



# How Pay Inequity Hurts Women of Color

Sophia Kerby April 9, 2013

Today, April 9, is Equal Pay Day—the date that marks how many extra days women must work in 2013 to earn what men earned in 2012. Unfortunately, the wages of working women and particularly the wages of women of color continue to lag behind the pay of their male counterparts. Moreover, for women of color there is a double pay gap. As a group, women of color earn less than their white female peers—a reality that means they need to work longer to earn the same pay as white women and then even longer to match the earnings of white men. The gender- and race-based wage gap affects families of color with long-term consequences that hinder wealth accumulation.

Women currently make up about half of all workers in the U.S. labor force and among mothers in the labor force the majority are either breadwinners or share that responsibility with a partner. In 2010, 13.1 percent of women in the workforce were black, 4.7 percent were Asian, and 12.8 percent were Latina.<sup>1</sup> What's more, these women of color are increasingly the breadwinners in their families—53.3 percent of black households and 40.1 percent of Latino households.<sup>2</sup>

This issue brief will examine our nation's gender-based wage gap and its racial overlay. It will look specifically at the long-term implications of the wage gap on communities of color and then suggest policy recommendations to narrow and eventually eliminate the wage gap to ensure equal work earns equal pay.

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## The wage and income gap

The gender-based wage gap disproportionately hurts women of color who have made less than their white counterparts for decades. Women of color are more likely to work in lower-paying jobs and experience higher levels of unemployment and poverty.

Women on average earn 77 cents for every dollar a man earns for comparable work—a gender wage gap of 23 percent.<sup>3</sup> Women of color suffer from an even more severe gap. According to the National Partnership for Women and Families, African

American women and Latinas in the United States are paid \$18,817 and \$23,298 less than non-Hispanic white men yearly, respectively. That's 64 cents and 55 cents for every dollar a man earns.<sup>4</sup>

The gender gap persists for median weekly earnings as well. Women's median weekly earnings in 2012 were \$691, a marginal decline compared to 2011. Men's median weekly earnings were \$854, a marginal increase compared to 2011.<sup>5</sup> Women of all major racial and ethnic groups earn less than men of the same group. The largest gap is within Asian American communities where women earn a median weekly income of \$770 compared to \$1,055 for Asian American men. While the wage gap between men and women is smaller within Latino and black families, their median weekly earnings are significantly lower. The weekly median earnings for Latinas are \$521 compared to \$592 for Latino men. For black women, their weekly earnings are \$599 compared to \$665 for black men.<sup>6</sup> African American women's median weekly earnings were only 68.1 percent, and Latina women's only 59.3 percent of median weekly white men's earnings of \$854.<sup>7</sup>

Nearly half of the wage gap between men and women is due to differences in occupations because women are concentrated in industries such as the care and social services sectors that historically pay less and provide fewer benefits. Another 10 percent of the gender wage gap is due to differences in work experience between men and women, which are often the result of caretaking responsibilities. Often times workers with care responsibilities, usually women, withdraw from the workforce or limit their time at work to allow them to provide needed care at home. As a consequence these caretakers earn less income in the short run, are less likely to earn raises and promotions, have less access to workplace retirement benefits, earn less in Social Security retirement benefits, and accumulate lower lifetime earnings.

Yet even when controlling for occupational differences, experience, and education level, economists cannot explain the remaining 40 percent of the wage gap between men and women.<sup>8</sup> Certainly part of the gender gap is due to the fact that the American workplace and institutions, such as schools and churches, never adjusted to support working families. A lack of flexible structures for working families forces them to make tough decisions. Schools that do not offer early drop-off or late pick-up options to parents, for example, force families to decide between being missing work or paying for child care. For low-income families, such decisions could mean losing a job.

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## Long-term implications of the wage gap

Lower income for all women, particularly those of color, means less money to support their families with necessities such as housing, food, education, and health care. Closing the pay gap is even more important for women of color who are more likely than their white counterparts to be breadwinners.

The long-term wage gap hurts families of color tremendously, forcing families to choose between putting food on the table or saving for a college education and retirement. On average, an African American woman working full time loses the equivalent of 118 weeks of food each year due to the wage gap. A Latina loses 154 weeks' worth of food.<sup>9</sup> The stubbornly persistent gender-based wage gap adds up substantially over the lifetime of a woman's career. For women of color the loss of savings over a 30-hour-a-week to a 40-hour-a-week work lifespan is significant. A woman of color will have to live on one-third to 45 percent less than a white man based on the average benefits that are afforded through Social Security and pension plans. Research shows that a woman's average lifetime earnings are more than \$434,000 less than a comparable male counterpart over a 35-year working life.<sup>10</sup>

Analysis done in 2012 by the Center for American Progress illustrates that the money lost over the course of a working woman's lifetime could do one of the following:

- Feed a family of four for 37 years
- Pay for seven four-year degrees at a public university
- Buy two homes
- Purchase 14 new cars
- Simply be saved for retirement and used to boost her quality of life when she leaves the workforce<sup>11</sup>

Lifetime earnings are even lower for women of color because they face higher levels of unemployment and poverty rates. In March 2013 unemployment rates of black and Latina women were significantly higher than their white counterparts at 12.2 percent and 9.3 percent respectively compared to white women at 6.1 percent.<sup>12</sup> According to the National Women's Law Center, poverty rates among women, particularly women of color, remain historically high and unchanged in the last year. The poverty rate among women was 14.6 percent in 2011—the highest in the last 18 years. For black and Latina women that same year, the poverty rate was 25.9 percent and 23.9 percent, respectively.<sup>13</sup>

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## Pay gap among Millennials

Furthermore, the gender wage gap often starts right out of college. The American Association of University Women reports that women are less likely than men to be fully employed in their first year out of college. When they do have a steady job, women earn less, adding to the burden of student loan debt. In fact, Millennial women—those born between 1978 and 2000—are paid 82 cents for every dollar paid to their male peers, and young women contribute a larger portion of their salaries to repaying student loans.<sup>14</sup>

In 2009, 47 percent of young women were paying more than 8 percent of their income toward student loan debt one year after graduation. For Millennial men, only 39 percent were contributing more than 8 percent of their income to paying off their student debt.<sup>15</sup>

These income disparities so early in a woman's career create financial barriers that prevent women from obtaining the same types of economic advantages that are available to their male counterparts such as purchasing a house or saving for retirement. Women are losing out financially from their very first paycheck. Even when controlling for factors such as the type of degree earned, type of occupation right out of college, and hours worked in that job, researchers found a significant pay discrepancy across the board between Millennial women and men.

Millennial women of color are particularly impacted by the wage gap starting right out of college. Even while more women than men of color are graduating from college, the impact of student loans exacerbates the gender-based wage gap. From 2009 to 2010 black females earned 68 percent of associate's degrees and 66 percent of bachelor's degrees awarded to African American students. Hispanic females earned 62 percent of associate's degrees and 61 percent of bachelor's degrees awarded to Hispanic students.<sup>16</sup> Since women of color are more likely to attend college within their communities, the amount of student debt that young students of color take out disproportionately impacts them. In the 2007-08 academic year, 81 percent of African Americans and 67 percent of Latinos with a bachelor's degree graduated with student debt compared to 64 percent of their white peers.<sup>17</sup> Although women of color are making progress in closing the achievement gap within their racial and ethnic groups, the impact of student debt on the wage gap right out of college puts women of color in a vulnerable state.

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## Barriers to wealth accumulation

Pay discrepancy often hinders wealth accumulation and creates barriers to moving into the middle class. Such income disparities translate into wealth gaps that fall particularly heavily on those living at the intersection of gender and race. Lower earnings mean fewer opportunities to participate in wealth-building mechanisms such as investments in stocks and bonds and pension plans. Access to these opportunities is often unavailable in low-paying jobs that are predominantly held by women of color. According to the Bureau of Labor Statistics, black and Latino women were significantly more likely than their white counterparts to be among the working poor—those who are employed whose incomes fall below the federal poverty line. The working-poor rates for black and Latino women in 2011 were 14.5 percent and 13.8 percent respectively compared to white women who had a working-poor rate of 6.6 percent.<sup>18</sup>

Closing the wage gap is crucial for women of color. The racial wealth differences in the United States are consequences of disparities occurring over a lifetime and result in a

median wealth of only \$5 for women of color between the ages of 35 to 49—virtually no wealth at all.<sup>19</sup> Conversely, white women in that age cohort have a median wealth of \$42,600, and white men in that age group enjoy a median wealth of \$70,030.<sup>20</sup> While earnings are important in accumulating wealth, other factors play a significant role in building wealth including paid sick leave, health insurance, pensions, and 401(k) plans. Over time the lack of equitable pay prevents women of color from taking advantage of wealth-building resources that act as a buffer to potential financial setbacks such as a health emergency, a death in the family, or temporary unemployment.

As women's earnings continue to become increasingly important to families, closing the gender-based wage gap is crucial to gaining access to wealth accumulation in communities of color, which are still deprived of economic security.

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## Impact on immigrant women

Immigrant women face specific economic barriers that make them the least economically secure population in the United States and puts them at a unique disadvantage. These barriers include the realities of having language and cultural barriers, the complexity of their immigration status, the responsibility of caring for extended family members, working in low-paying jobs, and lacking eligibility for many public benefit programs.

There are approximately 4 million undocumented immigrant women living and working in the United States, but because of their immigration status, they work the lowest-paying jobs in the country. Undocumented immigrant women typically earn minimum wage or less, get no sick leave or vacation days, and receive no health insurance.

Undocumented immigrant Mexican women face hourly wage disparity of 71 cents.<sup>21</sup> Pay equity is often a lifeline for immigrant women since many are mothers and are most likely to support family members in their home countries.

Immigrant women, especially those who are undocumented, are especially susceptible to abuse in the workplace as they work in low-paying jobs with no benefits and have little access to public-benefit programs. Since immigrant women predominantly work in the domestic workforce, they face a host of barriers to achieving pay equity in the workforce.

Immigrants comprise 46 percent of the domestic workforce and almost the entire population of domestic workers in major cities such as New York.<sup>22</sup> A study by Domestic Workers United found that 33 percent of domestic workers in New York City experienced some form of physical or verbal abuse, often because of their race or immigration status.<sup>23</sup> Under these conditions immigrant women struggle to achieve pay equity against the numerous barriers put up against them such as language and cultural barriers, immigration status, and concentration in low-income jobs with limited benefits.

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## Impact on lesbian women of color

Lesbian women of color struggle even more with issues of pay inequity, high poverty, unemployment rates, and discrimination. Working gay and transgender people of color still earn less than their heterosexual and white gay and transgender counterparts, but lesbian women of color struggle even more severely. The average Latina lesbian couple earns \$3,000 less than Latino opposite-sex couples.<sup>24</sup> Black lesbian couples face an even greater economic disparity earning \$10,000 less than black same-sex male couples. Black same-sex couples significantly lag behind white same-sex couples with median incomes of \$41,500 compared to \$63,500.<sup>25</sup>

Furthermore, lesbian couples of color experience high rates of poverty and unemployment. In 2012 the poverty rate for black lesbian couples was 21.1 percent; for Latina lesbian couples the rate, was 19.1 percent; for Native American lesbian couples, the rate was 13.7 percent; and for Asian Pacific Islander lesbian couples, it was 11.8 percent. These numbers stand in stark contrast to white lesbian couples who had poverty rates of only 4.3 percent.<sup>26</sup>

Pay equity is imperative for lesbian couples of color who are more likely to have children than their white counterparts. An estimated 2 million children are being raised in gay, lesbian, and transgender families who tend to be more racially and ethnically diverse. In fact 46.7 percent of black lesbian couples and 41.5 percent of Latina lesbian couples are raising children compared to 23.1 percent of white lesbian couples.<sup>27</sup> These families suffer when household incomes are unjustly decreased based on gender-, race-, and sexual orientation-wage bias.

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## What closing the wage gap means for families

The disparity in income adds up to more than \$430,000 in lost wages for an individual woman and even more for a woman of color over her working life.<sup>28</sup> This means less food on the table, less in savings for retirement and medical emergency, less money going toward a college education for their children to name just a few of the negative financial impacts. If the wage gap were closed today, a working black woman with her increased yearly pay could afford one of the following:

- Groceries for more than two years<sup>29</sup>
- Mortgage and utilities payments for almost 10 months<sup>30</sup>
- Rent on an apartment for more than 16 months of rent<sup>31</sup>
- Health insurance premiums for more than three years<sup>32</sup>
- 4,549 additional gallons of gas<sup>33</sup>

Furthermore, women breadwinners are on the rise among all races and ethnicities. From 1975 to 2010 black and Latina women nearly doubled in percentage of working wives who are earning the same or more than their spouses. Among black families, 53.3 percent of women are breadwinners, up from 45.7 percent in 2007 and 28.7 percent in 1975. For Latino and white families in 2010, about 4 in 10 working wives are breadwinners—nearly double their rates from 1975.<sup>34</sup>

As families continue to rely on women to contribute to household income and support their families, closing the wage gap for all women and in particular women of color is an imperative.

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## Policy suggestions and recommendations

The gender wage gap doesn't just hurt women; it also hurts families. With nearly two-thirds of mothers being breadwinners or sharing the responsibilities of supporting the household, women's paychecks are vital to families more than ever.

Below are CAP's suggested recommendations and policy solutions to significantly reduce the pay equity gap among women of color:

- **Support the Paycheck Fairness Act.** Sen. Barbara Mikulski (D-MD) and Rep. Rosa DeLauro (D-CT) co-sponsored the Paycheck Fairness Act, which will require that an employer to justify paying a man more than a woman for the same job. It would also make it easier for women to file class action suits against their employers for alleged sex-based discrimination. Though the bill failed to pass in 2011 and 2012, it was reintroduced this year.
- **Pass legislation to support paid sick and family medical leave.** According to CAP's paid family and medical leave report, federally required paid family and medical leave programs will likely have positive effects on employment and lifetime income.<sup>35</sup> Requiring employers to provide sick leave not only ensures workers' rights, but it will also help lessen gender-based pay disparities since women are more likely to use unpaid sick leave to care for their children.

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## Conclusion

Adequately addressing and eventually eliminating the income and wealth gap experienced by women of color requires a multifaceted approach led by engagement at both the state and federal level. As women's earnings become increasingly important to family incomes, the wage gap becomes a family issue. Promoting and uplifting women of color

is crucial to growing our economy. Ensuring that all working women, and particularly women of color, receive fair wages for their work not only means that they can adequately provide for themselves and their families, but also means they can make an even greater contribution to the nation's prosperity.

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