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# 73-Cents? This doesn't feel like progress

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# Faculty Opinion

## Seventy-three cents?

### This doesn't feel like progress

The summer of 2004 brought dismal information for working women: The U.S. Census numbers confirmed that the average working woman in Minnesota makes seventy-three cents for every working male. I remember the exact day I first realized that no matter what career path I chose, it was very unlikely I would ever make as much money as my husband. It was the fall of 1992 and we both had MBA degrees; he was working full time for a large manufacturing company and I was pursuing a Ph.D. while caring for our infant son. All the data indicated then, as it does now, that on average, women are paid less than men, even with equal levels of education and similar workplace experiences. My graduate school professors were unable to offer any hope for a different outcome: It was just the way the world seemed to work.

#### What do we know about the pay gap?

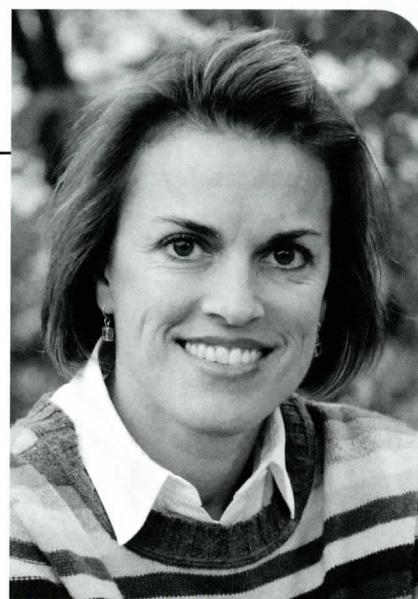
Studying the gender pay differential was my primary focus during the early part of my academic career. It has been disappointing for me to discover that traditional economic analysis is unable to fully explain why men, on average, earn more than women. Even with the best of intentions, economic models are limited by the questions they ask. There are countless studies that clearly identify legitimate determinants of an individual's total compensation, such as occupation, education, experience, skill level, and hours of work. But, when 5 to 10 percent of the difference is still left unexplained, even with the best economic models, it seems to me

that different kinds of questions need to be asked.

Traditional explanations of the gap often result in quickly blaming employers; it must be outright discrimination. Others claim it's actually women's choices that result in the difference. For example, dropping in and out of the workforce to care for children and requiring more flexible work schedules to accommodate family needs surely justify lower pay. Both my personal experience as a working mother and my professional training tell me that if the causes of the gender pay differential were this cut and dried, we'd have figured out a way to make the gap go away. But, as the 2000 Census clearly shows, it persists. Women still earn less and the 5 to 10 percent unexplained difference remains an enormous cost to women and to the families they help support.

#### Where do we go from here?

My research is taking a hard look at the structure of pay systems that men and women employees find attractive. Research indicates that a primary factor contributing to the pay gap is the way people are paid: On an hourly or salary basis, men and women appear to be equal, but when performance-based pay or bonuses are factored in, the gap is revealed, with men out-earning women. My research also confirms that men are much more willing to select pay plans that involve higher levels of risk. If pay preferences matter, both women and companies need to recognize this. Examining the unintended effects of compensation structures is one way to bring new light to an old problem.



JENNIFER KEIL

Jenny Keil is a professor in the College of Liberal Arts management and economics department, teaching courses in micro and macro economics and public finance. Her research interests include analyzing the role that occupation and skill deterioration play in women's work-choice decisions and the pedagogy of teaching economics. She received her MBA and PhD from the University of Kansas.

#### A tough problem requires different questions

In order to understand the impact of pay systems and pay preferences on men and women, companies need to ask hard questions. Is it true that men are more likely than women to occupy jobs that come with large performance-based bonuses? If men and women have equal access to these jobs, are men consistently receiving higher performance ratings than women? Are managers "gender-blind" when they evaluate their employees? If pay-for-performance systems are the norm, then who occupies the jobs and who does the performance ratings will certainly influence an individual worker's total compensation.

*continued on page 17*



March 3	MIAC Heptathlon (Concordia)
March 4-5	MIAC Indoor Championships (Concordia)
March 11-12	NCAA Indoor Championships (Illinois Wesleyan)

**Outdoor**

March 23	at Wartburg Invitational
April 2	at St. John's Invitational
April 9	Hamline Invitational
April 16	at Lee Krough Invitational (Gustavus)
April 23	Carleton Relays
April 27	Macalester Twilight
April 28-30	at Drake Relays
April 30	at St. John's Invitational
May 5-6	MIAC Multi-Event Championships (Carleton)
May 6	Meet of the UnSaintly
May 13-14	MIAC Championships (Macalester)
May 26-28	NCAA Championships (Wartburg)

**Women's Track and Field****Indoor**

Feb. 5	at Mankato Open
Feb. 12	at The Meet of Hearts (Carleton)
Feb. 19	at St. John's Invitational
Feb. 25	at St. Olaf Invitational
March 3	MIAC Heptathlon (Concordia)
March 4-5	MIAC Indoor Championships (Concordia)
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\* = MIAC contest  
CAPS = home game

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**Faculty Opinion,** *continued*

I am not trying to suggest that there are no circumstances under which men and women should be paid differently. What I am in favor of is a compensation system that offers equal access to the highest-paying jobs to both men and women, and that women fully recognize the power of performance-based pay. I am beginning to address issues like these with a local think tank, the Center for Economic Progress. ([www.economicprogress.org](http://www.economicprogress.org))

The center is committed to examining the unexplained portion of the gender pay differential, with an overall goal of helping women make better economic choices. The focus of our work is both discovery (moving the pay gap conversation in a new direction) and results-based. Discussions are under way with several human resource managers of area firms, all of whom have expressed a sincere concern for recruiting, retaining, and promoting women into higher-paying positions. By looking deeper into firm data and challenging firms to think differently about the full impact of their compensation systems, we believe we will uncover part of the unexplained portion of the pay gap. Until we can correctly identify potential causes, solutions are not possible.

I am also firmly committed to thinking about the pay gap in new ways for a very personal reason: my daughter. I want to help move the conversation forward so that when she is sitting in graduate school fifteen years from now, she'll be armed with full information about the consequences of her choices, and her professors will be able to offer her hope. In a perfect world, she'll learn about the gender pay differential only in her history classes.