

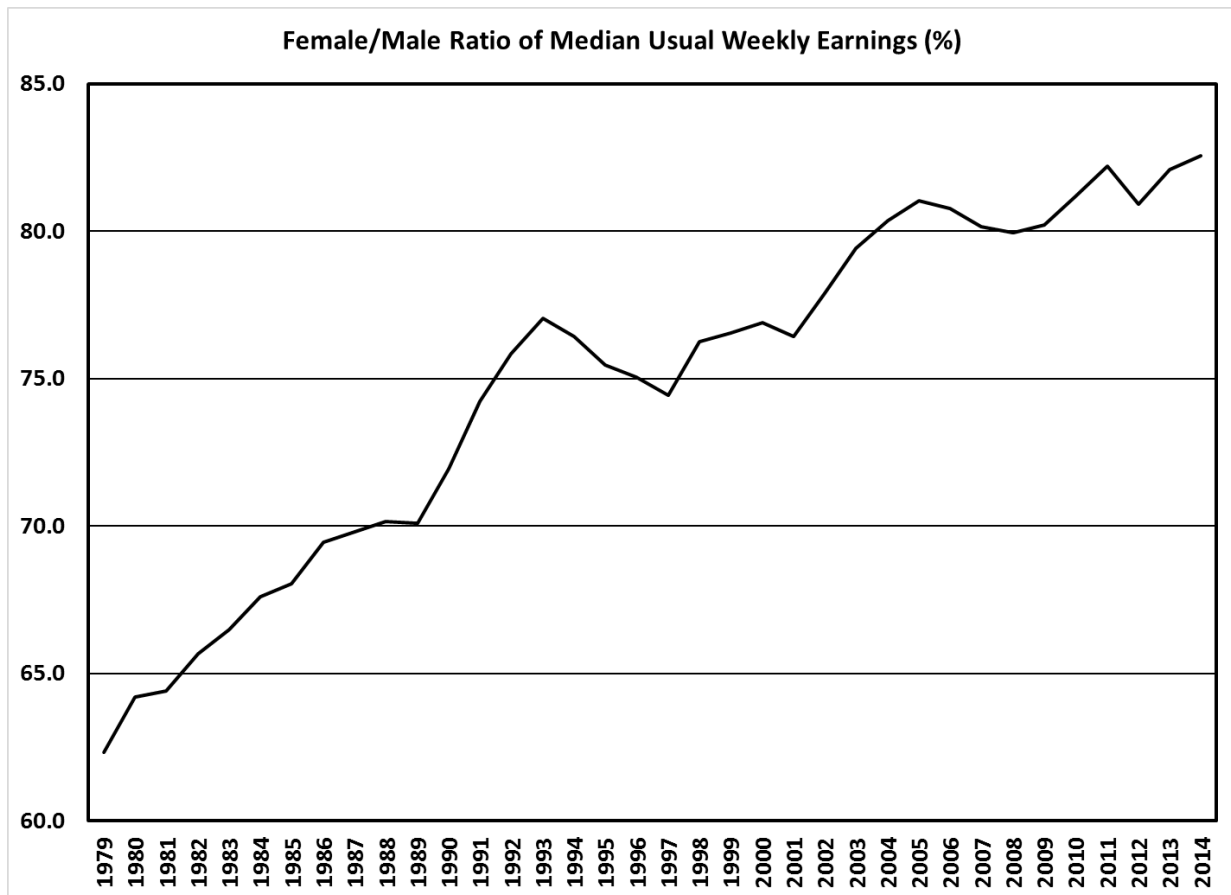
Mitchell's Musings 7-27-15: The Sexual Labor Market Divide: Back to the 1980s

Daniel J.B. Mitchell

It has long been noted that women receive lower pay on average than men. Once that basic observation is made, it leads to a research literature as to why. Is it due to discrimination? Or is it due to other factors such as occupational choice or education or experience? The approach at that point is to standardize statistically for whatever you might think leads to pay differentials in the labor market and then see if there remains an unexplained differential after controlling for those independent influences. If there is an unexplained component, that remaining gap is attributed to discrimination or at least to unknown influences. (A similar literature exists for race or ethnic pay differentials.)

As interesting as that literature may be, there is another approach equally of interest. We can look at the *trend* in the ratio of earnings between females and males over time. The U.S. Bureau of Labor Statistics has tracked worker-reported "usual weekly earnings" of full-time employees on a quarterly basis since 1979. The chart below shows annual data from that series through 2014. There are several notable aspects of the female-to-male pay ratio. The first is that it generally has risen over time, although not without interruption. The periods of especially rapid rise seem to occur during recessionary periods such as the early 1980s, the early 1990s, the early 1990s, and the early 2000s. These are periods when the male-oriented manufacturing and construction sectors were especially hard hit.

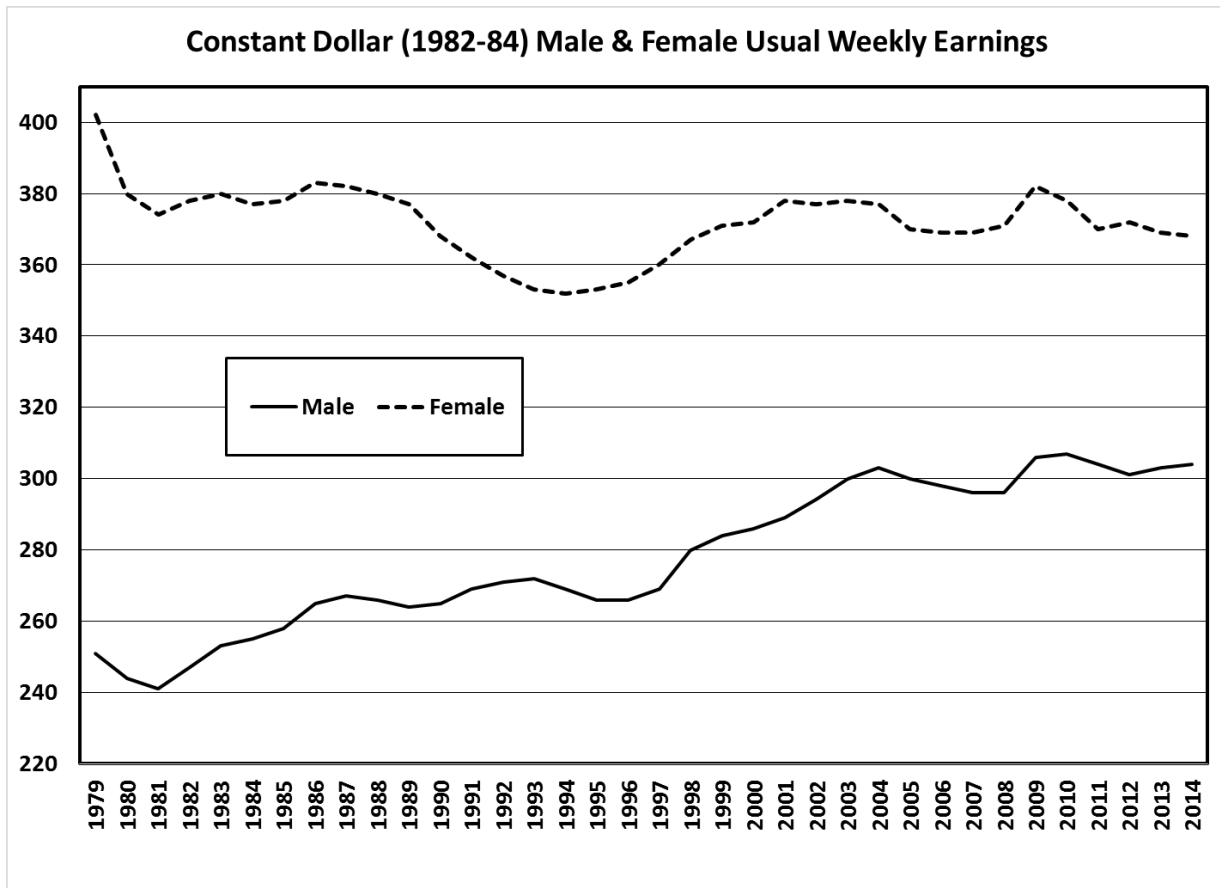
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The fact that the female/male pay ratio has tended to rise over the past three and a half decades suggests a bifurcated labor market. In relative terms, although not in absolute pay terms, women's labor market prospects were improving relative to men's. That relative gain doesn't mean that the gain in some absolute sense was remarkable. When you look at the chart below, which presents pay in inflation-adjusted terms by sex, male pay is going nowhere (it actually trends slightly down, falling about a quarter of a percent per annum end-to-end) while female pay is showing modest gains (rising about half a percent per annum).

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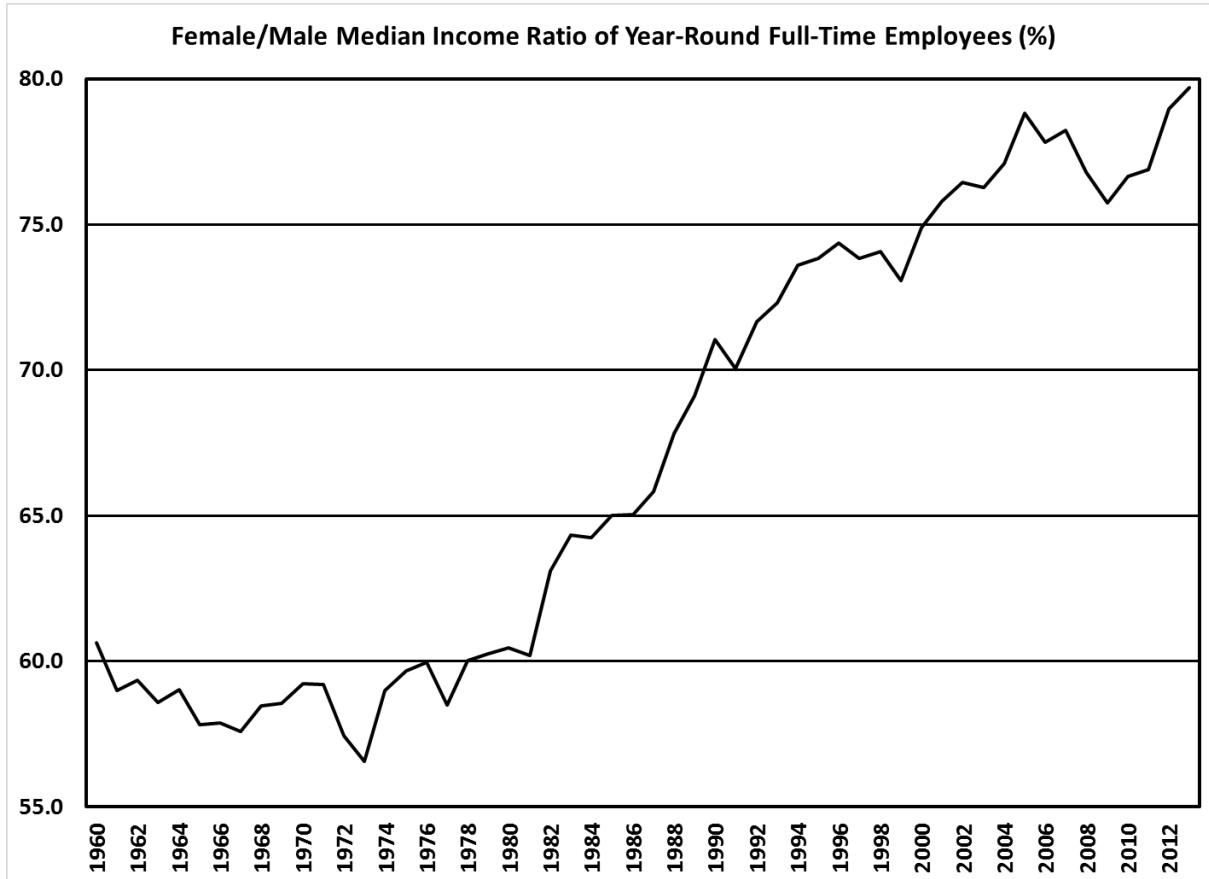
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The limited pay gains in real terms of American workers is a much discussed phenomenon and another subject. But what about the bifurcation seen in the two charts so far? Was that a continuation of an earlier pre-1979 trend?

Since the BLS data used for the two charts shown so far begin in 1979, they can't answer that question. However, the U.S. Bureau of the Census has related data that go back further in time. So we can look at the trend in Census data before and after 1979. The Census data record annual earnings of full time and

full year employees by sex. They go back to 1960 on a reliable basis.¹ The chart below shows the trend from 1960 through 2013. As can be seen, in general terms, the post-1979 period is similar to what we found using BLS data. That is, the trend is upward and there seems to be a boost in the trend during recessionary periods.

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Source: <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf>

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It appears, however, from Census data that there was a breakpoint around 1979. Before that time, although the female/male pay ratio bounced around, it showed no upward trend. Then it began an ascent.

If the ratio showed no trend in that earlier period, that fact had to mean that males and females were experiencing about the same real and nominal pay changes. From 1960 to 1979, real female pay rose about 1.8% per annum end-to-end and real male pay rose about 1.7%. Thus, in a relative sense – not an absolute sense – there was a unisex labor market before the 1980s and a bifurcation thereafter.

Although the absolute pay gap between males and females and its causes remains an interesting research topic, getting a sense of what moved the labor market in a relative sense from unisex to

¹Census has data back to 1955 but cautions that the pre-1960 figures are unreliable.

bifurcation is equally important and, perhaps, less well researched. There are some obvious potential causes: the political shift to the right in the 1980s, the sharp decline in unionization, irreversible drops in employment in some key male-oriented sectors of manufacturing, e.g., steel, during the rise of the U.S. dollar in international exchange markets. Perhaps there was a burst of technological change that had a more adverse effect on males than females in the labor market. But whatever the cause(s), the shift in the labor market from the 1970s to the 1980s seems to be an understudied topic.