. Thus, a very slight difference in experience would not justify a significant compensation disparity. Moreover, continued reliance on pre-hire qualifications is less reasonable the longer the lower paid employee has performed at a level substantially equal to, or greater than, his or her counterpart.(69)

Example 34: CP had been employed as an office manager. Her starting salary was $42,000. She resigned one year later. Her male successor was hired at a starting salary of $50,000. CP filed a charge claiming that the difference in starting salaries violated the EPA. The employer proves that the salary difference was based on the successor's extensive experience as an office manager, as compared to CP's lack of any job-related experience. The difference in experience qualifies as a factor other than sex justifying the compensation disparity.

Example 35: Same as Example 34, except that the evidence shows that the employer relies inconsistently on work experience in setting salaries for office manager jobs, and that males who lacked experience were offered higher starting salaries than CP. A violation of the EPA is found.

Example 36: Same as Example 34, except that CP did have job-related experience, though her successor had a slightly greater amount of experience.

The difference in their experience was not commensurate with the $8,000 difference in starting salaries, and therefore a violation of the EPA is found.

b. Participation in Training Program

A compensation disparity attributable to participation in a bona fide training program is permissible. While an organization might offer numerous types of training programs, a bona fide training program that can justify a compensation disparity must be a structured one with a specific course of activity. Elements of a legitimate training program include: (1) employees in the program are aware that they are trainees; (2) the training program is open to both sexes; and (3) the employer identifies the position to be held at the program's completion.[(70)] If the training involves rotation through different jobs, the compensation of an employee in such a training program need not be revised each time he or she rotates through jobs of different skill levels.

Example 37: CP, a bank teller, alleges that she is paid less than a male bank teller who performs substantially equal work. The respondent alleges that the male comparator is a participant in a management training program that is open to both sexes. The evidence shows, however, that the program is not bona fide because it is not a formal one, no other employees are identified as participants in the program, and the comparator does not receive any formal instruction or even know that he is in a management training program. An EPA violation therefore is found.

c. Shift Differential

While a difference between night and day work is not a difference in "working conditions," it could constitute a "factor other than sex" that justifies a compensation differential. A shift differential operates as a defense only if both sexes have an equal opportunity to work either shift, if sex was not the reason the employer established the compensation differential, and if there is a business purpose that the shift differential is being used reasonably to serve.

Example 38: CP, a female security guard, gets paid less than male security guards whose jobs are substantially equal to CP's job in terms of skill, effort, responsibility, and similar working conditions. The male comparators work night shifts, while CP works a day shift, and the respondent's pay scale provides for higher compensation for night shift jobs. Other male security guards who work day shifts get paid the same rate as CP. There is no evidence that the pay differential had its origins in discrimination, that sex plays any role in shift assignments, or that women are steered to the lower paying shift. R's justification for the differential is that it pays a premium for night shift work because it is less desirable and a harder shift for which to recruit employees. The charge is dismissed without a finding of an EPA violation.

d. Job Classification Systems

An employer's assertion that its compensation rates are based on a job classification system does not, by itself, justify a compensation disparity between men and women performing substantially equal work. The employer must prove that the job classification system accurately reflects job duties and/or job-related employee qualifications and is uniformly applied to men and women.(71) For example, a store might have a job classification system under which head cashiers are paid more than cashiers. If the classification system accurately reflects job duties and/or job-related employee qualifications, the compensation disparity is justified.(72)

Example 39: CP works as a cleaner in an elementary school. Most of the cleaners are female. CP establishes that her job is substantially equal to that of "custodians" in the school who are paid more and who are mostly male. The school fails to prove that the different classifications for the two jobs accurately reflect differences in job duties or job-related employee qualifications. Therefore, an EPA violation is found.

e. "Red Circle" Rates; Temporary Reassignments

"Red circling" means that an employee is paid a higher than normal compensation rate for a particular reason. Such a practice does not violate the EPA if sex is not a factor and it is supported by a valid business reason. For example, an employer might transfer a long-time employee who can no longer perform his regular duties because of deteriorating health to an otherwise lower paid job, but maintain the employee's higher salary in gratitude for his long tenure of service. Similarly, an employer might assign employees in skilled jobs to less demanding work temporarily until the need for the higher skill arises again. As with all factors other than sex, the investigator should determine whether the red-circle rate is consistent with the respondent's business justification or whether, instead, the employer's reason is pretextual. If the red-circling defense is satisfied, the employer may continue to pay the employees their original salaries, even though opposite sex employees perform the same work for lower pay.(73)

An employer may temporarily assign an employee to work in a higher paid job, without changing his or her compensation. However, investigators should scrutinize such situations to determine whether sex is the real reason for the differential. *See* 29 C.F.R. 1620.26(b).

f. Revenue Production

An employer may be able to justify a compensation disparity by proving that the higher paid employee generates more revenue for the employer than the lower paid employee.(74) However, the

Commission will scrutinize this defense carefully to determine whether the employer has provided reduced support for revenue production to the lower paid employee. If that is the case, then the difference in revenue will not justify the compensation disparity. Furthermore, a mere assumption that the higher paid employee will produce greater revenue will not justify the compensation disparity.

Example 40: CP, an associate attorney at a mid-size law firm, claims that she was hired at a lower starting salary than a male attorney who performs the same work. The employer proves that it offered a higher salary to the male because he brought clients to the firm who generated substantial revenue, while CP brought in no clients. This evidence establishes that a factor other than sex justified the compensation disparity.

Example 41: Same as Example 40, except neither CP nor her male comparator brought clients to the firm at the time they were hired. But in the four years since their hire, the male comparator has generated more revenue than CP due to cultivating a better relationship with the firm's clients, bringing in a couple clients of his own, and consistently producing more billable hours than CP. The investigation reveals, however, that the firm has given the male attorney more exposure to firm clients (e.g., more chances to work one-on-one with clients), and provided the male attorney more opportunities to speak at legal seminars, giving him valuable exposure to potential clients. The evidence also shows that the firm's partners provide CP with less complex work, exacerbating the difference in billable hours. In this variation of the example, revenue production is not a valid factor other than sex.

g. Market Factors

Employers have sometimes asserted that they must pay more to a male employee than a female employee performing the same job because of the male employee's market value. Of course, payment of lower wages to women based on an assumption that women are available for employment at lower compensation rates does not qualify as a factor other than sex that would justify unequal compensation for substantially equal work.(75) As one court stated, "the argument that supply and demand dictates that women *qua* women may be paid less is exactly the kind of evil that the [EPA] was designed to eliminate, and has been rejected."(76) Market value qualifies as a factor other than sex only if the employer proves that it assessed the marketplace value of the particular individual's job-related qualifications, and that any compensation disparity is not based on sex.

Prior salary cannot, by itself, justify a compensation disparity. This is because prior salaries of job candidates can reflect sex-based compensation discrimination. Thus, permitting prior salary alone as a justification for a compensation disparity "would swallow up the rule and inequality in compensation among genders would be perpetuated."(77) However, if the employer can prove that sex was not a factor in its consideration of prior salary, and that other factors were also considered, then the justification can succeed.(78) The employer could, for example, show that it: (1) determined that the prior salary accurately reflected the employee's ability based on his or her job-related qualifications; and (2) considered the prior salary, but did not rely solely on it in setting the employee's current salary.

If the employer did not bargain with the higher-paid comparator it will cast doubt on the employer's argument that it had to offer a higher salary to compete for him/her. And even if there was bargaining, the investigator should consider whether the employer bargains differently with men than with women (e.g., responds more favorably to men's demands than to women's demands).

Example 42: CP, a certified public accountant (CPA), claims that R accounting firm violated the EPA by offering her a lower starting salary than it offered a male CPA. R proves that it offered a higher salary to the male because he had very favorable job references based on his productivity and successful track record in providing tax advice to clients; he received other job offers at the higher salary; and he relied on those job offers as a bargaining tool for negotiating the higher salary. R began salary discussions with CP with the same opening offer as given to the male, and indicated it was "willing to go higher if necessary." But CP did not bargain as assertively as the male CPA, and ended up with a lower starting salary. There is no evidence that R treated CP any differently than the male in salary negotiations. R has proved that the compensation disparity is based on a factor other than sex, and therefore no EPA violation is found.

A difference in the relative market value of employees at the time of their hire may not accurately reflect their relative market value in later years. Thus, if an employee has made out a prima facie case under the EPA, the employer's continued reliance on market value to justify the pay disparity should be evaluated to determine whether such reliance is reasonable.

h. Part-time/Temporary Job Status

Labor force data show that substantially more women than men perform part-time work.(79) Women also disproportionately fill temporary jobs.(80) Thus, payment of disproportionately lower wages and benefits to part-time and temporary workers affects women more than men. For this reason, investigators should scrutinize closely employer assertions of part-time or temporary status as a factor other than sex that explains a compensation disparity. Part-time or temporary status, of course, operates as a defense only if sex was not the reason the employer established the compensation differential and both sexes have an equal opportunity to work under either arrangement (e.g., no evidence of steering).

Example 43: CP does editing and proofreading for a company that publishes newsletters. She works 3 days each week, but is paid less than half the salary of full-timers performing the same job. She also receives no health insurance, while full-timers do receive that benefit. CP claims that the disparity between her compensation and that provided to male full-time employees performing the same job violates the EPA. The investigator discovers that all part-timers are women and no part-timers in recent history have moved into full time status, despite numerous attempts. A violation of the EPA is found. The investigator also finds cause to believe the respondent has violated Title VII, both on pure unequal pay grounds (*see* 29 C.F.R. 1620.27(a)) and by unlawfully limiting women's access to full time jobs (*see* 10-III D.).

Like any "factor other than sex," if the employee can make out a prima facie case, an employer can justify paying part-time or temporary workers disproportionately less than full-time or permanent workers only if it can show that this justification is related to a legitimate business purpose and is used reasonably in light of that purpose. The classifications "part-time" or "temporary" also must be accurate. Thus, if workers designated as "part-time" work substantially the same number of hours as full-timers, or "temporary" workers appear not to be temporary, the investigator should not give credence to the employer's assertion that these designations satisfy the "factor other than sex" defense.(81)

i. Error

If a compensation disparity is sex-based, the employer cannot defend the disparity on an assertion that it resulted from an erroneous belief that the jobs in question were different, or general assertions of good faith.(82) However, an employer's proof of good-faith and reasonable grounds to believe it did not violate the EPA may serve as a basis for the employer to avoid an award of liquidated damages. (*See infra* 10-VI).

j. Collective Bargaining Agreement

An employer's assertion that a compensation differential is attributable to a collective bargaining agreement does not constitute a defense under the EPA. If the union contributed to the creation of a compensation differential, the union should be added as a respondent.(83)

10-V INTERACTION OF TITLE VII AND EPA

The Bennett Amendment to Title VII sought to reconcile Title VII and the EPA in cases of pay discrimination between men and women. The Bennett Amendment is found in 703(h) of Title VII:

It shall not be an unlawful employment practice under this subchapter for an employer to differentiate upon the basis of sex in determining the amount of the wages or compensation paid or to be paid to employees of such employer if such differentiation is authorized by the provisions of section 206(d) of Title 29 [the EPA].

The Supreme Court in *County of Washington v. Gunther*, 452 U.S. 161 (1981), interpreted the Bennett Amendment not to incorporate the EPA's "equal work" requirement in Title VII sex-based wage claims, but to subject such claims to the EPA's four affirmative defenses: seniority system, merit system, a system based on quality or quantity of production or any other factor other than sex. Title VII's incorporation of the EPA's four affirmative defenses also incorporated the EPA's burden of proof as to each of the EPA defenses, as the employer bears the burden of proof as to the four affirmative defenses under the EPA.(84) The purpose of the Bennett Amendment was to "resolve any potential conflicts between Title VII and the Equal Pay Act,"(85) and to clarify that "the standards of the Equal Pay Act would govern even those wage discrimination cases where only Title VII would otherwise apply."(86) Thus, once the plaintiff makes out a prima facie case of sex-based pay discrimination under Title VII, the employer has the burden of proving one of the four affirmative defenses.(87)

However, compensation discrimination on the basis of sex in violation of Title VII does not necessarily constitute a violation of the EPA. This is because Title VII compensation discrimination claims are not limited to claims of unequal pay for equal work. Compensation discrimination in violation of Title VII can be established even if no member of the opposite class holds an equal, higher paying job. Comparisons can be made under Title VII between the compensation rates of "similarly situated" employees, which is a more relaxed standard than the equal work requirement under the EPA. Furthermore, a Title VII claim can be brought based on an employer's segregating or classifying protected class workers in lower paying jobs and limiting their opportunities to secure higher paying jobs. Finally, compensation discrimination claims under Title VII are not restricted to claims in which comparisons are made between jobs in the same establishment,(88) although Title VII does not forbid applying different standards of compensation to employees "who work in different locations" as long the difference is not the result of discrimination.(89)

10-VI RELIEF

If compensation discrimination is found, the investigator should seek appropriate relief. The calculation and formulation of relief can be complicated. ORIP and RAS are available to assist enforcement staff.

The remedy should include a salary increase and back pay in the amount of the unlawful difference between the wages of the lower and higher paid comparator(s).(90) It should also include attorneys' fees and costs, and appropriate damages. If the violation involved segregated job categories, the employer cannot correct the violation merely by opening the higher-paid category to all. Instead, the pay of the employees in the lower-paid job category must be raised to an equal level,(91) and back pay must be provided. Furthermore, the employer cannot equalize an unlawful compensation differential by periodically paying the underpaid employees bonuses. Because systemic compensation discrimination often is a "continuing violation,"(92) relief for a systemic violation generally is available for all discriminatory actions that occurred in furtherance of the policy or practice (e.g., each paycheck), including those that occurred outside the charge filing period, subject to generally applicable limitations on remedies.

In addition to back pay and a raise, Title VII and the ADA permit recovery of compensatory damages for intentional discrimination and recovery of punitive damages for discrimination that is intentional and engaged in with malice or reckless indifference to the federally protected rights of an individual. 42 U.S.C. 1981a. The ADEA does not allow for compensatory or punitive damages, but does provide for liquidated damages for willful violations. 29 U.S.C. 626(b). The EPA also provides for liquidated damages, at an

amount equal to back pay, unless the respondent proves that it acted in "good faith" and had reasonable grounds to believe that its actions did not violate the EPA. 29 U.S.C. 260.

Unlike Title VII, the ADEA, and the ADA, an individual alleging a violation of the EPA may go directly to court without filing an EEOC charge beforehand. Moreover, filing a charge does not toll the time frame for going to court. This means the limitations period continues to run even after the charge has been filed, and during the investigation. Thus, investigators should investigate EPA charges expeditiously so the charging party and/or the Commission can file suit with the benefit of a completed investigation, and so that relief for the charging party is not unduly limited.

Liquidated damages under the EPA are compensatory in nature.(93) Therefore, in sex-based pay cases under both the EPA and Title VII, a charging party cannot obtain both liquidated damages under the EPA and compensatory damages under Title VII for the same injury because that would amount to a double recovery. Nevertheless, relief should be computed to give each individual the highest benefit which entitlement under either statute would provide. *See* 29 C.F.R. 1620.27(b). Thus, the charging party may receive the greater of the liquidated damages available under the EPA or compensatory damages available under Title VII. The availability of EPA liquidated damages does not affect the availability of punitive damages under Title VII.

Injunctive relief also is available. For example, because the EPA is an amendment to the Fair Labor Standards Act (FLSA), the Commission may seek an injunction against any person for violating the FLSA's so-called "hot goods" provision.(94) The hot goods provision prohibits any person from transporting or selling goods produced in violation of the EPA.(95) Companies are exempted from the hot goods provision in two circumstances: (1) common carriers transporting in the regular course of their business goods they did not produce; and (2) purchasers who acquired goods without notice of a violation and in good faith reliance on a written assurance from the goods' producer that they were produced in compliance with the EPA.(96) Thus, if goods were produced in violation of the EPA, the Commission may seek an injunction in federal district court to prevent the respondent, and others not exempt, from transporting or selling the goods in interstate commerce.

Example 44: CP, a female sales representative for a thriving pharmaceutical company, establishes that her annual salary is $5,000 less than a male who performs substantially equal work and is otherwise similarly situated. CP and her comparator had both been receiving 5% annual bonuses. Also, the employer makes a 10% matching contribution into sales representatives' pension plan. The investigation finds that the compensation disparity violates the EPA and Title VII. The investigator concludes that the EPA violation is willful because the respondent ignored CP's complaints about her compensation. The investigator seeks the following remedies: an increase in CP's salary and benefits to the level of her comparator; back pay of $17,250 reflecting the three-year difference in salary, bonuses, and pension contributions ($5,000 salary difference + $250 bonus difference + $500 pension difference, multiplied by three); and liquidated damages of $17,250. CP's total monetary relief, therefore, would equal $34,500.

Example 45: Same as Example 44, except CP demonstrates through documentary and medical evidence that she is entitled to $10,000 in Title VII compensatory damages for emotional harm and medical expenses incurred as a result of complaining about her salary disparity but being ignored. However, because EPA liquidated damages are compensatory in nature, and the liquidated damages are greater than the Title VII damages, the investigator pursues the EPA remedy ($17,250 in EPA liquidated damages rather than the $10,000 in Title VII compensatory damages). Thus, CP would receive total monetary relief of $34,500, the same amount as in Example 44.

Example 46: Same as Example 45, except testimony reveals that CP's manager believed CP's reduced compensation violated Title VII but did not

correct it, even in response to CP's numerous complaints. In addition, there was no evidence that the respondent had educated itself or its employees on Title VII's prohibition against compensation discrimination. Punitive damages are appropriate. Given the character of the respondent's discrimination and its good financial condition, punitive damages are assessed at $75,000, which is within the respondent's cap. This is in addition to backpay ($17,250) and liquidated damages ($17,250). CP's total monetary relief would equal $109,500.

10-VII RETALIATION

It is unlawful for an employer to retaliate against an employee because he or she opposed compensation discrimination under any of the EEO statutes or participated in complaint proceedings. Although the EPA does not specify that retaliation based on "opposition" is unlawful, employees are protected against retaliation for making either formal or informal complaints about unequal compensation.(97) Compensatory and punitive damages are available for retaliation claims brought under the EPA and the ADEA, as well as under Title VII and the ADA. Compensatory and punitive damages for retaliation obtained under the EPA and the ADEA are not subject to statutory caps because the EPA and ADEA borrow their remedies provision for retaliation from the Fair Labor Standards Act, which contains no provision capping compensatory or punitive damages for retaliation.

1. *See* Bureau of Labor Statistics, Department of Labor, *Usual Weekly Earnings Summary,Table 1* (July 2000).

2. *Id.*

3. *Id.*

4. *See* Lita Jans and Susan Stoddard, *Chartbook on Women and Disability*, U.S. Department of Education 23 (1999).

5. President's Council of Economic Advisers, *Explaining Trends in the Gender Wage Gap* (June 1998).

6. President's Council of Economic Advisers, *Opportunities and Gender Pay Equity in New Economy Occupations* (May 2000).

7. Deborah Anderson and David Shapiro, *Racial Differences in Access to High-Paying Jobs and the Wage Gap Between Black and White Women*, 49 Industrial and Labor Relations Review 273, 278-79 (Jan. 1996). There is evidence, as well, that women of color encounter practices that indirectly affect compensation -- collectively known as the "glass ceiling" -- at a higher rate than their white counterparts: "[A]lthough women of color make up 23% of the U.S. women's workforce, they account for only 14% of women in managerial roles. African-American women comprise only 6% of the women in managerial roles." Debra E. Meyerson and Joyce K. Fletcher, *A Modest Manifesto for Shattering the Glass Ceiling*, Harvard Business Review 136 n.1 (Jan.-Feb. 2000).

8. This Manual Section also applies to federal sector complaints.

9. The Commission's Guidelines on the Equal Pay Act, at 29 C.F.R. Part 1620, remain in force.

10. 42 U.S.C. 2000e-2(a)(1) (Title VII); 29 U.S.C. 623 (a)(1) (ADEA); and 42 U.S.C. 12112(a) (ADA).

11. 29 U.S.C. 206(d)(1).

12. 29 C.F.R. 1620.27(a). For further discussion of the interaction between Title VII and the EPA, see 10-V of this Manual Section.

13. "Compensation" has the same meaning as "wages" under the EPA. The terms include (but are not limited to) payments whether paid periodically or at a later date, and whether called wages, salary,

overtime pay; bonuses; vacation and holiday pay; cleaning or gasoline allowances; hotel accommodations; use of company car; medical, hospital, accident, life insurance; retirement benefits; stock options, profit sharing, or bonus plans; reimbursement for travel expenses, expense account, benefits, or some other name. Specific issues related to discrimination in life and health insurance benefits, long-term and short-term disability benefits, severance benefits, pension or other retirement benefits, and early retirement incentives are covered in the Manual Section on *Employee Benefits* (available at www.eeoc.gov).

14. *See, e.g., County of Washington v. Gunther*, 452 U.S. 161, 180-81 (1981).

15. *See, e.g., Bazemore v. Friday*, 478 U.S. 385, 395-96 (1986).

16. If there is an explicit policy or other direct evidence of compensation discrimination, cause should be found. Such evidence might include, for example, discriminatory statements by officials of the respondent, combined with evidence of pay disparities, or documentation that the respondent's pay practices are applied differently to those inside and outside the protected class.

17. Investigators generally should contact ORIP with questions during an investigation. However, RAS also is an available resource for investigators. EEOC attorneys generally should seek litigation support from RAS.

18. While most of these factors overlap with those statutorily prescribed under the Equal Pay Act (*seeinfra* 10-IV E.2), job "similarity" for purposes of Title VII, the ADEA, and the ADA is a more relaxed standard than under the EPA because the EPA only permits comparisons of employees in "substantially equal" jobs. *See*, *e.g.*, *Crockwell v. Blackmon-Mooring Steamatic, Inc*., 627 F. Supp. 800, 806 (W.D. Tenn. 1985) ("Although the work performed by household cleaners and cleaning technicians was not 'substantially equal' within the meaning of the Equal Pay Act, [for Title VII purposes] cleaning technicians were situated similarly to plaintiff. The jobs had many similarities and included similar requirements of effort and responsibility."). Enforcement staff should contact their legal units on this issue, as there is disagreement in the courts on whether the EPA's strict equal work requirement applies in sex-based pay cases under Title VII where there is no direct evidence of discrimination. *See Miranda v. B&B Cash Grocery Store, Inc*., 975 F.2d 1518, 1530 (11th Cir. 1998) (citing cases).

19. *See Coward v. ADT Sec. Sys., Inc*., 140 F.3d 271, 275 (D.C. Cir. 1998) (job titles not determinative).

20. *See Gibbons v. Auburn Univ. at Montgomery*, 108 F. Supp. 2d 1311,1318 (M.D. Ala. 2000) (holding black university faculty member and white comparator who worked in different schools within university still were similarly situated for Title VII purposes -- university "failed to explain why a difference in the schools where the faculty members worked, or in the academic merit of the programs that they administered, is 'relevant' to an evaluation of their relative salaries" -- but granting summary judgment for university on procedural grounds).

21. *See Anderson v. Zubieta,* 180 F.3d 329, 341-42 (D.C. Cir. 1999) (minimum objective qualifications are relevant to whether employees are similarly situated).

22. *Id.* at 341 (where the employer had certain eligibility criteria for a pay differential, the court held that the employer could not use those same eligibility criteria as the basis for arguing that black plaintiffs who challenged the pay differential were not similarly situated to white employees: "To adopt such a position would be to assume the very thing the *McDonnell Douglas* test is aimed at ferreting out -- namely, that a facially-neutral factor is indeed a pretext.").

23. The charge of course may allege that the employer has engaged in systemic compensation discrimination. But a charge that alleges discrimination only against the charging party also may trigger a systemic investigation, because an individual charge of compensation discrimination can be indicative of a broader problem. EEOC has broad investigatory powers. *See* 42 U.S.C. 2000e-8(a) (EEOC investigation must be relevant to the charge under investigation); *EEOC v. Shell Oil Co.*, 466 U.S. 54, 68 (1984) ("courts have generously construed the term 'relevant'"). The Commission also may investigate a company's compensation practices on its own initiative, through the filing of a Commissioner's charge under Title VII or the ADA, or a "directed investigation" under the EPA or ADEA. *See* 29 C.F.R. 1601.11 (Title VII and ADA); 29 C.F.R. 1620.30 (EPA); 29 C.F.R. 1626.15 (ADEA).

24. See 10-III A.3., explaining an approach to using statistics.

25. Any difference is sufficient to support a charge and subsequent investigation. As a practical matter, however, enforcement staff should exercise reasonable discretion in deciding how to allocate resources to individual investigations.

26. Barbara Lindemann & Paul Grossman, Employment Discrimination Law 19 (3d ed. 1996).

27. Note that, unlike other Title VII cases, in sex-based compensation cases the employer bears the burden of proving one of four affirmative defenses. For a discussion of the interaction between Title VII and the EPA in sex-based pay cases, see 10-V and footnote 87. While burdens of proof typically are insignificant during the investigative phase, they can be important in litigation.

28. *E.g.*, *Connecticut v. Teal*, 457 U.S. 440, 455 (1982) ("Congress never intended to give an employer license to discriminate against some [members of a protected class] merely because he favorably treats other members of the employees' group.").

29. *See* 10-IV F.2.e., discussing the concept of red-circling.

30. *See Bazemore*, 478 U.S. at 398 (quoting *Teamsters v. United States*, 431 U.S. 324, 336 (1977)). A cause finding of systemic discrimination rarely should be based on statistics alone. Where possible, evidence of individual instances of discrimination should be used to bring the "cold numbers convincingly to life." *Teamsters*, 431 U.S. at 339, 340 (also stating that the usefulness of statistics "depends on all of the surrounding facts and circumstances"). *See also Bazemore*, 478 U.S. at 400 (stating that the probative value of statistics will "depend in a given case on the factual context of each case in light of all the evidence").

31. *See, e.g., McDonnell Douglas Corp. v. Green.*, 411 U.S. 792, 804-05 (1973) (statistics as to employer's general policy or practice are relevant to whether employer's asserted reason for an individual employment decision is a pretext for discrimination).

32. While not intending to suggest that "precise calculations of statistical significance are necessary in employing statistical proof," the Supreme Court has stated that "a fluctuation of more than two or three standard deviations would undercut the hypothesis that decisions were being made randomly with respect to [a protected trait]." *Hazelwood Sch. Dist. v. United States*, 433 U.S. 299, 311 n.17 (1977).

33. *Griggs v. Duke Power Co.*, 401 U.S. 424, 431 (1971).

34. Enforcement staff should be aware that questions have been raised regarding the availability of disparate impact theory in sex-based compensation discrimination cases. The Supreme Court, in *County of Washington v. Gunther*, 452 U.S. 161, 170 (1981), noted in *dicta* that Title VII's incorporation of the EPA's "any other factor other than sex" defense by virtue of the Bennett Amendment "could have significant consequences" for Title VII litigation of sex-based compensation cases under the disparate impact theory. Some courts have concluded from this language that the disparate impact method of proof is not available in such cases. *See*, *e.g.*, *Mullin v. Raytheon Co.*, 164 F.3d 696, 702 (1st Cir.) (reading *Gunther* as precluding disparate impact in EPA and sex-based Title VII equal pay cases, and applying same reasoning to ADEA), *cert. denied*, 120 S. Ct. 44 (1999). The Commission, however, believes the *Gunther* Court's comment on this issue raises more questions than it answers. After *Gunther*, in fact, at least two courts appear to have recognized the disparate impact theory as viable in sex-based Title VII compensation cases. *See Aldrich v. Randolph Cent. Sch. Dist.*, 963 F.2d 520, 528 (2d Cir.), *cert. denied*, 506 U.S. 965 (1992); *EEOC v. J.C. Penney Co.,* 843 F.2d 249, 252 (6th Cir. 1988). The Commission's view is that the disparate impact method of proof is available for sex-based compensation discrimination under Title VII.

Enforcement staff also should be aware that three courts of appeals have ruled that the disparate-impact theory is not available under the ADEA. *See Mullin v. Raytheon Co.*, 164 F.3d 696, 699-704 (1st Cir. 1999); *Blackwell v. Cole Taylor Bank*, 152 F.3d 666, 672 (7th Cir. 1998); *Ellis v. United Airlines, Inc.*, 73 F.3d 999, 1006-10 (10th Cir. 1996). In the other circuits, disparate impact claims can still be pursued under the ADEA.

35. 42 U.S.C. 2000e-2(k)(1)(B)(i).

36. *See* 42 U.S.C. 2000e-2(k)(1)(A)(i).

37. Depending on the facts of the case, such practices may fall under either or both of sections 703(a)(1) and 703(a)(2) of Title VII, or counterpart provisions in the ADEA and ADA. *See* 42 U.S.C. 2000e-2(a)(1) & (a)(2) (Title VII); 29 U.S.C. 623(a)(1) & (a)(2) (ADEA); 42 U.S.C. 12112(a) & (b)(1) (ADA).

38. *See supra* note 23 (EEOC's broad investigatory authority).

39. Generally, each discriminatory paycheck received by the charging party is a separate violation. *See Bazemore*, 478 U.S. at 395-96. *See* Section 2: *Threshold Issues*, EEOC Compliance Manual, Volume II (BNA) (2000) (available at www.eeoc.gov).

40. 29 C.F.R. 1620.10.

41. *See, e.g., Bence v. Detroit Health Corp.*, 712 F.2d 1024, 1027 (6th Cir. 1983) (compensation disparity found where employer paid higher commission rate to males than females, even though total remuneration was substantially equal).

42. 29 C.F.R. 1620.9.

43. Such a comparison might, however, be appropriate under Title VII, the ADEA, and the ADA. *See supra* 10-III.

44. *See, e.g., Mulhall v. Advance Sec., Inc.*, 19 F.3d 586, 592-93 (11th Cir.) (plaintiff, who worked for a security services company, and her comparators, who worked at military facilities pursuant to the security company's contracts, were employed at the same "establishment" because of centralized control and the functional interrelationship between the plaintiff and the comparators), *cert. denied*, 513 U.S. 919 (1994); *Brennan v. Goose Creek Consol. Indep. Sch. Dist.*, 519 F.2d 53, 58 (5th Cir. 1975) (school district was one "establishment").

45. *See, e.g., EEOC v. Maricopa County Community College Dist.*, 736 F.2d 510, 515 (9th Cir. 1984) (existence of female in the higher paid classification does not defeat female plaintiff's prima facie showing of compensation disparity).

46. *See infra* 10-IV F.2.

47. While no EPA violation could be established, the long-standing presence of only one sex in a job category may indicate sex discrimination in violation of Title VII.

48. *See infra* 10-IV F.2.a (explaining how differences in the comparators' education, experience, training, and ability may be a "factor other than sex" justifying a compensation disparity); *infra* 10-IV F.1 (explaining how differences in the work efficiency of comparators may support a defense that a compensation disparity is based on a merit or incentive system).

49. *See, e.g., Katz v. School Dist. of Clayton, Mo.*, 557 F.2d 153, 156-57 (8th Cir. 1977) (teacher's aide performed duties of teacher and therefore job was substantially equal to that of teacher).

50. *See, e.g., Strag v. Board of Trustees*, 55 F.3d 943, 950 (4th Cir. 1995) (professorship in Mathematics department of university was not substantially equal to professorship in Biology department because of difference in skills and responsibilities required by the departments).

51. *See, e.g., Stanley v. University of S. Cal.*, 178 F.3d 1069, 1074 (9th Cir.) (EPA requires two-step analysis: first, the jobs must have a common core of tasks; second, court must determine whether any additional tasks incumbent on one of the jobs make the two jobssubstantially different), *cert. denied*, 120 S. Ct. 533 (1999); *Stopka v. Alliance of Am. Insurers*, 141 F.3d 681, 685 (7th Cir. 1998) (critical issue in determining whether two jobs are equal under the EPA is whether the two jobs involve a "common core of tasks" or whether "a significant portion of the two jobs is identical"); *Brewster v. Barnes*, 788 F.2d 985, 991 (4th Cir. 1986) (same).

52. A Title VII violation can be found even without a finding of "substantially equal work" under the EPA.

53. *See, e.g., EEOC v. Central Kansas Med. Ctr.*, 705 F.2d 1270, 1272-73 (10th Cir. 1983) (janitors and housekeepers performed equal work; any extra work performed by the janitors was insubstantial or was balanced by additional responsibilities performed by housekeepers), *overruled on other grounds by McLaughlin v. Richland Shoe Co.*, 486 U.S. 128 (1988); *Corning Glass Works v. Brennan*, 417 U.S. 188, 203 n.24 (1974) (noting that Court of Appeals concluded that extra packing, lifting, and cleaning performed by night inspectors was of so little consequence that the job remained substantially equal to those of day inspectors); *Goodrich v. International Bhd. of Elec. Workers*, 815 F.2d 1519, 1525 (D.C. Cir. 1987) (job of female union employee was not substantially equal to that of males who did the same work because males had additional duties which, though consuming little time, were essential to the operation and mission of the union); *Brock v. Georgia Southwestern College*, 765 F.2d 1026, 1034 (11th Cir. 1985) (two college teachers' jobs could be compared under EPA even though one served as Coordinator of Business Education Division because any additional duties he performed were ephemeral and took up insignificant amount of time), *overruled on other grounds by McLaughlin v. Richland Shoe Co.*, 486 U.S. 128 (1988) (adopting definition of "willful" violation announced in *Trans World Airlines, Inc. v. Thurston*, 469 U.S. 111 (1985)).

54. *See, e.g., Brock*, 765 F.2d at 1033 (skill required to teach two different courses in the Business Administration Division of college was substantially equal, given commonality of discipline and substantial equality of course loads and student loads).

55. *See, e.g., Mulhall*, 19 F.3d at 594 (fact that comparator had accounting degree and plaintiff did not was irrelevant to consideration of whether their jobs required equal skill since the job did not require an accounting degree), *cert. denied*, 513 U.S. 919 (1994); *Soto v. Adams Elevator Equip. Co.*, 941 F.2d 543, 549-50 (7th Cir. 1991) (female buyer's job equal to that of male even though he had prior purchasing experience and a college degree).

56. *Stopka*, 141 F.3d at 686.

57. Regarding glass ceilings, steering, and other discriminatory practices affecting compensation, see 10-III D.

58. *See, e.g., Krenik v. County of LeSueur*, 47 F.3d 953, 961 (8th Cir. 1995) (maintenance engineer and assistant jobs were not equal even though both jobs involved same type of maintenance work, because maintenance engineer supervised the assistant and served as department head); *Fallon v. State of Ill.*, 882 F.2d 1206, 1209 (7th Cir. 1989) (comparators' added responsibility to make sure field office would open and close on time when they were absent due to travel was not substantial enough to render jobs unequal).

59. *Corning Glass*, 417 U.S. at 202-03. However, the times when the jobs are performed may be a factor other than sex justifying a compensation differential. *See infra* 10-IV F.2.c.

60. *See, e.g., Fallon*, 882 F.2d at 1209 (jobs of Veterans Service Officer and Veterans Service Officer Associate were substantially equal even though Veterans Service Officers did itinerant work; the mere fact that some travel was required did not override conclusion that the work was substantially the same).

61. *See, e.g., Willner v. University of Kan.*, 848 F.2d 1023, 1031 (10th Cir. 1988) (merit system justified compensation disparity where system was explained to professors and the professors were judged on the basis of quality of their instruction, their research, and service), *cert. denied*, 488 U.S. 1031 (1989).

62. *See, e.g., Brock*, 765 F.2d at 1036 (alleged merit system did not justify compensation disparity where it operated in informal and unsystematic manner; no teachers were aware of any system and evaluations were carried out by Dean and division heads on ad hoc subjective basis; salary and raise decisions were based on "personal, and in many cases, ill-informed judgments of what an individual or his or her expertise was worth").

63. For a discussion of potential defenses based on a factor other than sex in the context of sports coach jobs in educational institutions, see *Enforcement Guidance on Sex Discrimination in the Compensation of Sports Coaches in Educational Institutions* (1997) (available at www.eeoc.gov).

64. *See Corning Glass*, 417 U.S. at 204 (shift differential not a factor other than sex because higher rate for night shift arose "simply because men would not work at the low rates paid women inspectors, and it reflected a job market in which Corning could pay women less than men for the same work"); *Brewster*, 788 F.2d at 992 (employer claimed as factor other than sex a job requirement that employees could only be paid salary of correctional officer if they spent over 50 percent of their time performing correctional officer duties; defense rejected because employer never attempted to determine whether plaintiff met the requirement despite numerous requests that it do so).

65. Congress enacted the EPA with business principles in mind. In *Corning Glass*, the Court observed that earlier versions of the Equal Pay bill were amended to define equal work and to add the fourth affirmative defense because of a concern that bona fide job-evaluation systems used by American businesses would otherwise be disrupted. *See Corning Glass*, 417 U.S. at 198-201. The factor-other-than-sex defense is most reasonably read in this light. *See Aldrich*, 963 F.2d at 525. As one court stated, "[t]he Equal Pay Act concerns business practices. It would be nonsensical to sanction the use of a factor that rests on some consideration unrelated to business. An employer thus cannot use a factor that causes a wage differential between male and female employees absent an acceptable business reason." *Kouba v. Allstate Ins. Co.*, 691 F.2d 873, 876 (9th Cir.1982).

There is disagreement in the courts with regard to whether a factor other than sex must be based on the requirements of the job or otherwise beneficial to the business. The Commission agrees with the courts in the Second, Sixth, Ninth, and Eleventh Circuits that such a basis must be shown. *See Aldrich*, 963 F.2d at 525; *J.C. Penney,* 843 F.2d at 253; *Kouba*, 691 F.2d at 876; *Glenn v. General Motors Corp.*, 841 F.2d 1567, 1571 (11th Cir. 1988). In other circuits, enforcement staff should contact their legal units on this issue. *See Fallonv. State of Ill.*, 882 F.2d 1206, 1211 (7th Cir. 1989) (business-related reason need not be shown).

66. *Kouba*, 691 F.2d at 876-77 ("Even with a business-related standard, an employer might assert some business reason as a pretext for a discriminatory objective. . . . [But] [t]he Equal Pay Act entrusts employers, not judges with making the often uncertain decision of how to accomplish business objectives. . . . A pragmatic standard [for judicial inquiry], which protects against abuse yet accommodates employer discretion, is that the employer must use the factor reasonably in light of the employer's stated purpose as well as its other practices.").

67. *See, e.g., Tomka v. Seiler Corp.,* , 66 F.3d 1295, 1312 (2d Cir. 1995) (employer who claims that experience justifies higher salary for male employee must prove both that it based the higher salary on this factor and that experience is a job-related qualification for the position in question); *EEOC v. First Citizens*, 758 F.2d 397, 401 (9th Cir.) (greater experience of male comparator did not justify pay disparity where the main qualities necessary for the job were speed and accuracy, not experience; greater education of another comparator also did not justify pay disparity where that qualification was only marginally related to the job), *cert. denied*, 474 U.S. 902 (1985).

68. *See EEOC v. White and Son Enters.*, 881 F.2d 1006, 1010 (11th Cir. 1989) (male employees' prior experience did not justify their higher compensation where defendant did not know what prior experience its employees possessed when they began employment). Consistency can be determined using the same method as set out in 10-III A.2, *supra*.

69. *See Kouba*, 691 F.2d at 878 (one consideration in determining reasonableness of relying on prior salary to justify a pay differential was "whether the employer attributes less significance to prior salary once the employee has proven himself or herself on the job"); *Jones v. Westside Urban Health Ctr., Inc.*, 760 F. Supp. 1575, 1580 (S.D. Ga. 1991) ("Presumably, defendants initially hired [the female comparator] at a higher rate of pay because, in their informed judgment, they assumed that experience and education would make her perform at a higher level than [the male plaintiff,] a less-educated novice. Defendants have offered no explanation for clinging to a salary discrepancy when their underlying assumption has been proved, as plaintiff alleges, grossly incorrect.").

70. *See, e.g., First Citizens*, 758 F.2d at 400.

71. *See, e.g., Lindale v. Tokheim Corp.*, 145 F.3d 953, 958 (7th Cir. 1998) (stating that "[s]ince there is no proof that the Equal Pay Act was violated when [the female plaintiff] was hired at a lower salary than

her [male comparator], the question becomes whether the disparity ripened into a violation when she failed to catch up to her [male comparator's] salary," and answering the question "no" in this case because the disparity was based on the employer's nondiscriminatory job classification system that reflected legitimate factors such as seniority, credentials and competition in the labor market); *Aldrich*, 963 F.2d at 525 (job classification system does not justify compensation disparity unless it is rooted in legitimate business-related differences in work responsibilities and qualifications for the particular positions at issue).

72. *See Maricopa*, 736 F.2d at 515 (plaintiff who had been performing work beyond her job classification so that her job had effectively become substantially equal to that of male employees was entitled to same compensation as males; where employee takes on responsibilities beyond those in job description, employer has duty to determine if reclassification of employee's job is warranted).

73. "Red circling" only justifies a compensation disparity where an existing employee's higher compensation is *maintained* for a valid business reason. It does not justify higher payment to a new employee. *See Mulhall*, 19 F.3d at 596 ("red circling" did not apply to situation where new employees who were formerly owners or principals in businesses purchased by the defendant were hired at salaries that were set as part of the negotiated sale of the businesses).

74. *See, e.g., Byrd v. Ronayne*, 61 F.3d 1026, 1034 (1st Cir. 1995) (higher compensation for male attorney justified because he generated substantially greater revenue for law firm).

75. *Corning Glass*, 417 U.S. at 205.

76. *Brock*, 765 F.2d at 1037.

77. *Irby v. Bittick*, 44 F.3d 949, 955 (11th Cir. 1995). *See also Glenn v. General Motors Corp.*, 841 F.2d 1567, 1571 (11th Cir. 1988) (prior salary alone cannot justify a pay disparity); *Faust v. Hilton Hotels Corp.*, 1990 WL 120615, at *5 (E.D. La. 1990) (reliance on prior salary as a factor other than sex would "allow employer to pay one employee more than an employee of the opposite sex because that employer or a previous employer discriminated against the lower paid employee").

78. *See Irby,* 44 F.3d at 955 (prior salary alone cannot justify pay disparity under EPA, but there is no prohibition on utilizing prior pay as one of a mixture of motives, such as prior pay and more experience); *Kouba*, 691 F.2d at 878 ("[R]elevant considerations in evaluating reasonableness [of considering prior salary in setting pay] include (1) whether employer also uses other available predictors of the new employee's performance, (2) whether the employer attributes less significance to prior salary once the employee has proven himself or herself on the job, and (3) whether the employer relies more heavily on salary when the prior job resembles [the new job].").

79. *See, e.g.,* "Highlights of Women's Earnings in 1998," Bureau of Labor Statistics Report 928 (April 1999) (14,361,000 women and 6,501,000 men performed part-time jobs in 1998).

80. "Contingent and Alternative Employment Arrangements," Bureau of Labor Statistics, U.S. Dept. of Labor (February 1997).

81. The Commission has stated that employment for longer than one month will raise questions as to whether a job is temporary. *See* 29 C.F.R. 1620.26(b). Moreover, even if the respondent is a client of a staffing firm for whom the temporary employee works, the respondent shares in the staffing firm's obligation not to discriminate in compensation. However, if the EEOC determines that the respondent client had no involvement in or control over the wages paid to the worker, it may decline to pursue relief against the client. *See Enforcement Guidance: Application of EEO Laws to Contingent Workers Placed by Temporary Employment Agencies and Other Staffing Firms*, Question 10 & n.40, N:2219-21 (BNA) (1997) (available at www.eeoc.gov). *Cf. Vizcaino v. Microsoft Corp.*, 120 F.3d 1006 (9th Cir. 1997) (workers labeled by company as independent contractors and employees of temporary agencies really were common-law employees of company, and thus entitled to participate in company's savings and stock purchase plans under the terms of the plans), *cert. denied*, 522 U.S. 1098 (1998).

82. *Laffey v. Northwest Airlines, Inc.*, 740 F.2d 1071, 1078 (D.C. Cir. 1984) (where higher-paid purser jobs were reserved for men, and lower-paid stewardess jobs were reserved for women, the employer's

actual but erroneous belief that the two jobs were different did not shelter employer from liability under EPA; to allow such a defense contradicts congressional direction which gives courts discretion only to limit, not to eliminate, damages when an employer in "good faith" believed his conduct conformed to legal requirements), *cert. denied*, 472 U.S. 1021 (1985). *Cf. Albemarle Paper Co. v. Moody*, 422 U.S. 405, 422-23 & n.17 (absence of bad faith "not a sufficient reason for denying backpay" for proven Title VII violation); *United States v. Gregory*, 871 F.2d 1239, 1247 n.30 (4th Cir. 1989) (citing *Albemarle* and holding same: "The district court erred in relying on the Sheriff's good faith when it realized that the evidence manifestly showed that the Sheriff had no legitimate reason for not hiring [the discriminatee]".), *cert. denied*, 493 U.S. 1020 (1987).

83. The EPA specifically provides that no labor organization "shall cause or attempt to cause" a covered employer to violate the statute. 29 U.S.C. 206(d)(2).

84. *Corning Glass*, 417 U.S. at 196-97.

85. *Gunther*, 452 U.S. at 170.

86. *Id.* at 175.

87. Enforcement staff should be aware that there is disagreement in the courts on this issue. The Fourth, Fifth, Seventh, Tenth, and Eleventh Circuits apply different burdens in EPA claims than in sex-based wage discrimination claims under Title VII. *See Brewster v. Barnes*, 788 F.2d 895, 992 (4th Cir. 1986); *Plemer v. Parsons-Gilbane*, 713 F.2d 1127, 1136 (5th Cir. 1983); *Fallon v. State of Ill.*, 882 F.2d 1206, 1215-18 (7th Cir. 1989); *Tidwell v. Fort Howard Corp.*, 989 F.2d 406, 410 (10th Cir. 1993); *Meeks v. Computer Assocs. Int'l*, 15 F.3d 1013 (11th Cir. 1994). Enforcement staff in these jurisdictions should contact their legal units on this issue. For the reasons stated in the text, the Commission believes these cases were wrongly decided on this point. *See Kouba*, 691 F.2d at 875 (EPA burdens apply in sex-based pay cases under Title VII). The Commission's interpretation also is consistent with its longstanding position that any violation of the EPA constitutes a Title VII violation. *See* 29 C.F.R. 1620.27(a).

88. *See, e.g.*, *Bartelt v. Berlitz Sch. of Languages of Am., Inc.*, 698 F.2d 1003 (9th Cir.) (female director of a language school who brought Title VII sex-based compensation discrimination claim could rely on evidence that defendant paid higher wages to male directors of other language schools which were operated by the defendant but were not part of the same "establishment"), *cert. denied*, 464 U.S. 915 (1983). For a discussion of the restriction under the EPA to compensation comparisons in the same "establishment," see 10-IV D.

89. *See* 42 U.S.C. 2000e-2(h); *Russell v. American Tobacco Co.*, 528 F.3d 357, 362-63 (4th Cir. 1975) (holding that most important criterion for determining "different locations" within the meaning of Title VII is whether separate facilities draw from the same labor market, though not intending to define the term for every situation), *cert. denied*, 435 U.S. 935 (1976).

90. Under Title VII and the ADA, a charging party may recover back pay for two years prior to the filing of the charge. 42 U.S.C. 2000e-5(g)(1). Back pay under the EPA dates back to two years prior the date conciliation is reached or suit is filed. In cases of willful violations, the back pay period is three years. It is the Commission's position that the ADEA contains no back pay limitation period.

91. The EPA explicitly prohibits lowering the pay of any employee to correct a discriminatory pay differential. *See* 29 U.S.C. 206(d)(1). Title VII, the ADEA, and the ADA do not contain an analogous provision.

92. *Bazemore*, 478 U.S. at 395-96. *See* Section 2: *Threshold Issues*, EEOC Compliance Manual, Volume II (BNA) (2000) (available at www.eeoc.gov).

93. *See Laffey*, 740 F.2d at 1096. *Cf. Brooklyn Sav. Bank v. O'Neil*, 324 U.S. 697 (1946).

94. 29 U.S.C. 217.

95. 29 U.S.C. 215(a)(1) (making it unlawful "to transport, offer for transportation, ship, deliver, or sell in commerce, or to ship, deliver, or sell with knowledge that shipment or delivery or sale thereof in

commerce is intended, any goods in the production of which any employee was employed in violation of section 206 . . . of this title").

96. *Id.*

97. *See, e.g., EEOC v. Romeo Community Sch.*, 976 F.2d 985, 989-90 (6th Cir. 1992); *White & Son Enters*, 881 F.2d at 1011; *Love v. Re/Max of America*, 738 F.2d 383, 387 (10th Cir. 1984).*Contra Lambert v. Genessee Hosp.*, 10 F.3d 46, 55 (2d Cir. 1993), *cert. denied*, 511 U.S. 1052 (1994). *See* Section 8: *Retaliation*, EEOC Compliance Manual, Volume II (BNA) (1998) (available at www.eeoc.gov).

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