Recent Trends in the Gender Pay Gap in the New York Metropolitan Area

by Niev Duffy

Few issues over the last half-century have been more controversial than the debate surrounding gender pay equity. But what exactly is pay equity and how far have we come towards achieving it? What has happened to the wage gap and does achieving pay equity mean eliminating the wage gap completely? How does the New York metropolitan area compare with the rest of the country?

Achieving gender pay equity means eliminating any difference in worker compensation based directly upon the sex of a worker. Those seeking a more detailed definition of pay equity will find considerable differences in interpretation of the term. At a minimum, pay equity means "equal pay for equal work" as required by the Equal Pay Act enacted during the Civil Rights movement of the 1960s. Generally speaking, the courts have interpreted this to mean that men and women performing the same work should receive the same wages. A second, broader definition of pay equity would include equality in pay between jobs of comparable worth, that is, jobs that involve different tasks, but are of equal value to the employer.

But even if pay equity were achieved in similar jobs and across jobs of comparable worth, there would still be a gap in earnings between men and women, due in large part to women's disproportionate family responsibilities and their resulting loss in education and work force experience. A third, and still broader definition of pay equity would involve compensation for lost work force earnings due to family responsibilities or even economic compensation for parenting (as practiced in France).

This article will explore recent progress towards achieving the first two definitions of pay equity described above. To date, most debate regarding pay equity has focused on national trends. Little has been written about recent trends in pay equity in New York, though it is generally perceived to have made greater progress than the rest of the country. This paper seeks to shed light on conditions in New York City and Long Island. Evidence shows that the median earnings gap between full-time year round male and female workers is indeed smaller in New York State and New York City than in the country as a whole. However, the opposite has been true on Long Island for most of the 1990s. In addition, the gap in mean incomes of men and women on Long Island appears to be growing. Surprisingly this growing gap does not appear to be a result of women's greater concentration in low skill/low wage occupations, but rather, growing earnings inequality between men and women in the higher paid occupations, such as administration and management.

Before discussing these trends in the New York Metropolitan area, we will first briefly review some general reasons for the gap in wages between men and women nationally.

Why a Gap in Earnings?

In 1995, the average woman working full-time, year round made only 71 cents for every dollar earned by men. Economists estimate that between a quarter and a third of this gap in earnings is due to differences in personal characteristics, such as education and work experience, that affect worker productivity[1]. Though, on average, women's educational attainment is now very close to that of men (and exceeds male education in some occupations), women's work experience still tends to lag considerably behind men's. This is primarily due to women's lower rates of labor force participation during their childbearing years. This lower work force experience translates into a substantial reduction in earnings.

Another 1/3 of the gap in earnings between men and women can be explained by the different occupations and industries dominated by men and women[2]. There is considerable segregation of the sexes by occupation and industry, and it is well known that those areas dominated by women pay considerably less well than those dominated by men. Economists generally attribute pay differences across occupations to market forces and assume wages differentials to be free of bias, resulting only from the differing demands and/or productivity of each job. However, there is also evidence of discrimination across occupations and a substantial portion of the gap in pay can be traced to the gender of the typical worker in the field.

The lack of access of women to occupations traditionally dominated by men increases competition among women for jobs within the limited range of occupations open to them, particularly secretarial/administrative support and services. As a consequence of the increased competition, employers are able to offer lower wages to female workers in female dominated occupations.

The portion of the wage gap that remains unexplained by the factors listed above is due to either unobserved differences between male and female workers, or to gender wage discrimination. In other words, if a gap in earnings cannot be explained by a difference in productivity or value to an employer, and can only be attributed to the sex of a worker, then that portion of the gap is a result of a negative bias towards female workers. Though evidence suggests that gender discrimination declined considerably during the late 1970s and 80s, it is still responsible for more than 1/3 of the earnings gap between men and women[3].

Progress in Pay Equity in the United States

Legislation passed during the Civil Rights movement of the 1960s outlawed most forms of employment and compensation discrimination based on gender. However, the wage gap between male and female workers did not begin to close until the late 1970s when full-time, year round female workers still earned only 59 cents on the dollar earned by men. During the next decade women's earnings rose relative to men's, and by 1990 the average woman earned 72 cents on the dollar[4].

Increases in women's work experience, educational attainment, and representation in traditionally male dominated occupations led to an 11.5% rise in women's earnings relative to men's during this period[5]. Between 1979 and 1988 a substantial decline in the unexplained portion of the gap, suggesting a reduction in gender discrimination, also helped to raise women's earnings closer to those of men.

Over the last four decades changing economic conditions and attitudes concerning women's work outside the home have led to increased labor force participation and work experience among women, increasing the importance of women's' earnings for sustaining household income. In fact, a joint study performed by the AFL-CIO and the Institute for Women's Policy Research found that in 1997 almost two-thirds of all working women and slightly more than half of married women provide half or more of their family's income[6]. Today, 71% of women in married couple families with children work outside the home. As a consequence of these trends, the perception that women work for "pin" money has greatly diminished and it is no longer used openly as a justification for paying female workers lower wages than men.

While there is no question that women have made real progress in earning potential since the late 1970s, much of the apparent gains in equity have been due to less fortunate economic trends. A substantial portion of the reduction in the gap between male and female earnings has been due to falling male wages in the United States. The slide in median male earnings (after adjustment for inflation) and the consequent narrowing of the gap between male and female earnings is clear from Figure 1. In addition, the faster decline in union membership among men (who are more likely to belong to unions than women) and the loss of the earnings benefits that unions offer, has lowered male earnings relative to those of women. It would seem pointless to suggest that a narrowing of the earnings gap between men and women is a positive sign where it results from a decline in male earnings rather than an increase in female earnings. At best it can be hoped that the narrowing of the earnings gap will continue when wages begin to rise again.

Though the combination of social and economic changes contributing to the closing of the wage gap during the 1980s have continued into the 1990s, the narrowing of the wage gap appears to have stalled in the United States during the last decade. By 1995 women earned only 71 cents on the dollar earned by men.

Pay Equity in New York City & Long Island During the 1990s

New York is generally considered to be one of the more progressive states in terms of pay equity. To test the current accuracy of this image, I conducted statistical analysis on data collected by the U.S. Census Bureau in its monthly Current Population Survey. My findings suggest that New York women do appear to enjoy a smaller pay gap than elsewhere in the country. In 1997, the pay gap in median income for the U.S. as a whole was 29 cents on the dollar, while it was only 18 cents in New York State. Between 1989 and 1997 the wage gap in the state fell from 30 cents on the dollar to 18 cents on the dollar for full-time year round workers, aged 18 and over. During this period women's incomes in New York State rose faster than they did nationally, and were roughly 20% higher than the national average for women in 1997. However, to some extent, the lower wage gap in the state also reflects the fact that median male earnings *declined* faster here during the 1990s than in the U.S. as a whole.

A similar story can be told for both New York City and Long Island. In both regions, male earnings declined substantially during the 1990s. After dipping somewhat during the mid-1990s, median female earnings recovered in the metropolitan area in 1997. As a result, the pay gap in New York City was stagnant during the early 1990s and then almost disappeared in 1997 when women achieved near equity with men in terms of median income (see Figure 2). On Long Island the pay gap rose initially and then fell in 1997. In 1989 women on Long Island earned an average of 67 cents on the dollar earned by men and in 1997 this figure rose to 81 cents.

From Figure 2 it is clear that New York City and Long Island look quite different in terms of pay equity. In NYC the female/male earnings ratio is consistently above that of New York State or the U.S., and on Long Island it is considerably below, with the exception of 1997. Since gains in median real income in the New York Metropolitan area for women were very modest during the 1990s, most of the apparent increase in pay equity was due to declines in male median earnings.

Are Women in New York Rising on the Economic Ladder?

Given the slide in median male earnings during the 1990s, it is difficult to say whether or not there has been true progress in pay equity over the last decade in the New York Metropolitan area. It would therefore be useful to have an alternative measure of women's progress in terms of their relative status within the labor force. One possibility is to look at changes in status within those areas of the economy where earnings growth is greatest. While income growth in high skilled sectors of the labor market have been high enough to lift the average or mean income of all workers in the New York Metropolitan area, women seem to have benefited little from recent income growth in these sectors. If women are excluded from gains at the upper tiers of the labor market, then the potential for gender equity under current patterns of economic growth is drawn seriously into question.

In order to explore the extent of women's integration into those areas of the economy experiencing rapid earnings growth, an alternative measure of income is needed, one which emphasizes earnings of workers in high wage sectors where wage growth has been the greatest. The trends discussed in the preceding section all involve median income, a rough measure of how much the "*typical*" worker earns. Another common measure of income, which places greater emphasis on workers at the upper end of the earnings spectrum, is average or mean earnings. This measure of income is often avoided because it overstates the income of most workers when the distribution of income is very unequal. A relatively few individuals with very high and rising incomes can increase average earnings, even when most workers are experiencing wage declines.

Comparing the mean earnings of men and women provides a clearer picture of the degree of inequality between men and women at the upper end of the income spectrum. If women are underrepresented at the top of the economic ladder then the gap in *mean* earnings between men and women will be greater than the gap in *median* earnings. In New York, as in the United States as a whole, the gap in mean earnings between men and women is indeed far higher than the gap in median earnings, indicating that there is greater inequality between men and women at the top of the economic ladder than at the lower levels. Moreover, during the early to mid-1990s the gap in mean earnings between men and women in New York City, Long Island and New York State, rose substantially before falling again in 1997 (see Figure 3).

As with median income, the gap in mean incomes of men and women on Long Island is far higher than in NYC or the U.S. as a whole. During the 1990s the average income of men on Long Island increased, but was stagnant for women until 1997, when it experienced a modest rise. The result has been a widening of the gap in average earnings between men and women. It would seem then, that recent economic growth in the area has benefited men far more than women.

One might expect that the increasing gap in mean earnings between men and women is a result of the more general trend towards greater income inequality between high skill and low-skill workers in the labor market. One of the frequently cited explanations for growing earnings inequality is the development of a two tier labor market in which there are numerous low-skill/low - wage jobs experiencing wage decline, and a smaller number of high-skill/high-wage jobs experiencing wage growth. If the growing gap in average earnings between men and women were due to this two tier labor market, then it would result from women's heavier and increasing concentration in low skill/low wage occupations where real wages tend to be falling.

However, this does not seem to be the case and an alternative explanation for the growing gap in mean earnings of men and women is needed. In fact, there has been no clear shift of women into low skill/low wage occupations in either New York or Long Island, or any significant shift between occupations at all. In addition, women's incomes in low wage occupations have been relatively stable when compared with men's, which have been falling. Instead, the gender gap in mean earnings appears to be rising primarily as a result of growing earnings differentials within occupations, particularly those at the top of the income spectrum.

Taking a look at real earnings growth within occupations yields interesting insights into the widening gap in mean earnings between men and women on Long Island. The two occupational groups experiencing the most rapid rise in incomes were Administrators/Managers and Professionals. While male incomes in these occupations rose rapidly on Long Island during the 1990s, women in these occupations experienced no such gains (see Figure 4). As a consequence, the associated earnings gaps rose dramatically. In fact, women in these occupations make half or less of male earnings (see Figure 5). Since, on Long Island, the proportion of male and female workers employed in these occupations is large (32% and 40%, respectively), and mean incomes have been relatively stable for men and women in other occupations, the growing inequality in mean earnings is likely to result from differing rates of income growth within occupations, rather than across occupations.

It is generally accepted that increasing educational attainment is the best way to raise earning potential and reduce pay inequality. To the extent that women's educational attainment is not rewarded at the same rate as men's, women's potential for economic advancement is limited. Surprisingly, while the earnings of men with college and graduate degrees on Long Island have been rising in recent years, this has not been the case for women. As a result, the gap in earnings has increased most rapidly for female workers with higher levels of education (see Figure 6). The same trend occurred in New York City and the United States, though it was somewhat less pronounced. By 1997 full-time year round working women with college and graduate degrees made less than half that of their male counterparts.

Summary

Given the slide in average male earnings during the 1990s, it is difficult to know whether or not the decline in the median wage gap in New York City and on Long Island reflects an improvement in women's earning potential relative to men's. In fact, it is possible that women are more sheltered from the earnings squeeze simply because they are already compensated at a lower rate than their male counterparts. The real test for progress in pay equity will be whether or not the earnings gap continues to decline when median real earnings begin to rise again.

Evidence from those sectors of the labor market that are experiencing wage increases suggest that the answer to this question may be no. On Long Island, mean earnings have been rising substantially for workers with college and graduate degrees, and those in professional capacities such as officers/administrators and managers. While the real earnings of men in these capacities have been rising rapidly during the 1990s, their female counterparts have experienced little or no average gain in earnings. The same is true to a somewhat lesser extent in New York City, and in the U.S.

The last two decades have led to dramatic increases in earnings inequality in the New York Metropolitan area, and in the United States as a whole. Though average or mean real wages have continued to rise, as a relatively few high skill workers have experienced rapid earnings growth, most Americans have been paid less every year (in inflation-adjusted dollars).
The evidence presented in this paper suggests that, on average, women are more susceptible to this rising inequality since they appear to be excluded from earnings gains at the top of the economic ladder.

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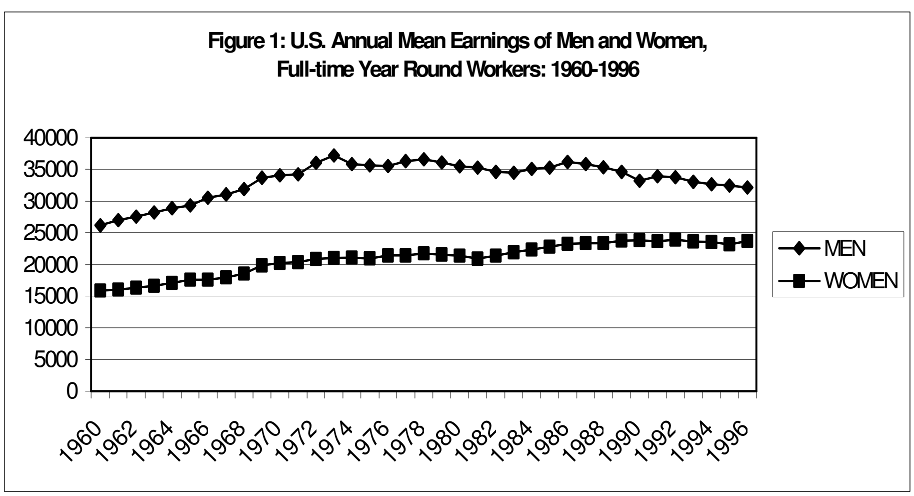
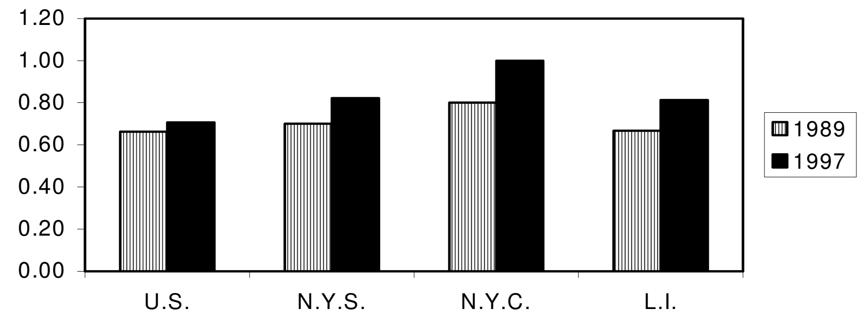


Fig. 1 Source: Economic Policy Institute, 1998. Real earnings of persons 15 years and over.

Figure 2: Women's Median Earnings as a Proportion of Men's, Full-time Year Round Workers, 1989-1997



Source: This and the following real earnings figures are based on the March 1998 CPS. Samples include workers 18 years of age and over. Earnings were adjusted for inflation with the CPI.

Figure 3: Women's Mean Earnings as a Proportion of Men's, Full-time Year Round Workers, 1990s

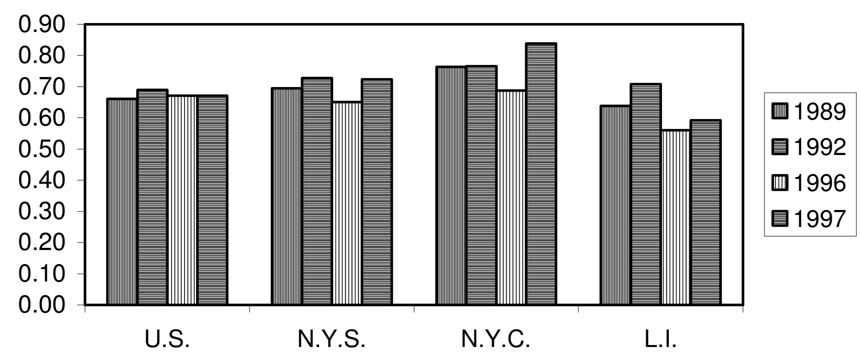
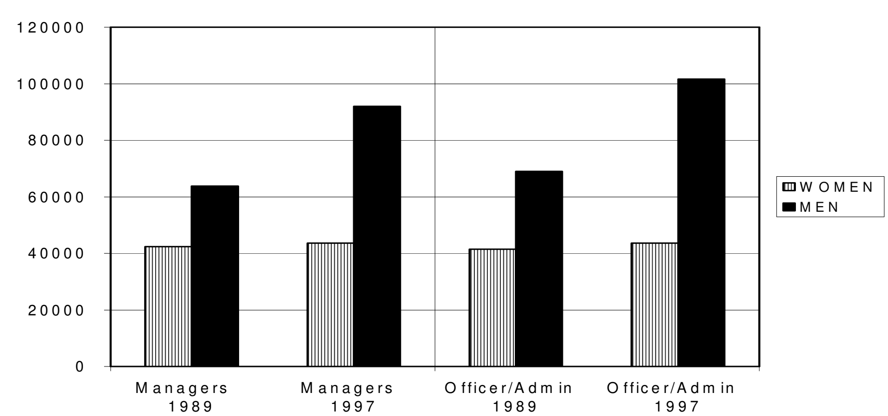


Figure 4: Women's and Men's Mean Annual Earnings on Long Island, Full-time Year Round Managers and Officers/Administrators, 1989 and 1997



NOTES

[1] Francine Blau, Marianne Ferber, and Anne Winkler, *The Economics of Women, Men and Work*, Third Edition, Prentice Hall, NJ, 1998
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] AFL-CIO and the Institute for Women's Policy Research, "Equal Pay for Working Families: Executive Summary", 1998

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