Everything You Need to Know about the Equal Pay Act

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Introduction

Known for feisty quotes and progressive politics well ahead of her time, Rep. Bella Abzug (D-NY) initiated a bill to commemorate the day the Nineteenth Amendment, which guarantees women the right to vote, became law. The U.S. Congress declared August 26th Women’s Equality Day in 1971. Eight years prior, the Equal Pay Act was signed by President Kennedy with the intention of ending gender-based pay discrimination. Together, Women’s Equality Day and the Equal Pay Act signaled an important step forward in the nation’s commitment to women exercising their right to participate meaningfully in civil and political affairs and become thriving citizens in socioeconomic spheres.

And yet 40 years later, women are still robbed of 23 cents for every dollar a man makes in the U.S. Even with the passage of five groundbreaking laws to prevent discrimination in the workplace – e.g., the Civil Rights Act and the Fair Labor Standards Act – the gender pay gap is still an intractable problem. This primer explores the historical, legal and legislative background of gender and pay discrimination issues in the U.S. using a gender lens. It looks at how the pay gap relates to larger ideas about ourselves as workers and the forces at play in work-life issues. Finally, it presents prominent sociological arguments for why the pay gap exists and persists, as well as best practices from peer nations that are worthy of consideration in a U.S. context.

1. What is the Equal Pay Act?

In short, the Equal Pay Act (EPA) prohibits pay discrimination based on sex and states that men and women must be paid equally for substantially equal work performed in the same establishment. All forms of compensation are included — salary, bonuses, vacation and holiday pay, and other benefits, to name a few. The Act also allows individuals to file for pay discrimination claims under Title VII of the Civil Rights Act. Employers are legally prohibited from retaliating against employees who take action against discriminatory practices in the workplace.
workplace. However, the law allows for pay differentials when individuals are evaluated based on criteria such as seniority, production levels, and merit. Administered and enforced by the U.S. Equal Employment Opportunity Commission (EEOC), the EPA was signed into law in 1963 as part of the Fair Labor Standards Act of 1938. Its employee protections and prohibitions against discrimination align it with other federal laws such as Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act (ADEA) of 1967, and Title I of the Americans with Disabilities Act (ADA) of 1990.

2. History & timeline

Although many women – women of color, immigrant women and poor and working class women, to name a few – have worked outside the home or been paid for their labor since the country’s beginning, the world of paid work has primarily existed as part of men’s “public” sphere in the American psyche. Up until WWII when unprecedented numbers of women entered the workforce, women were expected to exist in the “private” sphere, performing unpaid work. Recognizing that women largely replaced male workers in war labor industry, the National War Labor Board in 1942 encouraged industry leaders to make “adjustments which [would] equalize wage or salary rates paid to females with the rates paid to males for comparable quality and quantity of work on the same or similar operation.”

More and more women entered the world of paid labor thereafter, and pay discrimination based on sex remained rampant and blatant. Women made 59% of what men earned in 1963. In the early 1960s, job advertisements were listed by sex. Not surprisingly, most high-salary positions were allocated to men, and even when the same position was advertised to both sexes, a two-tiered scale ensured male candidates would be paid more than their female counterparts.

Rep. Winifred Stanley (R-NY) proposed the first bill to amend the National Labor Relations Act to end gender wage discrimination in 1944, but the bill expired after it was referred to the Committee on Labor. In 1950, Rep. Katharine St. George (R-NY), renowned for coining the phrase “equal pay for equal work,” negotiated a compromise bill that would also permit the passage of the Equal Rights Amendment. This bill also failed. Ever persistent, St. George proposed a work bill in 1959 that called for equal pay for comparable work. It stalled for considerable time because of debates over the definition of “comparable.” As St. George remarked in an oral history interview: “I always felt… women were discriminated against in employment… I think women are quite capable of holding their own if they’re given the opportunity. What I wanted them to have was the opportunity.”

The bill’s language held up and ultimately became part of the EPA. On June 10, 1963, President John F. Kennedy signed the Equal Pay Act, and the law took effect on June 11, 1964 as part of Kennedy’s New Frontier Program.

<table>
<thead>
<tr>
<th>TIMELINE</th>
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<tbody>
<tr>
<td><strong>Date</strong></td>
</tr>
<tr>
<td>December 10, 1923</td>
</tr>
</tbody>
</table>
| August 1, 2013 | Reintroduced | }
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
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<tbody>
<tr>
<td>June 25, 1938</td>
<td><strong>Fair Labor Standards Act:</strong> On June 25, 1938, the Fair Labor Standards Act (FLSA) was signed into law by President Franklin D. Roosevelt. Designed to eliminate “labor conditions detrimental to the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being of workers,” the FLSA was the last piece of New Deal legislation passed. It establishes minimum wage, overtime pay, recordkeeping and child labor standards. The law impacts full-time and part-time workers of both private and Federal, State and local government sectors. It is administered and enforced by the Wage and Hour Division of the U.S. Department of Labor.</td>
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<tr>
<td>June 10, 1963</td>
<td><strong>Equal Pay Act:</strong> On June 10, 1963, President Kennedy signed the Equal Pay Act, as part of the Fair Labor Standards Act, into law. The EPA &quot;prohibits sex-based wage discrimination between men and women in the same establishment who perform jobs that require substantially equal skill, effort and responsibility under similar working conditions.&quot; Administered and enforced by the Equal Employment Opportunity Commission (EEOC), the EPA attempts to fulfill the aspiration of equal pay for equal work and reduce the gender pay gap.</td>
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<tr>
<td>July 2, 1964</td>
<td><strong>Title VII of the Civil Rights Act:</strong> On July 2, 1964, the Civil Rights Act, originally proposed by President John F. Kennedy, was signed into law by President Lyndon B. Johnson. Enforced by the Equal Employment Opportunity Commission (EEOC), Title VII of the Civil Rights Act of 1964 prohibits employment discrimination based on color, race, sex, religion and national origin in workplaces having more than 15 employees, including local, State and Federal government offices, employment agencies and labor organizations. The law covers job applications, hiring procedures, job training and terms, conditions, and privileges of employment. It prohibits employment decisions based on stereotypes and other discriminatory practices – not only intentional discrimination but also neutral employment policies that have disproportionately negative or disparate impact on individuals of certain racial/ethnic groups.</td>
</tr>
<tr>
<td>December 15, 1967</td>
<td><strong>Age Discrimination in Employment Act (ADEA):</strong> On December 15, 1967, the Age Discrimination in Employment Act (ADEA) was signed into law by President Lyndon B. Johnson. The ADEA prohibits employment discrimination against workers 40-years old or older and affects various employment-related issues, ranging from job application, hiring procedures, job training to terms, conditions, and privileges of employment, etc. Enforced by the Equal Employment Opportunity Commission (EEOC), the law applies to employers with 20 or more employees and to federal government, interstate agencies, employment agencies and labor unions.</td>
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<tr>
<td>Date</td>
<td>Status</td>
</tr>
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<tr>
<td>June 23, 1972</td>
<td>Enacted</td>
</tr>
<tr>
<td>July 26, 1990</td>
<td>Enacted</td>
</tr>
<tr>
<td>April 20, 2005</td>
<td>Re-introduced</td>
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<tr>
<td>January 29, 2009</td>
<td>Enacted</td>
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<tr>
<td>June 20, 2012</td>
<td>Not put to a vote</td>
</tr>
</tbody>
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3. Why the EPA is relevant today

In 2013, the gender pay gap (unadjusted), or “a measure of unequal pay for women compared to men,” is still prevalent and persistent in the U.S. When the EPA was signed in 1963, women earned on average 59% of what men were paid – that is, 59 cents for every dollar men made. Fast forward 50 years: women earn on average 77% of what men are paid, or 77 cents for every dollar men make. That is an increase of less than 4 cents per decade. A recent analysis by the Institute for Women’s Policy Research on the trajectory of the gender pay gap from 1960-2012 is an
excellent illustration of how progress in shrinking the gap has stalled since 2002. While many blatantly sexist discriminatory practices in the workplace might have dissipated or transmuted over the years, unequal pay has not.

The gender pay gap affects all women, though it has never affected all women equally. According to a study that compared cross-racial/ethnic gender pay differentials in 2012, the median weekly earnings of women of all racial/ethnic groups were less than that of their male counterparts: 12% less among Hispanic or Latino/a, 10% less among African Americans, 19% less among Whites, and 27% less among Asian Americans. The median weekly wages of white men are higher than all others, as can be seen in this chart.

<table>
<thead>
<tr>
<th></th>
<th>Women's earnings as a percentage of earnings by men of same race/ethnicity</th>
<th>Women's earnings as a percentage of white men’s earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hispanic or Latina</td>
<td>88%</td>
<td>59%</td>
</tr>
<tr>
<td>African American</td>
<td>90%</td>
<td>68%</td>
</tr>
<tr>
<td>White</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>Asian American</td>
<td>73%</td>
<td>88%</td>
</tr>
</tbody>
</table>

4. Measuring the pay gap

There are different methods, but the basic idea is to calculate the difference between men’s and women’s typical earnings and to report the difference in relation to men’s earnings, i.e., the highest earnings.

**Median earnings** are used to calculate the difference because they represent the middle value of earnings of all workers across the whole economy.

\[
\text{Pay Gap} = \frac{(\text{Men’s median earnings} - \text{Women’s median earnings})}{\text{Men’s median earnings}}
\]

For example, according to the Census Bureau and the Bureau of Labor Statistics, men’s median annual earnings in 2011 was $48,202 and women’s median annual earnings was $37,118. The 2011 gender pay gap: $(48,202 - 37,118) / 48,202 = 23\%$.

**Earnings ratios** can be used to express the same idea. The earnings ratio is calculated by dividing women’s median earnings by men’s median earnings.

\[
\text{Earnings Ratio} = \frac{\text{Women’s median earnings}}{\text{Men’s median earnings}}
\]
The earnings ratio in 2011: $37,118 / $48,202 = 77%.

Economists use different earnings measurements such as hourly, weekly or annual wages. Some observe long-term patterns, using data from various points in history. Others focus on what they call “adjusted” pay gaps, that is, the pay gap after factoring in and adjusting for individual characteristics such as age, gender, family size, education level, job experience, and industry, among other variables. In the U.S., these adjusted figures tend to narrow the gender pay gap. For example, according to one study, researchers found that after adjusting for those individual characteristics, the gender pay gap was 19%, and when they additionally controlled for industries and occupations, the gap became 9%.

5. Why is there a gap?

What more can be gleaned from looking at the pay gap? One major fact is the highly “gendered” look of our workplace, also known as occupational segregation. Men (approximately 49%) work in industries predominantly occupied by men, and women (41%) work in industries predominantly occupied by women. Male-dominated industries tend to offer more better-paid positions versus more poorly paid positions in female-dominated industries – a phenomenon observed by some as a “jobs gap.”

Regardless of which gender dominates the industry, across almost all occupations men’s earnings are higher than women’s. The following analysis is based on a 2011 study by the Institute for Women’s Policy Research. Women are highly visible in two occupational categories of secretaries and administrative assistants and receptionists and information clerks, occupying 96% and 93% of the workforce, respectively. But a gender pay gap of 9.4% adheres among secretaries and administrative assistants and 3.3% among receptionists and information clerks. Bigger wage gaps occur in occupations that could be stepping stones to better-paid, management positions, such as first-line supervisors/managers of retail sales workers or accountants and auditors. Female first-line supervisors/managers made 74% of what their male peers made, and female accountants/auditors made 75% of what their male peers made.

<table>
<thead>
<tr>
<th>Common Occupations for Women</th>
<th>Percentage of female workers in occupation (%)</th>
<th>Women’s earnings as a percentage of white men’s earnings (%)</th>
<th>Gender pay gap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secretaries and administrative assistants</td>
<td>95.7</td>
<td>90.6</td>
<td>9.4</td>
</tr>
<tr>
<td>Receptionists and information clerks</td>
<td>92.5</td>
<td>96.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Registered nurses</td>
<td>90.5</td>
<td>86.5</td>
<td>13.5</td>
</tr>
</tbody>
</table>
The biggest gender pay gap appears in high-paying occupations. For example, female personal financial advisors' median weekly earnings are $962, whereas the same figure for their male counterparts is $1,647, a 41.6% gap. The pay gap for female medical and legal professionals and chief executives hovers between 23% (chief executives) and 29% (physicians/surgeons) despite great inroads in these traditionally male-dominated industries. Among low-paying occupations, the gender pay gap tends to be smaller. Women still make less than men, however, with the sole exception of the combined food preparation and serving workers, including fast food occupational category.

<table>
<thead>
<tr>
<th>Highest paying occupations for women</th>
<th>Percentage of female workers in occupation (%)</th>
<th>Women's earning as percentage of men's (%)</th>
<th>Gender pay gap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians and surgeons</td>
<td>31.2</td>
<td>71.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Chief executives</td>
<td>25.6</td>
<td>72.1</td>
<td>27.9</td>
</tr>
<tr>
<td>Lawyers</td>
<td>35.0</td>
<td>77.1</td>
<td>22.9</td>
</tr>
<tr>
<td>Personal financial advisors</td>
<td>32.8</td>
<td>58.4</td>
<td>41.6</td>
</tr>
<tr>
<td>Combined food preparation and serving workers, including fast food</td>
<td>60.3</td>
<td>112.1</td>
<td>- 12.1</td>
</tr>
</tbody>
</table>
Traditionally, economists consider two theories to explain the gender pay gap. The first, human capital theory, puts the emphasis on women’s choices to explain why their pay is less than men’s pay. It hypothesizes that individual characteristics or qualifications – e.g., age, education, training, work experience and history – are responsible for differences in pay between all workers. This theory says that some workers are paid less because, for example, they lack the needed level of education, training or work experience compared to their competitors. The theory further suggests that women’s wages tend to be lower because they choose to work fewer hours due to family and childcare responsibilities, choose occupations and industries that offer lower wages but more flexibility or expect their career paths to be discontinuous. All those choices lead to women accumulating less human capital; as a result, the theory goes, women are paid less than men because they do not achieve the qualifications required to assume positions in true competition with men.

The second theory, called the discrimination theory, hypothesizes that prejudicial and discriminatory practices in the workplace are the main culprits of the pay gap. It suggests that discriminatory practices induce differential treatments, which then may lead to biased assessments and expectations on productivity, performance evaluation, and appraisal towards one group of workers over others. Intentional and unintentional discriminatory practices are common and are often present at the beginning of the employer/employee relationship, as numerous racial bias studies show. High-end restaurants in Philadelphia were less reluctant to offer job interviews and make job offers to female candidates for wait-staff positions over similarly qualified male candidates, one study revealed. In another, researchers found that when female musicians auditioned for symphony orchestras, their chance of being hired went up when they auditioned behind a screen, concealing their identity from their interviewers.

Scholars’ opinions vary on exactly what proportions of the gender pay gap can be explained by differences in human capital or discrimination in the labor market, but there is a general consensus that data supports both theories. One 2007 study by renown labor economists Francine Blau and Lawrence Kahn explains that about 41% of the gender pay gap (20.3%) was due to “unexplained” sources (e.g., discrimination) and the rest due to individual characteristics (e.g., union status, industry and occupational category, etc.), as the following graph shows.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Pay Gap Explained</th>
</tr>
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<tbody>
<tr>
<td>Labor force experience</td>
<td>10.5</td>
</tr>
<tr>
<td>Race</td>
<td>2.4</td>
</tr>
<tr>
<td>Occupational category</td>
<td>27.4</td>
</tr>
<tr>
<td>Industry experience</td>
<td>21.9</td>
</tr>
<tr>
<td>Union status</td>
<td>3.5</td>
</tr>
<tr>
<td>Unexplained</td>
<td>41.1</td>
</tr>
<tr>
<td>Educational attainment</td>
<td>-6.7</td>
</tr>
</tbody>
</table>
6. Problem for women: constrained choices in context

The human capital theory is based on the premise of “compensating wage differentials.” That is, people who value and need flexibility in work hours or conditions, etc. will choose occupations that offer workplace flexibility, hence exchanging high-wage/low-flexibility work for low-wage/high-flexibility work. In reality, workers who occupy high-pay positions tend to enjoy more flexibility and benefits embedded in their positions, something to which many low-pay scale workers do not have access. For instance, while there is no overt motherhood penalty, women who take advantage of family-friendly policies – e.g., flexible hours – seem to suffer in the form of slow wage increase and threat of job loss. The notion of low-wage workers being able to negotiate and choose work conditions freely appears to fall short on evidence, especially in the context of an industry-level misallocation of workplace flexibility and employees’ needs.

Furthermore, women tend to reap lower returns on their investments made for college and professional degrees. Even when women pursue high-level education and choose high-earning career paths such as medicine, law and business, women still do not fare well compared to men, especially in the long-run. One study looked at the post-graduation gender pay gap among the University of Michigan Law 1972-75 cohort. Initially, the pay gap was small. After 15 years, women made only about 60% of what their male counterparts made. Holding constant various lifestyle choices these classmates made over the years – e.g., lengths of part-time work, years of practicing law, types of law practiced, family composition, etc. – researchers still found 13% advantage for male cohort members, not attributable to personal characteristics. In a similar study, researchers found a growing trend in pay difference among newly-trained physicians in New York State: in 1999, male physicians made $3,600 more than comparable female physicians, and in 2008, the difference increased to $16,819. In another study, comparing financial costs and benefits of becoming physicians or physician assistants, researchers found that female primary physicians would have been financially better-off if they had chosen to be physician assistants instead. But the same result did not occur for male primary physicians.
The fact that women outclass men when it comes to educational attainment has been well-documented in the U.S. Women are more likely to have a college degree than men (46% vs. 36%) and are highly represented in professional and graduate degree programs. However, these educational investments do not seem to yield the same level of financial return for women, reflecting the impenetrability of the “glass ceiling” felt even among the highly-educated female workforce in the U.S. The fact that women of color experience an even greater pay gap adds another layer of “impenetrability.” For example, African American and Latina women’s mobility into upper-tier positions is more strained than that of white women holding professional and managerial-level positions, as one study showed.

Looking at the low-wage end of the spectrum, American workers have been struggling with the growing problem of precarious work and job insecurity. Precarious work, defined as “employment that is uncertain, unpredictable, and risky from the point of view of the worker” impacts both men and women workers, particularly of occupy low-wage occupations, and their sense of economic insecurity and precarious employment relations has increased even within an expanding economy.

7. The gender pay gap outside the U.S.

The gender pay gap is a global phenomenon, and advanced economy countries are no exceptions. Although exact figures on pay differentials fluctuate depending on which years or measures are studied, there appear to be patterns among industrialized nations, particularly member states of the Organization for Economic Co-operation and Development (OECD). According to one 2013 OECD report, the range of gender pay gap among the top 25 industrialized countries is from 6.1% to 28.7%. Countries such as Spain (6.1%), Poland (6.2%), Hungary (6.4%), New Zealand (6.8%), Norway (8.1%) and Belgium (8.9%) tend to have low percentages of pay differentials between men and women, while Japan (28.7%) and Germany (20.8%) tend to report high figures. Of the latest OECD statistics available online, the median gender wage gap ranges from 4.2% (New Zealand) to 37.5% (South Korea). The U.S.’s figure is 17.8% which is higher than the OECD average of 15.0%.

Contextually, the U.S. is notorious for having poor workplace policies compared to other industrialized nations. Its policies on parental leave, sick leave, vacations, and other social programs such as childcare are considered substandard and ungenerous by many scholars who study comparative, international social policies. According to researchers investigating longitudinal data sets from the World Economic Forum’s high-income economies, the U.S. is the only country among its peer nations that does not have a nationwide program for paid leave for new parents or guarantee paid leave for new mothers – with the exception of the states of California, Washington, and New Jersey, which have state-level programs for paid family leave. Nor is there a federal-level policy on paid leave for personal illness or to address family members’ illness. Most advanced-economy countries offer work-family friendly policies such as paid leave for new parents, paid leave to take care of children’s health issues, breastfeeding breaks, and a weekly day of rest – not to mention nationalized or subsidized childcare. The U.S. only offers breast-feeding breaks. These work-family policies have direct impact on how individuals participate in the workforce and what is included in their cost-benefit calculations. That is, a particular set of choices a woman makes about how many hours to work, which industry to work in, how much job-related training to pursue, how to obtain affordable childcare, etc., occur within a context of constraints. Their decisions related to work participation are made among these constrained choices.

8. Next steps

Many legislative measures have been enacted and pursued since the EPA was passed. For example, in 1964, the Civil Rights Act was passed to prohibit discrimination in employment on the basis of race, color, religion, national origin, and sex. Its scope is in much broader terms than the EPA, and Title VII of the Civil Rights Act makes it illegal to discriminate based on sex in pay and benefits. Other legislative changes include:

- Title IX
- Paycheck Fairness Act
- Lilly Ledbetter Fair Pay Act
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- Equal Employment Opportunity Restoration Act
- Fair Pay Act
- Fair Minimum Wage Act
- New York Women's Equality Act
Everything You Need to Know about the Equal Pay Act

References


U. S. Department of Education. “Title IX and Sec Discrimination.” Accessed October 2, 2013. [http://www2.ed.gov/about/offices/list/ocr/docs/tix_dis.html](http://www2.ed.gov/about/offices/list/ocr/docs/tix_dis.html)

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