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**PAY EQUITY FOR WORKING FAMILIES**

*With women now making up nearly half of the workforce, addressing pay inequity may be one way to moderate the effects of the recession on working families.*

Despite gains in workforce participation by women over the past decade, women and their families continue to face declines in real income compared to their productivity. Increasing pay equity between genders and among various ethnic groups could be one way to improve the economic situation for working families. The Institute for Women’s Policy Research has found that the typical woman worker would gain $5,710 annually in 2008 dollars if women were paid comparably to men, resulting in a $319 billion gain annually for working families nationwide.¹

**WHAT DOES PAY EQUITY MEAN?**

Pay equity refers to “a particular strategy for reducing or eliminating the wage gap between or among groups such as women and men, or various ethnic groups.”² Typically, this gap is measured by calculating the annual earnings of full-time, year-round female workers as a percentage of full-time, year round male earnings. Currently, the wage gap between genders is estimated to be at about 78%; in other words, women earn 78 cents for every dollar that men earn. For Black and Hispanic women, the gap is even larger: they earn 62.2% and 53.4% of what their male counterparts earn, respectively.¹ For men, an earning disparity exists as well. African American men earn 76% and Latinos 66% of what white men earn.³

**WHAT ARE THE POSSIBLE CAUSES OF PAY INEQUITY?**

Wages differ for many reasons. Labor force participation, occupational segregation, prelabor preparation (i.e., education, training, and previous work experience), and discrimination are cited as possible factors for pay differentials.⁴,⁵ However, economists point to three main factors to explain the gender pay gap:

- **Occupational segregation**: Nearly 30% of the gender pay gap can be explained by occupation and 22% by industry pay standards.⁴ In other words, occupations dominated by women tend to pay lower wages.
- **Women’s status as primary caregivers**: Women are more likely than men to take time off from work or reduce their hours to care for family, leading to significant pay penalties.⁴
- **In addition**, a 2007 study showed that mothers had a more difficult time getting hired and were offered lower salaries than childless women.⁶ Conversely, married men typically earn more and are more likely to be promoted than single men.

Not all of the gender pay gap can be explained by the choices women make. When regression analysis is used to control for human capital factors, approximately 40% of the gender pay gap remains unexplained.⁴ Many theorists believe this unexplained gap points to the effects of discrimination.⁵

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"**Eliminating the pay gap that all too often prevails between men and women is a top priority of mine. New Mexico is taking the lead among the states to ensure greater pay equity in the larger workforce and economy. Our actions can serve as a national model. This is an important economic justice and civil rights issue, and common sense requires it.**"  
— **Governor Bill Richardson**, New Mexico, on Executive Order 2009-049
In 1963, Congress passed the Equal Pay Act (EPA (Pub. L. 88-38)), which prohibits wage discrimination based on sex for "equal work that requires equal skill, effort and responsibility." Passage of the Lilly Ledbetter Fair Pay Act (Pub. L. 111-2) in 2009 has drawn further attention to the issue of pay equity. This act reversed the Supreme Court decision in Ledbetter v. Goodyear requiring an employee to file a claim within 180 days of the initial discrimination even if the discriminatory act was unknown by the employee. The Ledbetter Act allows for a less restrictive standard; namely, a statute of limitations that begins at the last incident of discrimination rather than the first.

**Individuals and Families**
- **Income:** Working families would see a 6% increase in income if married women were paid comparably to men. Single women would see a 17% increase if paid comparably to their male counterparts.3
- **Poverty:** Close to 50% of women of color earning less than the poverty rate for a family of three would rise out of poverty if pay equity standards were enforced.7 This statistic is similar for single working mothers, whose poverty rates would be cut in half if pay equity standards were enforced.3

**Businesses**
- **Legal costs:** In 2009, 28,028 cases claiming gender discrimination were filed with the Equal Employment Opportunity Commission, and 942 were filed under the Equal Pay Act (EPA).8 While the number of claims filed under the EPA was relatively small, this number may increase following passage of the Lilly Ledbetter Fair Pay Act as a result of the publicity surrounding its passage and its reversal of the more restrictive limits on time to file a claim.
- **Overall costs and productivity:** Pay equity in the workplace can increase productivity, reduce absenteeism, and create a positive image for businesses, thus decreasing costs and helping businesses stay competitive in a changing labor market.3

**WHAT HAS BEEN DONE?**

In 1963, Congress passed the Equal Pay Act (EPA (Pub. L. 88-38)), which prohibits wage discrimination based on sex for "equal work that requires equal skill, effort and responsibility." Passage of the Lilly Ledbetter Fair Pay Act (Pub. L. 111-2) in 2009 has drawn further attention to the issue of pay equity. This act reversed the Supreme Court decision in Ledbetter v. Goodyear requiring an employee to file a claim within 180 days of the initial discrimination even if the discriminatory act was unknown by the employee. The Ledbetter Act allows for a less restrictive standard; namely, a statute of limitations that begins at the last incident of discrimination rather than the first.

Most states have enacted laws similar to the EPA, including:
- 22 states (AR, AZ, CA, DE, FL, GA, IA, IN, KS, MN, MO, MT, NE, NV, NH, NY, OH, PA, RI, VT, VA, WY) have statutes with language similar to that in the EPA.
- 15 states (AK, ID, IL, KY, ME, MD, MA, MI, ND, OK, OR, SD, TN, WA, WV) require a lower standard of proof than required by the EPA.
- 4 states (CO, CT, HI, NJ) do not specify a specific standard but prohibit sex-based wage discrimination.
- 17 states (AK, AR, CA, MI, MN, MT, NE, NH, ND, OH, OK, OR, RI, TN, WA, WV, WY) make violation of pay equity a misdemeanor.

Currently, two federal bills introduced in 2009—the Paycheck Fairness Act (S 182) and the Fair Pay Act (S 904, HR 2151)—are pending. The Paycheck Fairness Act would "enhance enforcement" of the EPA by narrowing the term "any other factor other than sex" to include the phrase "a bona fide factor other than sex, such as education, training, or experience." This change in phrase places a greater burden of proof on the employer to show just cause in pay differentials. In addition, this bill prohibits employer retaliation against claimants and calls for...
penalty enhancement, data collection, and training for employers. The Fair Pay Act would amend the EPA by prohibiting wage discrimination between employees in positions “dominated by . . . a particular sex, race, or national origin” and employees “in another job that is dominated by employees of the opposite sex or of a different race or national origin, respectively, for work on equivalent jobs.”

Many states are considering pay equity bills in 2010, as well. To date, two bills have been introduced:

- One bill to establish a pay equity law (MS)
- One bill to extend the statute of limitations for filing a claim from 6 months to 2 years (KY)

In addition, nine bills were carried over from the 2009 state legislative session and are still pending.

- One bill to compensate employees in state service equally for work of “comparable” value (NY)
- One bill to make wage discrimination unlawful (NY)
- One bill to establish equal pay for “comparable” work for all employees (NY)
- Three bills to establish commissions to study workplace pay disparities (NC, MI, PA)
- One bill to increase the penalties for wage discrimination (MI)
- One bill to create incentives for businesses to identify wage disparities by gender (TN)
- One bill that designates April 28th as Equal Pay Day (DE)

WHERE CAN I GET MORE INFORMATION?

The following resources about pay equity might also be of interest to you.

National Committee on Pay Equity: http://www.pay-equity.org/

- The National Committee on Pay Equity (NCPE), founded in 1979, is a coalition of women’s and civil rights organizations; labor unions; religious, professional, legal, and educational associations; commissions on women; state and local pay equity coalitions; and individuals working to eliminate sex- and race-based wage discrimination and to achieve pay equity.

National Women’s Law Center: http://www.nwlc.org/display.cfm?section=employment

- Since 1972, the Center has expanded the possibilities for women and girls in this country. The Center uses the law in all its forms: getting new laws on the books and enforced; litigating groundbreaking cases in state and federal courts, all the way to the Supreme Court; and educating the public about ways to make the law and public policies work for women and their families.

American Association of University Women: http://www.aauw.org/index.cfm

- Since 1881, AAUW has been the nation’s leading voice promoting education and equity for women and girls. AAUW has a nationwide network of nearly 100,000 members, 1,000 branches, and 500 college/university institution partners.

Sources cited in this Policy Leadership Sheet


