



Testimony on the Employment Status of Women

**Diana Furchtgott-Roth
Senior Fellow, Hudson Institute**

**Testimony before the Joint Economic Committee
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Mr. Chairman, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of the employment situation of women in the economy. I have followed and written about this and related issues for many years. I am the coauthor of two books on women in the labor force, "Women's Figures: An Illustrated Guide to the Economic Progress of Women in America," and "The Feminist Dilemma: When Success Is Not Enough."

Currently I am a senior fellow at the Hudson Institute. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush.

Since about 1980, women in the United States have enjoyed a low unemployment rate, one comparable to men's. This has remained true over the past year, as the economy has slowed. According to BLS data, the 2007 unemployment rate for American women was 4.5 percent and the rate for men

was 4.7 percent. In April, 2008, the female unemployment rate in the United States was 4.8 percent, compared to the male rate of 5.1 percent. Chart 1 demonstrates that the unemployment rate for American women moves closely to the rate for men.

In other countries, unemployment rates for women are higher than in the United States. In 2007, compared to the rate for American women of 4.5 percent, the rate for women in Canada was 4.8 percent; Australia, at 4.8 percent; France, at 9.1 percent; Italy, at 7.9 percent; Sweden, at 6.4 percent; and the UK, at 5 percent. In Italy, France, the Netherlands, and Sweden, women have a significantly higher unemployment rate than men.¹

Not only do women in the United States have a lower unemployment rate, they also find jobs more quickly. According to the latest release from the OECD, only 9.2 percent of unemployed women in the United States had been unemployed for a year or more. As shown in Chart 2, this compares favorably to Australia, where 15.2 percent of unemployed women were unemployed for a year or more; France, where it was 43.3 percent; Germany, where it was 56.5 percent; Italy, where it was 54.8 percent; Japan, where it was 20.8 percent; the Netherlands, where it was 43.6 percent; Spain, where it was 32.2 percent;

¹ Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007," Washington, DC: Department of Labor, Updated April 18, 2008.

Sweden, where it was 12.2 percent; and the UK, where in 2006 14.9 percent of unemployed women had been unemployed for a year or more.²

The labor force participation rate for American women is also high. From 1980 to 1990, the participation rate rose 6 percentage points to 57.5 percent as large numbers of women entered the workforce. Chart 3 demonstrates this trend over time. The rate peaked in 1999 at 60 percent, and in 2007 was only seven tenths of a percentage point lower, at 59.3 percent. In April 2008, 59.6 percent of women were in the labor market. The 2007 labor force participation rate for women was higher than in Australia at 59 percent; Japan, at 47.9 percent; France, at 51.3 percent; Italy, at 37.9 percent; the Netherlands, at 59 percent; and the UK, at 56.5 percent, shown in Chart 4.

Women are increasingly entering higher education to train for well-paying careers. In 2006, the last year available, women earned 62 percent of associate degrees, 57.5 percent of bachelor's degrees, 60 percent of master's degrees, and 48.9 percent of doctoral degrees, higher percentages than in any previous year of data. The same is true for first-time professional degrees, of which women in 2006 earned 49.8 percent, greater than even 2000, when women earned 5 percentage points fewer of all professional degrees.³ Chart 6 shows

² OECD Employment Outlook 2007, Statistical Annex Table G, p 267.

³ U.S. Department of Education, National Center for Education Statistics, "Degrees Conferred by Degree-Granting Institutions, by Level of Degree and Sex of Student: Selected Years, 1869-70 through 2016-17," *Digest of Education Statistics: 2007*, Washington, DC: National Center for Education Statistics, March 2008.

these trends. Medical and dentistry degrees are increasingly popular among women.

In 2006, over half of all associate, bachelors, masters, doctoral, and first professional degrees awarded to minorities were awarded to women. African-American women earned 69 percent of associate's degrees awarded to African-Americans, 66 percent of bachelor's degrees, 71 percent of master's degrees, 65 percent of doctoral degrees, and 63 percent of first professional degrees.⁴ Charts 7 through 11 show these proportions over time.

The workforce reflects this trend towards more education. In 2007, 64.2 percent of the female labor force over 25 had some college education.⁵ This is higher than in 1992, when fewer than 52 percent of working women had college experience.⁶ From January to April 2008, an average of 65 percent of the female workforce over 25 had some college education. While not directly comparable, these data contrast significantly with the labor force in 1970, when nearly 80 percent of women between 25 and 64 had at most a high school diploma.⁷ Over

⁴ U.S. Department of Education, National Center for Education Statistics, Tables 271, 274, 277, 280, and 283, *Digest of Education Statistics: 2007*, Washington, DC: National Center for Education Statistics, March 2008.

⁵ Bureau of Labor Statistics Household Data, "Employment Status of the Civilian Noninstitutional Population 25 Years and Over by Educational Attainment, Sex, Race, Hispanic or Latino Ethnicity", updated January 2008.

⁶ U.S. Census Bureau, "Civilian Labor Force and Participation Rates by Educational Attainment, Sex, Race, and Hispanic or Latino Ethnicity: 1992 to 2006", *The Statistical Abstract of the United States: 2008*; and U.S. Bureau of Labor Statistics, Employment and Earnings releases.

⁷ Bureau of Labor Statistics, "Percent Distribution of the civilian labor force 25 to 64 years of age by educational attainment and sex, 1970-2006 annual averages", *Women in the Labor Force: A Databook*, Washington, DC, September 2007, p 23.

time, post-secondary education has become more valuable in the labor market, and these trends reflect that, as shown in Chart 5.

Employment, too, has increased significantly. In April 2008, 68.3 million women were employed, compared to 63.6 million in 2000, 53.7 million in 1990, and 67.4 million in April 2007. Since 1968, between 24 percent and 28 percent of female workers have worked part-time.

From 1980 to 1997, married women entered the labor market at increasing rates. Single women reached a peak in labor force participation in 2000, when 68.9 percent of them were in the labor market.⁸

Women have not only entered the labor market at increasing rates, but have also played a part in business creation. According to a 2006 SBA report, in 2002, women owned 6.5 million businesses, compared with 5.4 million in 1997. This did not include 2.7 million businesses equally owned by men and women and nearly 500,000 publicly-held or other businesses not classified by gender of owner. Women-owned businesses therefore comprised 28 percent of all businesses in 2002. When considering only firms with employees, women-owned businesses made up 16.6 percent of employer businesses, up from 16 percent in

⁸ U.S. Census Bureau, "Marital Status of Women in the Civilian Labor Force," *The 2008 Statistical Abstract*, Historical Statistics, Retrieved from: http://www.census.gov/compendia/statab/hist_stats.html

1997. In other words, 16 percent of U.S. employers were run by women in 2002.⁹

Chart 12 compares these periods.

Women's businesses in 2002 were strongly service-oriented, including financial services; professional, scientific and technical services; education, health, and social services; and other services. These comprised approximately 55 percent of women-owned businesses in 2002. Businesses catering to wholesale and retail trade comprised 16 percent of women-owned businesses.¹⁰

This increased participation in the labor market has helped women's overall economic performance. As shown in Chart 13, in 2006, the latest year available, the female poverty rate was 13.6 percent, lower than in the 1980s and most of the 1990s. The female poverty rate has not been 15 percent or higher since 1997.¹¹

Women's real incomes have risen dramatically, as shown in Chart 14. Women of all races except Asians had higher real incomes than ever before in 2006, the latest year available.¹² In 2002, women's median annual income was \$18,842. In 2006, it was \$20,014. White women's incomes rose from \$18,871 to

⁹ Small Business Administration Office of Advocacy, "Women in Business: A Demographic Review of Women's Business Ownership," Washington, DC, August 2006, p 14.

¹⁰ U.S. Department of Commerce, "Women-Owned Firms: 2002", *2002 Economic Census Survey of Business Owners*, Washington, DC, August 2006, p 4.

¹¹ U.S. Census Bureau, "Historical Poverty Tables," Current Population Survey, last updated August 28, 2007, retrieved from

<http://www.census.gov/hhes/www/poverty/histpov/histpovtb.html>

¹² Bureau of the Census, "Table P-5. Regions—People by Median Income and Sex", Current Population Survey Historical Data, last updated August 28, 2007, retrieved from

<http://www.census.gov/hhes/www/income/histinc/incpertoc.html>

\$20,082. The incomes of black women rose from \$18,749 to \$19,103; Asians from \$20,059 to \$22,082, almost the same as 2005's high of \$22,332; and Hispanic women's incomes rose from \$14,330 to \$15,758.¹³

One of the concerns of working women is the "pay gap" – the alleged payment to women of 77 cents for every dollar earned by a man. However, men and women generally have equal pay for equal work now – if they have the same jobs, responsibilities, and skills. Members of Congress are paid identically regardless of gender, as are many other men and women with the same job. Two entry-level cashiers at a supermarket, one male and one female, are usually paid the same, as are male and female first-year associates at law firms. If they believe they are underpaid, they can sue for discrimination under current law.

The 77 percent figure comes from comparing the 2006 full-time median annual earnings of women with men, the latest year available from the Census Bureau.¹⁴ The 2006 Department of Labor data show that women's full-time median weekly earnings are 80.8 percent of men's.^{15,16} Just comparing men and

¹³ Bureau of the Census, Historical Income Tables.

¹⁴ DeNavas-Walt, Carmen, Bernadette D Proctor, and Jessica Smith, U.S. Census Bureau, "Table 1. Income and Earnings Summary Measures by Selected Characteristics: 2005 and 2006", *Income, Poverty, and Health Insurance Coverage in the United States: 2006*, Washington, DC: U.S. Government Printing Office, 2007, p. 6.

¹⁵ U.S. Department of Labor Bureau of Labor Statistics, *Women in the Labor Force: A Databook*, Washington, DC, September 2007, p 47.

¹⁶ BLS uncompiled 2007 data on weekly earnings yield an earnings ratio of 80.2 percent.

women who work 40 hours weekly, without accounting for differences in jobs, training, or time in the labor force, yields a ratio of 88 percent.¹⁷

These wage ratios are computed from aggregate government data and do not take into account differences in education, job title and responsibility, regional labor markets, work experience, occupation, and time in the workforce. When economic studies include these major determinants of income, rather than simple averages of all men and women's salaries, the pay gap shrinks even more. A report by Jody Feder and Linda Levine of the Congressional Research Service entitled "Pay Equity Legislation in the 110th Congress,"¹⁸ declared that "Although these disparities between seemingly comparable men and women sometimes are taken as proof of sex-based wage inequities, the data have not been adjusted to reflect gender differences in *all* characteristics that can legitimately affect relative wages (e.g. college major or uninterrupted years of employment)."

Many academic studies of gender discrimination focus on the measurement of the wage gap. Dozens of studies have been published in academic journals over the past two decades. These studies attempt to measure

¹⁷ Bureau of Labor Statistics, "Median usual weekly earnings of wage and salary workers by hours usually worked and sex, 2006 annual averages", *Highlights of Women's Earnings in 2006*, Washington, DC, September 2007, p 17. Statistic refers to workers who usually work exactly 40 hours a week.

¹⁸ Jody Feder and Linda Levine, "Pay Equity Legislation in the 110th Congress," *CRS Report for Congress RL31867*, Washington, DC: Congressional Research Service, Updated January 5, 2007.

the contributing effects of all the factors that could plausibly explain the wage gap through an econometric technique called regression analysis. The remaining portion of the wage gap that cannot be explained by measurable variables is frequently termed “discrimination.” Generally, the more explanatory variables that are included in the econometric regression analysis, the more of the wage gap that can be explained, and the less is the residual portion attributable to “discrimination.” An analysis that omits relevant variables finds a greater unexplained residual.

However, simple wage ratios do not take into account other determinants of income. They are computed using purely mathematical calculations of U.S. labor market data published by the Bureau of Labor Statistics of the U.S. Department of Labor. Comparisons of men’s and women’s wages need to be made carefully, because there are differences in hours worked by men and women.

Let’s take an example of how regression analysis allows us to distinguish different factors that affect earnings. A female nurse might earn less than a male orthopedic surgeon. But this would not be termed “unfair” or “discrimination” because the profession of surgeon requires more years of education, the surgeon might work different hours from the nurse, and the nurse might have fewer continuous years of work experience due to family considerations.

The standard literature in analyzing wage gaps between men and women is centered on measuring these varying factors. Professors such as Francine Blau and Lawrence Kahn,¹⁹ Charles Brown and Mary Corcoran,²⁰ David Macpherson and Barry Hirsch,²¹ and Jane Waldfogel²² all take these factors into account to a greater or lesser degree. There are no peer-reviewed academic studies that measure the wage gap between men and women without using regression analysis to account for the major factors affecting wages.

To take one study as an example, Professor June O'Neill, in an article published in 2003 in the economics profession's flagship journal *The American Economic Review*,²³ shows that the observed unadjusted wage ratio between women and men in 2000 is 78.2 percent. When data on demographics, education, scores on the Armed Forces Qualification Test, and work experience are added, the wage ratio rises to 91.4. The addition of variables measuring workplace and occupational characteristics, as well as child-related factors, causes the wage ratio to rise to 95.1 percent. When the percentage female in the

¹⁹ Francine D. Blau and Lawrence M. Kahn, "The US Gender Pay Gap in the 1990s: Slowing Convergence," *National Bureau of Economic Research*, Working Paper 10853, October 2004.

²⁰ Charles Brown and Mary Corcoran, "Sex-Based Differences in School Content and the Male/Female Wage Gap," *Journal of Labor Economics* 15 (July 1997 Part 1): 431-65

²¹ David A. Macpherson and Barry T. Hirsch, "Wages and Gender Composition: Why Do Women's Jobs Pay Less?" *Journal of Labor Economics* 13 (July 1995): 426-71.

²² Jane Waldfogel, "Working Mothers Then and Now: A Cross-Cohort Analysis of the Effects of Maternity Leave on Women's Pay," in *Gender and Family Issues in the Workplace*, edited by Francine D. Blau and Ronald G. Ehrenberg (New York: Russell Sage Foundation, 1997).

²³ June O'Neill, "The Gender Gap in Wages, Circa 2000," *American Economic Review*, Vol. 93, No.2, Papers and Proceedings of the One Hundred Fifteenth Annual Meeting of the American Economic Association, Washington, D.C., January 3-5, 2003 (May 2003), 309-314.

occupation is added, the wage ratio becomes 97.5 percent, an insignificant difference.

In another study, Professors Marianne Bertrand of the University of Chicago and Kevin Hallock of Cornell University found almost no difference in the pay of male and female top corporate executives when accounting for size of firm, position in the company, age, seniority, and experience.²⁴

Lower pay can reflect decisions – by men and women--about field of study, occupation, and time in the workforce. Those who don't finish high school earn less. College graduates who major in humanities rather than the sciences have lower incomes. More women than men choose humanities majors.

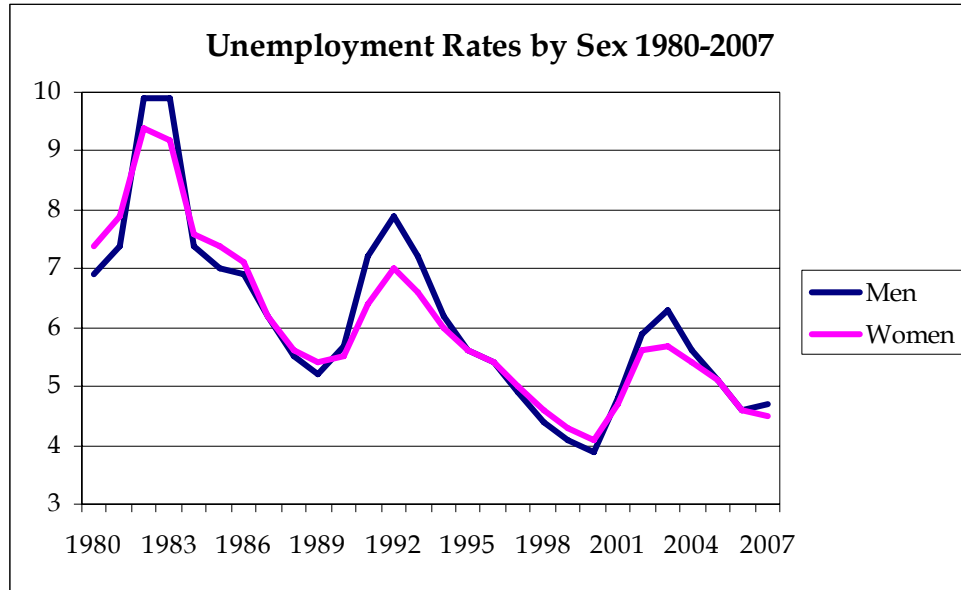
Employers pay workers who have taken time out of the work force less than those with more experience on the job, and many women work less for family reasons. A choice of more time out of the workforce with less money rather than more time in the workforce with more income is not a social problem. A society that gives men and women these choices, as does ours, is something to applaud.

Thank you for giving me the opportunity to appear before you today. I would be glad to answer any questions.

²⁴ Marianne Bertrand and Kevin Hallock, "The Gender Gap in Top Corporate Jobs," *Industrial and Labor Relations Review*, October 2001.

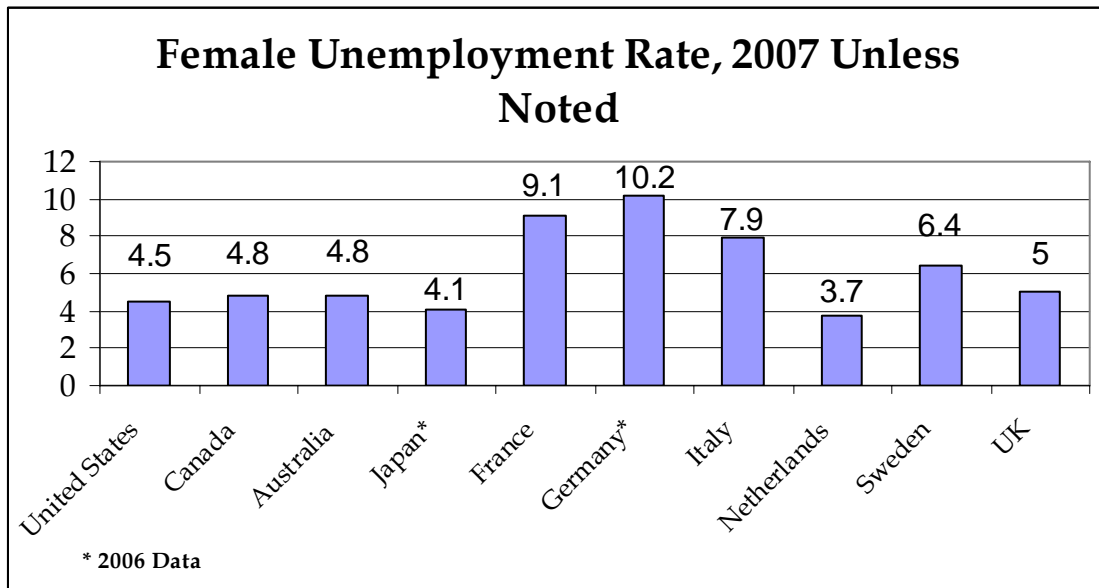
Appendix 1: Charts

Chart 1



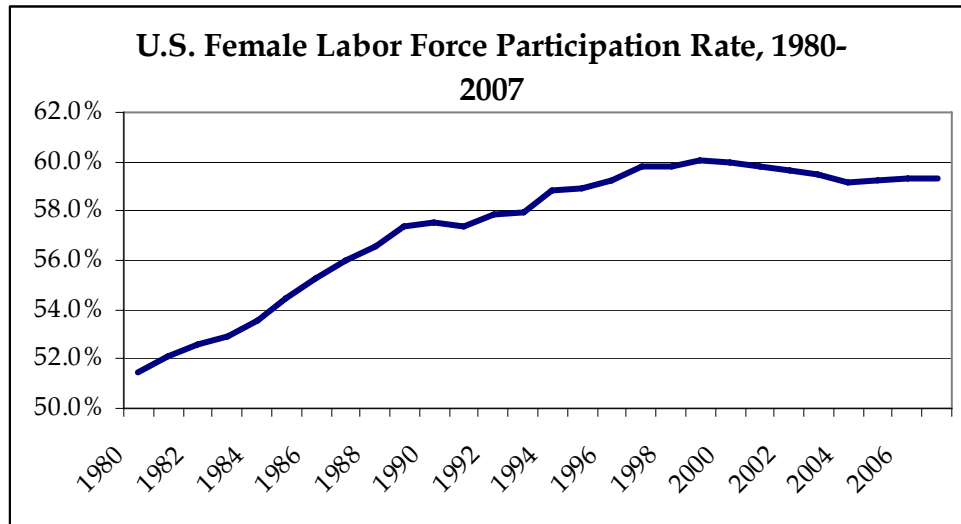
Source: Bureau of Labor Statistics

Chart 2



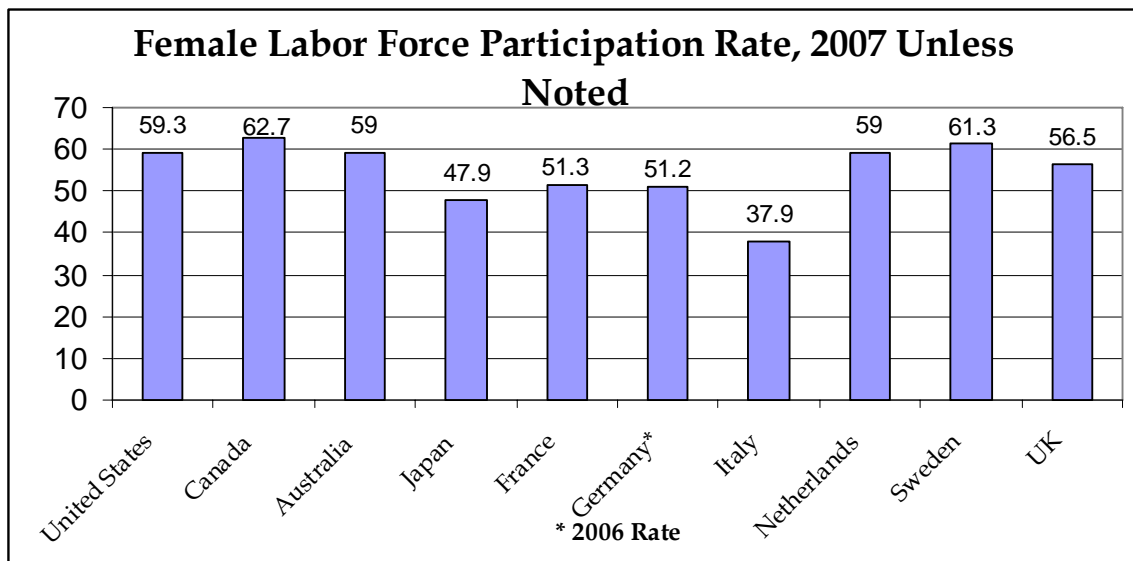
Source: Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007"

Chart 3



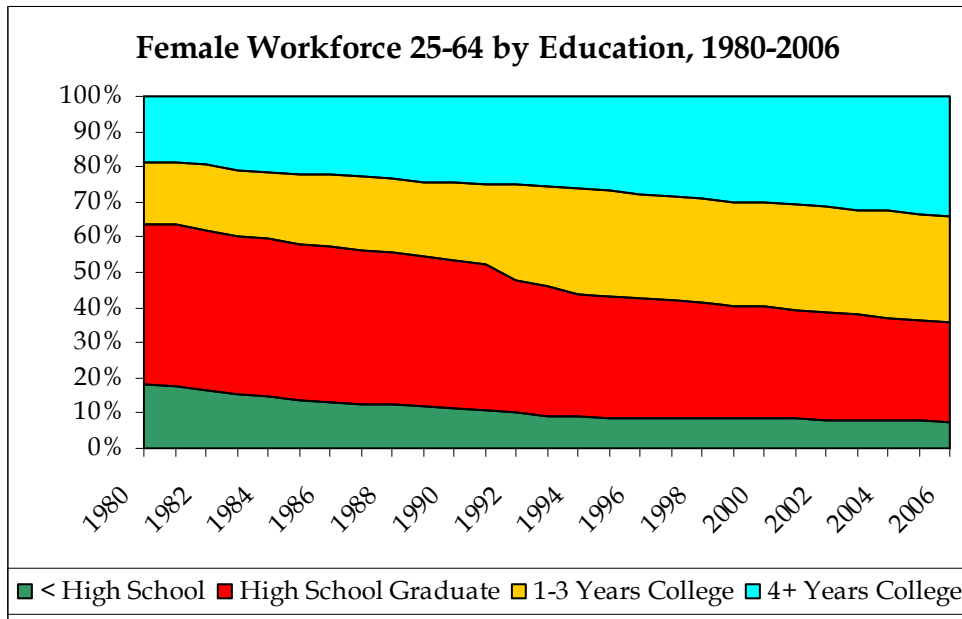
Source: Bureau of Labor Statistics

Chart 4



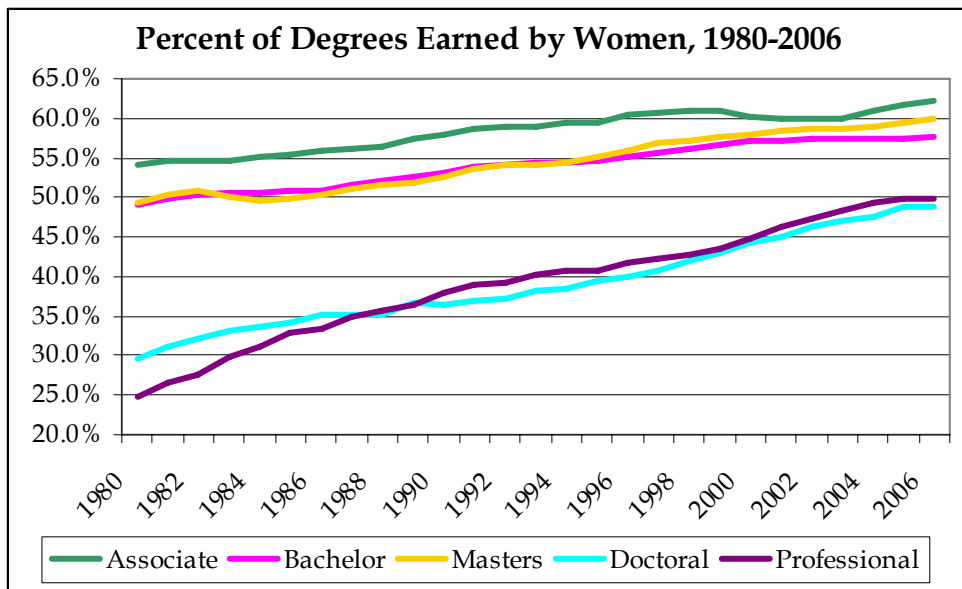
Source: Bureau of Labor Statistics, "Comparative Civilian Labor Force Statistics, 10 Countries, 1960-2007"

Chart 5



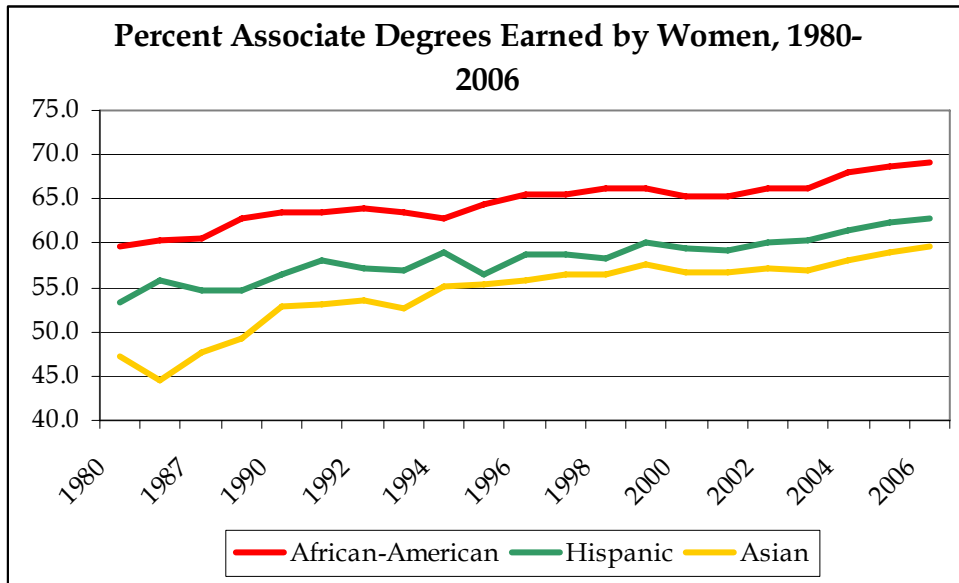
Source: Bureau of Labor Statistics, "Women in the Labor Force: A Databook" 2007

Chart 6



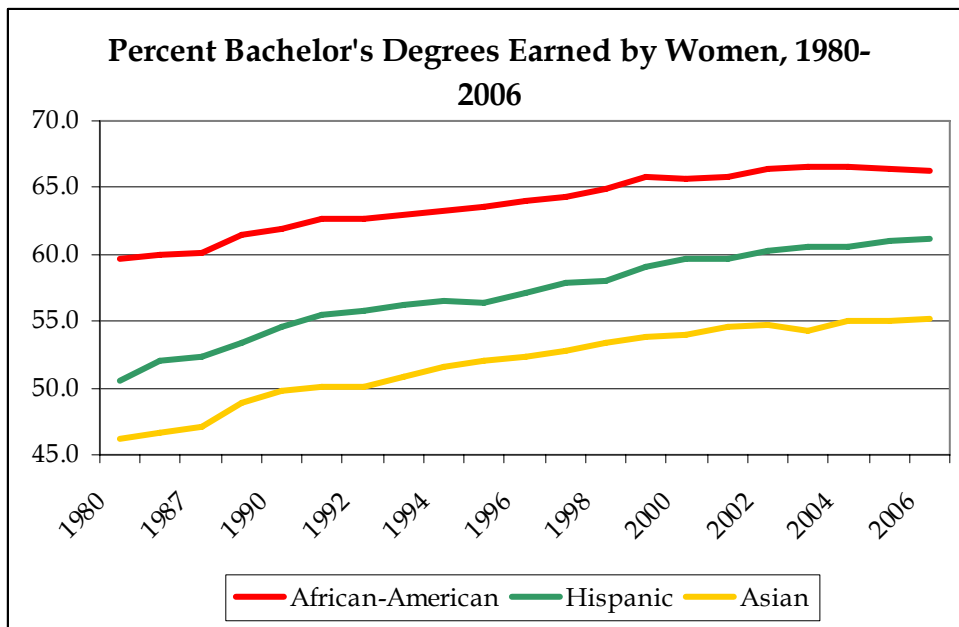
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 7



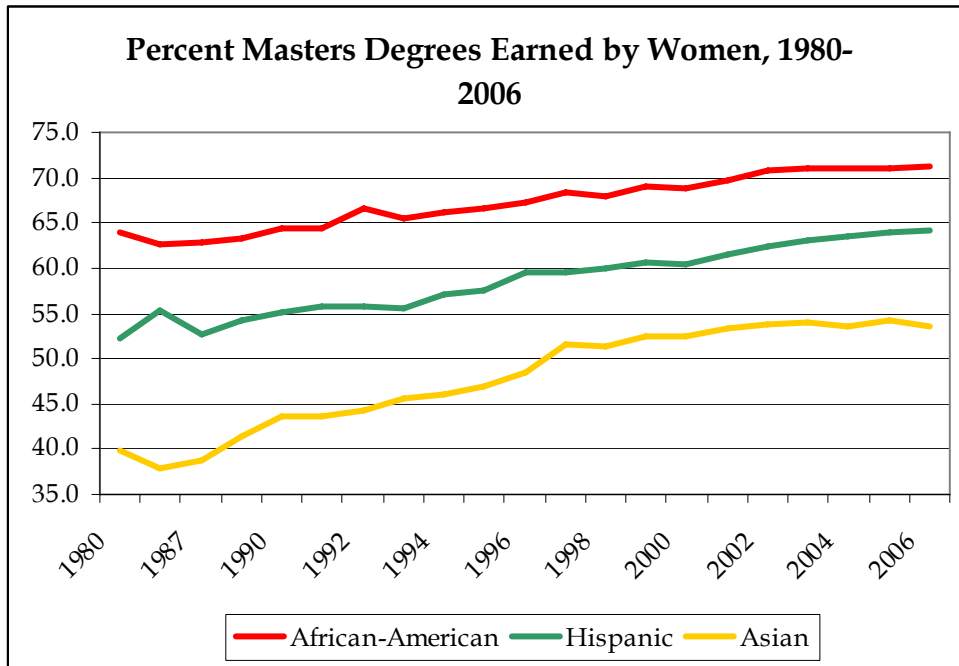
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 8



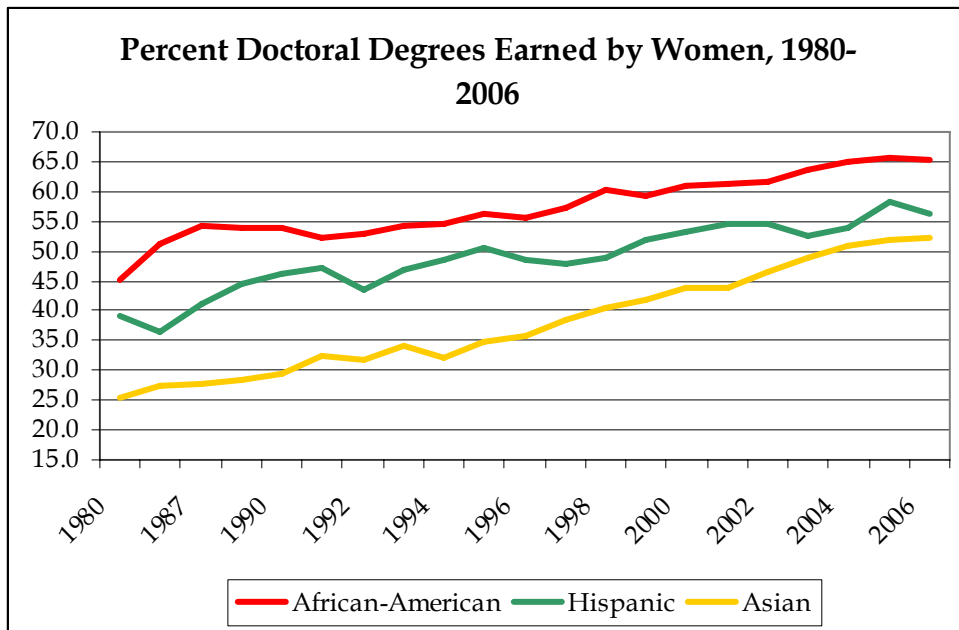
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 9



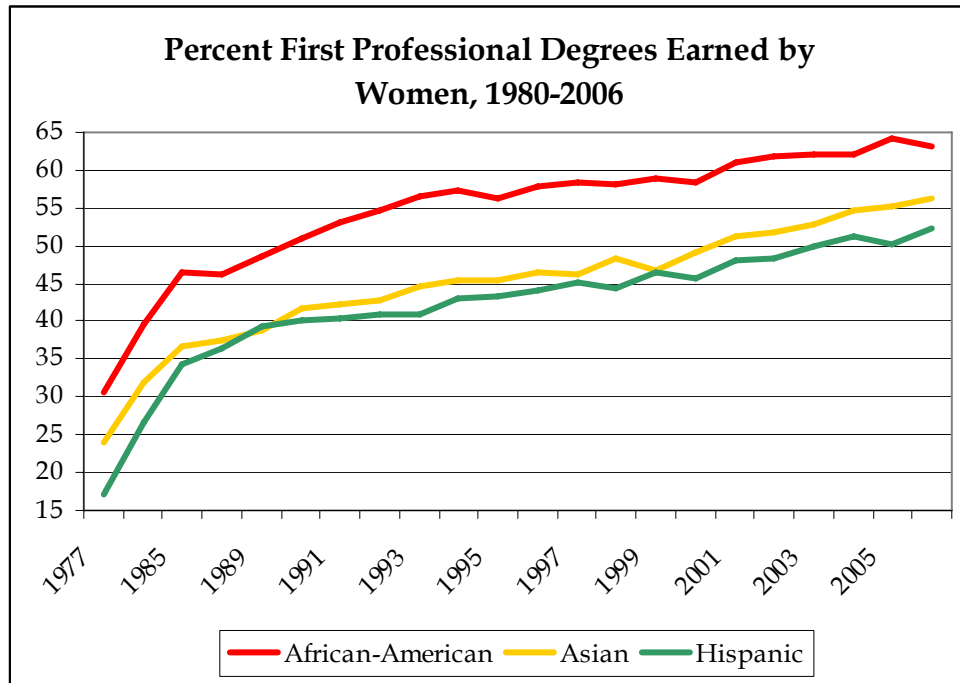
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 10



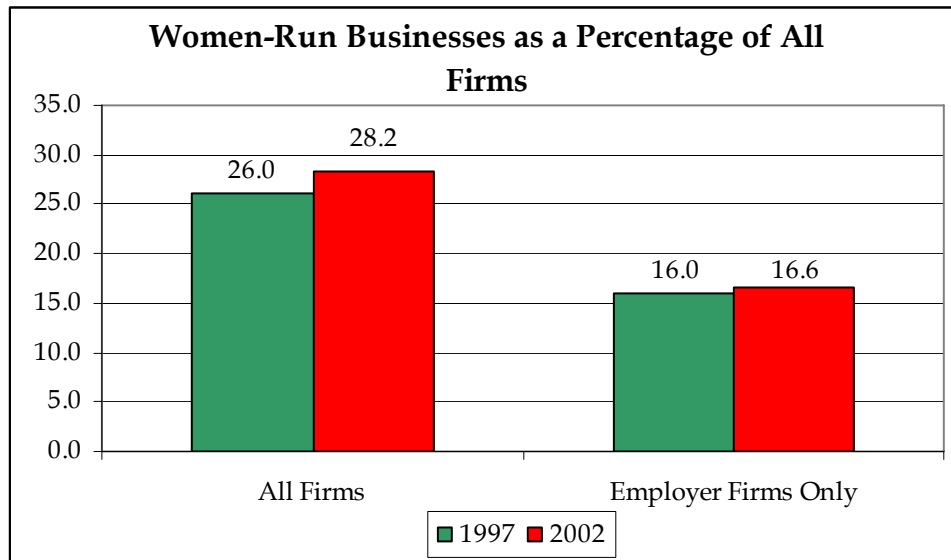
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 11



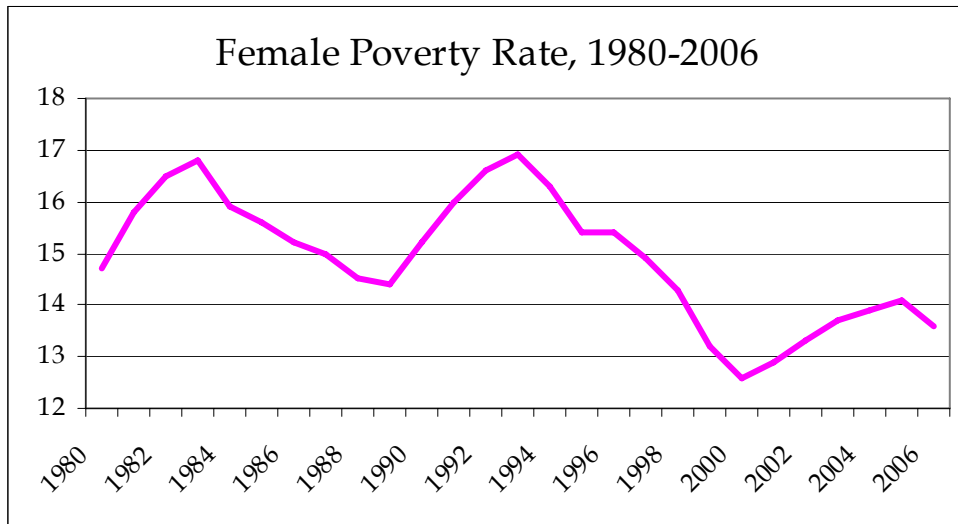
Source: National Center of Education Statistics, "Digest of Education Statistics", Postsecondary Education

Chart 12



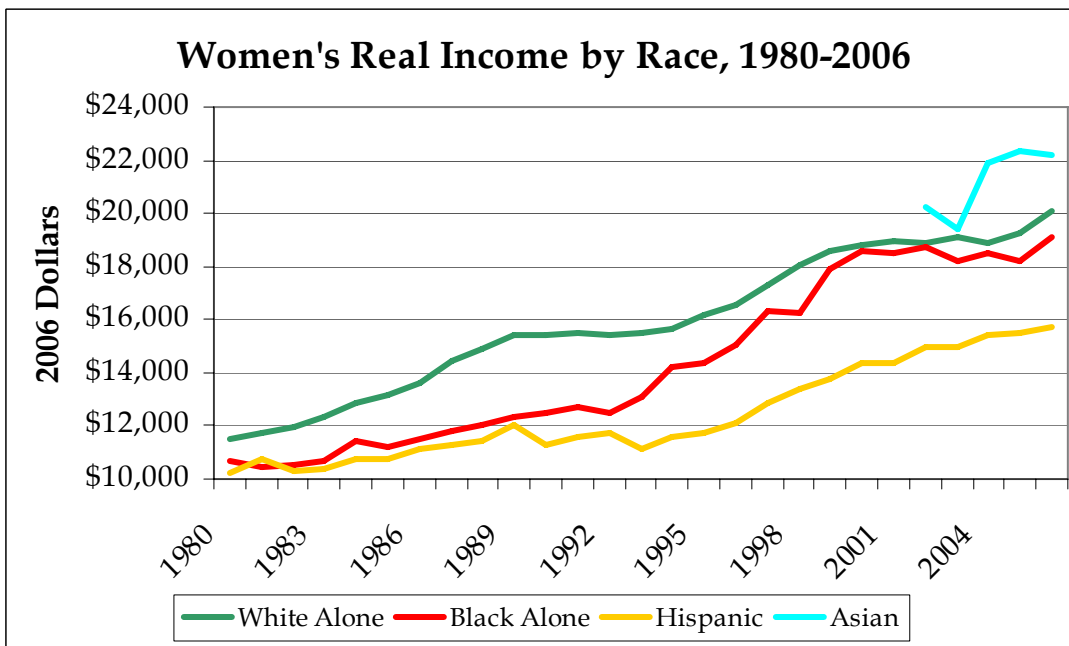
Source: Small Business Administration Office of Advocacy, "Women in Business"

Chart 13



Source: Current Population Survey 2006 Poverty Data

Chart 14



Source: Current Population Survey 2006 Income Data