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The Girl with the Draggin' W-2

Sarah House, Economist

September 12, 2017

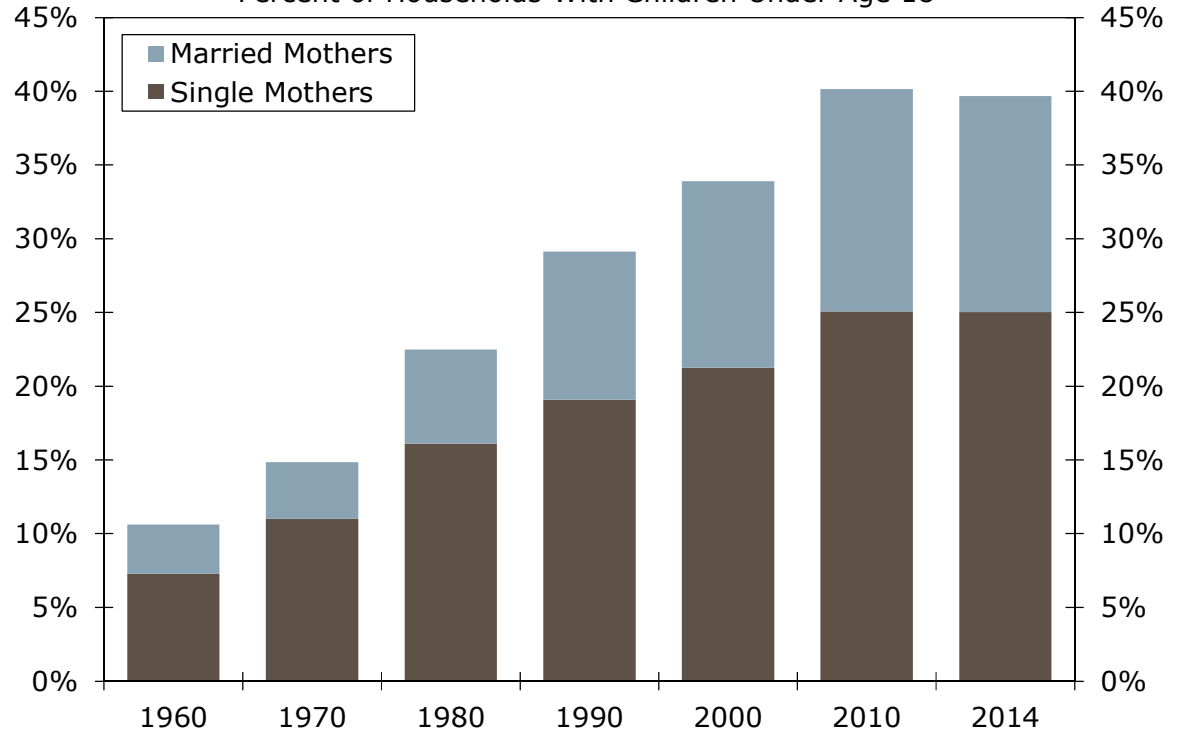


Women Have Made Notable Progress in the Labor Market

Women have made significant strides in the labor market and are on more equal footing with men than at any previous period.

Mothers as Primary or Sole Earner

Percent of Households With Children Under Age 18

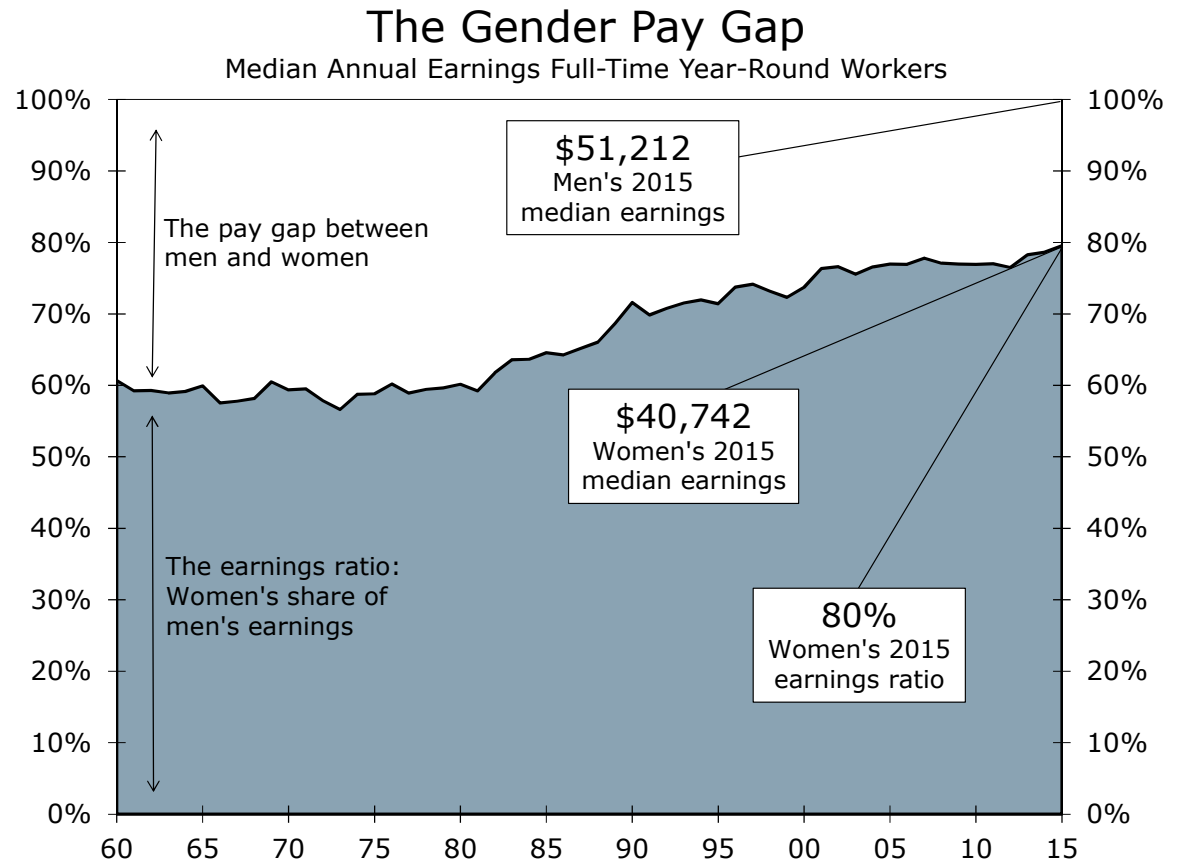


Source: U.S. Department of Commerce and Wells Fargo Securities

The Gender Pay Gap Persists

Women earn just 80 cents for every dollar earned by men.

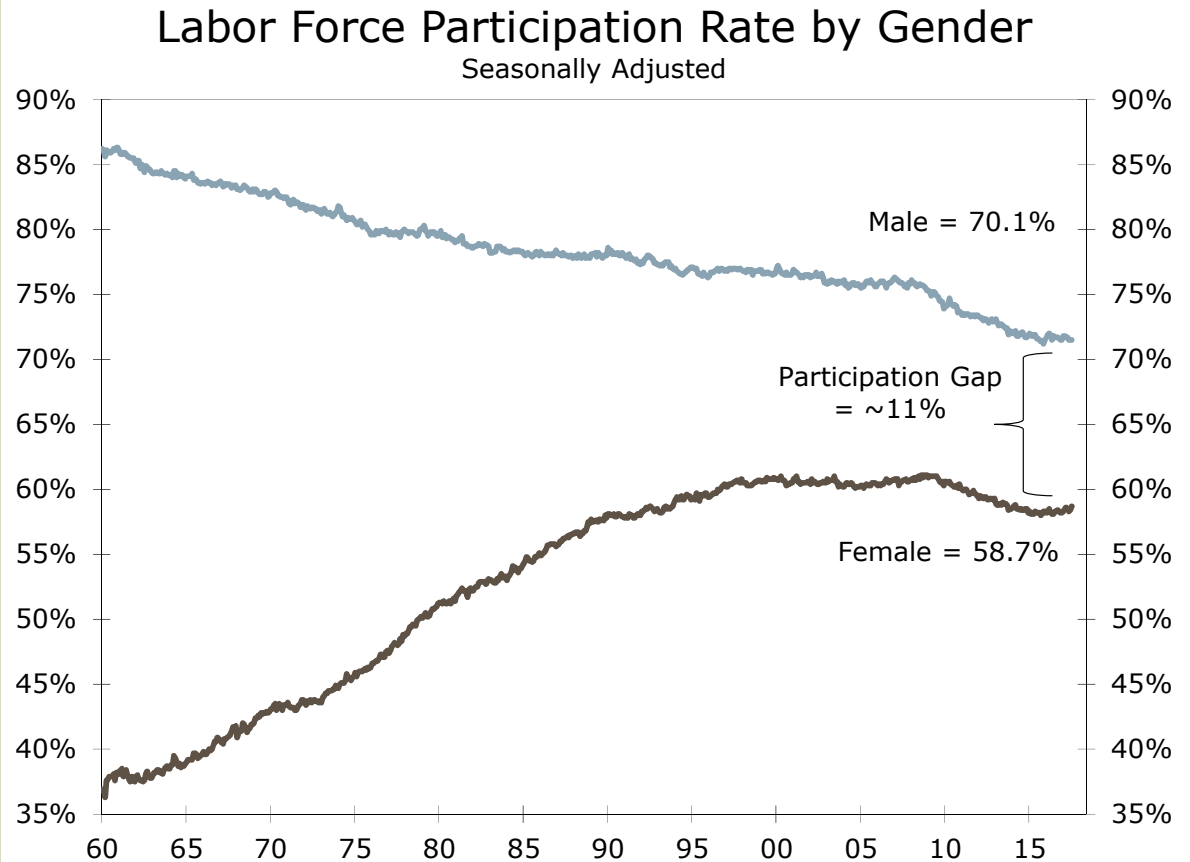
While this figure is accurate, it is somewhat blunt in its measurement as the causes of the gender pay gap are multi-faceted.



Source: U.S. Department of Commerce and Wells Fargo Securities

Experience: Women in the Workforce

After joining the workforce in increasing numbers from the late-1940s to the late 1990s, female labor force participation has plateaued.

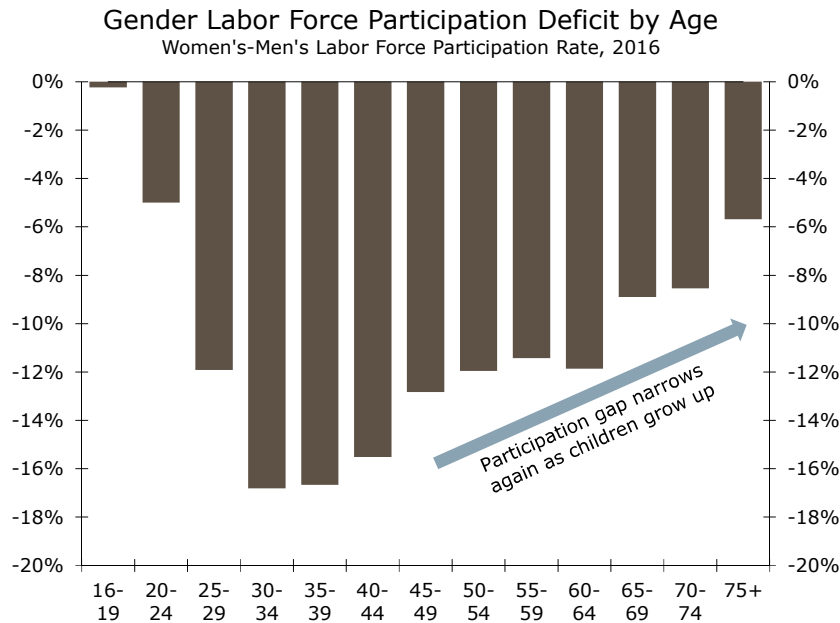


Source: U.S. Department of Labor and Wells Fargo Securities

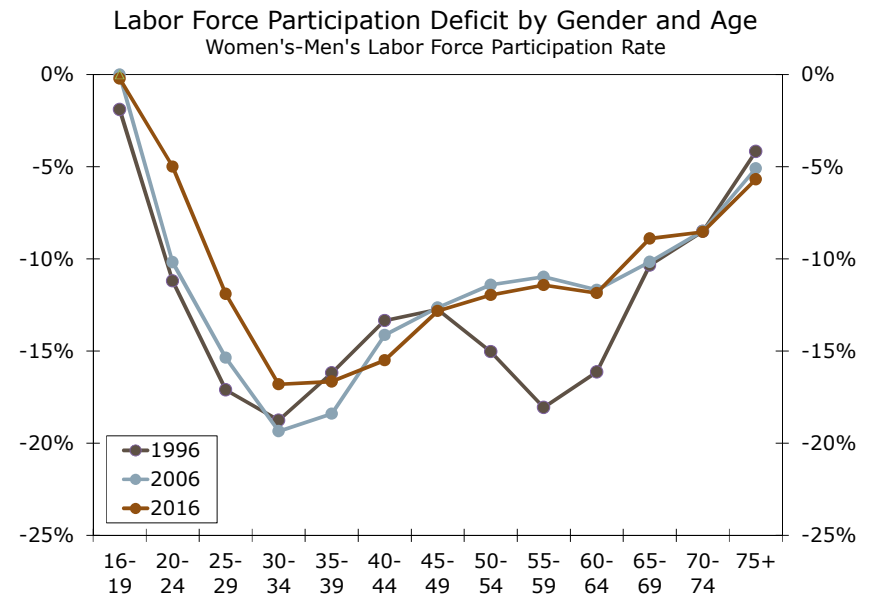
Experience: Women in the Workforce

The labor force participation gap between men and women peaks when women are in their 30's and most likely to have children.

Participation Gap by Age: 2016



Labor Force Participation Deficit Across Time

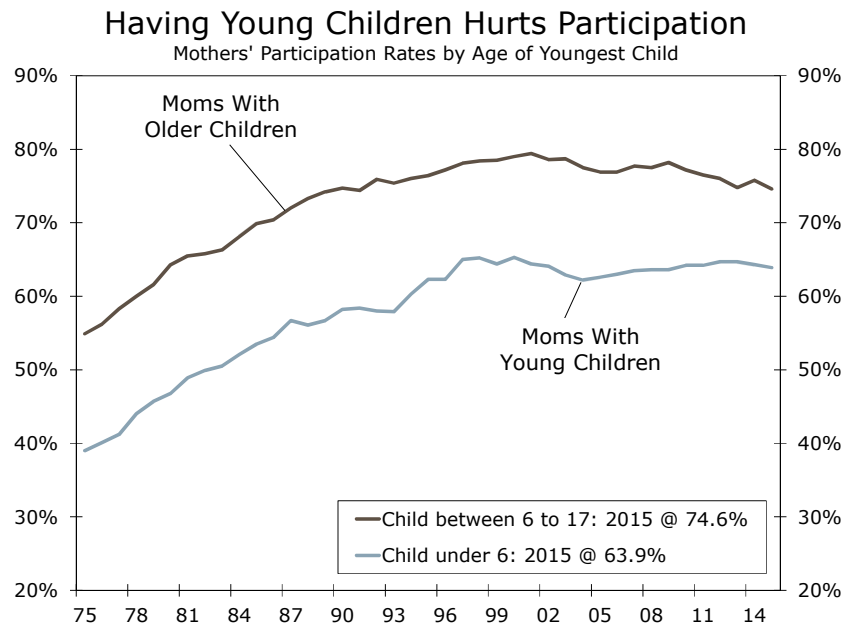


Source: U.S. Department of Labor and Wells Fargo Securities

Experience: The Mommy Penalty

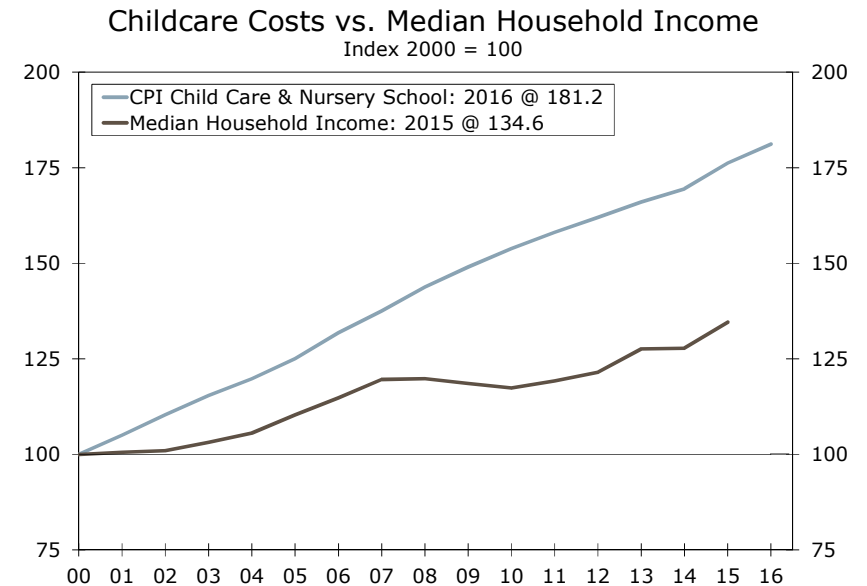
However brief, greater time spent out of the labor force and fewer hours worked slows women's accumulation of skills. Childcare considerations and associated costs clearly take a toll on the participation rates of mothers with young children.

Mothers' Labor Force Participation



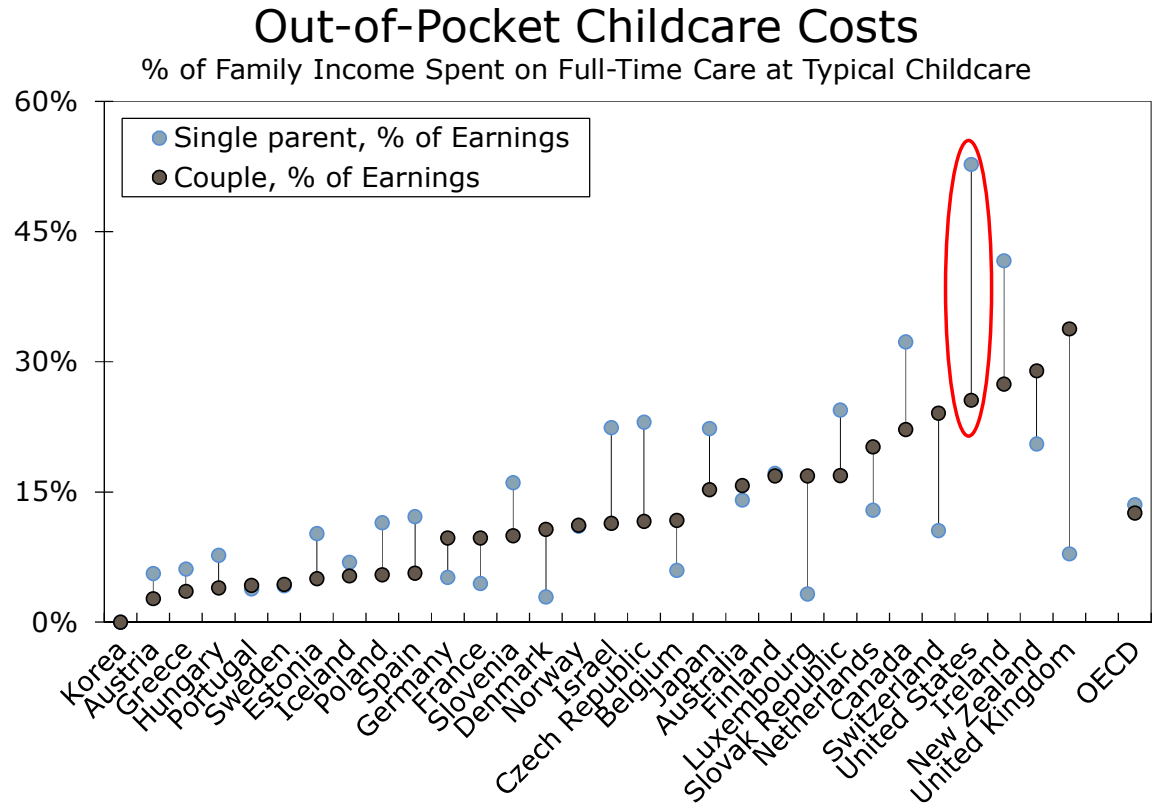
Source: U.S. Department of Labor and Wells Fargo Securities

Childcare Costs



U.S. Households Spend More on Childcare

The typical U.S. household spends double the share of out-of-pocket income on childcare than the OECD average



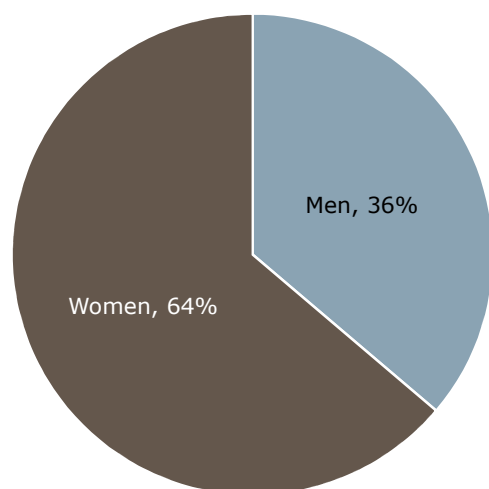
Source: OECD and Wells Fargo Securities

Experience: Limited Hours Restricts Women's Acquisition of Skills

While most women choose to work part time, a consistently greater share of women report being under-employed relative to men.

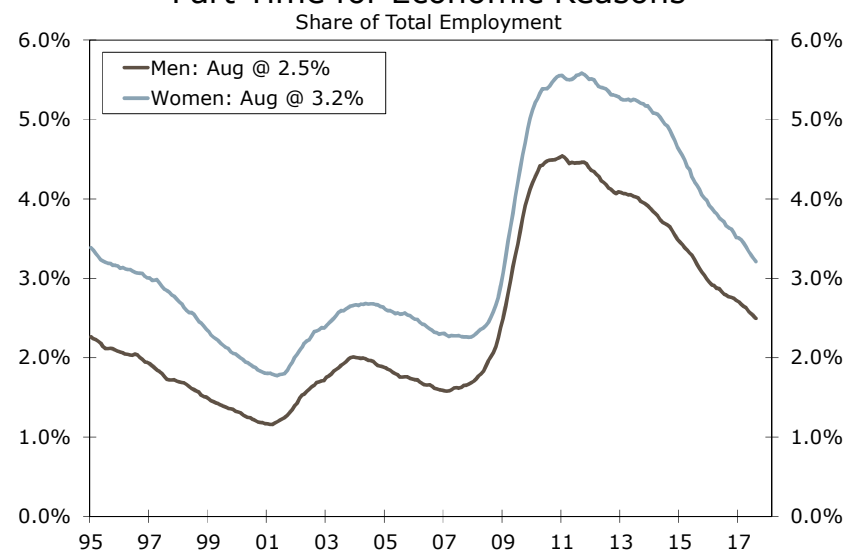
Part-Time Employment

Share of Part-Time Employment
2016



Under-Employed Women

Part-Time for Economic Reasons



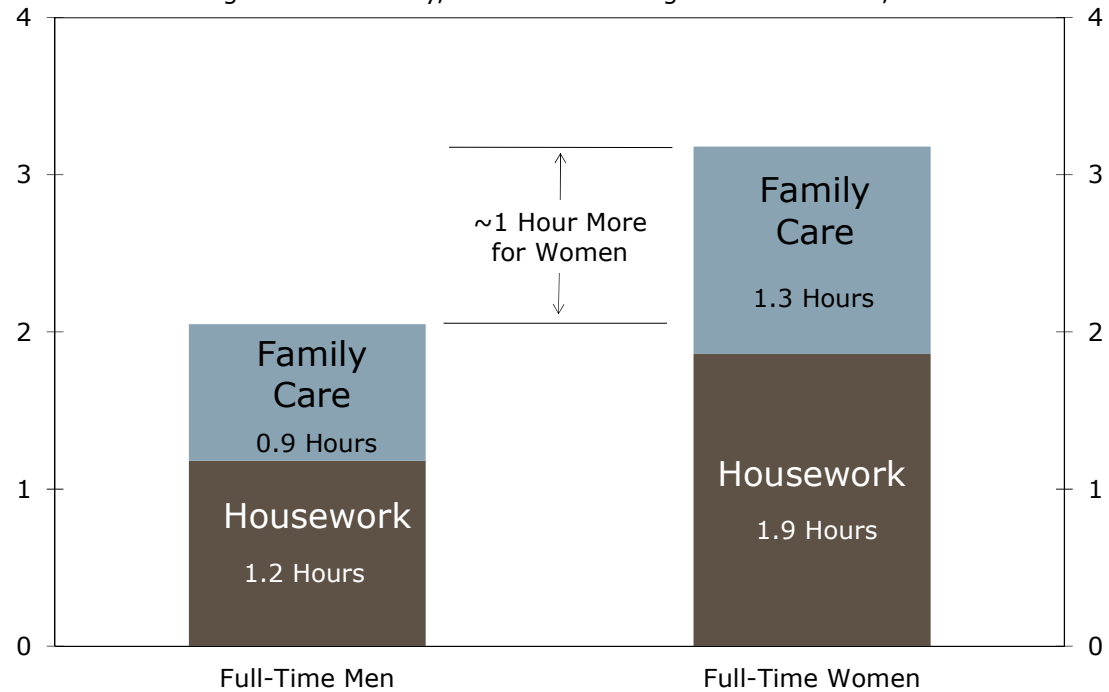
Source: U.S. Department of Labor and Wells Fargo Securities

Women Shoulder the Burden of Housework and Childcare

Married mothers employed full time still spend roughly an hour more per day on housework and family care relative to married fathers.

Working Women Spend More Time on Housework & Family Care

Average Hours Per Day, Full-Time Working Married Parents, 2015



Source: U.S. Department of Labor and Wells Fargo Securities

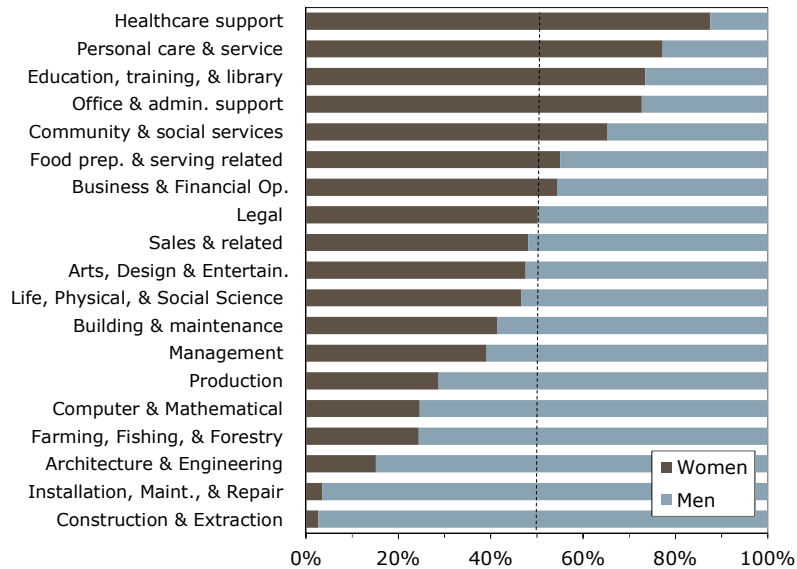
Gender Differences in Occupation

Differences in industry and occupation are the largest cause of variation in pay, and can explain roughly 50 percent of the gender wage gap.

Occupational Employment

Occupational Employment by Gender

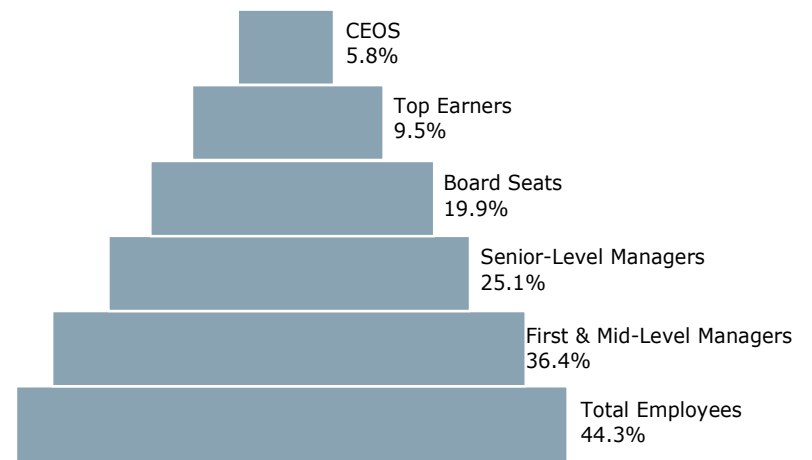
Men and Women 20-Years or Older Percent Share, 2015



Women in S&P 500 Companies

Women in S&P 500 Companies

Catalyst 2017



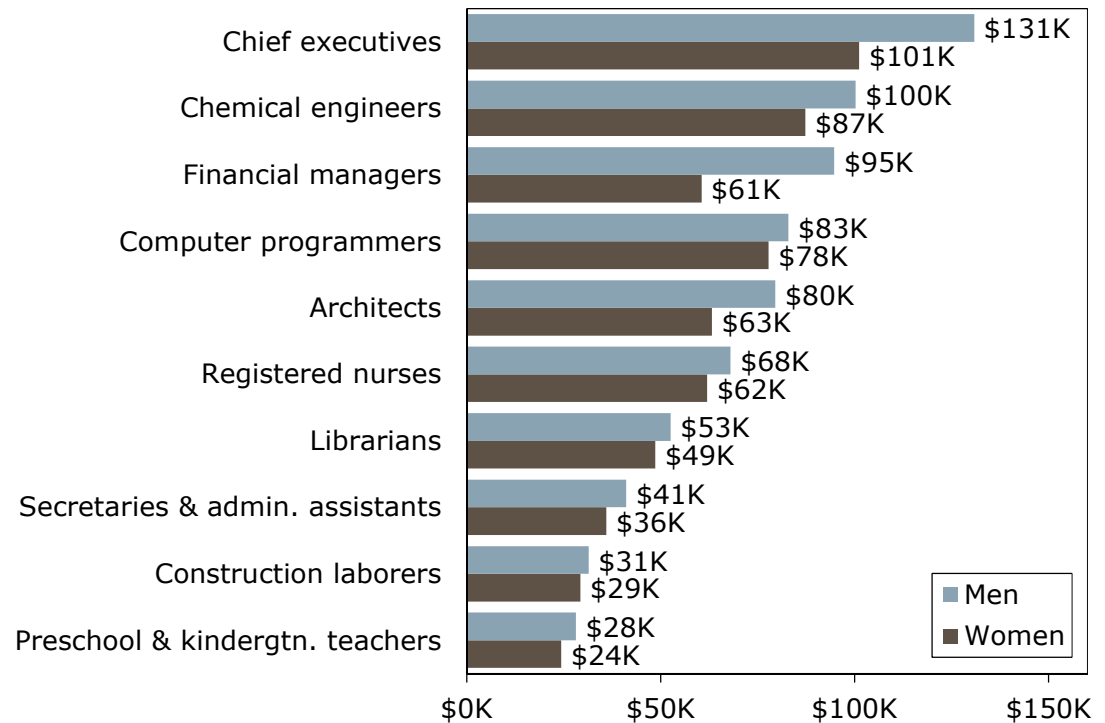
Source: U.S. Department of Labor, Catalyst 2017 and Wells Fargo Securities

Men Earn More in Nearly Every Occupation

Even in female-dominated fields, men tend to earn more.

In Nearly Every Occupation, Men Earn More

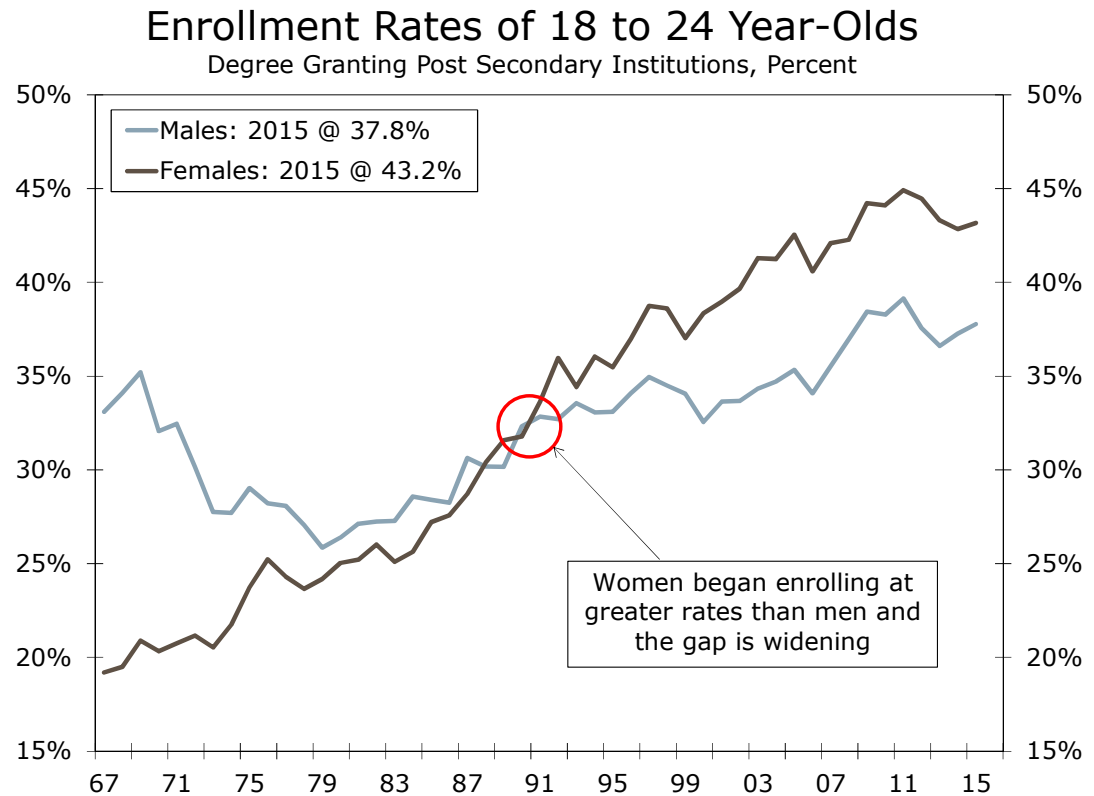
Median Annual Earnings, Full-Time Workers, 2014



Source: U.S. Department of Labor and Wells Fargo Securities

Education: A Greater Share of Young Women Are Enrolling in Universities

The pay gap would be roughly 6 percent larger if it were not for the fact that women are now out-achieving men educationally.



Source: U.S. Department of Education and Wells Fargo Securities

Breaking Down the Gender Pay Gap

Experience

- **14 percent:** Time out of the labor force and fewer hours worked due to more housework and family care
-

Occupation

- **33 percent:** Men 5x more likely to be engineers while women are 9x more likely to be receptionists
-

Industry

- **18 percent:** Women are overrepresented in education & health services and underrepresented in construction and manufacturing
-

Education

- **- 6 percent:** Young women enrolling in college at higher rate, share of women with bachelors degree or higher on par with men
-

Unexplained

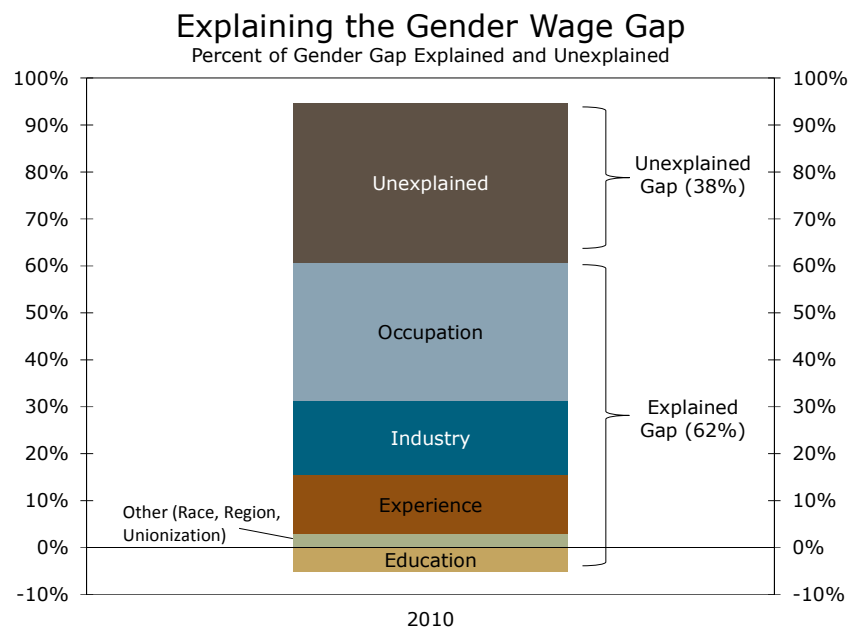
- **38 percent of the gender wage gap remains unexplained**

Source: Blau & Khan 2010 and Wells Fargo Securities

The Gender Wage Gap: Unexplained

After controlling for a host of characteristics, 38 percent of the gender wage gap remains unexplained.

Explaining the Gender Wage Gap

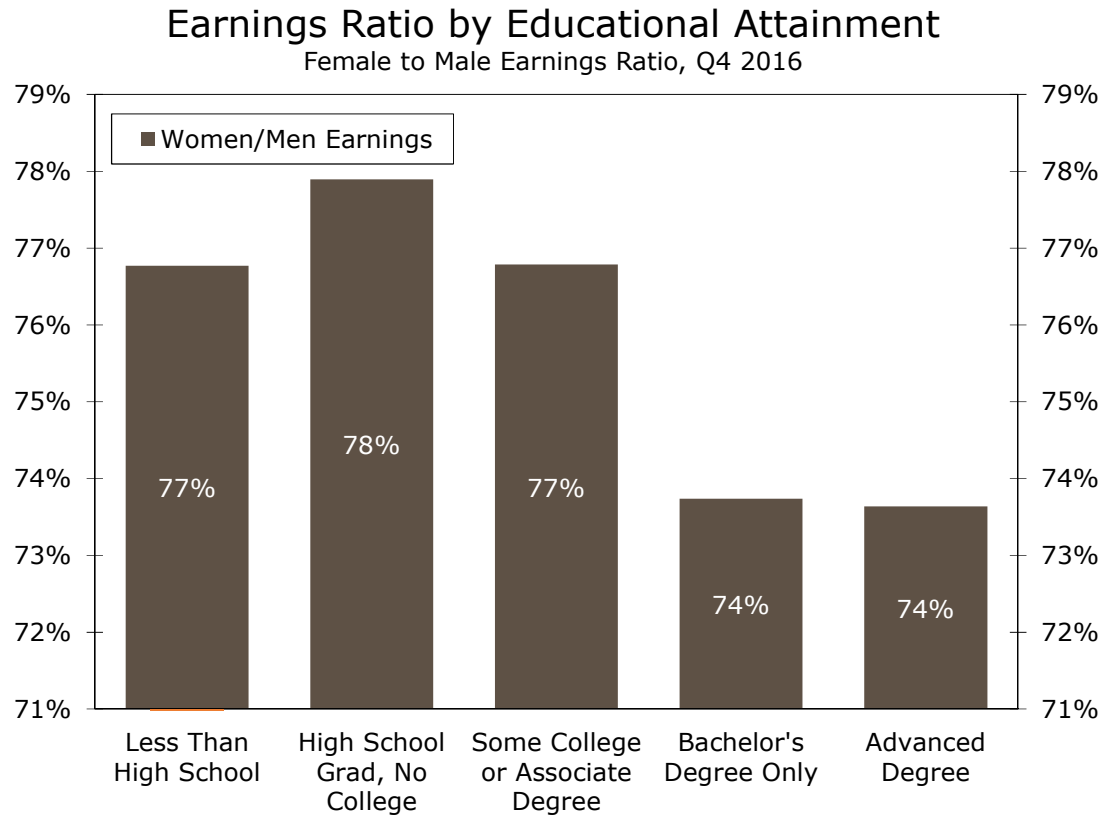


- **38% remains unexplained**
 - **Implicit/unconscious bias**
 - **Negotiation**
 - **Sponsors vs. Mentors**
 - **Wage-penalty for flexibility**

Sources: Blau & Khan 2010, *The Girl with the Draggin' W-2* and Wells Fargo Securities

Gender Pay Gap by Educational Attainment

While women's gains in educational attainment have helped narrow the gender pay gap, the wage gap grows as women reach higher levels of education

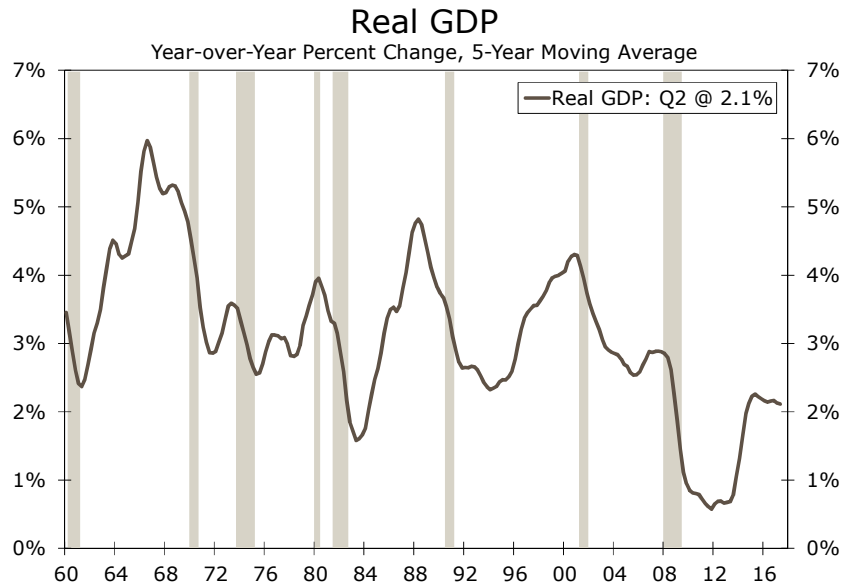


Source: U.S. Department of Labor and Wells Fargo Securities

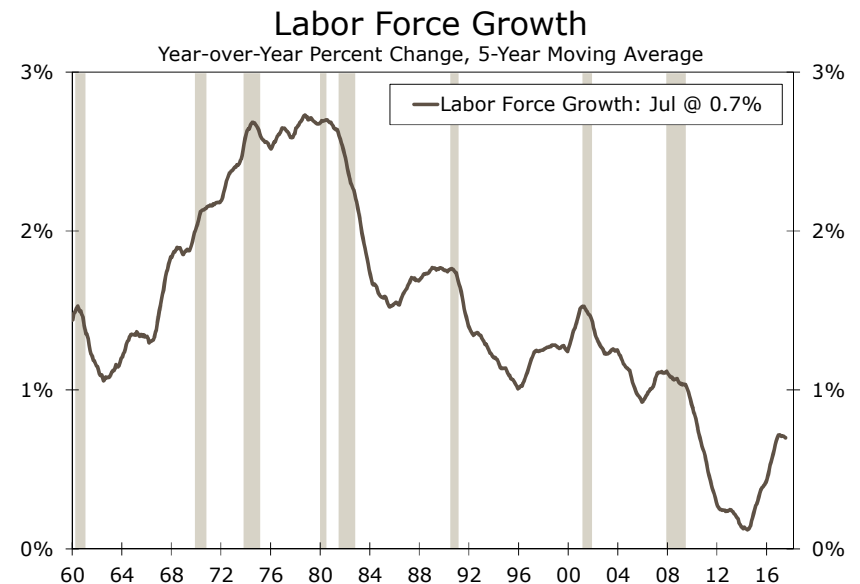
The Economic Case for Closing the Wage Gap

Further convergence in the gender pay gap could help lift female labor force participation and support growth in the labor supply—an oft-cited factor for explaining below-trend GDP growth.

GDP Growth



Slow Growth in Labor Force

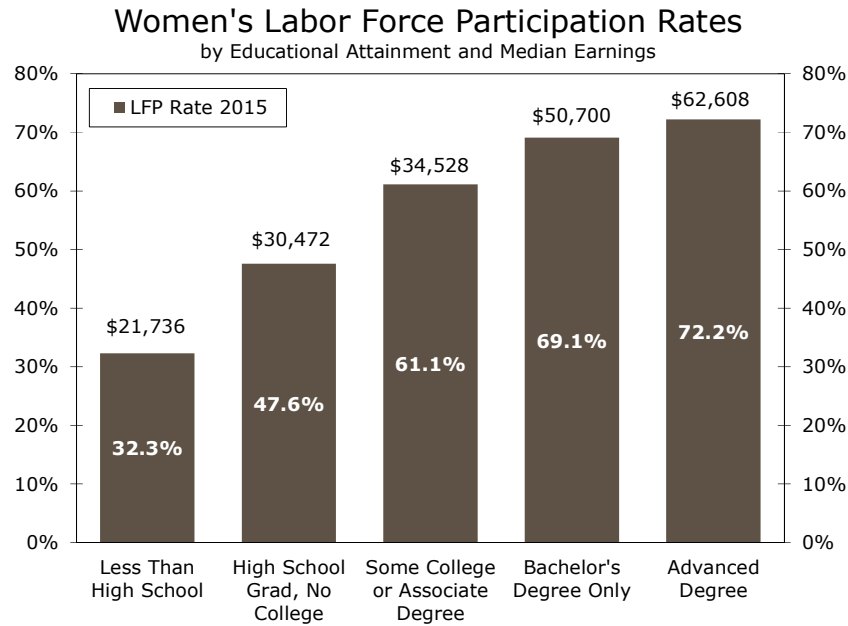


Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

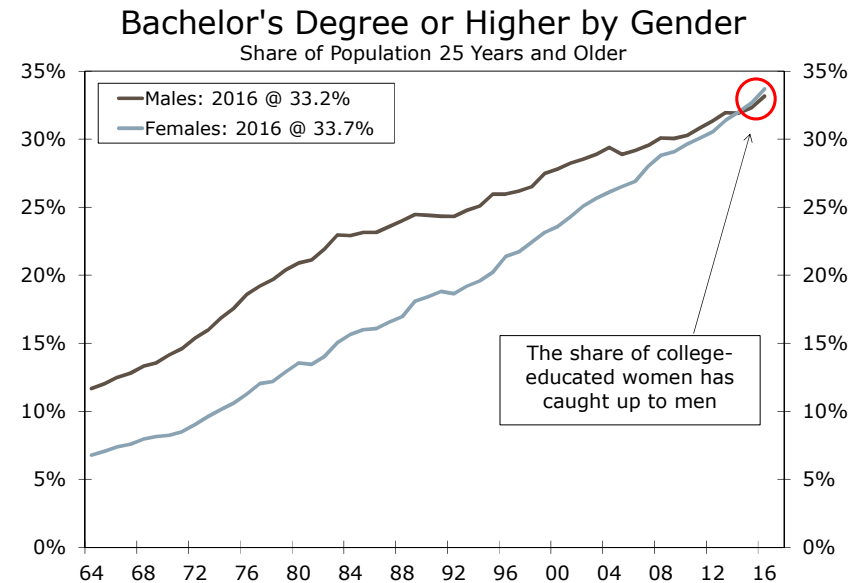
The Economic Case for Closing the Wage Gap

More education leads to higher-paying jobs and higher pay pulls people off of the sidelines. On that basis, further gains in education among women would likely increase the labor supply and boost economic growth.

Earnings Rise as Education Increases



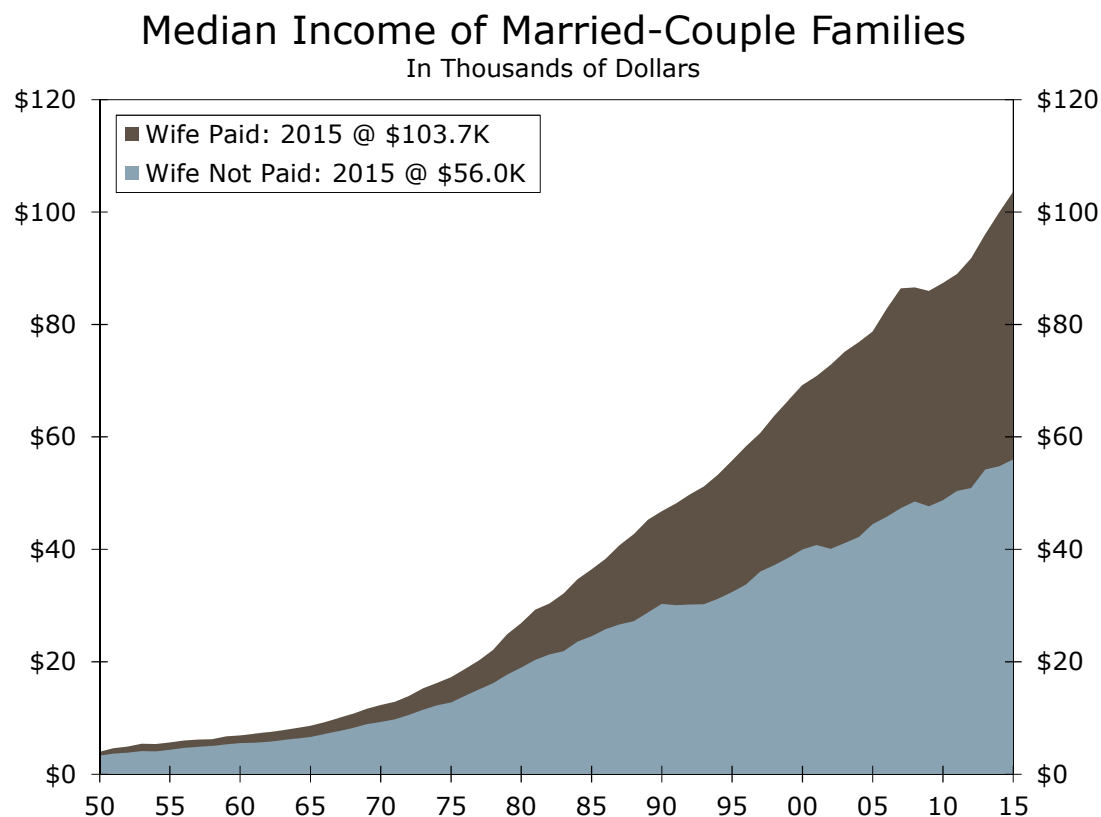
Bachelors Degree or Higher



Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

The Economic Case for Closing the Wage Gap

Narrowing the wage gap would also support growth in real household incomes, as family incomes have been greatly enhanced by more women entering the workforce.



Source: U.S. Department of Commerce and Wells Fargo Securities

Company performance stands to benefit from women being on more equal footing with men

Business Case for Gender Diversity

- Greater number of women on corporate boards has been linked to stronger company performance and better corporate oversight
- More women in senior leadership roles, and a gender-diverse workforce more broadly, boosts a company's bottom line through higher sales and higher profits
- By including more women in management positions, diversity of thought and decision making improve
- Company leadership is better able to identify with women and develop products and services that meet the needs of half of the U.S. consumer base
- A more inclusive work environment can reduce employee turnover and its associated costs

Source: *The Girl with the Draggin' W-2* and Wells Fargo Securities

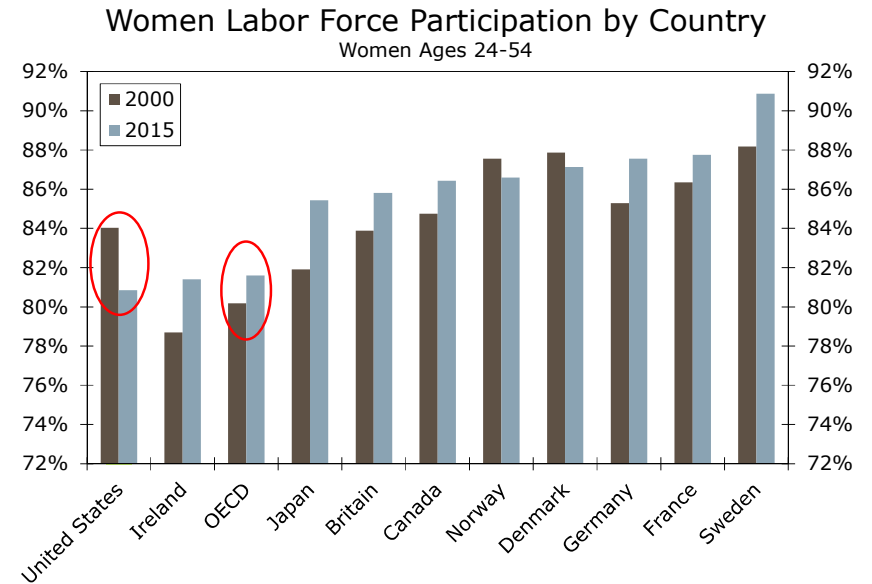
Policy Solutions for Narrowing the Gender Pay Gap

Both businesses and governments could alter policies to further narrow the gender pay gap

Policy Solutions for Narrowing the Pay Gap

- Training/awareness
- Transparency about pay
- Parental Leave—especially paternity leave
- Childcare tax credits/assistance
- Tax treatment of second income earner
- Longer school days and school years
- Minimum Wage Increase

Labor Force Participation by Country



Sources: OECD and Wells Fargo Securities

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