

Gender wage gap: economic effects

Countries, United States



Gender Wage Gap: Economic Effects Erin Fisher-Leser Western Governors University Gender Wage Gap: Economic Effects Admittedly, the government is struggling to meet the needs of many Americans. Housing, medical assistance and nourishment, are among the highest sources of economic strain for most people. Because wages for women average 23% less than men, this leaves them in a difficult position trying to support their families and having to utilize many government assistance programs (Ren, 2010). These are not just single mothers these are two parent families, single mother head of households, and single women. They struggle to make ends meet, and when they don't succeed, they have to turn to the government for help. In housing alone, Wider Opportunities for Women reports that three quarters of the housing assistance provided by the government is used by women as the head of household (p. 1). The Medicaid program only looks at those at or below poverty, yet 28% of families at that level are with a female head of household and relying on the government to pay their health and medical bills (Project America, 2009). The food stamp program provides assistance to almost 14% of the current U. S. population. There is no absolute way to confirm how many families feel forced to utilize these programs because of wage discrimination. What is known is that there are 7.8 million families relying on the woman's earnings alone; therefore, one can only estimate the percentage of cause (National Women's Law Center, 2011). Yet that is only the start! As Joe Biden said, " Wage discrimination by gender is not simply a women's issue, it is also an economic security problem for families" (Ren, 2010). Hence, all of these programs require immense budgets and their needs are growing daily, but the government

cannot afford this to continue. Reduction is necessary, and with gender wage gap elimination, many Americans would no longer need assistance. Food stamps, housing assistance, and Medicare are just a few of the programs that are feeling the pinch. Reinforcing eradication of wage discrimination would reduce the risk of lawsuits, which would mean less court costs for businesses and individuals, while increasing financial security for many employees. Research suggests the most important reasons supporting the elimination of wage discrimination toward women are; it would help the government out of its fiscal crisis, give a boost to the economy and bring about decreased resentment among coworkers resulting in positive change within corporate America. Many Americans are oblivious to the problem and find it hard to believe after the women's rights movement in the 1960's that any gender discrimination still exists. Moreover, the idea that this issue could force women and families into poverty is unfathomable. Yet the utilization of many government services has risen to heights never experienced in the history of the United States. Many families with female head of household receive the average monthly stipend of \$287.82 in food stamps (Murray, 2010). The current U. S. population is well over 300 million meaning the number of people receiving food stamps is over 40 million. With the average family consisting of 2.6 people, that would put just over 15 million families on food stamps equaling a cost of 4.3 billion dollars per month, which climbs to a yearly total of over 51.8 billion (United States Census Bureau, 2010). With these figures alone, the deficit total is not a surprise. Moreover, add in the medical expenses and housing and there develops a better understanding how some families got to this point. Currently in the U. S.

there are 50 million uninsured citizens, equaling over 15% of the population. The current health care reform plans estimate the cost to cover these individuals will be upwards of 150 billion dollars per year (Project America, 2009). In addition, the food and nutrition assistance programs, which provide food stamps and information, are slated with a budget over 79 billion yearly. Following this further, the housing assistance programs work with a budget of almost 51 billion annually (GPO Access, 2009). These figures bring to light the amount of money that is being spent to help those in need. For instance, there was a woman working as an auditor in an accounting agency. She was the only one in the office with a CPA, an MBA, and a bachelor's degree in accounting, yet she was paid \$12, 000 less annually than her male counterparts for no other reason than she was a female (Murphy, 2005). Take into consideration how many women, like the one above, are faced with gender wage discrimination, and it begins to sink in how much money the tax payer could save if corporate America would play fair. In addition, these increases would allow women to save appropriately for retirement. Currently women on average have a mere \$34, 000 saved in pensions & annuities versus men of the same age have \$70, 000. Social Security benefits are based on past earnings making the retirement years a shaky prospect for many women (Murphy, 2005). This is an area that would increase the government's financial responsibility, but with the increase in wages there would be an increase in Social Security tax and there by equalizing or increasing the governments resources. This same situation is true for unemployment benefits, which affects a woman's ability to stay afloat during transition times, and adds to future fears (National Women's Law Center,

2011). Each of these programs would benefit from equal pay for women. Providing more funding from tax revenues and less reliance from the American people, because there would be fewer needing the assistance. With a deficit over 14 trillion dollars, reducing the cost of government assistance due to the gender wage gap could save upwards of 150 billion dollars or more in tax revenue yearly. Admittedly, the Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964 should provide protection from gender wage discrimination, but the enforcement of these laws is necessary if any changes are to prevail. Equal pay for equal work among genders would result in higher tax revenue for the government, increase disposable income for purchasing goods and services, and more security at retirement (Murphy, 2005). Women represent 46.8% of the current workforce (Labor, 2009). As of the fourth quarter of 2010 the median weekly earnings for a woman working full time was \$679.00 across all occupations, while a man's was \$830.00 (U. S. Bureau of Labor Statistics, 2011). With the difference being \$151.00 per week, that would make an annual difference of \$7852.00. If each working woman were given this difference in pay, there would be approximately \$1963.00 in the government's pocket for taxes and \$5889.00 in the woman's pocket. Based on the figures from the Department of Labor, for 2009 there were approximately 48 million women working full time in the U. S. (p. 1). Take the tax amount (\$1963.00) multiplied by the number of full time working women (48 million) and the government would see an increase of tax revenue equaling over 94 billion dollars. Take for example, a woman working in New York City in middle management. With a 90 minute commute to work each day, her boss decided to suggest she purchase a car. She

responded with full ammunition stating that her current pay rate could not support the purchase of a car. She knew that the men in the office made more than the women. She had seen the pay scale when she first started working there and knew that her predecessors salary was 14% higher than hers. That difference over time equaled a car. If she were paid equally, than she would have more disposable income and chances are she would have bought a car (Murphy, 2005). This would have boosted the economy, increased tax revenue for state and federal government and provided this woman with a much needed mode of transportation. Although, these may seem like small issues the culmination of these events and the differences in pay add up over a life time. The National Women's Law Center figured that over a 40 year working period a typical woman would lose \$434, 000 dollars in wages, due to the wage gap (p. 1). A comparison of lifetime earnings between genders with equal education and age levels showed that a female high school graduate, starting at a wage of \$20, 000 annually, will make \$700, 000 less than her male equal. As a college graduate, she will lose 1. 2 million, and continuing on to graduate school, she loses 2 million. These figures are staggering, but add them up. There were 48 million women working in the U. S. in 2009. The wage loss over a 40 year period ranges from \$700, 000 to 2 million. Use the lowest tax rate on the earnings which is approximately 15%, times the average wage loss, which is \$1. 35 million, gives a tax total of \$202, 500 per woman. Now take that times 48 million women and the total is an overwhelming 9. 7 trillion dollars in tax revenue lost because of gender wage discrimination. Additionally, those women who fight the system and take their cases to court find that even if the employer

settles, the amount in no way recoups what these women have lost (Murphy, 2005). These figures are astounding and confirm the need for change, in thought, in action, in outcome! Granted, employers are the pivot point for these changes. Their actions solidify the manner in which the wage gap will be addressed. By refusing to allow gender wage discrimination in the workplace, employers are sending a message to their employees that any type of discrimination will not be tolerated (Murphy, 2005). This creates an atmosphere of positive reinforcement, a place where both males and females can feel safe, equal, and productive (Kennedy et al., 2008). It reduces the chances of discrimination law suits and helps to keep finances under control, in turn allowing the employer to spend more funds on the company and wages and less on law suits. With fair wages comes decreased resentment among workers. Teamwork and increased production would prevail producing increased revenue and intensifying the building of the economy. The sad truth is that most companies who practice gender wage discrimination feel the cost of a law suit is just part of the price of doing business. They have the money, and the means to fight the battle and win. In most cases, the financial and emotional cost for an individual to fight this battle is daunting. For example, sixty women who worked for Dial's Aurora plant over an eleven year period spoke up to tell their stories in court. Most of these women had high school educations and had worked at the plant for 10 to 20 years. They were brought in at the lowest paying positions and worked their way up to decent wages, still \$10.00 per hour, on average, lower than a man in the same job. These women were willing to tell their stories of, not just wage discrimination, but name calling, sexual assault,

groping and more. The final outcome was a 10 million dollar settlement which didn't even begin to cover their losses. On average, each woman lost over \$416, 000, and if they were lucky they saw about \$70, 000 from the settlement (Murphy, 2005). This is where the government needs to step in and alter some laws to make it easier to prove discrimination which should help the cost factor and hopefully force these companies to discontinue their wage game (Kennedy et al., 2008). Holding companies responsible for their actions and penalizing those that cross the line would send a message to others that the court system will not tolerate gender wage discrimination and will take action. Assuredly, the government can no longer afford to continue giving excuses why discrimination is allowed to flourish. No amount of laws will halt wage discrimination against women unless the government is willing to enforce these laws and change others to make it possible for individuals to prove the situation exists. However, confirming the wage discrepancies to be purely discrimination is impossible to prove. Many studies have shown other factors are involved. In 1998 The Council of Economic Advisers released a report addressing the trends in the gender wage gap. Their report showed that the wage ratio from 1969 to 1996 had improved, rising from 57% to 68% respectfully. In addition, the study looked at the remaining 32% differential and determined that there were other factors swaying the pay gap. They cited studies from the 1980's suggesting that one third of the remaining difference was from reduced skills and experience that women brought to the workforce. Furthermore, they found another one third was attributed to women's choices of occupation, industry and union status. Leaving a balance of 12% unexplained. In conclusion the

wage gap may be lessening, but it is still thriving in the American workplace (Advisers, 1998). Research suggests the most important reasons supporting the elimination of wage discrimination toward women are; it would help the government out of its fiscal crisis, give a boost to the economy and bring about decreased resentment among co-workers resulting in positive change within corporate America. The benefits for eradicating the gender wage gap are so extreme that it is baffling why so little is being done to address this issue. The government is in economic crisis. Assistance programs in place to help those in need are strained beyond their budgets, begging for help wherever they can get it, and the need is growing. Women using the assistance want to stand on their own, but without equal pay, the task is unreachable. Federal and State governments are feeling the pinch from the lack of tax revenue. An equalization of pay would bring about an increase of taxes. Families and single women would have more income to balance their budgets and save for retirement. The Social Security Administration would have the funds necessary to continue supplementing the senior community. Women would have fewer concerns about retirement. Their Social Security and Unemployment pay rates would be increased based on past income. Furthermore, higher production within many companies would be evident. Stronger teamwork would promote growth and harmony. Fewer discrimination law suits would be necessary. Future generations would have the opportunity to experience equality at the purist form, equal pay for equal work. In conclusion, the United States cannot afford to stay stagnant. Action is necessary! The cost must be placed back on corporate America, forcing gender wage discrimination to final extinction. Women are a commodity.

They are strong, resourceful and deserving of equal pay. References GPO Access. (2009). US Budget. Retrieved August 16, 2011, from A Service of the U S Government Printing Office: <http://www.gpoaccess.gov/usbudget/fy11/hist.html>

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