

EconoFact Chats: 81 Cents: Women in the US Labor Force

Francine Blau, Cornell University

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Michael Klein:

I'm Michael Klein, executive editor of Econofact, a nonpartisan web-based publication of the Fletcher School at Tufts University. At Econofact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

59 cents. Back in the 1980s, people wore pins that said 59 cents, referring to the fact that for every dollar a man earned, a woman earned only 59 cents. Economists would counter that, when controlling for other factors like age and education, this number was not accurate, but they would also support the argument that there was gender discrimination in pay and in hiring. Taking these into account, the pin should say something like 81 cents, still a pretty large discount on your pay if you're a woman. But it's also important to note that we have seen a sea change over the last 50 years in the participation of women in the labor force.

Michael Klein:

To discuss these issues, I'm pleased to welcome to Econofact Chats, Professor Francine Blau. Fran is a Frances Perkins Professor of Industrial and Labor Relations and a professor of economics at Cornell University. She was the first woman to receive the Institute for the Study of Labor Prize for her, I quote, seminal contributions to the economic analysis of labor market inequality. In 2017, she was awarded the Jacob Mincer Award by the Society of Labor Economists in recognition of a lifetime of contributions to the field of labor economics.

Michael Klein:

Fran, it's a pleasure and an honor to welcome you to Econofact Chats.

Francine Blau:

I'm absolutely delighted to be here, Michael. Thanks for asking me.

Michael Klein:

Fran, I did a bit of digging and I found that your very first published paper, Women's Place in the Labor Market, was published in 1972. What was women's place in the labor market at that time, a half century ago?

Francine Blau:

Well, let's just take the two major indicators. At that time, the female labor force participation rate was 44%, meaning the majority of women were not participating in the labor force. The ratio of female to male earnings hovered around 60%, like your 59 cents figure, and this was for women who were working year round and full-time.

Michael Klein:

That was a half a century ago. How much have things changed for women in the labor force in the United States since then?

Francine Blau:

Well, let's step back just a little bit. I would like to say that one of the most dramatic developments in the US labor market since World War II has been the increase in female labor force participation. Year after year, women's labor force participation rate was rising, up until about the mid 1990s, so for a 50-year period, but then it reached 60% and really has plateaued since then. In fact, in the midst of the great recession, like for men, the female labor force participation rate declined. It was rebounding, but it has declined again in the COVID crisis.

Francine Blau:

Now, the male-female wage gap has also shown a lot of progress. It started to shrink in 1980. By the mid-1990s, women earned, again, about I would say 74% of what men earn, but this advance as well has slowed. As you pointed out in your introduction, today we're at 81% of men's earnings.

Michael Klein:

You and Larry Kahn have an Econofact memo in which you compare women's participation in the workforce in the United States to 22 other industrial countries. In 1990, the US was sixth among the countries in the women's labor force participation, but in 2010 it had fallen to 17th of the 23. What happened? Did the other countries advance, or did the US decline, or was it some combination of the two?

Francine Blau:

It was really that we stayed put and they advanced. At first, many countries who were behind us caught up to us, but then in fact, they surpassed us.

Michael Klein:

In that memo, you and Larry cite the lack of family-friendly policies in the United States. Is this still the case?

Francine Blau:

Yes. Compared to these other countries, we offer very little. For example, in terms of parental leave, in the United States, we mandate 12 weeks of unpaid leave. In these other countries, the parental leave is paid, and on average, it's a year. They also have more generous subsidization of childcare and more encouragement of part-time work. Now, I would like to point out, with respect to parental leave and encouraging part-time work, that's a bit mixed. There's a trade off there. It seems definitely to bring women into the labor force, but in terms of how they fare once they're there, actually, the United States is a leader in terms of the representation of women in management and in traditionally-male, high-paying professions.

Michael Klein:

That's a good segue, in terms of high-paying professionals. Turning from how many women work to how much they're paid, another Econofact memo by you and Larry Kahn is titled Why Do Women Continue to Make Less Than Men? You point out that in 2016, women who worked year round in full-time earned on average, as we mentioned, around 81 cents for every dollar earned by men. That's a statistic we refer to.

Does that difference, 81 cents versus 59 cents, reflect an improvement over time in women's pay and a shrinking of the gender pay gap?

Francine Blau:

Absolutely. I think it's important as well as acknowledging persisting problems to also acknowledge progress. This is indeed substantial progress since then. One thing I would flag there is that the largest decrease in the pay gap occurred in the 1980s. As I mentioned before, progress has been slow and more uneven since then.

Michael Klein:

Did this happen to women at all levels of the pay scale?

Francine Blau:

Well, actually, that's an interesting point. In terms of looking across the pay scale, one thing that Larry Kahn and I noted is that progress was actually slower for women at the top of the income distribution. Wage gaps at these higher levels are actually larger and decline more slowly than at the middle and at the bottom. By 2010, the wage gap between men and women was larger for highly-skilled, highly-paid workers than for others. This suggests that developments in the labor market that benefited executives and other highly-skilled workers seem to have especially favored men.

Michael Klein:

Do you or Larry have any conjectures why there was this gender-based bias at that level of the pay scale?

Francine Blau:

We don't know for sure, but I would say in this area in general, when we look at male-female pay gaps, there are two broad sets of forces. On the one hand, women do confront discrimination. In this area, that discrimination has sometimes been termed a glass ceiling, barriers and obstacles to women as they work their way to the top or try to. But it is also true that work family issues are another constraint that women face to a greater extent than men, and that probably has also slowed their progress.

Michael Klein:

In that memo I referred to before, you point out something that you also demonstrated in the very first published paper that I referred to much earlier, the role of occupational segregation as a source of gender wage gaps, that is, women were paid lower wages in part because they tended to be segregated into low-paying occupations. This issue, which you first raised in 1972, it still holds?

Francine Blau:

Well, it is, that's right. It is a very persistent problem. It was a striking difference between men and women when I was first looking at it in the 1970s, and it is still a striking difference. Now, I do want to emphasize, as with pay, women have made major progress in climbing the occupational ladder since the 1970s. They have moved out of less well-paid administrative support and service occupations, and they have moved into managerial positions and relatively high-paying, traditionally-male professions like law and medicine. Even engineering, which is a bit of a lagger, women are making progress or have made progress there too.

Francine Blau:

However, it's interesting that in this area as well, progress seems to have slowed since the 1990s. Indeed, Larry and I found in a recent paper that gender differences in occupations and industries can account for half of the gender pay gap.

Michael Klein:

So the results from your first paper back in 1970 are still relevant today.

Francine Blau:

Well, it's interesting. I'm sort of ending up where I started off.

Michael Klein:

Well, Fran, I hope this doesn't mean it's the end of your career.

Francine Blau:

Thank you, Michael. I hope I am still going strong.

Michael Klein:

As women have ascended managerial ranks, they're still underrepresented at the very top tier of management, isn't that right?

Francine Blau:

That's right. Here, I think these statistics, they don't prove, but they tend to suggest glass ceiling types of issues. Let me just give a few examples. If we look at S&P 500 companies, women were 37% of first and mid-level managers, but only 27% of executive officers and 11% of top earners. These statistics are from 2020. It was also the case that women were only 5.8% of CEOs. Let me put this in different terms, out of those 500 companies, only 29 had a female CEO, and they held just 21% of board seats.

Michael Klein:

To put this in context, women make up about 50% of the population, right?

Francine Blau:

That's right, and that might be relevant for the board seats. In fairness, I have to say that we should probably compare these numbers to the labor force, but even if we do that, women are 47% of the labor force. This representation is quite low compared to that.

Michael Klein:

Even accounting for some of the sources of wage differentials that you mentioned, like occupational segregation, is there still also evidence of outright discrimination?

Francine Blau:

Yes, there is. Some evidence comes from statistical analyses. For example, in a recent study, Larry and I found that even after controlling for any gender differences in experience or education or what occupations and industries that they worked in, women earned 8% less than men. We also found that evidence of discrimination, that if it was measured in this way, did decrease in the 1980s, but has remained fairly steady since then.

Michael Klein:

The way that you're referring to discrimination is the way that economists think about it. We want to control for other factors, levels of education, the amount of time on a job, age and so on, and then over and beyond that, if there are differences in wages for people that look similar in terms of these characteristics, then we would call that discrimination.

Francine Blau:

Yes, to some extent, but I have to point out that evidence like this isn't perfect. For example, it's possible there are unmeasured factors that are not included and maybe can't be included in such studies like this, but that are important to employers, and these factors might help to account for the difference. But what I think is very important to note is that the results of statistical studies like these are supported by experimental evidence, which reinforces the conclusion that discrimination does play a role.

Francine Blau:

Given time limitations, I won't go through all these studies, but one really interesting one is a study that found when symphony orchestras began to adopt what they call blind auditions for musicians, and that was where a screen was used to conceal the identity of the candidate and his or her sex, these blind audition substantially increased the probability that women would advance out of preliminary rounds and be winners in the final round.

Michael Klein:

Yeah, I'm familiar with that study. I learned that they also had to ask people to take off their shoes because the judges were able to tell the difference if somebody was walking in high heels or wingtips.

Francine Blau:

Just shows how important it is to pay attention to all these details, that's right. But I would also mention that beyond discrimination, just to give you a feeling for what other factors might be involved, are things like psychological differences between men and women. For example, it's been found on average that women are less willing to negotiate and compete than men are, but I would also point out that women, on average, have better interpersonal or people skills than men and that would be something that would boost their pay. The situation is a bit murky and most of the estimates suggest while the psychological factors could play a role, the role they play is relatively small.

Francine Blau:

I'd also like to point out that to the extent such differences exist, we certainly don't know if they're due to societal expectations or ingrained or innate. This is a subject of debate. But one other thing I would like to point out is that when women act the same way as men, they aren't necessarily always treated the same. When a woman departs from the traditional gender role to negotiate or to be more competitive, she doesn't necessarily get the same benefit that a man does.

Michael Klein:

So even with the caveats, I guess you would say that the evidence supporting the presence of gender discrimination is pretty robust.

Francine Blau:

Yes, I would say so.

Michael Klein:

What about, Fran, the issue of a glass ceiling that prevents women from rising too high in businesses and corporations?

Francine Blau:

Yes, that's a complicated question and we touched on a little bit before when we were talking about high-skilled women. One factor that especially comes up here is what some people refer to as the pipeline. Women are perhaps in some areas relative newcomers and it takes a while for them to work their way up. Although, people have pointed out that women aren't such newcomers as they were at one time. I personally feel, as I mentioned, that discrimination is an important factor.

Francine Blau:

I would like to point out too, here and in all the contexts we're discussing, discrimination doesn't have to be conscious and overt. I think today in particular, a lot of discrimination has retreated to be not explicitly mentioned. People don't say, "Oh, don't hire her because she's a woman." Some of it may even be unconsciously, people might, "Well, I just don't think she would fit in here as well."

Francine Blau:

On the other side, it is true that the career-family trade off can play an important role here. There's some evidence that to the extent women demand or desire greater workplace flexibility in terms of how many hours they work, maybe some brief workforce interruptions or when they do the work, that actually results in a penalty for them relative to workers who are available for longer hours. This seems to be especially the case in fields like law and business.

Michael Klein:

Fran, your work and the work of others has been really influential within the economics profession in raising issues of gender disparity. Have you seen policies put in place that were informed by this research? What role have you found that economists, and in particular, your own research may have played in shaping policy?

Francine Blau:

I have seen quite a few references to my work and work of other scholars in this area when policy issues are discussed and debated. In fact, a high point for Larry and me was a very important court decision, which specifically cited a paper of ours as the major source in making the determination. Oh, and let me also mention, the court decision is kind of part of this, but there's debates over new policies, but there's also issues of the strength of the enforcement of existing policies. I think to the extent that our work documents discrimination, it suggests how important it is to continue to enforce our anti-discrimination laws.

Michael Klein:

That must've been very rewarding to see your research have that kind of impact.

Francine Blau:

It was.

Michael Klein:

You were a pioneer for women in the economics profession. Your daughter, Lisa Kahn, is also renowned labor economist at the University of Rochester. I'm glad to say she's contributed some really great memos to Econofact. As you watched her progress through the profession, did you find that things were better for women of her generation than for you and women in your cohort?

Francine Blau:

I think so, Michael. One thing that was important, one important difference, is just the representation of women. When I got my PhD, women were getting about 7% of the PhDs in economics, and now it's about 30%. That does fall short of what we would like to see, but it really makes a big difference in terms of how comfortable you are during the graduate program, how you interact. I also felt from watching her that her classmates were a bit more open to having a female colleague. When I was a student, study groups were a problem. I was even, believe it or not, asked outright a number of times what I was doing there, taking the place of a man.

Michael Klein:

The question that was posed to Ruth Bader Ginsburg apparently when she started law school as well.

Francine Blau:

That's right.

Michael Klein:

And despite the progress that you cite, the economics profession still struggles with gender discrimination. In January of 2020, Ben Bernanke, who had just completed his term as the president of the American Economic Association, and Janet Yellen, who is his successor, said that there was a problem. While saying it was too soon to tell whether there was progress in terms of outcomes, they did say that this heightened awareness led to progress in terms of processes. Would you agree with that?

Francine Blau:

Yes, I agree with both. I do agree that there is still a problem, and in fact, I would like to mention we've had some incredibly powerful recent studies highlighting gender differences in treatment in the economics profession, but I think it is just incredibly important, it cannot be overestimated that the American Economics Association is now strongly behind countering discrimination against women, and minorities as well, as well as issues related to sexual preferences and identity. The importance of this just cannot be overstated. They are changing, putting processes in place to reduce this discrimination. Also, in terms of the representation of women, two out of the three most recent presidents of the AEA have been women. That's really powerful.

Michael Klein:

Well, maybe that's a good blueprint for other organizations and businesses to follow. Fran, I want to thank you very much for taking the time to speak with me today. I would also say thank you for the work that you've done on this really important issue over decades, where you've had a big influence not only on other scholars in the economics profession, but on public policy.

Francine Blau:

Thank you so much, Michael. I really enjoy talking to you and I really appreciate your kind words.

Michael Klein:

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