

CHAPTER 7

Women in the Labor Force

WOMEN NOW CONSTITUTE 44 percent of the U.S. labor force. They provide services that range from teaching, air traffic control, medicine, and legal advice to administrative and technical support. Women have always played a major productive role in American society. In this century, however, they have increasingly shifted their productive activities from the home to the marketplace. This shift was accomplished through market processes, without the intervention of government in either job training or job placement activities.

In the early 20th century, about 20 percent of women worked outside the home, and those who did were typically single or widowed. By 1986, the majority of adult women (two-thirds of those between the ages of 25 and 54) worked outside the home and most were married. Female employment increased throughout the century, but the pace has accelerated since World War II. In the postwar period, the number of women working in the United States has risen from 16 million to 49 million. That this important structural change was accomplished in an environment of rising real wage rates underscores the flexibility and resilience of the U.S. economy. The chapter examines these extraordinary changes from an economic perspective.

Care and management of the home have always been important to society. One major reason that more women are able to enter the work force today is that household management requires less time than it did in the early 20th century. Previously, it required one full-time person (generally the woman) to perform necessary household tasks. Improvements in technology have increased the number of labor-saving devices in the home, and more goods that were formerly produced in the home can now be purchased outside it. Moreover, the decline in the birth rate has also reduced work demands in the home and provided more time for work in the market.

As demands on women in the household were falling, women's wages in the market were rising. The changes in technology that made labor-saving devices in the home widely available also altered the nature of market work and increased the returns to labor. Physical strength became less important in many jobs, service sector employment grew, and wages and salaries increased.

Changes in the household and the market meant that the wages women could command outside the home rose relative to the value of time spent in the home. This growing market opportunity encouraged women to enter the labor force. Real earnings of men increased throughout the 1950s and 1960s, at a time when married women were rapidly entering the labor force, implying that family standards of living would have risen even without the earnings of the wife. Thus, while higher real incomes for male wage earners meant less financial need for their wives to work, the attraction of higher wages and less need for women to work at home drew women into the labor market. In some years in the 1970s, however, real wages for both men and women fell. Then, many married women probably did enter the labor market to maintain family incomes. The 1980s have brought increases in both women's real earnings and women's earnings relative to men's, changes that further encouraged work in the marketplace.

The remainder of the chapter is divided into three sections. The first section describes the increase in women's labor force participation and the changes in their employment patterns. The second section discusses factors that affect occupational choice, and chronicles changes in the occupational distribution of employed women. The third section analyzes earnings differentials, and examines the pay gap between men and women.

EMPLOYMENT

The percent of the U.S. labor force that is female has risen from 18 percent in 1900 to 29 percent in 1950 to 44 percent in 1986. Table 7-1 shows the rapid rise of women's participation in the labor force since the turn of the century. As women entered the labor force, the market responded and a variety of new opportunities were created. The market also accommodated the preferences of many of these women for part-time work or flexible scheduling of hours.

Dramatically increased participation of women in the labor market is not a phenomenon confined to the United States. A recent study of 12 major industrialized countries shows similar patterns of socio-economic change: urbanization, decreasing birth rates, increasing female education, and the growth of the service sector.

But the U.S. economy displayed a far greater capacity than the economies of other industrialized countries to absorb additional workers and create new jobs. Between 1960 and 1984, job growth in the United States increased by an average of 2 percent per year, double the rate for Japan. Over the same time period, there was vir-

TABLE 7-1.—Labor force participation rates of women, by age, 1890–1986

[Percent]

Year	Women 20–64			All women	
	All	White	Black and other	20–24	25–34
1890.....	17.4	14.9	38.4	30.2	16.8
1900.....	19.3	16.5	41.0	31.7	19.4
1920.....	22.9	20.7	43.1	37.5	23.7
1930.....	25.4	23.3	44.1	41.8	27.1
1940.....	29.4	27.9	42.9	45.6	33.3
1950.....	33.3	32.2	43.2	43.6	32.0
1960.....	42.3	40.9	54.0	46.1	36.0
1970.....	50.0	49.1	57.2	57.7	45.0
1980.....	60.8	60.5	62.8	68.9	65.5
1986.....	66.4	66.3	66.4	72.4	71.6

Source: There is some controversy over the Census counts of women workers in the 1890–1940 time period. Data here for 1890–1950 are from Bureau of the Census monograph, Gertrude Bancroft, *The American Labor Force*, New York, Wiley, 1958. Data for 1960–86 are from Department of Labor, Bureau of Labor Statistics.

tually no job growth in Great Britain or Italy, and employment in West Germany fell.

In recent years, a pattern of increased employment of married women with young children has emerged in most industrialized countries. As Table 7-2 shows for the United States, the historical pattern of married women staying home to care for children, especially small children, has changed considerably in recent decades. Women who maintain families alone have had high rates of market participation throughout the postwar period, and although participation rates for these mothers have grown, the major increase in female employment in recent decades has come from married women. The sharpest increases have been for wives with very young children. About 54 percent of wives with children under the age of 6 participate in the labor force. The rate for wives with infants is almost 50 percent, more than double the percentage in 1970.

TABLE 7-2.—Labor force participation rates of women by age of youngest child, March of selected years, 1970–86

[Percent]

Presence and age of child	Wives, husband present				Women maintaining families alone, 1986
	1970	1975	1980	1986	
Total.....	40.8	44.5	50.2	54.6	62.1
With children under 18 years.....	39.8	44.9	54.3	61.4	69.5
Under 6 years.....	30.3	36.8	45.3	53.9	57.9
Under 3 years.....	25.8	32.6	41.5	51.0	50.9
1 year and under.....	24.0	30.8	39.0	49.8	44.7
3–5 years.....	36.9	42.2	51.7	58.5	64.5
6–17 years.....	49.2	52.4	62.0	68.5	76.8
6–13 years.....	47.0	51.8	62.6	68.0	74.5

Source: Department of Labor, Bureau of Labor Statistics.

Although marital status and age of children are less important predictors of market participation than they were in the past, they still influence behavior, most notably for full-time employment. In monthly survey data for 1986, 36 percent of married women with children under 18 years of age worked full time, but 47 percent of widowed, divorced, separated, or never-married mothers with children in the same age group did so. The proportion of women who worked full time was lowest for those with very young children. Among married women with children aged 6 to 17, 45 percent work full time. But among those with children under 6, only one-third work full time.

Probably because of family responsibilities, more women than men work part time (fewer than 35 hours per week). Although the number of women who are working part time has increased, the proportion of the adult female labor force that wants part-time jobs has not changed since 1970. And, over this same time period, approximately one-third of all women who worked in a year worked part time. However, the percent of women with the strongest time commitment to the labor force (full-time and full-year) is rising, while the percent with the weakest time commitment to the labor force (part-time and part-year) is falling. In 1985, virtually half of women who worked in the market worked full time for the entire year, while only 12 percent worked part time for part of the year.

UNEMPLOYMENT

In the 1950s and 1960s, unemployment rates were higher for women than men, even though women tended to be employed in industries and occupations where layoffs were less common. Women's higher unemployment rates can be attributed primarily to their more frequent movement into and out of the labor force. Moreover, because men tend to work in industries that are more affected by business cycles, differences between male and female unemployment rates widened in upswings and narrowed during recessions. In the late 1960s, a period of generally low overall unemployment, the unemployment rate for women was about 70 percent greater than that for men. In the 1980s, however, overall rates of unemployment are higher than in the 1960s and male and female unemployment differences have narrowed considerably. In 1982 and 1983, the female unemployment rate fell below the male rate for the first time in the postwar period.

Seasonally adjusted unemployment rates were 6.6 percent for both men and women in December 1986. Equal male and female unemployment rates, however, reflect the outcome of two opposing forces: a higher proportion of female new entrants and reentrants, which in-

creases women's rates relative to those of men, and occupational and industrial employment patterns that lower women's unemployment rates relative to male rates.

HOME WORK VERSUS MARKET WORK

Individuals tend to split their hours between home and market work such that an additional hour spent in each will furnish roughly equal benefits. Urban residence, fewer children, and labor-saving household appliances decrease the time required to produce a given level of benefits from work in the home, and thereby reduce the number of hours necessarily devoted to home work. More education and previous labor market experience raise market productivity and the value of market time, providing additional incentives for work outside the home.

The marginal rate at which income is taxed influences decisions about market work, nonmarket work, and leisure. Taxes create a differential between the individual return to an hour of market work (the after-tax wage) and the productive return to society (the before-tax wage). In 1980, the top marginal Federal tax rate on labor income was 50 percent, and in some special cases was even higher. With this marginal rate, individuals could have been considerably more productive in market than in nonmarket work, but would have been better off working an extra hour in the home than in the workplace because the output was not taxed. Under the Tax Reform Act of 1986, the top marginal rate will be 28 percent, although a surcharge on certain relatively high incomes will make it 33 percent. Therefore, the tax reforms that the Administration is implementing should reduce the disincentives against market work built into previous tax rates.

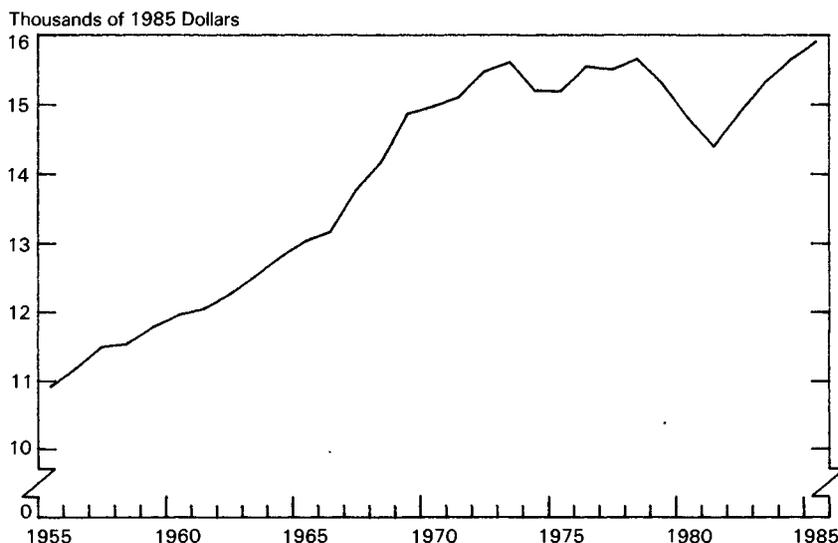
Although labor-saving devices played an important role in reducing the number of hours women spent doing housework in the 1940s and 1950s, working wives still spend substantial time doing housework. Survey estimates from the mid-1970s indicate that wives employed full time averaged 25 hours of work in the home and 39 hours of work in the market each week, while husbands employed full time averaged 13 hours of work in the home and 47 hours of work in the market. (Work in the market includes commuting time.) As women have increased their market work and reduced their nonmarket work over the past two decades, men have done the opposite. Between the mid-1970s and the early 1980s, men aged 25 to 44 cut their market work by 1 hour a week and increased their work in the home by almost 3 hours a week, while women in the same age group increased their market work by 4 hours and cut their work in the home by a little more than an hour.

The Role of Wages in Increased Participation

Researchers estimate that over half the growth in female employment between 1950 and 1980 was in response to the real wage increases illustrated in Chart 7-1. Real wage growth affected market participation both directly, through the attraction of more income, and indirectly, through reductions in the number of births. The indirect effects were estimated to be as large as the direct effects. The peak of the postwar baby boom in 1957 was 3.8 births per woman, but over the past decade the rate has been about 1.8 births per woman.

Chart 7-1

Women's Real Annual Earnings



Note.—Data are median wage or salary income of year-round, full-time, civilian workers (14 years and over through 1978 and 15 years and over after 1978). Self-employed persons are excluded. Data beginning 1975 are not strictly comparable with earlier figures.

Data are converted to 1985 dollars using the consumer price index for all urban consumers.

Sources: Department of Commerce, Department of Labor, and Council of Economic Advisers.

The rest of the growth in female employment is related to factors such as decreases in the time required for household work and changes in husbands' income. Between 1973 and 1981, husbands' real earnings fell about 10 percent and, in response, wives probably increased their work effort. In addition, as work expectations generally increased, labor supply decisions were probably based more on long-term individual wage expectations than on year-to-year changes in wages. Finally, some of the growth in women's participa-

tion can be attributed to the fact that proportionately more women were single, divorced, or widowed.

The Role of Expectations

Along with changes in labor market opportunities and in wages, people's attitudes about work have changed greatly. Questions concerning women working appeared in at least six polls in the 1930s, and fewer than 25 percent of the respondents in any of the polls approved of married women working outside the home. In a 1960 national survey, slightly more than one-third of husbands had either favorable or qualifiedly favorable attitudes toward their wives working. By the 1980s, however, the overwhelming proportion—nearly two-thirds—of both men and women reported that it is less important for a wife to help her husband's career than to have one of her own.

Table 7-3 shows how young women's expectations about future work in the market changed between 1968 and 1979. In 1985, women surveyed in 1968 would have been between 31 and 41 years old; thus, the table also shows 1985 labor force participation rates for women in these age groups. With the dramatic increase in labor force participation rates, more women were working than had expected to work. The differences between expectations and actual later behavior were considerably greater for white than for black women, probably because the increase in labor force participation has been so much greater for white women.

TABLE 7-3.—*Young women's work expectations for age 35: Trends and current participation rates*
[Percent]

Race	Percent of young women expecting to work at age 35		1985 labor force participation rate by age	
	1968 sample	1979 sample	25-34	35-44
White.....	27.5	71.7	70.9	71.4
Black.....	55.6	85.9	72.4	74.8

Sources: The 1968 data are from the 1968 National Longitudinal Survey of 5,000 women aged 14-24 years. The 1979 data are from the 1979 National Longitudinal Survey of Youth Labor Market Experience, a survey of over 12,000 young men and women aged 14-21 years (over 6,000 women). The tabulations exclude those answering "don't know" or "other." All survey data were weighted to a nationally representative sample. The 1985 labor force participation rates are from Department of Labor, Bureau of Labor Statistics.

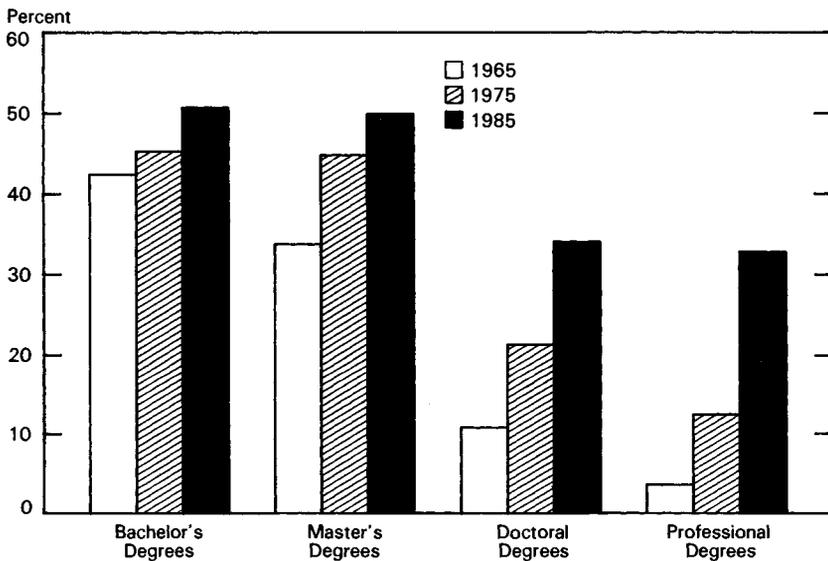
What and how long women study, what jobs they take, and what occupations they choose depend, in part, upon how long and remunerative they expect their careers to be. The dramatic increases in women's employment were unanticipated. Not surprisingly, many women seriously underestimated how many years they would work in the marketplace. As a result, women, on average, were less trained for labor market activities than they would have been had they anticipated their future work histories. Today, young women expect to

spend a much greater fraction of their adult lives working in the labor market than their mothers did.

Young women are changing their training and initial job plans as they anticipate greater commitment to the labor force. This is evident in the increased proportion going to college. As Chart 7-2 illustrates, women now receive about half of the bachelor's and master's and more than one-third of the doctoral degrees. The sharpest growth in the past decade has been in professional degrees. In 1985, women received 30 percent of the degrees in medicine (up from 13 percent in 1975), 21 percent in dentistry (up from 3 percent in 1975), and 38 percent in law (up from 15 percent in 1975).

Chart 7-2

Percent of Earned Degrees Received by Women



Note.—Data are for 12-month period ending June 30 of year shown. Data for professional degrees are for first professional degrees, and are primarily in law, medicine, and dentistry.
Source: Department of Education.

Women's college major choices are converging toward those of men. In 1960, 46 percent of degrees awarded to women were in education. Since then, the increased commitment of women to the labor force has led them to choose a greater variety of college majors. In the fall of 1985, only 10 percent of women beginning college intended to major in education, while 28 percent opted for business, making it the most popular major for women as well as for men.

Roughly equal numbers of male and female college graduates now major in the arts and humanities, as well as in the biological sciences and management. Although considerably fewer women major in education than before, 76 percent of education majors are women. Women represent only 13 percent of engineering majors, but a decade earlier they represented a mere 2 percent.

OCCUPATIONAL CHOICE

Work performed in the home would, under paid circumstances, be categorized in the service sector. Women made an occupational shift during the postwar period, as many left full-time homemaking. In terms of the proportions of the labor market involved, the shift away from homemaking is greater than the migration of the workforce out of agriculture that occurred earlier in this century. Both structural shifts in employment were massive and, again, the market-oriented U.S. economy accommodated them in an environment of generally rising wages.

Occupational choices seem to be driven not only by expectations regarding lifetime hours of work, but also by tradeoffs among the characteristics of different occupations. For example, individuals balance wages against job characteristics such as riskiness, effort, work environment, and fringe benefits. Characteristics such as amount of training required, usual hours, and rate of skill atrophy are also important. Women who expect to have long and continuous work careers make choices different from those who expect more disruptions in their labor market work because of family demands. Women's divergent goals are reflected in the differing characteristics of the occupations they choose. And the market provides individuals with the opportunity to choose among occupations with very different features.

The amount and type of training women acquire signal expectations for lifetime hours of work. Women who plan continuous careers are more likely to choose apprenticeship training or make specific investments in schooling as preparation for a particular occupation. The amount of additional training undertaken while employed also depends on the expected length of labor market participation, as women who expect lengthy and continuous careers are more likely to undertake career investments that enhance future earnings.

The type of training also affects working wives' occupational choices. Some couples invest more heavily in the career of the husband than of the wife; if the wife chooses to work, she must find employment wherever the family locates and is thus less likely to acquire job-specific or nontransferable skills. Similarly, occupations in which

skills deteriorate or require knowledge of a rapidly changing body of information, may not be good choices for women who plan substantial interruptions in their labor market careers for marriage or child-bearing. The cost of taking time off is much greater in engineering than in editing, because the decay of knowledge is much greater.

Job characteristics valued by many, especially women with children, are work-time flexibility and shorter work hours. Women have long dominated elementary and secondary school teaching, occupations that allowed them to spend summers and holidays with family. Workers in the clerical fields, where women have often been employed full time throughout the year, generally work fewer hours per week than the average full-time worker.

Physical strength, access to financing, societal expectations, and legal barriers constrain occupational choices for both men and women. Barriers to entry for women have included Federal regulations prohibiting certain work in the home, State "protective" legislation barring entry into occupations requiring heavy or dangerous work, certain military occupations (because of congressional bans on women in combat), and employer or union discrimination. Employer or union discrimination on the basis of sex, race, or age is now against the law, and virtually all State "protective" legislation has been repealed. Federal regulations still prohibit the manufacture of some types of goods within the home. The Department of Labor in 1984 partially lifted the ban and in 1986 proposed further liberalization of these rules.

Some argue that women's occupational choices have also been affected by what is broadly called sex-stereotyping of occupations. Although occupational choices of women are changing, most employed women are still found in a relatively small cluster of occupations. Women have often chosen these occupations because they require general skills that were easily transferable and could be used in the home, and because the occupations permitted the flexibility in hours or labor force discontinuity that many women wanted. Few legally valid restrictions to occupational choice remain. And as women raise their expectations about their work time in the market, they are increasingly entering occupations considered nontraditional.

OCCUPATIONAL DISTRIBUTIONS

Women's tendency to choose clerical, service, and social service fields over crafts and manufacturing is a phenomenon not confined to the United States. A study of Great Britain, Sweden, the United States, and West Germany in the 1960s and 1970s indicated that these patterns were strongest in Sweden. Gender differences in occupational choice narrowed only slightly in the United States between

1950 and 1970. During the 1970s and increasingly in the 1980s, women have been choosing a greater variety of occupations. Table 7-4 shows the percentage of women in the labor force, in the six broad census occupational groupings, and in a variety of more detailed occupations. Women are increasing their participation in highly skilled occupations that traditionally had been almost exclusively male. For example, in 1970, when 38 percent of the total workforce was female, only 5 percent of lawyers and judges were female. By 1986, women constituted 45 percent of employed workers under 35 years of age and 29 percent of lawyers and judges.

TABLE 7-4.—*Percent female in selected occupations, 1970, 1980, and 1986*

[Female workers as percent of total workers]

Occupation	1970	1980	1986	
			All	Under 35 years
Percent of employment that is female.....	38	43	44	45
Managerial and professional.....	34	41	43	49
Mathematical and computer scientists.....	17	26	36	41
Natural scientists.....	14	20	23	28
Health diagnosing occupations.....	8	12	15	24
Physicians.....	10	13	18	(¹)
Health assessment and treating occupations.....	85	86	85	85
Registered nurses.....	97	96	94	(¹)
Lawyers and judges.....	5	14	18	29
Technical, sales, and administrative support.....	59	64	65	66
Technicians and related support.....	34	44	47	48
Engineering and related technologists and technicians.....	9	17	18	22
Sales occupations.....	41	49	48	54
Administrative support, including clerical.....	73	77	80	80
Secretaries, stenographers, and typists.....	97	98	98	98
Mail and message distributing.....	25	30	34	40
Service occupations.....	60	59	61	58
Sheriffs, bailiffs, other law enforcement officers.....	6	13	14	(¹)
Bartenders.....	21	44	49	(¹)
Waiters and waitresses.....	91	88	85	(¹)
Cooks, except short-order.....	67	57	51	(¹)
Precision production, craft, and repair.....	7	8	9	8
Precision woodworking occupations.....	8	14	17	(¹)
Operators, fabricators, and laborers.....	26	27	25	22
Motor vehicle operators.....	5	9	11	10
Bus drivers.....	28	49	50	(¹)
Printing machine operators.....	14	27	28	(¹)
Farming, forestry, and fishing.....	9	15	16	14

¹ Not available.

Note.—All data are based on the 1980 Census job classification system.

Sources: Department of Commerce (Bureau of the Census) and Department of Labor (Bureau of Labor Statistics).

Women are also expanding their roles as entrepreneurs. Female-operated nonfarm sole proprietorships have grown about twice as rapidly as all such proprietorships since 1977. In 1983, female entrepreneurs operated 28 percent of nonfarm sole proprietorships, up sharply from earlier periods. Most of these businesses are in areas such as retail trade, insurance, and real estate, but an increasing number are in areas considered nontraditional.

EARNINGS DIFFERENTIALS

Differences in earnings arise partly because of differences in demand for the goods and services provided by particular jobs, and partly because of differences in the number of qualified individuals willing to take those jobs. Different skills that stem from past training, work histories, motivation, and talent all contribute to variation in earnings. Continuous work histories and longer job tenures with particular employers lead to higher earnings. Jobs that begin with comparatively more on-the-job training also pay less at first than jobs that offer no training; individuals seek jobs with training because of the potential for future wage growth.

Within race and sex categories, individual characteristics (hours of work, education, age, union membership, urban location, etc.) explain some of the variation in earnings. Adding those factors to other readily measured characteristics—such as actual work experience, interruptions in work experience, tenure with employer, and occupation, job, or industry characteristics—explains about half of the earnings variation.

The average employed man has more work experience, fewer interruptions in that work experience, and longer tenure with his current employer than does his female counterpart of a comparable age. However, these differences are now beginning to narrow. For example, in 1963, women's median years of tenure with their current employer were 2.7 years less than men's; 20 years later, in 1983, the difference was 1.4 years. For women 25 to 34 years old, the tenure differences were 1.5 years and 0.6 years respectively.

Just as unexplained earnings differentials exist among men or among women whose readily measured characteristics are identical, unexplained earnings differentials also exist between men and women. These pay differences can result from the failure to measure all of the gender differences that affect market productivity, or from discrimination, or from both.

One example of a characteristic that is not generally measurable is anticipated future market work time. Such information, however, is available from the 1968 survey of young women discussed previously in this chapter. Because the survey was longitudinal and the same basic question was asked each year, it was possible to compare the earnings of women who had consistently expected to be working at age 35 with those who had not. Recent analysis of these data shows that the earnings in 1980 of women who had answered the question in the affirmative throughout the first 7 years of the survey (1968 through 1975) were almost 30 percent higher than the earnings of women who had not, but who were comparable in other respects. No

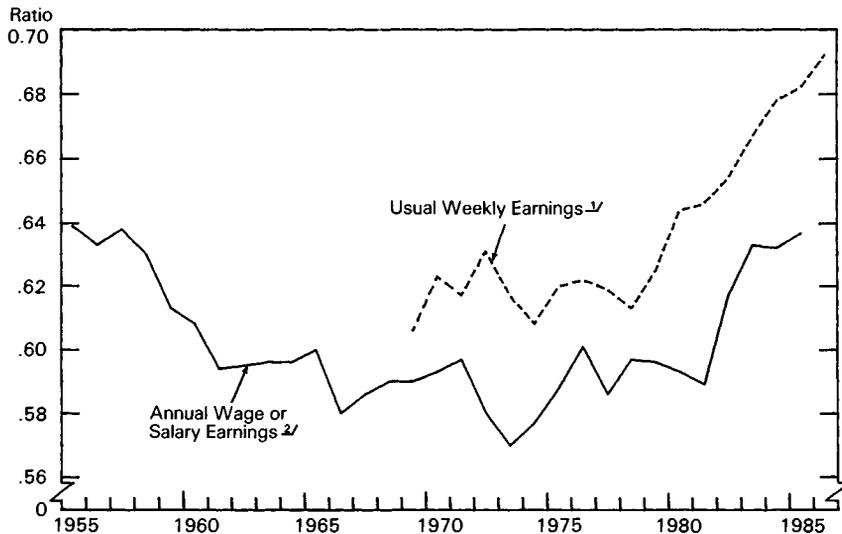
doubt many of those who expected to be working continuously chose different occupations and made greater investments in their skills and careers than those who believed otherwise.

TRENDS IN THE PAY GAP

Two data series, illustrated in Chart 7-3, are often used to compare male and female earnings. The first series, the ratio of female to male median wage or salary income for year-round, full-time workers, was 58 percent in 1939 (not shown), rose to 64 percent in the mid-1950s and then fell to 58 percent in the mid-1960s. From the mid-1960s to 1981, it drifted in a narrow range. Since 1981, it has begun to climb, reaching 64 percent in 1985. The ratio for the second data series, median usual weekly earnings of full-time wage and salary workers, shows a similar pattern for the available time period. Since 1979, it has risen steadily, reaching 69 percent in 1986. Although both series are for full-time workers, gender differences occur in hours worked even for full-time workers. In 1985, full-time women workers averaged 6 percent fewer hours than full-time male workers.

Chart 7-3

Ratio of Female to Male Earnings for Full-Time Workers



✓ Median usual weekly earnings of all full-time workers, 16 years and over. Excludes self-employed persons whose businesses are incorporated. For details on data consistency, see Bureau of Labor Statistics Bulletin 2239, February 1986.

✓ Median wage or salary income of year-round, full-time, civilian workers (14 years and over through 1978 and 15 years and over after 1978). Self-employed persons are excluded. Data beginning 1975 are not strictly comparable with earlier data.

Sources: Department of Commerce, Department of Labor, and Council of Economic Advisers.

Recent research has examined the reasons why the ratio of median earnings did not rise until the 1980s. The 1950s, 1960s, and 1970s were decades of increasing female participation in the labor force. The sharp increases in market participation by women with little previous market work experience depressed the average experience level of women workers for much of the postwar period, widening the experience gap between the typical male and female worker. A modest reduction in the experience gap occurred in the 1970s, particularly among younger workers, but by 1980, a typical employed female had only a few months more experience than in 1940. Education played a somewhat similar role as the schooling levels of male workers increased relative to female workers in the 1950s and 1960s, stimulated, in part, by the GI bill. As the work experience of women relative to men as well as the educational differential between working men and women widened, the median earnings ratio fell. Because both experience and educational differences are now narrowing, the ratio is rising, as Chart 7-3 shows. And the underlying trends in women's work commitments discussed in this chapter suggest that the ratio should continue to rise.

The pay gap is smaller for younger workers. Table 7-5 shows the ratio of female to male earnings for full-time, year-round workers in different age groups. Earnings ratios are not only higher, but are increasing rapidly for younger workers.

TABLE 7-5.—*Earnings of females as percent of earnings of males, by age, 1979, 1982, and 1985*
[Percent]

Year	Age of workers			
	20-24 years	25-34 years	35-44 years	45-54 years
1979.....	76.7	67.5	58.2	57.0
1982.....	82.4	72.0	61.1	60.0
1985.....	85.7	75.1	63.2	59.6

Note.—Data relate to median usual weekly earnings of full-time wage and salary workers.
Source: Department of Labor, Bureau of Labor Statistics.

As mentioned above, employed men and women differ in many of the basic characteristics that influence earnings, such as labor market experience and employee tenure. When these differences in characteristics are accounted for, almost half of the gap between men and women is explained. In general, studies that sample only younger workers or those in similar jobs find smaller pay gaps. Some recent research, incorporating work expectations of men and women into an analysis of the pay gap, suggests that as much as 90 percent of the differences in male and female earnings can be explained when

gender differences in work expectations are included in the calculations. Accurate measurement of work expectations, however, is extremely difficult, and these results should be considered tentative.

Discrimination

Some observers attribute all, or almost all, of the unexplained portion of the wage gap between women and men to discrimination. Other observers attribute all, or almost all, to unmeasured or difficult-to-measure differences in characteristics between men and women. There is no consensus on the magnitude of discrimination. Discrimination is illegal. The Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964 contain remedies for discrimination. The Equal Pay Act requires equal pay for equal work and thus outlaws gender wage discrimination. The 1964 legislation prohibits gender barriers to entry, and thus outlaws discrimination in hiring or promotion.

Discrimination also reduces gross national product. Resources are allocated most efficiently when prices are determined by the free interplay of supply and demand. Barriers to entry based upon characteristics such as sex, age, or race, impede the workings of the market, reduce allocative efficiency, and retard economic growth. These barriers are also costly to business. A firm that hires or promotes a less competent man over a more competent woman has higher costs of production than one that hires or promotes the most competent person. Barriers may include unequal educational opportunity or occupational, union, and trade association restrictions. Breaking down barriers that remain and promoting equal opportunity are commitments of this Administration.

The Earnings of Black Women

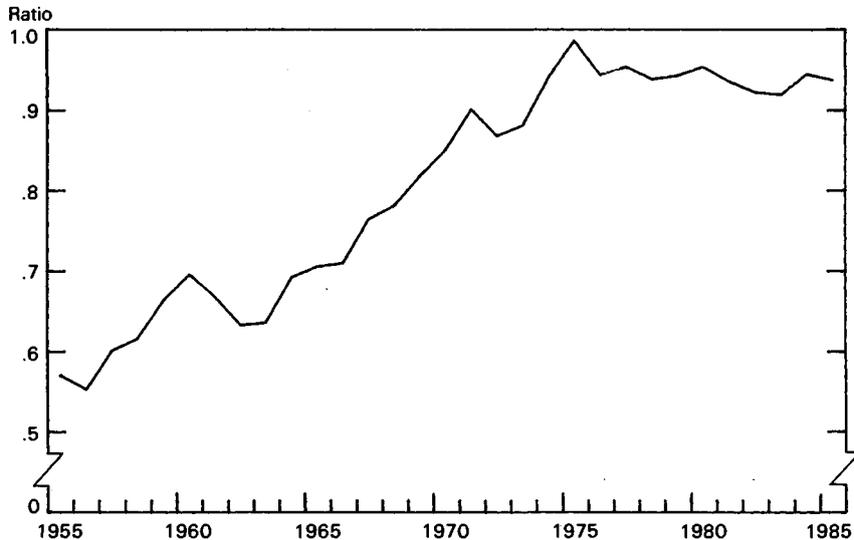
The relative constancy of the ratio of median earnings for all full-time workers disguises the sharp increases in earnings experienced by black women in the postwar period. Since black women's earnings are not available in separate series until the late 1960s, Chart 7-4 illustrates the earnings ratio of black and other women to white women from the mid-1950s to the present. (In years when black and other female earnings and black earnings are both available, the two series are virtually identical.) While Chart 7-1 showed sharp real increases in the earnings of all women, Chart 7-4 shows that the earnings of women in the black and other category were growing considerably faster than the earnings of all women.

There are at least three important reasons for this extraordinary increase in black women's earnings. First, black women had high labor force participation rates throughout the postwar period, and the increases in their participation were much smaller than those for white women. The median work experience of employed black

women grew during the period because it was not diluted by a high proportion of new entrants, and this contributed to the growth in black women's earnings.

Chart 7-4

Ratio of Black and Other Women's Earnings to
White Women's Earnings



Notes.—Data are median wage or salary income of year-round, full-time, civilian workers (14 years and over through 1978 and 15 years and over after 1978). Self-employed persons are excluded. Black women constitute the great majority of the category black and other women. Data beginning 1975 are not strictly comparable with earlier data.

Sources: Department of Commerce and Council of Economic Advisers.

Second, and more important, schooling levels of black women workers increased sharply throughout the period. In 1940, only about 7 percent of black women over the age of 25 had completed high school. By 1960, the percent had almost tripled and today it is about 60 percent. Finally, in the early postwar period, a great majority of employed black women worked in only two occupations, private household worker and farm laborer. While in 1940 more than 70 percent of black working women were in these two occupations, by 1960 the fraction had fallen to below 40 percent. By 1970, the fraction was below 20 percent; today it is about 5 percent.

The increase in black female education, and the changes in their occupational distribution in the past 40 years have been dramatic. Real wage changes for black women have been larger than those for any other group. In 1939, the earnings ratio depicted in Chart 7-4

was 0.38; by 1960, it was 0.70; and since the mid-1970s, the ratio has fluctuated between 92 and 99 percent.

The growth in the real earnings of black and other women was as rapid in the late 1950s and the early 1960s as it has been since 1964. The increases in black women's schooling, and their movement out of the occupations of private household worker and farm laborer, contributed significantly to the growth in these earnings.

CONCLUSION

This chapter tells two stories. The first is about women and their shift from work in the home to work in the market. The number of women in the labor force has tripled, women's real earnings are rising, and women are increasingly entering higher paid occupations. Women have successfully integrated work in the market with work in the home, making important contributions to both their family's income and the Nation's output.

The second story, which underlies the story of women's economic achievements, is about the adaptability and flexibility of U.S. labor markets in accommodating such a major structural change. Not only has the economy created over 30 million additional jobs filled by women since World War II, but it has also created jobs that interest and attract women: in business and the professions, science and technology, and the service sector. The market produced these jobs while still providing rising real wages and incomes for both men and women.

The success of the responsive and flexible U.S. labor markets has not been confined to adapting to increasing numbers of women. Last year the Council of Economic Advisers chronicled the labor market success of immigrants. Since 1950, the United States has absorbed about 13 million legal immigrants. During the same time, 4 million workers left farming and found other jobs. The market provided non-farm jobs for those who left agriculture, as well as jobs for immigrants who often knew neither the English language nor American customs. It did this without major government programs to force accommodation.

The central conclusion that can be drawn from this chapter, as from many other sections of this *Report*, is clear. The success of the markets is reflected in their adaptability. In the labor market, as with all markets, it is important to retain this ability to respond to change. Regulations to mandate wages or benefits would, even if enacted with the best of intentions, restrict this flexibility and inhibit the ability of markets to adapt. In contrast, free and flexible labor markets

provide employment opportunities for new workers, even in the face of enormous and rapid structural change.

As this *Report* demonstrates, the success of the U.S. economy in creating employment opportunities, increasing national income, and raising real living standards begins with reliance upon private enterprise and a competitive-market system. The incentives for individual effort and initiative generated by this system provide the essential stimulus for economic progress. By facilitating the operation of this system, government policy most effectively contributes to the goals specified 40 years ago in the Employment Act of 1946: “. . . maximum employment, production and purchasing power.”