



**Testimony of Lisa M. Maatz
Director Public Policy and Government Relations
American Association of University Women**

before the

United States Joint Economic Committee

Hearing on

**“Equal Pay for Equal Work?
New Evidence on the Persistence of the Gender Pay Gap”**

April 28, 2009

Chairwoman Maloney and members of the Committee, thank you for the opportunity to testify today on the critical issue of pay equity.

I am the Director of Public Policy and Government Relations at the American Association of University Women. Founded in 1881, AAUW has approximately 100,000 members and 1300 branches nationwide. AAUW has a proud 127-year history of breaking through barriers for women and girls, releasing its first report on pay equity in 1913. Today, AAUW continues its mission through education, research, and advocacy.

I am particularly pleased to be here to talk about pay equity, not simply because today is Equal Pay Day, but also because AAUW believes it's critical these tough economic times aren't used as an excuse to roll back the hard fought gains women have made. Instead, policy makers need to ensure that women workers – *all* workers – don't just survive the downturn but continue the march toward fair pay and workplace opportunity. Empowering women is one investment that always pays long-term dividends, not only for the women themselves but their families and the entire nation as well.

As the recession continues, women are increasingly becoming the sole breadwinners of their families – making pay equity not just a matter of fairness but the key to families making ends meet. The American Recovery and Reinvestment Act, signed into law in February, is intended to save or create 3.5 million jobs over the next two years. According to a White House report, an estimated 42 percent of the jobs created – nearly 1.5 million – are likely to go to women.¹ The

¹ Jared Bernstein and Christina Romer. *The Job Impact of the American Recovery and Reinvestment Act*. Retrieved March 5, 2009, from http://otrans.3cdn.net/ee40602f9a7d8172b8_ozm6bt5oi.pdf.

recovery package clearly is counting on women to play a leading role in the nation's economic recovery, and their ability to do so is strengthened considerably when women's paychecks are a fair reflection of their work. In fact, this is just one of the reasons why new legislation strengthening pay equity laws is not only necessary but timely, amounting to an "equity" economic stimulus.

I am also pleased to share findings from AAUW's research report, *Behind the Pay Gap*. Our report provides reliable evidence that sex discrimination in the workplace continues to be a problem for women, including young college-educated women. I will also discuss pending legislation that we believe could make real progress in closing the pay gap between men and women, as well as how the wage gap generally affects women – especially mothers.

The Wage Gap Persists

According to the U.S. Census Bureau and Bureau of Labor Statistics, women who work full time earn about 78 cents for every dollar men earn.² Because of the wage gap, since 1960, the real median earnings of women have fallen short by more than half a million dollars compared to men.³ Minority women face a larger wage gap. Compared to white men, African American women make 67 cents on the dollar (African American men make 78 cents); Hispanic women make about 58 cents (Hispanic men make almost 66 cents).⁴

In addition, wage discrimination lowers total lifetime earnings, thereby reducing women's benefits from Social Security and pension plans and inhibiting their ability to save not only for retirement but for other lifetime goals such as buying a home and paying for a college education. New research calculates that the pay inequity shortfall in women's earnings is about \$210,000 over a 35-year working life.⁵

Origins of the Wage Gap

One partial explanation for the wage gap is occupational segregation. According to AAUW research, women are still pigeonholed in "pink-collar" jobs that tend to depress their wages. AAUW's 2003 report, *Women at Work*, found that women are still concentrated in traditionally female-dominated professions, especially the health and education industries. The highest proportion of women with a college education work in traditionally female occupations: primary and secondary school teachers (8.7 percent) and registered nurses (6.9 percent).⁶

A 12-state analysis based on data from the Department of Education found that women tend to be overwhelmingly clustered in low-wage, low-skill fields. For example, women constitute 98 percent of students in the cosmetology industry, 87 percent in the child care industry, and 86

² U.S. Census Bureau and the Bureau of Labor Statistics. (August 2008). *Annual Demographic Survey*. Retrieved December 11, 2008, from http://pubdb3.census.gov/macro/032008/perinc/new05_000.htm.

³ National Committee on Pay Equity. (September 2007). *The Wage Gap Over Time: In Real Dollars, Women See a Continuing Gap*. Retrieved December 11, 2008, from <http://www.pay-equity.org/info-time.html>.

⁴ U.S. Census Bureau and the Bureau of Labor Statistics. (August 2008). *Annual Demographic Survey*. Retrieved December 11, 2008, from http://pubdb3.census.gov/macro/032008/perinc/new05_000.htm.

⁵ Institute for Women's Policy Research. (July 2008). *Improving Pay Equity Would Mean Great Gains for Women*. Retrieved December 11, 2008 from <http://www.iwpr.org/pdf/payequityrelease.pdf>.

⁶ AAUW Educational Foundation. (March 2003). *Women at Work*. Washington, DC.

percent in the health aide industry. In high-wage, high-skill fields, women fall well below the 25 percent threshold to qualify as a “nontraditional field.” For example, women account for 10 percent in the construction and repair industry, 9 percent of students in the automotive industry, 6 percent in the electrician industry, and 6 percent in the plumbing industry.⁷

Women’s achievements in higher education during the past three decades are considered to be partly responsible for narrowing the wage gap.⁸ But at every education level, women continue to earn less than similarly educated men. Educational gains have not yet translated into full equity for women in the workplace.

The AAUW Report: Behind the Pay Gap

In our report, *Behind the Pay Gap*, AAUW found that just one year after college graduation, women earn only 80 percent of what their male counterparts earn. Even women who make the same choices as men in terms of major and occupation earn less than their male counterparts. Ten years after graduation, women fall further behind, earning only 69 percent of what men earn. After controlling for factors known to affect earnings, a portion of these pay gaps remains unexplained and is likely due to discrimination.

The study is based on nationally representative surveys conducted by the Department of Education. AAUW’s research uses the Baccalaureate and Beyond Longitudinal Study, a nationally representative data set of college graduates produced by the Department of Education. This data set is unique because it is designed to follow bachelor’s degree recipients as they navigate the workplace, graduate school and other life changes such as having a family. The research examines two sets of college graduates: men and women who graduated in 1999-2000, and men and women who graduated in 1992-93; we also limited our analysis to those who earned their first bachelor’s degree at age 35 or younger.

The 1999-2000 graduates were chosen because they were the most recent graduates interviewed in the year after graduation. By looking at earnings just one year out of college, we believe you have as level a playing field as possible. These employees don’t have a lot of work experience and, for the most part, don’t have caregiving obligations, so you’d expect there to be very little difference in the wages of men and women. The 1992-1993 graduates were chosen so that we could analyze earnings ten years after graduation.

The pay gap can only be partially explained by differences in personal choices. Despite some gains, many majors remain strongly dominated by one gender. Female students are concentrated in majors that are associated with lower earnings, such as education, health, and psychology. Male students dominate the higher-paying majors: engineering, mathematics, physical sciences, and business. Both women and men who majored in “male-dominated” majors earn more than those who majored in “female-dominated” or “mixed-gender” majors.

⁷ National Women’s Law Center. (2005). *Tools of the Trade: Using the Law to Address Sex Segregation in High School Career and Technical Education*. Retrieved December 11, 2008, from <http://www.nwlc.org/pdf/NWLCToolsOfTheTrade05.pdf>.

⁸ See, for example, Blau, Francine and Lawrence Khan. *The Gender Pay Gap: Going, Going ... But not Gone*. Paper presented at the Cornell University Inequality Symposium, October 2002.

The choice of major is not the full story, however, as a pay gap between recently graduated women and men is found in nearly every field and in every occupation. Women full-time workers earn less than men full-time workers in nearly every major, although the size of the gap varies. In education, a female-dominated major and occupation, women earn 95 percent as much as their male colleagues earn. In biology, a mixed-gender field, women earn only 75 percent as much as men earn, just one year after graduation.

The kinds of jobs that women and men accept also account for a portion of the pay gap. While the choice of major is related to occupation, the relationship is not strict. For example, some mathematics majors teach, while others work in business or computer science. It is important to bear in mind that such choices themselves can be constrained in part by biased assumptions regarding appropriate career paths for men and women. Other differences in type of jobs also affect earnings. For example, women are more likely than men to work in the nonprofit and public sectors, where wages are typically lower than in the for-profit sector.

AAUW's analysis showed that men and women's different choices can explain only some of the pay gap. After controlling for factors like major, occupation, industry, sector, hours worked, workplace flexibility, experience, educational attainment, enrollment status, GPA, institution selectivity, age, race/ethnicity, region, marital status and children, a five percent difference in the earnings of male and female college graduates is unexplained. It is reasonable to assume that this difference is the product of discrimination.

Discrimination is difficult to measure directly. It is illegal, and furthermore, most people don't recognize discriminatory behavior in themselves or others. This research asked a basic but important question: If a woman made the same choices as a man, would she earn the same pay? The answer is no.

Ten years after graduation, the pay gap widens. AAUW's analysis found that, ten years after graduation, the pay gap widened – so much so that female full-time workers earned only 69 percent of what their male peers earned.

Ten years out, the pay gap within occupations also increased. For example, in engineering and architecture, where wages were at parity one year out of college, we now see that women earn only 93 percent of what their male counterparts earn. In business and management, the pay gap widens, with women earning 69 percent of men's wages, compared to 81 percent one year out. Strikingly, women did not make gains in any fields compared to their male counterparts.

Similar to what we saw one year out of college, this pay gap can only partially be explained as a result of women's characteristics and choices. In terms of occupation, women and men remained segregated in the workforce over time, and the difference in earnings among occupations grew over this time period. Women also continued to be much more likely to work in the lower-paying non-profit sector. Among full-time workers, women reported working fewer hours than men, and their employment and experience continuity also differed from men. These choices were associated with wage penalties.

It is important to note that what we are calling women's "choices" are often constrained and need to be looked at in context. When women earn less most couples are likely to prioritize the higher-earning husband's well-being and career path in relation to child care, choice of residence, and other household decisions. When women are married, this trade-off may be worthwhile; however, nearly one half of women did not live with a husband in 2005.⁹ While most women marry at some point, most also spend a large part of their lives on their own. Women are also much more likely than men to be single parents.¹⁰ Therefore the presumption of the presence of a higher earning mate is often a false one. It is important for us to remember that lower pay for women means fewer resources for their children today and women's retirement tomorrow.

Women are investing in higher education, but not receiving the same salaries as men.

Choices made in college affect earnings ten years later. College selectivity matters for men and women, but gender differences were more pronounced. Strikingly, a woman who earned a degree from a highly selective institution had lower earnings than men with degrees from highly selective institutions or moderately selective schools, and about the same pay as a man who attended a minimally selective college. Both women and men invest a great deal of financial resources in their college educations, and often graduate with substantial student loans. AAUW's research suggests that a woman's investment in attending a highly selective school – which is typically more expensive – does not pay off for her in the same way it does for her male counterparts.¹¹ Further, because of the pay gap, women often have a harder time paying off their student loans.

Ten years out, the unexplained portion of the pay gap widens. AAUW's analysis showed that while choices mattered, they explained even less of the pay gap ten years after graduation. Controlling for a similar set of factors, we found that ten years after graduation, a twelve percent difference in the earnings of male and female college graduates is unexplained and attributable only to gender.

The pay gap among full-time workers understates the lifetime difference in the earnings of women and men. The impact of personal choices such as parenting has profoundly different effects on men and women. Ten years after graduation, 23 percent of mothers in this sample were out of the work force, and 17 percent worked part-time. Among fathers, only 1 percent were out of the work force, and only 2 percent worked part-time. Stay-at home dads in this study appear to be a rare breed. We know that most mothers return to the workforce, and hence it is reasonable to assume that the pay gap between men and women will widen as mothers return to full-time employment, driving down average earnings for women.

Interestingly, motherhood is not the driving factor behind the wage gap among women working full-time ten years after graduation.¹² That is, mothers who were in the workforce full-time did not earn less than other women also working full-time, controlling for other factors such as occupation and major.

⁹ AAUW Educational Foundation. (2007). *Behind the Pay Gap*, by Catherine Hill and Judy Goldberg Dey. Washington, DC.

¹⁰ American Community Survey; http://factfinder.census.gov/servlet/STTable?_bm=y&-geo_id=01000US&-qr_name=ACS_2005_EST_G00_S1101&-ds_name=ACS_2005_EST_G00_

¹¹ AAUW Educational Foundation. (2007). *Behind the Pay Gap*, by Catherine Hill and Judy Goldberg Dey. Washington, DC.

¹² This is in keeping with research that shows that a "motherhood penalty" applies to most women but less to women who maintain continuous work force attachment (Lundberg & Rose, 2000).

The Search for Solutions to the Pay Gap

First, it must be publicly recognized as a serious problem. Too often, both women and men dismiss the pay gap as simply a matter of differing personal choices. While choices about college major and jobs can make a difference, individuals cannot simply avoid the pay gap by making different choices. Even women who make the same occupational choices as men will not end up with the same earnings. If “too many” women make the same occupational choice, resulting in job segregation, earnings can be expected to decline.

Women’s progress throughout the past 30 years attests to the possibility of change. Before the Equal Pay Act of 1963, Title IX of the Education Amendments of 1972, Title VII of the Civil Rights Act of 1964, and the Pregnancy Discrimination Act of 1978, employers could – and did – refuse to hire women for occupations deemed “unsuitable,” fire women when they became pregnant, openly pay differently based on sex, or limit women’s work schedules simply because they were female. Schools could – and did – set quotas for the number of women admitted or refuse women admission altogether. In the decades since these civil rights laws were enacted, women have made remarkable progress in fields such as law, medicine, and business. Thirty years ago the pay gap was attributed to the notion that women’s education and skills just didn’t “measure up.” If that was ever the case, it certainly isn’t true now.

Unfortunately, women’s educational gains – ironically likely motivated in part by women’s desire for economic security¹³ – have *not* translated into equal pay for women in the workforce. In fact, while a college degree does absolutely increase women’s earnings, the pay gap remains larger for college graduates than the population as a whole.¹⁴

AAUW’s research report provides strong evidence that sex discrimination still exists in the workplace and that this discrimination is not disappearing on its own. It’s clear that existing laws have failed to end the inequities that women face in the workplace. AAUW believes we must take stronger steps to address this critical issue. While enactment of the Lilly Ledbetter Fair Pay Act was a critical first step, restoring the ability of working women to have their day in court to combat wage discrimination, additional legislation is needed to truly make real progress on pay equity.

The Paycheck Fairness Act

AAUW applauds Congress and the Obama Administration for moving quickly to pass the Ledbetter Fair Pay Act. However, the Ledbetter bill is only a down payment on the real change needed to close the pay gap. The next critical step is for the Senate to pass the Paycheck Fairness Act (S. 182/H.R. 12); the House already passed the measure in January 2009 by an even stronger vote (256-163) than the Ledbetter bill (247-171).

Passing both bills is critical to the overall goal of achieving pay equity for all. The Lilly Ledbetter Fair Pay Act amended Title VII of the Civil Rights Act of 1964 and righted the wrongs

¹³ DiPrete, Thomas A., & Claudia Buchmann. (2006, February). Gender-specific trends in the value of education and the emerging gender gap in college completion. *Demography*, 43(1), 1-24.

¹⁴ Authors calculation from tables produced by the U.S. Department of Labor, Bureau of Labor Statistics. (2006). Median Usual Weekly Earnings, Employed Full Time, Wage and Salary Workers, 25 Years and Older. Retrieved April 16, 2007 from <http://www.bls.gov/cps/>.

done by the Supreme Court, regaining ground we'd lost. Ledbetter was a narrow fix that simply returned legal practices and EEOC policies to what they were the day before the *Ledbetter* decision was issued in 2007 – nothing more, nothing less. The Paycheck Fairness Act is a much needed update of the 45-year-old Equal Pay Act, closing longstanding loopholes and strengthening incentives to prevent pay discrimination. Together, these bills can help to create a climate where wage discrimination is not tolerated, and give the administration the enforcement tools it needs to make real progress on pay equity.

Background on the Equal Pay Act of 1963

This law requires that men and women be given equal pay for equal work in the same place of business or establishment. The jobs do not have to be identical, but they must be substantially equal. It is job content – not job titles – that determines whether jobs are substantially equal. Pay differentials are permitted only when they are based on seniority, merit, quantity or quality of production, or a factor other than sex. It is important to note that when correcting a pay differential, no employee's pay may be reduced. Instead, the pay of the lower paid employee(s) must be increased. While laudable in its goals, the Equal Pay Act of 1963 has never lived up to its promise to provide “equal pay for equal work.”

What will the Paycheck Fairness Act do?

The Paycheck Fairness Act is a comprehensive bill that strengthens the Equal Pay Act by taking meaningful steps to create incentives for employers to follow the law, empower women to negotiate for equal pay, and strengthen federal outreach and enforcement efforts. The bill would also deter wage discrimination by strengthening penalties for equal pay violations, and by prohibiting retaliation against workers who inquire about employers' wage practices or disclose their own wages. The Paycheck Fairness Act would:

- **Close a loophole in affirmative defenses for employers:** The legislation clarifies acceptable reasons for differences in pay by requiring employers to demonstrate that wage gaps between men and women doing the same work have a business justification and are truly a result of factors other than sex.
- **Fix the “Establishment” Requirement:** The bill would clarify the establishment provision under the Equal Pay Act, which would allow for reasonable comparisons between employees within clearly defined geographical areas to determine fair wages. This provision is based on a similar plan successfully used in the state of Illinois.
- **Prohibit Employer Retaliation:** The legislation would deter wage discrimination by prohibiting retaliation against workers who inquire about employers' wage practices or disclose their own wages (NOTE: employees with access to colleagues' wage information in the course of their work, such as human resources employees, may still be prohibited from sharing that information.) This non-retaliation provision would have been particularly helpful to Lilly Ledbetter, because Goodyear prohibited employees from discussing or sharing their wages. This policy delayed her discovery of the discrimination against her by more than a decade.

- **Improve Equal Pay Remedies:** The bill would deter wage discrimination by strengthening penalties for equal pay violations by providing women with a fair option to proceed in an opt-out class action suit under the Equal Pay Act, and allowing women to receive punitive and compensatory damages for pay discrimination. The bill's measured approach levels the playing field by ensuring that women can obtain the same remedies as those subject to discrimination on the basis of race or national origin.
- **Increase Training, Research and Education:** The legislation would authorize additional training for Equal Employment Opportunity Commission staff to better identify and handle wage disputes. It would also aid in the efficient and effective enforcement of federal anti-pay discrimination laws by requiring the EEOC to develop regulations directing employers to collect wage data, reported by the race, sex, and national origin of employees. The bill would also require the U.S. Department of Labor to reinstate activities that promote equal pay, such as: directing educational programs, providing technical assistance to employers, recognizing businesses that address the wage gap, and conducting and promoting research about pay disparities between men and women.
- **Establish Salary Negotiation Skills Training:** The bill would create a competitive grant program to develop salary negotiation training for women and girls.
- **Improve Collection of Pay Information:** The bill would also reinstate the Equal Opportunity Survey, to enable targeting of the Labor Department's enforcement efforts by requiring all federal contractors to submit data on employment practices such as hiring, promotions, terminations and pay. This survey was developed over two decades and three presidential administrations, was first used in 2000, but was rescinded by the Department of Labor in 2006.

The Paycheck Fairness Act maintains the protections currently provided to small businesses under the Equal Pay Act, and updates its remedies and protections using familiar principles and concepts from other civil rights laws. These new provisions are not onerous and are well-known to employers, the legal community, and the courts. As a result, the legislation will enhance women's civil rights protections while simultaneously protecting the job-creating capacity of small businesses. That's why – in addition to AAUW and almost 300 other organizations – groups such as Business and Professional Women/USA and the U.S. Women's Chamber of Commerce support the Paycheck Fairness Act.

Despite Progress, the Pay Gap Remains

Despite the progress that women have made, pay equity still remains out of reach and partly unexplained. Even government economists say that a portion of the pay gap remains a mystery even after adjusting for women's life choices. Skeptics like to claim that there is no real pay gap – that somehow it's all a product of our imaginations. Worse, these critics prefer to blame women for any pay disparities, saying that the pay gap is due to the "choices" that women make. But excuses are excuses, and facts are facts.

Women are working harder than ever to balance the roles of work and family. They've developed and supported successful legislation that has opened doors and helped to keep them in the workforce while they raise their children. When women don't earn equal pay, they're not the only ones to suffer – their families do, too. In these days when two incomes are needed to make ends meet, and where female-headed households are so much more likely to be poor, it is disturbing how maternal profiling is used to undercut women's wages because of their caregiving roles. It is also ironic and short sighted in a nation that needs women's labor to be competitive in a global economy.

One popular argument is that motherhood (and the choices it engenders) – rather than discrimination – is the real culprit behind the pay gap. If that's the case, then we have much larger problems than the pay gap to deal with. If that's true, then this country – including its policy makers – needs to take a long, hard look at why the marketplace punishes women for being mothers – or as AAUW's research has showed, for simply their potential to be mothers – while fatherhood carries no financial risk when it comes to wages and may in fact carry financial benefits.

Here's the bottom line: There's a pay gap that most economists agree can't be explained away completely by women's choices – no matter how convenient, no matter how comfortable, no matter how much easier it would be for the critics if they could do so. And we ignore it at our peril.

AAUW plans to continue to take an active role in challenging the persistent inequity in women's paychecks, by unmasking the real root causes of the issue, relying on facts over inflated rhetoric, and by urging the creation of more workplaces that are supportive of all employees with family responsibilities, regardless of gender. We also, quite strongly, urge the Senate to join the House and pass the Paycheck Fairness Act.

Collectively, women have demonstrated that they have the skills and the intelligence to do any job. Women have also shown they can do these jobs while minding the home front and raising the next generation. No one is disputing that women have made significant gains in education and labor force participation. In fact, AAUW revels in them and our role in making them happen. But our work is not done, and pay equity remains a pernicious problem with both daily and long term consequences. It's past time for women's paychecks to catch up with our achievements.