PayScale

THE STATE OF THE Gender Pay Gap in 2018

How Large Is It, How Much It Grows As Workers Climb The Corporate Ladder, and How Career Disruptions Perpetuate The Gender Pay Gap.

In the last couple of years, workers and legislators have taken some big steps to push organizations to rectify the gender pay gap. For example, salary history bans have expanded across the U.S., with the goal of making sure organizations do not perpetuate the gender pay gap. The UK passed a law in 2017 which forces companies with more than 250 employees in the region to report on pay disparity between their male and female employees. In France, companies with more than 50 employees are now required to install software directly connected to their payroll systems to monitor unjustified pay gap; if a company fails to erase a pay gap detected by the software over three years, they could face a penalty. In the U.S., female employees from Google sued their previous employer for gender-based pay disparity. More recently, Starbucks claims it has achieved pay equity in the U.S.

More organizations have taken voluntary measures to erase the gender pay gap. For example, a number of tech companies including PayScale, Amazon, Facebook and Google, have voluntarily banned their recruiters and hiring managers from asking candidates for their salary history. Meanwhile, companies like Salesforce have spent several millions in the last two years raising wages to close gender and racial disparities in pay.

It's feels like we're gaining momentum. But how much progress have we really made?

In our newest State of the Gender Pay Gap report, we'll share the data on how large the gender pay gap is in 2018, and how much it's shifted from 2016. The verdict? It turns out that the gender pay gap stubbornly persists into 2018. When we looked at all women and all men, women earn 77.9 cents for every dollar earned by men. This figure has moved only slightly from 2016 -- when women earned 76.3 cents for every dollar earned by men.

But this time, we tested a new hypothesis for why the gender pay gap persists. Specifically, we decided to investigate this idea of "career disruptions", or taking a break from the workforce, and quantify the impact of career disruptions on pay for men and women.

How do career disruptions impact wages? Does the wage penalty increase for longer durations of unemployment? Do men and women have different durations of unemployment? Do they have different reasons for being unemployed? Ultimately, does the wage penalty from unemployment affect women more than men?

Between January 2016 and February 2018, over 2 million people took PayScale's online salary survey, providing information about their industry, occupation, location and other compensable factors. They also reported demographic information, including age and gender. We leveraged this sample to provide insights into the controlled and uncontrolled gender wage gap.

Between November 2017 and February 2018, PayScale surveyed roughly 46,000 respondents evaluating new job offers and asked several questions related to their current employment status. For those who reported they were unemployed, we asked them about the length of their unemployment, and the primary reason they took time away from work.

We'll dive into findings below.

The Gender Pay Gap Stubbornly Persists in 2018

Women earn **77.9 cents** for every dollar earned by men.

This figure is representative of the uncontrolled — or "raw" gender pay gap, which looks at the median salary for all men and women regardless of job type or worker seniority.

In other words, the median salary for women is roughly 22 percent lower than the median salary for men. This is a slight improvement from 2016, when the median salary for women was roughly 24 percent lower than the median salary for men.

What about the gender pay gap once all compensable factors such as experience, industry and job level are accounted for? It's still not zero.

In fact, when men and women with the same employment characteristics do similar jobs, the woman earns 97.8 cents for every dollar earned by the man. Unfortunately, this number has not changed since our 2016 study.

The Gender Pay Gap Persists

Woman still paid less than men in 2018

UNCONTROLLED GENDER PAY GAP

COMPARING ALL WORKING WOMEN TO ALL WORKING MEN.

WOMEN EARN

78¢

FOR EVERY $1 EARNED BY MEN

CONTROLLED GENDER PAY GAP

COMPARING SIMILAR WOMEN AND MEN IN SIMILAR JOBS.

WOMEN EARN

98¢

FOR EVERY $1 EARNED BY MEN

While you might think the uncontrolled pay gap is not a big deal, consider that this gap widens as women move up the ranks. While the controlled (men and women in similar jobs) gender wage gap starts at 98.3 cents for individual contributors, it widens to 94.4 cents for executives.

Why is this the case? It might be because women ask for raises less frequently than men, so as workers progress through their careers, not asking for raises each time has a cumulative effect on women's pay.

The Opportunity Gap Widens as Women Climb the Corporate Ladder

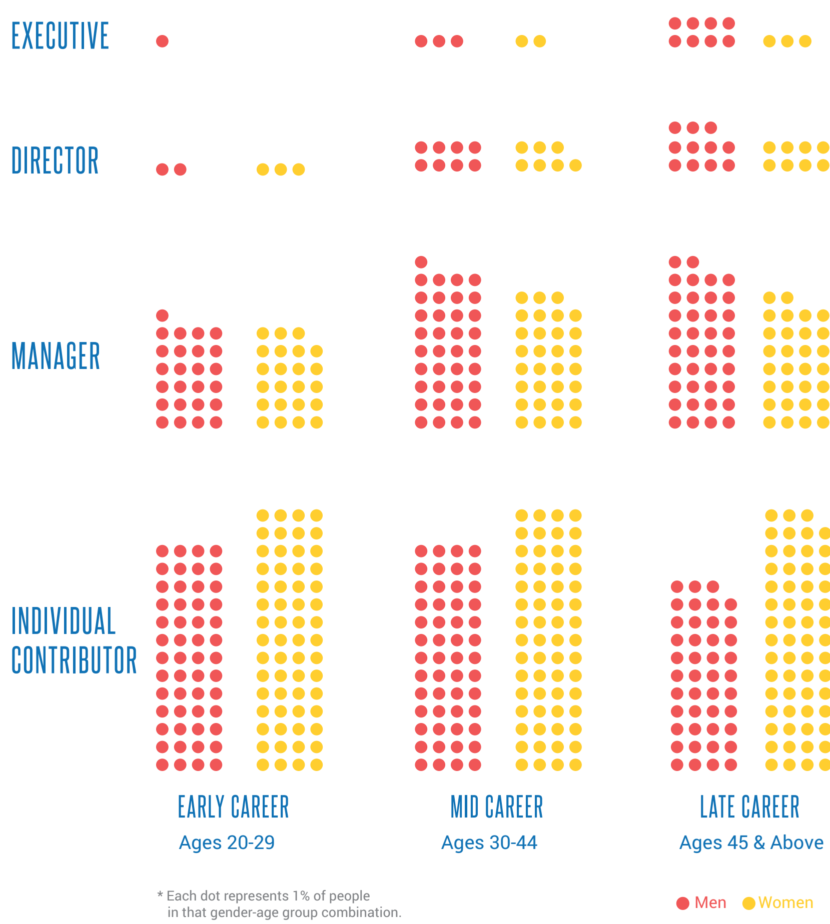
What often gets lost in translation is what the uncontrolled gap truly represents -- that women are less likely to hold high level, high paying jobs than men. Our data shows that at the start of their careers, men and women tend to work at similar level jobs, most often entering the workforce at the individual contributor level: 72 percent of men and 74 percent of women in the age group 20-29 are in individual contributor roles.

Over the course of their career, men move into higher level roles at significantly higher rates than women. By mid-career (age range 30-44), men are 70 percent more likely to be in VP or C-suite roles than women. By late career (age 45+), men are more 142 percent more likely to be in these higher paying roles.

On the flip side, women over the age of 30 are more likely than men to remain in individual contributor positions. By mid-career, 60 percent of women are in individual contributor positions vs. 52 percent of men. By late career, 59 percent of women are in still individual contributor positions vs. 43 percent of men.

Both the controlled and the uncontrolled pay gap grow as workers climb the corporate ladder. The controlled gender wage gap starts at 98.3 cents for individual contributors and widens to 94.4 cents for executives.

Women Are Poorly Represented At Higher Levels of The Talent Pipeline

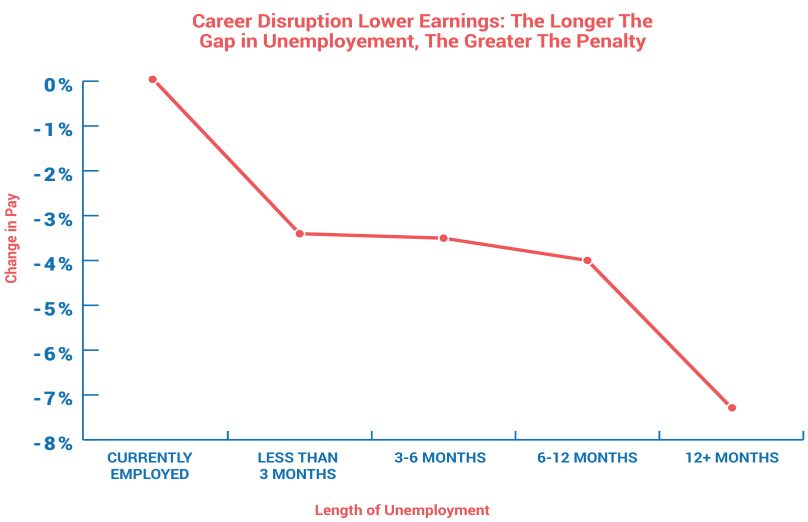


Workers in higher-level roles almost always earn a higher salary, so the lack of women in these roles means the average woman is almost certainly destined to make less than the average man.

Career Disruptions – an Explanation for Why the Gender Pay Gap Persists

Why are women earning less than men and moving up at a slower pace? In a new analysis, we uncovered how periods of unemployment, or career disruptions, can shed light on this question.

We found that the wage penalty on unemployment is significant, and the longer the career disruption, the greater the penalty.

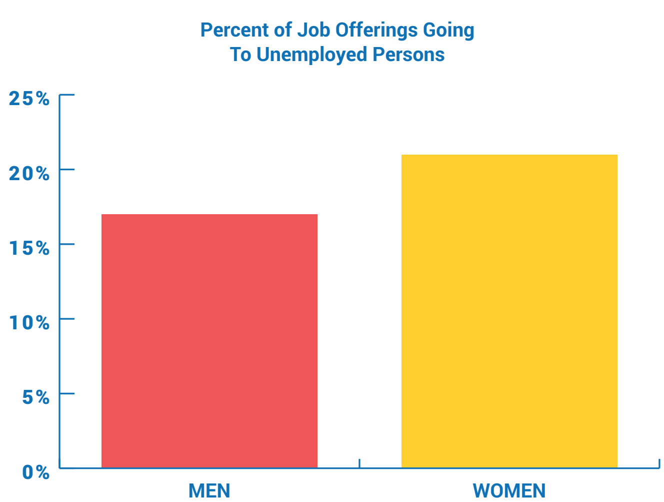


On average and controlling for relevant factors, those who were unemployed at the time of receiving a job offer make **4 percent less** than someone who has not recently had a career disruption.

In addition, those unemployed for longer periods face larger unemployment penalties. Someone who was unemployed for less than three months faces only a 3.4 percent penalty (on average) while someone who has not worked in over a year experiences a 7.3 percent penalty.

The Unemployment Penalty is Harder on Women, Because Women Take More Breaks and Longer Breaks Than Men

For all age groups, women with a new job offer are more likely than men to be returning from a break in employment. This is in line with the Bureau of Labor Statistics labor participation data, which shows that men are 11.5 percentage points more likely to participate in the labor market than women (as of January 2018).



The difference is greatest for those between the ages of 30 and 44, with women being 6 percentage points more likely to be returning after a break in employment.

Women who are returning from a period of unemployment are, on the whole, 7 percentage points more likely than men to have been out of the workforce for more than a year (17 percent of women versus 10 percent of men). For some age groups, this difference is even more stark. Returning women in the prime child-rearing years of 30 to 44 are 10 percentage points more likely than men to be unemployed for longer than a year.

Women with job offers are more likely to be returning to the workforce than men.

17%

MEN

21%

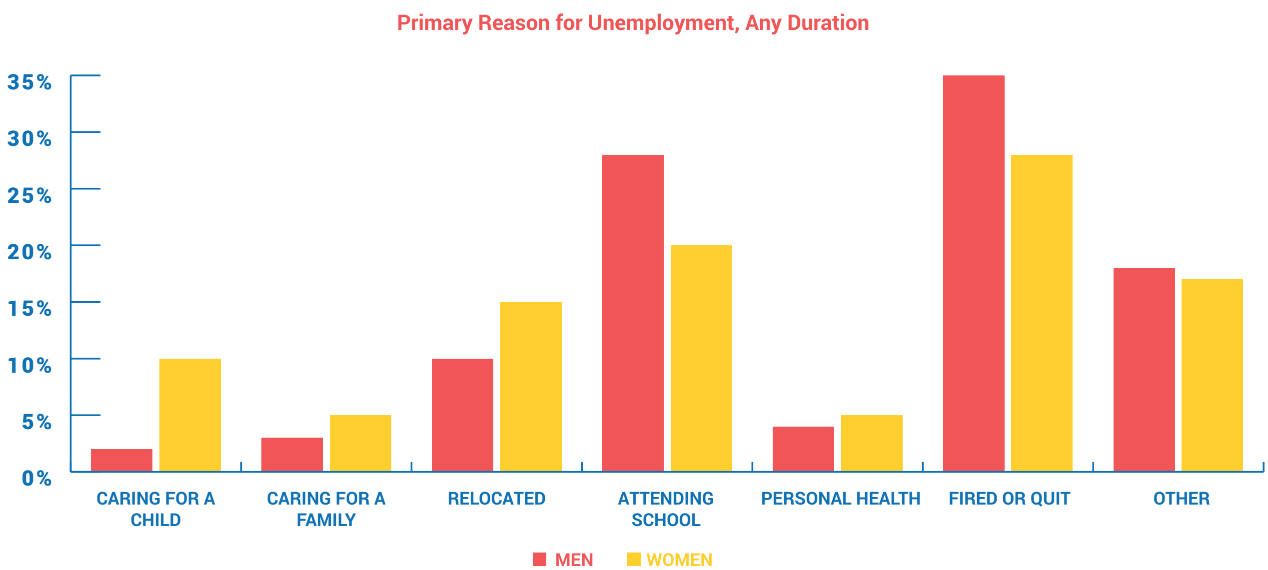
WOMEN

Why Are Women More Likely to Be Unemployed for Longer Periods of Time?

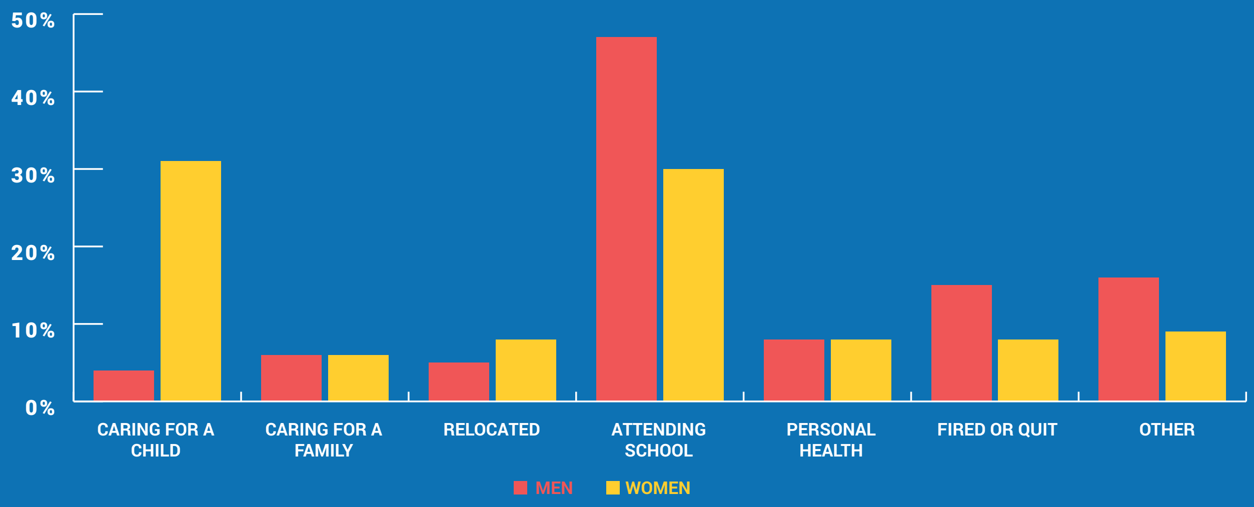
To care of children and family members, as it turns out.

Returning women are much more likely to have left the workforce to care for a child than returning men (10 percent versus 2 percent, respectively). For those who have been unemployed for a year or longer, nearly a third of women report that caring for a child was the primary reason for their unemployment, while only 4 percent of men report the same.

Women are also more likely than men to have been unemployed to care for a family member other than a child (5 percent versus 3 percent). Unemployed men, on the other hand, report much higher rates than women of taking time away from work to attend school or receive additional training (28 percent versus 20 percent).



Primary Reason for Unemployment, for Those Unemployed for A Year or Longer



Again, when we look at men and women all up, someone who has not worked in over a year experiences a 7.3 percent wage penalty.

Since women are more likely than men to take breaks from working, and their breaks are more likely to last longer than a year, they are particularly hurt by the unemployment penalty, which is reflected in the gender pay gap.

The Disparate Impact of Employee Referrals on Pay for Men and Women – Another Explanation for the Gender Pay Gap

There are multiple reasons for why the gender pay gap still exists. While the opportunity gap and disparities in career disruptions help explain parts of the gender pay gap puzzle, another important piece is employee referrals—who gets referred, and how referrals impact men and women's pay differently.

In 2017, we conducted research on this subject - by asking 53,000 workers if they had received an employee referral or were connected to an employee at the company at which they currently work. We also asked each person the source of the referral and analyzed how referrals affect pay for men and women differently. In this study, we found that employee referrals benefit men far more than women. We also found that a typical man can expect a referral to lead to a greater salary increase than a typical woman.

When holding all else constant, women of any race are much less likely to receive referrals than their white male counterparts. White women are 12 percent less likely, and women of color are 35 percent less likely to receive a referral.

On the pay front, we found that when one is referred by a business contact, our statistical analysis showed that while men can expect a referral to lead to a $8,200 salary increase, a typical woman should only expect a $3,700 salary increase. That's a 55 percent difference.

The Gender Pay Gap by Industry

While the tech industry has been under a relentless spotlight for gender equity issues, it is not the only industry with a gender equity problem, and it's not even the worst. The pay gap exists in all industries. However, some industries pay more equitably than others. Women in Transportation & Warehousing and Energy & Utilities take home 96.0 and 96.2 cents, respectively, on the dollar once we control for various factors. On the other hand, the controlled gender pay gap in health care is 98.9 cents.

Women in STEM industries also do comparably well. The controlled gender wage gap for women in the Engineering & Science is 99.2 cents and for Tech it is 99.5 cents. While the near-parity for wages in STEM industries is encouraging, women remain noticeably underrepresented in these sectors. According to the Bureau of Labor Statistics, women make up only 38 percent of the Engineering & Science industry and 29 percent of Tech.

INDUSTRY	UNCONTROLLED GENDER PAY GAP
Finance & Insurance	$0.731
Agencies & Consultancies	$0.790
Energy & Utilities	$0.812
Heathcare	$0.812
Manufacturing	$0.830
Retail & Customer Service	$0.830
Engineering & Science	$0.833
Transportation & Warehousing	$0.837
Tech	$0.847
Nonprofits	$0.853
Construction	$0.857
Accommodation & Food Services	$0.876
Education	$0.878
Arts, Entertainment & Recreation	$0.881
Real Estate & Rental/Leasing	$0.886

INDUSTRY	CONTROLLED GENDER PAY GAP
Transportation & Warehousing	$0.960
Energy & Utilities	$0.962
Accommodation & Food Services	$0.966
Retail & Customer Service	$0.969
Manufacturing	$0.972
Finance & Insurance	$0.973
Real Estate & Rental/Leasing	$0.976
Arts, Entertainment & Recreation	$0.978
Agencies & Consultancies	$0.981
Nonprofits	$0.981
Construction	$0.985
Education	$0.985
Healthcare	$0.989
Engineerig & Science	$0.992
Tech	$0.995

The Gender Pay Gap by Education Level

Women face a gender pay gap at every level of education. Female PhDs earn 80.1 cents for every dollar their male counterparts make. The controlled gender wage gap is smaller, but still shows that women make 97.1 cents on the dollar.

Even larger is the gender pay gap for women with MBAs, who earn 74.1 cents on the dollar. Even when we control for relevant compensable factors, they earn 96.4 for every dollar a man with comparable credentials takes home.

EDUCATION LEVEL	UNCONTROLLED GENDER PAY GAP	CONTROLLED GENDER PAY GAP
No Degree	$0.827	$0.971
High School Diploma or GED	$0.813	$0.978
Associate's Degree	$0.836	$0.977
Bachelor's Degree	$0.888	$0.982
Master's Degree (non-MBA)	$0.770	$0.978
Master of Business Administration (MBA)	$0.741	$0.964
Law Degree	$0.870	$0.967
Health Professional	$0.765	$0.968
Doctorate	$0.801	$0.971

Gender Pay Gap by Occupation

Across all occupations we see a gender pay gap, and while it generally does not go away when we control for relevant variables, there are occupations where the gap is much wider. We see the largest controlled pay gaps in traditionally blue-collar male-dominated occupations such as:

- Installation, Maintenance, & Repair
- Farming, Fishing, & Forestry
- Transportation & Material Moving

For these occupations, the controlled gender pay gap is less than 95 cents on the dollar. The one occupation where we see near equal pay for equal work is Community & Social Services. At 99.5 cents, the controlled pay gap is the smallest in this job family.

Legal occupations have a 61.9 cents uncontrolled gender pay gap. However, the controlled gender wage gap is only 98.3 cents. This dramatic difference indicates that women and men in the legal field differ significantly in observable ways. Among other things, women tend to have different specializations, work in different kinds of firms and have different job titles than men.

Gender Pay Gap By State

Nationally, when exploring the uncontrolled gender pay gap --which compares the median salary of every working woman to the median salary of every men --men make more than woman in every U.S. state. Alabama has the biggest uncontrolled gap, with women making 27 percent less than men. The state with the smallest uncontrolled gender pay gap is Vermont. Still, even in the famously liberal Green Mountain State, women still make about 15 percent less than men.

The controlled gender pay gap data paints a slightly more equitable picture when women have the same job title and we control for other wage influencers. In Connecticut, the controlled gender pay gap is $1.005, meaning women make 0.5 cents more than comparable men. In Vermont, Oregon, New Mexico, Rhode Island, Alaska, and the District of Columbia, the controlled difference in pay incredibly close to zero.

Louisiana and Alabama are the two states with the largest controlled gender pay gaps. Women in Louisiana make 94.4 cents for every dollar comparable men earn. In Alabama women do marginally better, making 94.9 cents for every dollar earned by men.

How Should You Handle the Gender Pay Gap For Your Organization?

If you've made a commitment to paying fairly and equitably, start by figuring out what matters most to your organization. Make sure it complies with appropriate legislation, then reinforce it with your compensation plan. Here are some tips for reinforcing equitable and fair pay in your organization.

1. Address gender issues

Check to see how your employees see things. You may believe that there is no workplace gender inequity issue in your organization, but check again and ask around. It's possible your employees believe there is a problem and would like you to address the issue.

2. Audit your pay practices

Look job by job to see if you have instances where you can't explain why a group of employees is making more than others. In some states, any difference that can't be explained by a legally approved process may be suspect. PayScale's Gender Pay Comparison Feature can help you identify any potential earnings issues by gender.

Beyond job-based analysis, look department-by-department, function-by- function, manager-by-manager, and location-by-location to ensure there are no inequity trends. Hint: use a lawyer if you have any concerns; audits completed with a lawyer should be protected by attorney-client privilege.

3. Audit your opportunities

Next evaluate the opportunities you provide to employees within your organization. What's the ratio of women to men in leadership roles, for example? How about in your higher-paying job functions? While this may not be a compliance requirement for your organization, demonstrating a commitment to equal opportunities will help you retain and attract talent in a competitive talent market. In fact, a few companies have already publicized their diversity statistics and some have even set gender diversity targets.

4. Tell your employees what you're doing

Perhaps most importantly, you have to tell your employees that fair pay is important to your organization and you're actively working on it. It turns out that most people don't know if they're paid fairly. You have to tell them.

You don't necessarily have to share everyone's pay. It's about deciding which spot on the Pay Transparency Spectrum fits your organizational culture and is consistent with your business objectives. That may mean sharing your compensation philosophy, strategy, competitive talent market, and/or rationale for key pay decisions. The choices you make about transparency will depend on the unique circumstances in your organization.

For more tips on how to pay fairly and communicate with your employees, check out our ebook Pay Equity Action Plan.

Methodology

Between January 2016 and February 2018, over 2 million people took PayScale's online salary survey, providing information about their industry, occupation, location and other compensable factors. They also reported demographic information, including age and gender. We leveraged this sample to provide insights into the controlled and uncontrolled gender wage gap.
Between November 2017 and February 2018, PayScale surveyed roughly 46,000 respondents evaluating new job offers and asked several questions related to their current employment status.

Career Disruptions Survey Questions

Employment Status Question:
We asked respondents to our Job Offer survey, "Are you currently employed?" Respondents could answer:

- Yes, at the same company
- Yes, but at a different company
- No

Follow-up Questions: People Reporting They were Unemployed. For those who answered "No" to the employment status question, we asked the following questions with the following possible responses.
How long has it been since you were last employed?

- Less than 3 months
- 3-6 months
- 6-12 months
- 12-18 months
- 18-24 months
- More than 24 months
- This will be my first job

Unless otherwise noted, all analysis excludes those who reported "This will be my first job".

What was the primary reason for your time away from work?

- I was caring for a child
- I was caring for a family member other than a child
- I relocated
- I was attending school/receiving additional training
- I was dealing with personal health issues
- I was let go from or quit my previous job
- Other

Definitions

Total Cash Compensation: TCC combines base annual salary or hourly wage, bonuses, profit sharing, tips, commissions, and other forms of cash earnings, as applicable. It does not include equity (stock) compensation, cash value of retirement benefits, or value of other non-cash benefits (e.g., healthcare).

Median Pay: The median pay is the national median (50th Percentile) total cash compensation (TCC). Half the people doing the job earn more than the median, while half earn less.

Uncontrolled Gender Pay Gap: Median pay for men and women are examined separately, and the difference in the median is reported as the uncontrolled gender pay gap. Variables such as years of experience and education are not controlled for. This provides a picture of the differences in wages earned by men and women in an absolute sense.

Controlled Gender Pay Gap: This is the amount that a woman earns for every dollar that a comparable man earns. That is, this is the pay difference that exists between the genders after we control for all measured compensable factors. If the controlled pay gap is $0.97, then a woman would earn 97 cents for every dollar that a man with the same employment characteristics. Unemployment Penalty: This is the percentage difference in the salary offered to an individual who is currently employed versus one who is currently unemployed. The unemployment penalty changes based on the duration of unemployment.

Industries: PayScale uses 15 industry categories that are custom aggregates of the North American Industry Classification System (NAICS).

Occupations: We report data for 22 occupations as defined by the Standard Occupational Classification System.

Job Levels

- **Individual Contributor:** Employees who do not manage others.
- **Supervisors/Managers:** Employees with people management responsibilities.
- **Directors:** Employees who manage managers, but are below the level of vice president.
- **Executives:** Employees with the title of vice president or hire.

Percent Men/Women (BLS): We present the gender breakdown by job group or industry according to the Bureau of Labor Statistics Current Population Survey from January 19, 2018. For Industries, we calculated a weighted average of the custom PayScale aggregations of the North American Industry Classification System (NAICS) groups when definitions span multiple NAICS industries (e.g. Technology).

Find out more about PayScale's methodology.

About PayScale

PayScale offers modern compensation software and the most accurate, real-time, data-driven insights for employees and employers alike. More than 6,500 customers, from small businesses to Fortune 500 companies, use PayScale to power pay decisions for more than 16 million employees. These companies include T-Mobile, Macy's, Kayak, Sunsweet, UnitedHealth Group, Stihl, GoDaddy and Wendy's. For more information, please visit: www.payscale.com or follow PayScale on Twitter: https://twitter.com/payscale.