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Daniel E. Maahs

Paula C. Morrow

James C. McElroy

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The Earnings Gap in the 1980's: Its Causes, Consequences and Prospects for Elimination

By Daniel E. Maahs, Paula C. Morrow and James C. McElroy

A desire for equity in the business world requires the elimination of sex discrimination. Although some notable advances have been made, there is still evidence that men and women in the labor force are not treated equally. Employers, unions, and society in general somehow cooperate in channeling women into low status and low-paying jobs. The Equal Pay and Civil Rights Acts are examples of federal statutes that, while having good intentions, tend to focus on the symptoms and not the causes of sex discrimination in employment.

Sex discrimination is a product of direct and indirect discrimination. Direct discrimination is an action taken by some employer or union that results in a negative consequence for someone or some group. Indirect discrimination is an unconscious or unintentional behavior by a person or group that results in a negative consequence toward someone or some group. This "negative consequence" is sometimes termed adverse impact. Indirect discrimination also occurs in the socialization and education process which affects the kinds of career choices men and women make.

Women have historically been conditioned from childhood to accept a

secondary status in the labor force. Until recently, women have accepted their secondary status; but now their attitudes are changing and they are no longer content to earn less. This paper focuses on the various arguments which have been offered to explain why women are concentrated into secondary jobs which offer little more than half the pay of men. This pay inequity is usually referred to as the earnings gap.

The Earnings Gap

When someone claims that women are a victim of sex discrimination in employment, the earnings gap is frequently cited as compelling evidence that sex discrimination exists. But what is the earnings gap? The definition of earnings gap varies considerably across studies making direct comparisons difficult. The usual earnings gap cited compares the median weekly income of the aggregate full-time wage and salary for women and men. The earnings gap for 1979 indicates that women's earnings were roughly 62 percent of men's.¹ Does this figure prove that women are being unfairly discriminated against because they are underpaid 38 percent? Not precisely, but it does give us a good

estimate of the potential magnitude of sex discrimination in employment.

Many studies have been done on the earnings gap. Most contend that some percent of the gap can be explained by the lower levels of education and training of women. However, a study by Fuch using 1970 U.S. Census Report Data could only explain 9 percent of the gap by taking factors like age and education into account.² This residual gap of approximately 29 percent probably quantifies sex discrimination more accurately. There is a great deal of controversy over the origin of the earnings gap and why it persists. Social-psychological, economic, and judicial-political explanations have been offered.

The Earnings Gap: Alternative Viewpoints

Social-Psychological Viewpoints

Occupational segregation. In our society, there is an occupational distribution based on sex. This distribution is a result of the indirect discrimination. In 1978, only 9.9 percent of women held predominately male jobs, 21.6 percent held jobs that were not sex stereotyped, and 68.5 percent held traditionally female jobs.³ A predominately male job is one in which 25 percent or fewer employed in that job are women. Recent statistics suggest that this distribution has not changed very much. More importantly, traditionally female jobs are found at the lower end of the pay scale and women working in predominately female fields earn even less. For example, clerical work is a typically female job. In 1979, the median weekly income for a female clerical worker was \$180; 63 percent of her male clerical counterpart's \$287 earnings.⁴ Hence, occupational segregation is frequently cited as the cause of the earnings gap.

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Certain social changes in our society are creating a greater need for narrowing the earnings gap. Because women have chosen to remain single longer there has been a dramatic increase in the labor force participation ratio of women in the age group of 20-24; it is projected to rise to 75 percent in the 1980's.⁵ The increase in the divorce rate is also causing the labor force participation rate of women to increase. Divorced women with families are often among the least prepared to deal with the harsh economic realities of the earnings gap. Forty-two percent of the women maintaining one-parent families had incomes below the poverty level in 1978.⁶ Finally, the labor force participation rate for adult women over 40 has increased to 53.2 percent in 1979.⁷ Unfortunately, this increase is primarily attributable to financial need and women from this category are most often employed in low-paying occupations. Thus, the earnings gap represents not just an abstract injustice, rather, it represents a cause of economic hardship for many women and their families. The increasing labor force participation of women in all dimensions is causing a greater need for employers to fully utilize the potential of qualified females and provide them an opportunity to participate in less traditional jobs. But, the problem is that stereotype thinking about "men's jobs" and "women's jobs" continues to exist in our society.

It affects the attitudes of employers, employment agencies, and the entire educational and job training system. The sex-linked stereotype of occupations is based on social and cultural forces that are present in society. Our society defines certain expectations for each sex. These expectations are usually referred to as sex roles.

Sex roles. Sex roles are the result of many interacting factors. However, the primary factors that appear to affect sex roles are parental attitudes, school environment, peer group effects, and the media.

Role modeling is one of the underlying determinants of sex roles. Children usually identify with an adult model of the same sex. This identification process is facilitated by the sexually differentiated treatment they receive and observe others to receive. The identification process is solidified as children begin to imitate the behaviors of their same sex models. Adolescence brings a narrowing of goals and a focusing of future life plans. During adolescence, the peer group and school play become a more important part in determining the career choice for men and women.

During adolescence men's peer values emphasize athletic and sexual success, along with scholastic achievement. According to a study summarized by Weitz, the seriousness of a commitment to work soon overtakes the young man's old peer values of athletic and sexual success as a man's sex role also embraces that of economic provider for the family.⁸

For women, the choice of any particular career is often confused with the choice of having a career at all.

There is a cultural push toward male achievement that motivates men into a career field. However, the influence of the early peer values continues into adulthood. Men develop same-sex support groups which are usually referred to as the "old boy network."

During adolescence, women's peer values are much different than men's, according to Weitz. She reports that during adolescence, physical attractiveness, popularity, clothes, and dating are usually valued for girls while scholastic success is devalued. For

some women who do attend college, peer group pressures for popularity with men often continues. In addition, Weitz notes that research has observed women to downplay their scholastic ability because of a fear they will be perceived as unfeminine; this phenomenon has been called "fear of success." Vocation plans are assigned a lower priority leading to more short term "job" aspirations rather than a concern for a life-long career.

The media tends to reinforce these "traditional" sex roles. Throughout a person's life, the family, the peer group, and the media present an overwhelming sex role message which serves to maintain the status quo. Both males and females are considered social deviates if they choose a vocation that is stereotyped for the opposite sex. These social pressures make it extremely difficult for a woman to choose a nontraditional occupation in an effort to increase her earnings.

A woman has a unique set of issues to consider in making a vocational choice. For women, the choice of any particular career is often confused with the choice of having a career at all. For most women, they must first decide how much time they want to devote to their work and family, and this decision has, historically, overshadowed the commitment to any particular career at all. In addition, because society places the social responsibility of rearing the children upon women, women find traditional working hours and career patterns difficult to follow. There should be some flexibility built into all careers, not just the "traditional female careers," so that women are not penalized for wanting to combine family life with their careers.

In summary, because historically women have perceived work as a secondary option and have not been prepared for a lifetime career, they are concentrated in "secondary" jobs. Today, as the single income family disappears out of economic reality, women are beginning to pursue careers. Higher educational attainment and the women's movement have also elevated career aspirations. Women are finding sex discrimination based on the traditional sex stereotyped attitudes a barrier to their advancement.

Employer attitudes. Sex stereotyping is present throughout our society; the business community is not immune to this phenomenon. This bias is usual-

ly in conflict with the stated company policy of equal employment opportunity. The sex stereotyping bias manifests itself in the grouping of women into traditionally "female jobs."

The traditional "female job" exhibits characteristics promoting society's image of the female sex role. The "female" professions of nursing, teaching, and social work involve tasks that would be labeled nurturing or caring. The clerical jobs also require characteristics typical of "female work," namely a service orientation, manual dexterity, and a tolerance of monotonous and routine tasks (i.e., patience).

The traditional "female job" exhibits characteristics promoting society's image of the female sex role.

Interestingly, these "female" occupations all require fairly well-educated labor. In most, advanced education or technical training is required before employment. These occupations also show that long-range commitments and extensive sacrifices of time are not necessary for successful job performance. So why are these jobs so lowly paid?

One reason is that these "female" jobs are fairly standardized throughout the country and no significant on-the-job training is required. The employer does not need to invest very much in training. Therefore, the retention of any given female is not essential so long as a labor pool exists. Moreover, frequent turnover keeps wages low as new hires start at entry level pay. The female sex role stereotype in our society facilitates the continued entrapment of women in this "vicious circle."

The "vicious circle" is in part a reflection of employers' attitudes toward the female labor force. This circle is analogous to the young workers problem. Young people first entering the labor market can't get jobs because they have no experience and can't get the experience because they can't get jobs. Women are collectively trapped in "secondary jobs" because they too have high turnover

and no continuous job experience. One reason women have these deficiencies is because these "secondary jobs" are usually low-paying, have short career ladders, and thus provide little incentive for long term service. The inherent nature of the secondary or female jobs perpetuates the cycle and women are trapped because of the lack of opportunities.

The employer's attitude toward the "traditional female" job prevents women from getting the nontraditional job. During World War II, women demonstrated they were capable of performing the "traditional male" job. A study done by Moore and Rickel shows that when women are given the opportunity to perform in a nontraditional occupation, they assume characteristics of the occupational role that were once perceived to be male traits.⁹ Specifically, these women demonstrated a higher achievement and production orientation than females in traditional jobs. These findings show that the sex-linked attributes which supposedly define good performance are actually a result of the occupational role a person assumes in the organization.

Economic Viewpoints

There are a number of economic models used to explain sex discrimination and the subsequent earnings gap. Most are hybrid offshoots of economic theories of racial discrimination. One of the most useful theories is the monopsonist theory of imperfect competition.¹⁰ In this model, male and female labor force participants are assumed to be perfect substitutes for each other. The monopsonist model predicts that the employer can gain from discrimination if he can segment the labor market when the segments of the labor market have different labor

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supply elasticities. If the female labor supply has a lower labor supply elasticity than the male labor supply, the employer can pay the female lower wages. As female wages are lower, discrimination becomes profitable.

The monopsonist model has also spawned a variant known as the "overcrowding" hypothesis. The hypothesis states that societal attitudes, monopsony (employer) power, and prejudice act to limit women to select occupations. Because women are "crowded" into certain occupations, it increases the marginal productivity and wages for men in those occupations (see clerical data cited previously) and decreases the marginal productivity and wages for women. The actual decrease or increase from overcrowding depends upon the cross-elasticity of substitution between the male and female labor. Economists then state that the overcrowding probably results in lower income and output for the economy as a whole because labor is not allowed to seek its most productive employment.

In summary, the monopsonist model shows that discrimination can lower the individual firm's labor cost, but the overcrowding due to the dual labor market causes a poor allocation of resources for the economy in general. The overcrowding variant does a good job of describing the current earnings gap situation faced by women. Societal attitudes, monopsonist power, and prejudice do act to limit women into certain occupations. While the monopsonist model is not an exact duplication of the real economic environment, it does show that sex discrimination is not good for our economy. If sex discrimination is not good for the economy, its existence must be stopped to fully utilize the labor force and to instill justice in employment. But historically speaking, the courts have not tried to stop sex discrimination in the labor force, the

courts have reinforced the traditional sex roles that allow the segregation of females into the "secondary jobs."

Judicial-Political Viewpoints

The courts have historically reinforced the traditional sex roles when the legality of a denied job opportunity was questioned. The foundations of our legal system are heavily influenced by moral and social traditions, including the concept of male dominance.¹⁰ Not surprisingly, reliance on common law tradition has resulted in court decisions that have reinforced commonly held sexual stereotypes. For example, in the Supreme Court decision of 1872, the case of *Bradwell vs. Illinois*; a woman fought a state law that denied women licenses to practice law. The action was sought under the "equal protection clause" of the Fourteenth Amendment. In the opinion of the court, Justice Bradley felt, "the natural and proper timidity and delicacy which belongs to the female sex evidently unfits it for many of the occupations of civil life ... The paramount destiny and mission of women are to fulfill the noble and benign offices of wife and mother. This is the law of the Creator. And the rules of society must be adopted to the general constitution of things..."¹¹

Other cases have also reflected the sex stereotyped thinking of the courts in regard to women and work. In the 1948 case of *Goesart vs. Cleary*, a woman was denied employment as a bartender on the basis of her sex. The Supreme Court recognized that women did have certain rights, but the state still could draw the line when it came to liquor handling.¹² In the 1971 case of *Williams vs. McNair*, the continuation of sex segregated education in two South Carolina universities was challenged by a group of males. The District court found there was reasonable justification for this and the case was appealed to the Supreme

Court. The Supreme Court affirmed the lower court's decision without even giving a hearing.¹³

The Equal Pay Act and Title VII of the 1964 Civil Rights Act (and its amendments) have been useful in eliminating the use of common law in sex discrimination cases. These laws have resulted in several significant court rulings which favor women and should eventually serve to lessen the earnings gap.

In 1973, a class action suit was filed against A.T.&T. by a group of minorities and women. Twelve million dollars in back pay and incentives were awarded to those who were denied pay and promotion opportunities. A consent decree with nine major steel companies and unions resulted in \$30.9 million back pay for minorities and female steel workers on the same grounds.¹⁴ In 1978, General Electric entered into a conciliation agreement with minorities and women, estimated to have cost them \$32 million.¹⁵ Cases such as these have made a dramatic impact on employers for a need to examine their company policies regarding women. But enforcement of these laws in smaller firms is much less common and is unlikely to end the earnings differential. Some have expressed the view that affirmative action programs are more likely to lessen the earnings gap.

Affirmative Action. Two presidential executive orders exist which required all federal contractors to sign an agreement not to discriminate and to file an affirmative action program. The executive orders are a better tool than the Civil Rights Act for eliminating discrimination. The weakness of Title VII is that while it forbids discrimination in principle, it does not actually prevent discrimination; it merely provides a legal means to punish the offender. The executive orders require employers to demonstrate that discrimination is not present in their companies; it is a form of prevention for the disease of discrimination. These programs, which facilitate women's access to nontraditional (i.e., male) occupations in the labor force, should result in narrowing the earnings gap. The major weakness of the executive order is that many private employers are not required to engage in affirmative action. Whether affirmative action will eventually lessen the earnings gap will largely be dependent

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on the vigor with which its tenets are willingly followed and/or routinely enforced.

A number of other issues have a bearing on the future size of the earnings gap. Two of these are comparable worth and sexual harassment.

Related Earnings Gap Issues

Comparable Worth

Because the earnings gap is related to the occupational segregation of women, the implementation of a comparable worth compensation system could narrow the earnings gap. Comparable worth is the establishment of salaries for "women's jobs" which equal the salaries of jobs which require similar skill levels but are typically held by men. Comparable worth is intended to reduce the inequities left unresolved by the Equal Pay Act. However, no workable job evaluation method has yet been designed to handle the comparison of widely divergent jobs. Most compensation systems are tied to the external labor market, which reflects all the sex role biases we have discussed, and thus serves to benefit men.

An excellent example of latent sex discrimination in job evaluation is contained in the 1965 Dictionary of Occupational Titles (DOT) produced by the Department of Labor. The DOT was formulated to aid public and private agencies in evaluating, classifying, and compensating jobs with different skills. The DOT uses a six-digit code to classify 36,000 job titles by the occupational skill and complexity needed to perform the job. The last three digits of the code rates each job for complexity in relation to data (information), to people, and to things (mechanical ability). A descending order rating is used such that a rating of 878 signifies the lowest level of complexity possible for any job. A childcare attendant, nursery school teacher,

Court decisions have reinforced commonly held sexual stereotypes.

homemaker, parking lot attendant, and rest room attendant were all given a rating of 878, implying that these jobs can be successfully performed by virtually anyone and that they involve little responsibility. Some comparisons of job ratings suggest additional flaws in the system. A practical nurse (878) is rated similar to a strip-tease artist (848), while a general duty nurse (378) is judged to be less skillful than a dog trainer (228).¹⁶ According to the DOT, a stripper and a dog trainer require more skill in working with people than either kind of nurse, respectively.

Although the DOT's example is obviously outdated, it shows the stereotypical attitude that is embedded in compensation and evaluation systems. It is probable that many firms', compensation systems still contain vestiges of sex discrimination and thus require modification. The installation of a system based on comparable worth will require new methods of job evaluation yet to be devised. Complete closure of the earnings gap is dependent on these new, yet to be designed compensation plans.

Sexual Harassment

The traditional sex roles have fostered the attitude that women are secondary contributors to the work force. This attitude is perpetuated by the assignment of men to positions of power in organizations which simultaneously provide opportunities to sexually harass women. In March of 1980, the EEOC published guidelines reaffirming its position that sexual harassment is unlawful. The guidelines say that the employer is accountable for the acts of harassing employees in supervisory positions. The EEOC suggest that employers take preventive steps to insure that sexual harassment will not be tolerated and state appropriate sanctions. It is contended that if sexual harassment were reduced, one more non-job related

factor would be removed from the compensation process and the earnings gap would be diminished.

Conclusion

Our analysis suggests that the essence of the earnings gap lies in the expression of contradictory values within a partially government regulated economic system. More specifically, the problem we face is a contradiction between societal values and individual values. Society desires equal employment opportunities for all accompanied by fair compensation; in short, the elimination of the earnings gap. We tend to agree that majority interests (e.g., the greatest good for the greatest number, maximum aggregate productivity) and minority interests (e.g., protection of subgroup rights, fewer non-job related pay inequities) could best be served in the long run if the earnings gap were eliminated. Individually, however, our predispositions to act are the by-product of a rather lengthy socialization process. This socialization not only embraces attitudes toward sex differences but a proclivity to be egocentric and short term oriented in market place dealings. These latter values may manifest themselves in perpetuation of male superiority in the work force or, more probably, a willingness to perpetuate the earnings gap in order to lessen labor costs and remain competitive and profitable. That is, as long as there is an economic advantage which accrues to those who pay women less, the earnings gap will not be abated. Society, if it is to eliminate earnings gap discrimination, has two choices: (1) make it less profitable to discriminate through post-hoc legal-judicial sanctions or (2) attempt to alter the socialization process that lies at the basis of discrimination. Although choice (1) attacks the symptoms rather

than the problem itself, one would expect it to be the choice of record given its prospects for immediate success in reducing earnings gap inequities. Altering the socialization process requires a much longer time frame with indefinite prospects for success. Some may regard the first alternative as another government imposed solution to a problem which should be resolved at the grass roots level. Instead, society is likely to endorse this strategy as a structural solution to an exceedingly complex problem that individuals find difficult to grasp and even more difficult to solve. Stated differently, this strategy is aimed at altering *behaviors* rather than trying to change *attitudes*. Ω

NOTES

¹United States Department of Labor, *Employment Goals of the World Plan of Action: Developments and Issues in the United States*. (Washington: Government Printing Office, 1980), p. 10.

²V.R. Fuchs, "Recent Trends and Long-run Prospects for Female Earnings," *American Economic Review*, 64, (1974), pp. 236-242.

³U.S. Department of Labor, *op. cit.*, p. 9.

⁴U.S. Department of Labor, *op. cit.*, p. 68.

⁵U.S. Department of Labor, *op. cit.*, p. 12.

⁶U.S. Department of Labor, *op. cit.*, p. 5.

⁷*Ibid.*

⁸Shirley Weitz, *Sex Roles*. (New York: Oxford, 1977), pp. 89-90.

⁹Loretta M. Moore and Annette U. Rickel, "Characteristics of Women in Traditional and Nontraditional Managerial Roles," *Personnel Psychology*, 31 (1978), pp. 259-267.

¹⁰Cynthia B. Lloyd and Beth T. Niemi, *The Economics of Sex Differentials* (New York: Columbia University Press, 1979), pp. 160-162.

¹¹Jerolyn R. Lyle, *Affirmative Action Programs for Women: A Survey of Innovative Programs* (Washington: Equal Employment Opportunity Commission, 1973), p. 37.

¹²*Ibid.*, p. 39.

¹³*Ibid.*, pp. 40-41.

¹⁴*Ibid.*, pp. 42-49

¹⁵*Ibid.*

¹⁶Blanche E. Fitzpatrick, *Women's Inferior Education: An Economic Analysis*. (New York: Praeger, 1976), pp. 173-176.

Daniel E. Maas is a May 1982 business graduate of Iowa State University. He has had several years of production and managerial experience in the printing industry prior to attending ISU and now works for a major midwest retailer.

Paula C. Morrow, Ph.D., is associate professor and assistant dean for graduate studies in Iowa State University's College of Business Administration. She is active in the National Academy of Management and publishes in the areas of work commitment, retirement, and office design. Her work has appeared in many professional journals.

James C. McElroy, a 1979 Ph.D. in Administrative Sciences from Oklahoma State University, is associate professor of business administration in the College of Business Administration at Iowa State University. He has published in numerous professional journals and serves on the editorial board of the *Journal of Management* and the *International Journal of Management*.