

Gender Pay Gap Myths (and Truths)

The ongoing battle over gender equality has turned the question of the relative pay of women and men into quite the political football. Over the last few years, defenders of markets, [including me](#), have been on the offensive, arguing that the gender pay gap is in some sense a “myth.” More recently, critics have [replied](#) that it’s not a myth and that those who think it is a myth are peddling nonsense.

It turns out that both sides have a point. Whether the gender pay gap is a myth depends upon exactly what claim either side is making. Below, I hope to sort out these various claims and make clear what we can and cannot say is true and false about the gender pay gap.

What is Mythical?

For decades, critics of markets have trotted out the claim that women make only a percentage of what men do as evidence that markets discriminate against women. Early on, women were claimed to make only about 65% of what men do. Now that number is more like 80%. So one observation from the start is that the gap, whatever its causes, has narrowed since the 1970s.

But why would people claim this is a myth? Two reasons. First, if the critics are claiming that the 80% number means that when men and women with the exact same skills and experience and preferences do the exact same work that women get paid 80 cents for every dollar men do, they are wrong. That is not what the 80% figure shows.

Rather, that number is the ratio of female to male wages among full-time workers, across all kinds of jobs and regardless of the skills and preferences of the workers. That 80% is an aggregate – it is not an apples-to-apples comparison of men

and women doing the same work. Thus, the claim that women get paid 80% of what men do for the same work is a myth.

Correspondingly, the other myth is that the missing 20% represents discrimination by employers. Once we understand where the gap figure comes from, we know right away that this other claim is a myth. To know if there is discrimination, we'd need to make the apples-to-apples comparison.

In fact, that is what economic studies of the gap attempt to do. They attempt to hold everything else constant and compare employees who are as similar as possible, and who are in jobs as similar as possible, except that some are male and some are female.

If there is a gap left unexplained by skills and experience, then economists treat that presumptively as due to discrimination, pending further studies. The consensus of those studies is that the clear majority of the gap is explained by skills, experience, and preferences. So it is a myth that the missing 20% is all due to discrimination.

What is Not a Myth

You'll notice that I said "the clear majority" of the gender wage gap is explained by factors other than discrimination, but not all of it. The consensus of the economic studies is that there is still about 3 to 5 percentage points of the 20 percent, or roughly 15 to 25% of the gap, that cannot be accounted for by economic differences and that might well be due to discrimination.

So it is not a myth that there might be discrimination in labor markets. Even the economic studies that show that most of the gap is explained by other factors do not say that all of the gap can be accounted for by such things. Although the economic studies don't test directly for discrimination, the fact that other kinds of studies suggest that it exists in labor markets is consistent with the existence of an

economically unexplained portion of the gap.

People who want to argue that the 80% figure is mythical therefore need to be very precise in saying exactly what is mythical about it.

The most accurate summary is something like the following:
“It’s a myth that women get paid only 80% of what men do when they have the same skills and experience and are doing the same work, but it’s also a myth to claim that economics shows there is no gender discrimination in labor markets because studies show that economic factors cannot explain all of the gender wage gap.”

Labor Market Discrimination versus Sexism

To be even more precise, what the economic studies indicate is that “labor market discrimination” explains, at best, only a fraction of the gender wage gap. It would also be a myth to say that “sexism” explains only that fraction. Even if employers largely don’t discriminate based on gender by paying equally qualified men and women differently, employer-driven discrimination is not the only form of sexism that might matter for explaining pay differentials by gender.

All the economic studies say is that differences in skills, experiences, and preferences between men and women explain the clear majority of the gap. What such studies do not address is the degree to which the differences in men’s and women’s skills and knowledge (their “human capital”) is due to sexism before they come to the labor market. Nor do such studies ask whether differences in preferences or job experience by gender are also due to sexism or other aspects of socialization.

For example, if girls are told from a young age that girls aren’t very good at math and science, and are thereby discouraged from majoring in those areas and earning higher salaries as a result, those factors will contribute to the 80% figure. But notice, that’s not because employers are

discriminating. If sexism pushes women into lower paying fields, that doesn't mean that they are necessarily being paid less than men for the same work in that field. What's causing their lower wages is sexism in places other than the markets.

Defenders of markets can legitimately argue that markets tend not to discriminate by gender, but that sexism exists elsewhere and thereby indirectly affects how economic outcomes are patterned by gender.

Preferences, Choices, and Culture

Feminist critics also argue that the explanations people like me have offered for the gap are problematic when we talk about the different "preferences" that men and women have. For example, the fact that women are more likely to work part-time than men, or less likely to work overtime when they work full-time, are factors that explain the differences in pay by gender. If women prefer to spend more time with family, their wages will fall. If women prefer less risky work, they will make less.

Feminists argue that such "preferences" really aren't preferences to the degree they are products of socialization. Do women really "choose" to do all of those things, or are they just playing out gender roles they haven't really chosen?

There's no reason to deny that socialization might matter. Agreeing with that claim implies no necessary role for policy. We've already seen that the problem largely isn't with employers or in labor markets. Instead, if we think that such socialization is a problem, and that the world would be a better, and more liberal, place if women felt more empowered to, say, enter the math and science majors and earn a better living as a result, we can work to change the culture in ways that address these concerns. The same could be said of persuading men to devote more time to child raising and other forms of household production.

Working through voluntary processes and the institutions of civil society to reduce sexism seems a far more congenial option than using policy. I also think that the long-standing liberal concern with the dignity and growth of all individuals should make us want to address the sexism that remains in our culture. This is a set of issues on which we can agree with progressive feminists – working together to change the culture is a better solution than trying to regulate labor markets in ways that are not necessary.

An Honest Accounting

The gender wage gap is not as simple as either the defenders of markets or their feminist critics make it out to be. Although the entire gap is not the result of labor market discrimination, a fraction of it might be. The portion not explained by labor market discrimination might well result from latent misogyny in the culture.

There is an additional factor that relates to institutions. Controlled and hampered labor markets reduce competitiveness in positions and salaries for everyone, and provide greater opportunities for invidious and irrational discrimination to take place. The less rivalrous the market, the more you find forms of power, including that stemming from bias, can express themselves.

Today's labor market is far from free, so it should not surprise us to find that it is yielding noncompetitive and non-optimal outcomes.

Those of us who like markets should not be afraid to argue that labor market discrimination is not the dominant problem here, but we also shouldn't be afraid to admit that sexism matters and we should be willing to push back at it in partnership with our friends on the left where we can.


There are myths on both sides here, and taking steps toward gender equality requires an honest accounting of the economic

and social facts.

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Steven Horwitz is the Charles A. Dana Professor of Economics at St. Lawrence University and the author of [Hayek's Modern Family: Classical Liberalism and the Evolution of Social Institutions](#). He is spending the 2016-17 academic year as a Visiting Scholar at the John H. Schnatter Institute for Entrepreneurship and Free Enterprise at Ball State University.

He is a member of the FEE [Faculty Network](#).

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