

Equal pay legislation and the gender wage gap

Despite major efforts at equal pay legislation, gender pay inequality still exists—how can this be put right?

Keywords: gender, wage inequality, human capital

ELEVATOR PITCH

Despite equal pay legislation dating back 50 years, American women still earn 18% less than their male counterparts. In the UK, with its Equal Pay Act of 1970, and France, which legislated in 1972, the gap is 17% and 10% respectively, and in Australia it remains around 14%. Interestingly, the gender pay gap is relatively small for the young but increases as men and women grow older. Similarly, it is large when comparing married men and women, but smaller for singles. Just what can explain these wage patterns? And what can governments do to speed up wage convergence to close the gender pay gap? Clearly, the gender pay gap continues to be an important policy issue.

KEY FINDINGS

Pros

- ⊕ Policies promoting greater daycare utilization reduce the gender wage gap.
- ⊕ Policies aimed at increasing women's lifetime work can reduce the gender wage gap.
- ⊕ The gender wage gap is smallest between single men and single women.
- ⊕ The gender wage gap is decreasing in most countries.

Cons

- ⊖ Audit studies designed to “catch” employers in the act find little evidence of gender discrimination.
- ⊖ Impact studies of the effects of anti-discrimination policies find little effect on reducing the gender wage gap.
- ⊖ The gender wage gap is largest (typically around 25%) between married (or cohabitating) men and women with children.
- ⊖ Equal pay legislation has not been effective in eliminating the gender pay gap.

AUTHOR'S MAIN MESSAGE

Equal pay policies based on wage outcomes have had little effect on the gender wage gap, while policies reducing women's labor force participation, such as marriage taxes, even increase the gender wage gap. Strong evidence supports the idea that accumulated human capital narrows the gender wage gap. In addition, the gender gap is already decreasing in most countries because changing demographics have led to women's increased lifetime labor force participation. Nevertheless, effective policies, especially those that promote even greater lifetime work for women, can successfully reduce the gender wage gap further.

