JOINT ECONOMIC COMMITTEE
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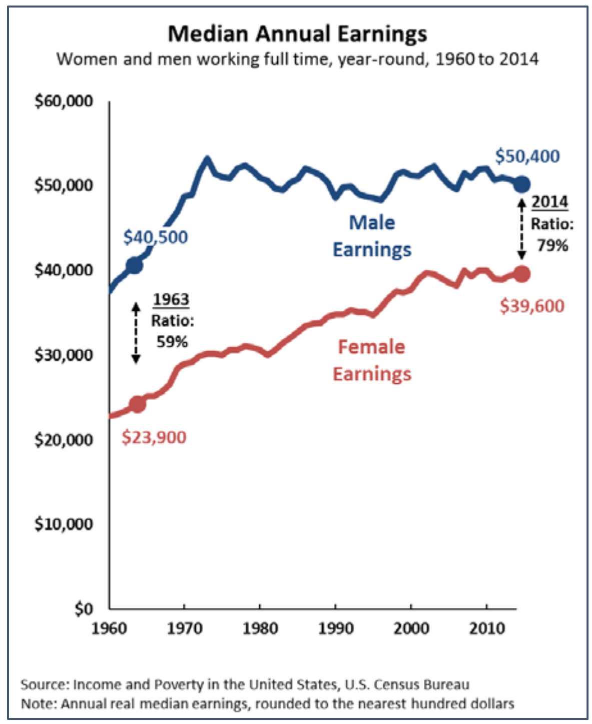
The Consequences of Gender Pay Inequality

Women in the United States, on average, earn less than men. The typical woman with median earnings working full time, year-round earns only 79 percent of what her male counterpart earns. The 21-percent difference is widely known as the "gender pay gap."

In April 2016, the JEC Democratic staff, under the direction of Ranking Member Carolyn Maloney, issued a comprehensive report titled, "***Gender Pay Inequality: Consequences for Women, Families and the Economy***." The report finds that many factors contribute to the disparity between men's and women's earnings, including differences in fields of study and work, hours, experience and discrimination. It further concludes that the pay gap has serious consequences for the economic security of women, their families and the country. This issue brief captures the key points of that JEC report.

Despite significant progress, women's earnings remain substantially less than men's. When President John F. Kennedy signed the Equal Pay Act in 1963, women's median earnings for full-time work were 59 percent of men's. While women's earnings have increased relative to men's since that time, women today continue to be paid less than men. In 2014, women's median annual earnings were $39,600 – 79 percent of men's. The 21-percent difference in earnings adds up to $10,800 over a year and could approach half a million dollars over the course of a career.



The gender pay gap grows as women age. When young women (ages 18 to 24) start their careers, they earn, on average, 88 percent of men's earnings. But, as they grow older and spend time out of the workforce, the gap widens. Women often interrupt their careers to care for children or other family members, forgoing years of earnings and missing out on pay increases during that time. Because of this and other reasons, women ages 35 and older earn only 76 percent of what men earn. Their earnings drop to 68 percent of men's by the time they are 55 years old. By the time women reach retirement age, women's median income plummets to just over half that of men's.

The gender pay gay hits women hard in retirement. The cumulative impact of lower wages throughout their careers leaves older women with substantially less income than men. This is largely because Social Security benefits and pension income – two of the most common sources of income in retirement – are calculated based on an individual's past earnings. Lower earnings can also make it more difficult to contribute to retirement savings plans. Overall, median annual income for women 65 and older is $14,000 less than for men the same age ($17,400 vs. $31,200). As a result, the aggregate income of women ages 65 and older in 2014 was about $324 million less than similarly aged men's – despite the fact that women outnumber men in that age group.

Older women are more likely than men to live in poverty. With lower earnings and longer life expectancies, women 65 and older are 1.6 times as likely to live in poverty as men the same age (12.1 percent vs. 7.4 percent). Women 75 years and older are almost twice as likely as men to live in poverty (14.7 percent vs. 7.6 percent). Poverty rates are even higher among women ages 65 and older who live alone – nearly one in five are poor. That share jumps to one in three for women of color.

Women of color face larger gender pay gaps. Women of all races and ethnicities face a pay gap when compared with men of their same race or ethnicity. However, women of color face even larger pay gaps when compared to white men, the largest demographic segment of the workforce. African-American women's median earnings are only 60 percent of white men's, and Hispanic women's earnings are only 55 percent. White and Asian women fare somewhat better, but still earn less than white men. White women's earnings are 75 percent of white men's, while Asian women's earnings are 84 percent of white men's.

Women's earnings are lower than men's at every level of education. Ironically, the gender pay gap is largest for women with higher levels of educational attainment. In fact, women are often out-earned by men with less education. For example, the typical woman with a graduate or professional degree earns $5,000 less than the typical man with only bachelor's degree. This is in part due to the fact that women tend to study in lower-paying fields than men.

Women suffer from a "mommy penalty." In many ways, women are penalized for having a family. Data show that women who become mothers earn 3 percent less than women without children. Men who become fathers, on the other hand, earn 15 percent more than men who do not have children.

Gender wage inequality undermines the financial security of many American families. Because of the high costs of education, child care and health care, women's earnings are crucial for families. A typical working mother accounts for nearly 40 percent of her household's income. Low-income families are even more dependent upon women's earnings, as the vast majority are supported solely by a mother, and often by a single mother. In families in the bottom 20 percent of the earnings distribution, working mothers typically contribute 89 percent of their family's earnings.

Paying women less hurts the economy. Increasing pay equity and women's participation in the labor force are necessary for a robust economy. The size of the U.S. labor force is a key determinant of economic growth. The American economy is $2.0 trillion larger today than it would have been if women had not increased their participation and hours in the labor force since 1970, according to an estimate by the Council of Economic Advisers. Eliminating barriers such as discrimination, occupational segregation and outdated workplace policies would bring even more women in to the paid work force.

The gender pay gap is closing, slowly. Changes in societal norms and increased participation in the paid work force among women have helped close the gender pay gap. The passage of laws such as the Equal Pay Act, Civil Rights Act and Lilly Ledbetter Fair Pay Act also have helped increase women's earnings by ensuring they receive "equal pay for equal work." However, by one estimate, at the current rate of change, the gap won't be fully closed until 2059. This process could be accelerated by strengthening anti-discrimination laws and modernizing outdated workplace policies to help women reach their full economic potential. This would have enormous benefits for women, their families and the economy.