# THE SIMPLE TRUTH ABOUT THE GENDER PAY GAP

## 2021 UPDATE

AAUW

## THE IMPACT OF COVID-19 ON WOMEN AND THE WORKFORCE

When the COVID-19 pandemic reached the United States in early 2020, the effects on women and their economic security were immediately apparent. The unemployment rate for women rose more dramatically than for men, and the percentage of women in the labor force fell to the lowest it has been in decades.[1] What's more, existing inequalities exacerbated the problem for certain populations. Women of color, low-wage workers and mothers lost jobs at considerably higher rates than other groups.

In 2018, women made up about two-thirds of the low-wage workforce overall.[2] During the pandemic, the lowest-paying occupations suffered a disproportionate share of job losses: In 2020, 80% of job losses were among the lowest quarter of wage earners.[3] Women also lost a disproportionate number of jobs within those low-paying sectors. In the leisure and hospitality fields, for example, 20.4% of workers lost jobs during the downturn, but Black, Hispanic and Asian women workers were overrepresented in the losses within that sector.[4]

Now, as some job recovery begins, women are not realizing the same gains as men. Job gains are slow to reach women of color, and 1.5 million mothers still had not returned to the workforce as of April 2021.[5] Those women who are returning to the workforce are predominately looking for work (97%) while most men who are returning are already employed (88%).[6]

**The dramatic shift in the people who make up the labor force is affecting how the gender pay gap is reported. Women who have lost their jobs—a significant portion of whom are low-wage earners—are not included in this year's calculation of the gender pay gap. For that reason, the gap seems to be slightly smaller than it was in years past. In fact, women and their families are more economically insecure.**

The impact of women's unemployment is far-reaching. Time out of the workforce affects lifetime earnings, and many employers still rely on previous wages to set salaries—an outdated practice that has been shown to reinforce pay discrimination. As a result, women's unemployment could compound the gender and racial pay gaps—which are persistent contributors to economic inequity—for years to come.

# CALCULATING THE GENDER PAY GAP

An analysis of newly released figures from the U.S. Census Bureau and the Bureau of Labor Statistics shows that overall in 2020 women were paid just 83 cents for every dollar paid to a man.[7]

**Figure 1. Calculating the Gender Pay Gap**

| Earnings Ratio | Pay Gap |
|---|---|
| Earnings Ratio= $\frac{\text{Women's median earnings}}{\text{Men's median earnings}}$ | Pay Gap= $\frac{\text{[Men's median earning - Women's median earnings]}}{\text{Men's median earnings}}$ |
| 2020 Earnings Ratio = $\frac{\$50,982}{\$61,417}$ = .8301 = 83% | 2020 Pay Gap = $\frac{[\$61,417 - \$50,982]}{\$61,417}$ = .1699 = 17% |

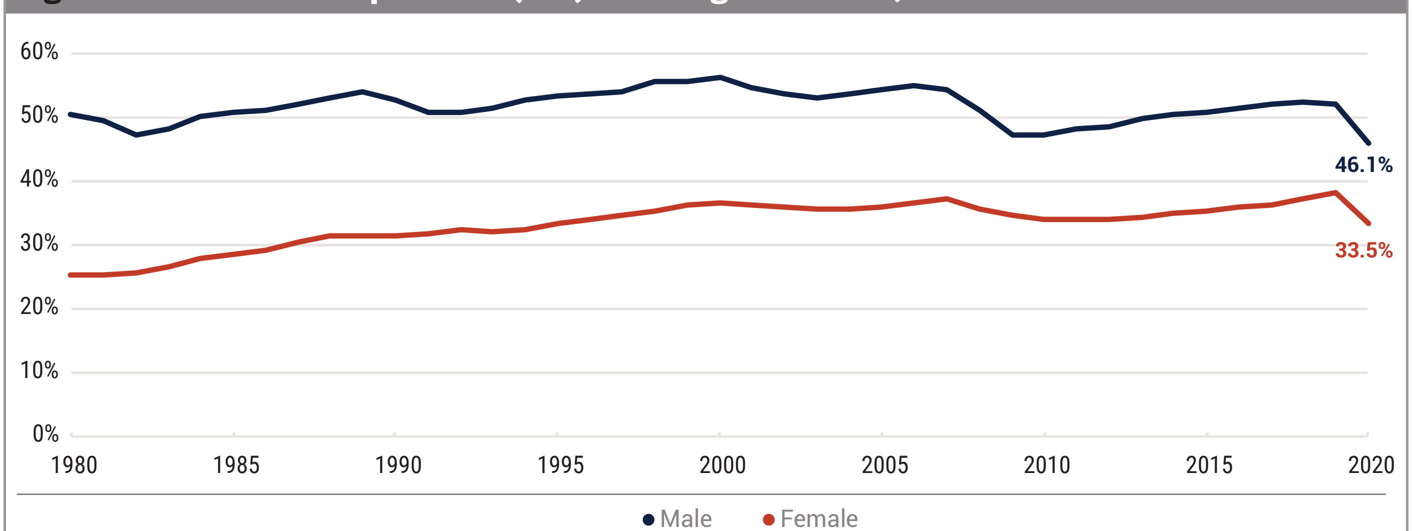
Source: Census Estimates - Personal Income in 2020 by Gender, Race, and Hispanic Origin (https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-05.html)

The 2020 pay gap figures reflect a slight narrowing: In 2019, on average women took home 82.3 cents for every dollar paid to men, compared to 83 cents in 2020. But that number and the apparent change is misleading given the massive shifts in the American labor force during the COVID-19 pandemic. It reflects who was able to retain employment during a tumultuous year—a disproportionate share of higher-wage workers.[8]

What's most important in understanding this year's data is the difference in the share of the population in the full-time, year-round labor force. The earnings ratio is determined by dividing women's median earnings by men's median earnings. That calculation does not include people who lost their jobs—and therefore had no earnings at all.

While median earnings rose for both men and women working full-time in 2020, median household income fell by 2.9% as millions lost their jobs.[9] Overall, the share of men working full-time, year-round fell from 52.2% in 2019 to 46.1% in 2020—a 6.1 percentage point change. During the same period, the share of women working full-time, year-round fell from 38.2% to 33.5%—a 4.7 percentage point change.[10] Since low-wage working women were most likely to lose their jobs, removing them from the calculation artificially inflates the earnings ratio, making it seem like the pay gap closed faster than it likely did.[11] In reality, the COVID-19 pandemic left women far worse off.

**Figure 2. Percent of Population (15+) Working Full-Time, Year-Round**




Data Sources: 1980-2019: IPUMS-CPS (ASEC sample) 1981-2020, University of Minnesota, www.ipums.org, 2020: March 2021 Annual Social and Economic Supplement (ASEC) microdata, https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html.

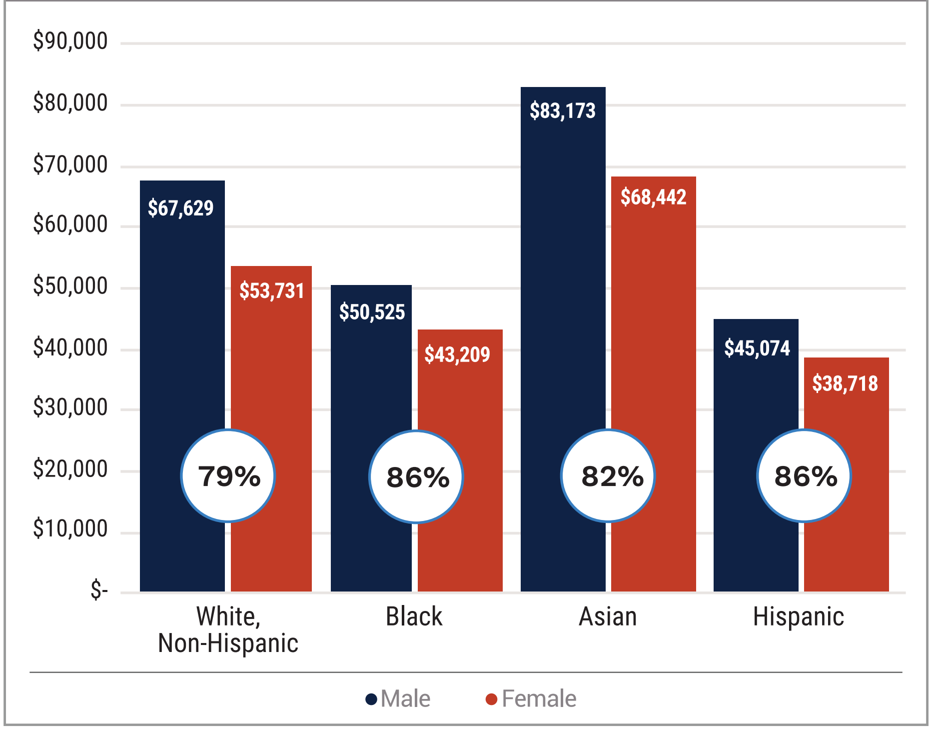
# THE IMPACT OF RACE ON THE GENDER PAY GAP

The overall gender pay gap is useful for understanding the impact of gender on women's pay, but there is no single gender or racial pay gap since women of different backgrounds have very different experiences and earnings. However, across all racial and ethnic groups, women working full-time are typically paid less than men in the same group.

Noting the constraints of this year's data discussed above, the racial pay gaps between Black and Hispanic women and white, non-Hispanic men closed slightly. The pay gap stayed the same for white women as compared to white, non-Hispanic men. It is not possible to compare this year's pay gap between Asian women and white, non-Hispanic men with last year's due to limitations in this year's data collection. White women were paid 79% of white, non-Hispanic men's wages in 2020, the same ratio as in 2019; Black women were paid 64% of white, non-Hispanic men's wages in 2020, compared to 63% in 2019; and Latinas were paid 57% of white, non-Hispanic men's wages in 2020, compared to 55% in 2019.[12] This reflects a hint of movement, but not enough to make a difference in women's wallets. There is also a pay gap between men and women *within* each racial and ethnic group.

In addition to the variation in the pay gap among races, the past year also brought about uneven job loss. Between 2019 and 2020, workers of all races and genders lost jobs, but not equally. Asian and Hispanic women were the hardest hit. The share of Asian women working full-time declined by 6.5 percentage points (falling from 39.8% to 33.2% of the population); Hispanic women experienced the greatest losses—a 6.9 percentage-point drop (falling from 36.7% to 29.8% of the population).

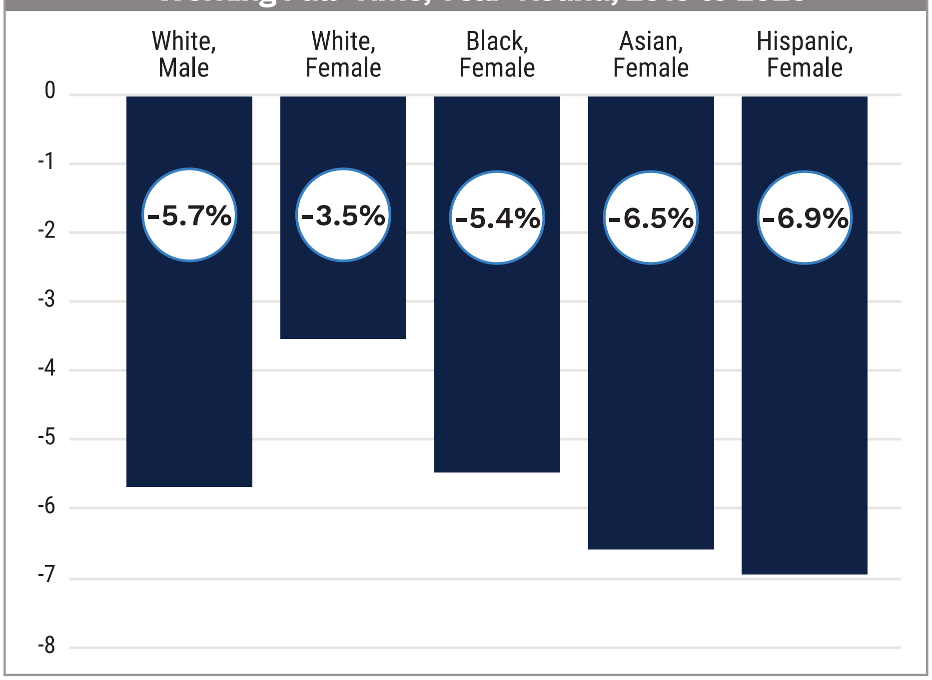
**Figure 3. Median Annual Earnings, by Race/Ethnicity and Gender, 2020**




Source: Census Estimates - Personal Income in 2020 by Gender, Race, and Hispanic Origin (https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-05.html)

This year's data does not include Native Hawaiian and Pacific Islander individuals, who are usually included when calculating the wage gap for Asian women. Without them, the Asian women's wage gap is much smaller than normal.

**Figure 4. Percentage Point Change in Share of Population (15+) Working Full-Time, Year-Round, 2019 to 2020**




Data Sources: 2019: IPUMS-CPS (ASEC Sample) 2020, University of Minnesota, www.ipums.org, 2020: March 2021 Annual Social and Economic Supplement (ASEC) microdata, https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html.

# WHAT'S BEHIND THE PAY GAP AND HOW IS THE PANDEMIC EXACERBATING THE ISSUE?

The economic repercussions of the COVID-19 pandemic have disproportionately hurt women and the families who depend on their income. The pandemic did not create new inequalities; it simply cast a bright light on disparities that have existed for generations.

The origins of the pay gap are complicated: The interwoven forces of discrimination, pervasive sexism and systemic racism translate to different genders having varying experiences and taking alternate paths through education and training. This means that women are often steered into particular fields and even specialties within fields. Societal expectations about gender roles also come into play, as do general biases based on outdated stereotypes. Depending on race, ethnicity, socio-economic background, gender orientation and other factors, women face a variety of barriers that limit their opportunities.

**Work done by women is undervalued.** Occupational segregation—that is, when one gender is overrepresented in a particular sector or field—accounts for as much as 51% of the difference between women's and men's wages.[13] Workers in women-dominated fields are paid lower salaries than workers in fields dominated by men, even when the jobs require the same level of skill, education and training.

**Women are more likely to work in lower-paying jobs.** In fact, they make up about two-thirds of the nation's low-wage workforce.[14] Not only do these jobs pay poorly, but they are generally less stable and less likely to offer employee benefits, such as sick leave, health insurance and paid time off.

**Because caregiving responsibilities still fall disproportionately to mothers, women are more likely to take time out of the workforce, scale back their hours or postpone advancement opportunities. This has been especially true during the pandemic. Leaving the labor force to do unpaid care work limits women's advancement and corresponding pay increases, contributing to the gender pay gap.**

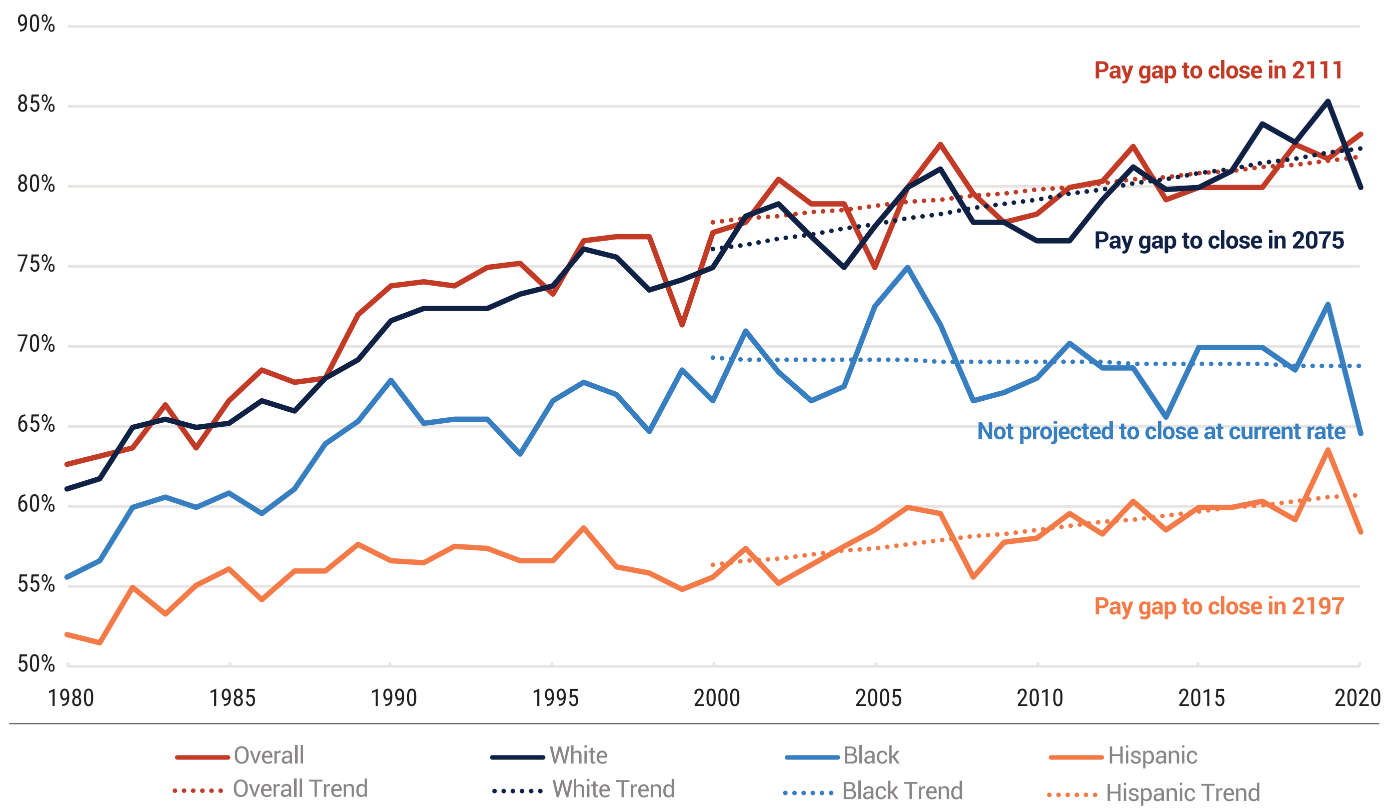
**Mothers face discrimination in the form of the "motherhood penalty."** Employers are less likely to hire women with children (including those who never left the workforce), and they offer mothers lower salaries and fewer promotions than they offer to women without children. Meanwhile, fathers make 119% of what men without children earn.[15] And the wage gap between mothers and fathers is far worse than that between men and women as a whole. Research suggests that the motherhood penalty results from employers expecting mothers to be less competent, less dependable, and less committed to their jobs. Cultural ideals of motherhood are largely incompatible with those of the "ideal worker"; cultural ideals of fatherhood are not.[16]

**Caregiving expectations suppress women's earnings over time.** Because caregiving responsibilities fall disproportionately to mothers, women are more likely to take time out of the workforce, scale back their hours or postpone advancement opportunities. This has been especially true during the pandemic. At the onset of the pandemic, the share of mothers actively working dropped 21.1 percentage points, while the share of fathers dropped 14.7 percentage points.[17] By January 2021, working mothers still had not recovered, with 1.4 million fewer mothers with school-age children working compared to January 2020.[18] Women also shoulder a disproportionate burden of elder care responsibilities: About 25% of women aged 45-64 care for an older relative.[19] Being forced to leave the labor force to do unpaid care work limits women's advancement and corresponding pay increases, contributing to the gender pay gap.

# CLOSING THE GAP

Pay inequity is a structural problem that demands structural solutions. At the current rate, the overall pay gap will not close until 2111. If we break that out by race and ethnicity, the future is far bleaker. The pay gap for many women of color is not only wider than the overall gender pay gap, but it is also closing more slowly. And for Black women, the trend is actually moving in the wrong direction with no end in sight. To upset this trend line, policymakers and employers must take the lead in closing the pay gap.

**Figure 5. Women's Median Annual Earnings as a Percentage of White, non-Hispanic Men's for Full-time, Year-Round Workers, and Projections using the 2000-2020 Trends**




Data Sources: 1980-2019: IPUMS-CPS (ASEC sample) 1981-2020, University of Minnesota, www.ipums.org, 2020: March 2021 Annual Social and Economic Supplement (ASEC) microdata, https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html.

- Congress should pass the Paycheck Fairness Act, which would update and strengthen the Equal Pay Act of 1963; the Pay Equity for All Act, which would prohibit employers from using salary history to set pay; and the Fair Pay Act, which would require employers to provide equal pay for jobs of equivalent value to help reduce the impact of occupational segregation.
- Congress should pass comprehensive paid leave, such as the Family and Medical Insurance Leave (FAMILY) Act, which would create a national paid family and medical leave insurance program for all workers, and the Healthy Families Act, which would guarantee paid sick leave. Congress should also invest in affordable child care.
- Congress must raise the minimum wage. Passing the Raise the Wage Act of 2021 would gradually increase the minimum wage to $15 by 2025. Adult women make up the majority of minimum-wage workers. A $15 minimum wage would help narrow the pay gap and represents an important legislative step to reducing poverty for millions of women workers.
- Policymakers should also protect and expand Pell grants for low-income students, champion tuition- and debt-free options for students, support income-driven repayment options and allow for expanded public-interest loan-forgiveness programs.

- The pay data collected through the U.S. Equal Employment Opportunity Commission's (EEOC) EEO-1 form—a useful tool for identifying trends in pay disparities based on sex, race and ethnicity—should be analyzed and consistently prioritized in the future.
- As states wait for Congressional action, they should enact or reform their own pay equity laws. Nearly every state has a law prohibiting employers from paying workers differently based solely on their gender. But many of these laws are limited in scope or not enforced. Every state has room to make its legislation stronger.
- Employers should conduct regular pay audits, post salary ranges for jobs, eliminate the use of salary history in setting wages and prohibit retaliation against employees for discussing, disclosing or inquiring about their wages.
- Individuals can help to negotiate their own financial futures by taking an AAUW Work Smart salary negotiation course in-person or online.

**As women workers strive to recover from the pandemic, they need support. Adequate paid leave and reliable childcare are paramount. However, to battle economic insecurity, they also need expanded unemployment compensation, a higher minimum wage, nutrition and food assistance programs, housing assistance and relief from crushing student debt. Frontline workers are risking their lives. The least we can do is ensure that they are adequately and fairly compensated for their work.**

**AAUW thanks Jessamyn Schaller, Ph.D., for her contributions to the research and analysis in this report.**

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