

Empowering Women in the Economy – IWPR

Remarks prepared for Dr. Rebecca Blank, Acting Commerce Secretary

May 22, 2013

Thank you, Heidi, for that introduction and for the many contributions you have made through your research and through IWPR. I believe I have been a supporter of IWPR since very close to its beginning and I'm really delighted and honored to be able to help celebrate its 25th anniversary.

This organization has made a major contribution to the study of women in the economy. There is still too little attention devoted to the effects of policy on women and families, but IWPR continues to build a strong foundation of knowledge and to advocate on behalf of women and families. This is important work and I'm very glad that you've been here and doing it for the past 25 years.

Today I'd like to talk about progress we have made as well as challenges that remain when it comes to empowering women in the economy. I'll discuss women's education, labor market involvement, and leadership in the private sector... and I'll touch on how these changes have interacted with women's traditional roles.

[Women and education]

Education is the route from poverty to economic stability for women. This is particularly true in less-developed countries where the research clearly shows that educating girls as fully as boys brings improved health, higher family incomes, and many other societal benefits.

But it's true in the U.S. as well. Education gives women access to jobs that allow them to be financially independent, able to support themselves and others in their family when needed. In the U.S. over the past 50 years, we have seen substantial progress in women's education.

[SLIDE 1] Women's education has risen steadily in the last four decades. In 1970 women were clearly less educated than men. By 2012, women were becoming slightly MORE educated than men.

- Between 1970 and last year, the percentage of women with at least a high school education rose from 59% to 87%.
- About 28% of women now have bachelor's degree and 9% hold graduate degrees. These numbers now differ by no more than a percentage point from men (86%/28%/10%).

[SLIDE 2] In fact, younger women are now more likely to both attend and complete college than are younger men.

- Last year, 38% of women aged 25 to 34 held a bachelor's degree, seven points higher than men. That's a reversal from 1970, when young men held an 8--point advantage.
- Young women are also now more likely to receive graduate degrees than men (11% v. 8%), a major turnaround from back then, when very few women (only 1%) received graduate degrees.

As a basis for future earnings and leadership roles, education is key.

But let me raise a few concerns:

- The areas in which women receive degrees continue to be very different than for men. Women consistently going into fields with lower pay, and are far less likely to be in the so-called STEM fields. I'll return to this issue later.
- I also worry about the social implications of a growing gap in education between men and women. This has implications for women's and men's lives far beyond the labor market, since it means fewer men with the same degree of education as women. This can reduce marriage and change fertility patterns.

Now let's turn to the labor market. Unfortunately, the steady increase in education has not yet fully translated into the labor market advantage that one might predict.

[Women in the workforce]

[SLIDE 3] As you all know, women are working in record numbers.

- The labor force participation rate for women nearly doubled in the last half of the 20th century.
- Also, the gap in labor force participation between women and men has narrowed from 57 percentage points in 1948 to 14 percentage points last year.

There are many reasons for these changes. The steady growth in education among women is a primary reason. The greater time that women spend single and financially reliant on their own resources – either before they marry or after a divorce – is another reason. In no small part, this change is also due to anti-discrimination laws that have allowed women to use their skills in an increasing number of occupations and industries.

Let me be clear: There remains a great deal of gender segregation at work, particularly in lower-wage jobs that require less education. And for women with limited schooling, job options look very similar to those of previous generations of women – clerical work, retail, and household assistance...

But for women with college education, the labor market has changed enormously – and the jobs which women fill are much more diverse. This has resulted in growing labor market inequality among women. In the past, when a college education essentially allowed women to fill pink-collar or teaching jobs, there was much less inequality in women’s wage distribution than in men’s wage distribution. Today, more-educated women earn much more than less-educated women and work in very different jobs. In fact, some of the widening inequality in overall U.S. income distribution is due to the opening up of work opportunities for higher-educated women.

But the biggest problem in the labor market for women is that earnings opportunities still remain unequal relative to men.

[SLIDE 4] Women have higher levels of education, yet they continue to earn less. For all women and men 25 years and older, median weekly earnings for full-time female workers are 80% those of full-time male workers. At the various levels of educational attainment, women earn 73 to 77 cents for every dollar earned by a man. President Obama cited this gap when he signed his first-ever bill into law – the Lilly Ledbetter Fair Pay Restoration Act.

This disparity in earnings reflects two things:

First, women still choose a different set of occupations and industries, and these jobs tend to pay lower wages. It's beyond the scope of my talk to discuss why this is, but it's clear that we should be doing more to help girls and women think more broadly about the careers open to them.

A good example is in the STEM fields – science, technology, engineering and math.

Over the past decade, growth in STEM jobs has been three times as fast as non-STEM jobs. These jobs pay about 25% more than others.

Women make up nearly half of our workforce, but less than one-fourth of our STEM workforce. And yes, this ties back to education – In areas like engineering and computer sciences, women are awarded less than 20% of bachelor's degrees.

[SLIDE 5] This is all the more puzzling because women experience a substantial wage premium in STEM jobs.

In 2010, women in STEM jobs earned nearly \$32 per hour – about 60% more than women in non-STEM jobs. Even after we control for factors

like age, education level, region of residence, and more – a significant STEM premium remains. Controlling for these other variables, women in STEM jobs earn 22% more than women in non-STEM jobs – while for men, that jump is only 13%.

We will continue to have a shortage of STEM workers in this country so long as half of the population rarely elects to enter these fields. (And note that this is not a universal phenomenon...in eastern Europe and in Asia, a much higher share of women enter STEM fields.) We need to do more to interest girls in the sciences and to open young women's eyes to the potential benefits of pursuing STEM fields. We need to do this not just to broaden the opportunities available to women, but for the sake of long-term competitiveness of the United States. We will need more STEM workers if we are going to retain our lead in the global economy.

[PAUSE – END SLIDE PRESENTATION]

A second major reason behind the earnings disparity between men and women is that there continues to be labor market discrimination against women. It turns out that there is relatively little difference in pay by gender for entry level workers in the same job. We have substantially reduced that type of discrimination.

But women end up earning less for two other reasons.

- Some of the differential occurs when women interview for jobs and are disproportionately directed toward the openings in more traditional ‘women’s fields’ ...which pay less.
- Some of the differential occurs because of the gender differences that open up over time when women stay with a company and try to advance. Men are promoted more rapidly and receive larger wage increases upon promotion.

Consider this: Women account for about 53% of entry-level professionals in America’s largest corporations.

- However, they hold only 37% of middle-management positions
- 28% of vice-president and senior-managerial roles
- and just 14% of executive committee seats.
- Women comprise only 4% of CEOs in the Fortune 500.

At every rung of the ladder, the odds of advancement for women are half that of men, and there are nearly four times as many men as women in large companies who advance from executive committee to CEO.

This is due to a number of real and perceived barriers – some of which have been highlighted by recent studies:

- For example, a McKinsey study found that women in executive-level positions are almost twice as likely as men to occupy roles that do not lead to the top job in the company.

- A Pew study indicated that working mothers are less concerned with high pay and more interested in flexible schedules than working fathers.
- Another study cited a hesitation on the part of supervisors to give women direct feedback for improvement or to give working mothers opportunities that require work-related travel or larger time commitments.
- And I'm sure everybody in this room has read the studies on differential risk and bargaining behavior by women versus men. Women are less likely to bargain for higher pay when they enter a job. And they are less likely to take jobs that require risk-taking – one reason why women are under-represented among entrepreneurs.

Let me be clear when I talk about behavioral differences on the part of women in terms of the choices that they make. These are learned behaviors, and they are endogenous with differences in the way that girls are treated within the family or at school, or the way that female employees are treated in the labor market and how they have learned to view their opportunities. As long as women are taught that asking for something for themselves...such as asking for more pay... isn't an appropriate behavior for girls, we will bargain less...and we will be paid less.

Policies that acknowledge some of these barriers have been implemented in many companies, including flexible working conditions and locations, and programs that encourage networking for women within the firm.

And, companies are beginning to realize that investing in women in their workforce isn't just the right thing to do – it's a smart business decision.

- For example, Catalyst, a nonprofit that works to expand opportunities for women in business, found that companies with more women directors had higher returns on investment. In 2011, they found a 26 percent difference in return on invested capital between companies in the top quartile for women representation on their board (at least 19% women) compared with those in the lowest quartile – firms with 0 women directors.
- Another example, this time from McKinsey – they measured nine factors that are linked to well-functioning and healthy organizations. They showed that those who scored high in these nine areas saw better financial performance. Of about 100 companies studied – those with three or more women in top positions scored higher than their peers.

As Acting Commerce Secretary, I have seen this dynamic in action first-hand. I have had many meetings with groups of CEOs and executives. Many times I am the only woman in the room or at best, one of two. That's a red flag because I know – as you do – that better decisions get made when there is a greater diversity of voices at the table.

I will say, however, that it is refreshing to see a growing set of women leading major U.S. companies – Ursula Burns of Xerox, Denise Morrison of Campbell's Soup, Marissa Meyer of Yahoo. And I hope that one day we reach a point where it's NOT news that a woman CEO has been chosen to lead one of America's iconic companies.

[PAUSE]

One final comment on the labor market.

Women remain underrepresented in self-employment. Entrepreneurship and business ownership is an important path to building assets and wealth and to achieving economic independence. More broadly, this is crucial in order to bring new ideas into the marketplace, create jobs, and drive economic growth.

Unfortunately, women are still less likely to start a new business and own their own firm. While this is changing, women represent only 30%

of business owners. These firms tend to be smaller. So again we see the under-representation of women in this field...while they are almost 50% of all workers, they are only 30% of business owners, and their business account for only 11% of all revenue earned by privately owned businesses.

[Women's roles in society]

Of course, changes in education and work involvement are closely linked to other changes in women's lives. Too often, I think those of us who care about policy issues that impact women talk just talk about education and labor force changes for women without talking about their lives as mothers and partners in marriage or other long-term relationships.

We must recognize that empowering women in the economy also includes understanding the ways that women's roles in society continue to change.

Women's lives have changed dramatically outside of work.

- Women are marrying later: The median age of marriage for women in 2012 was 27, up from 20 in 1950.

- Women are having children later: The share of women giving birth for the first time in their thirties has risen from 4 percent in 1970 to 24 percent in 2010.
- Women are having fewer children
- And women are spending more of their lives living singly – often raising children without a marriage partner.

Combined with the trends I've already discussed showing rising education and rising labor force participation, these are revolutionary changes in how women spend their lives – changes that have occurred in a very short period of time. We've hardly had time to understand all of the implications of these changes.

Women's choices and expectations are changing rapidly, and that creates new policy challenges.

This also, of course, leads to the question of whether men's choices and expectations are changing as rapidly and are changing in a way that is consistent with the changes in women's lives. That's a very interesting question that I won't try to answer this evening.

However, here's a bit of evidence that men's behavior has not fully adapted to these changes: While women's work for pay outside the

home has grown, their work inside the home has not shrunk at a commensurate rate.

Married women with children still put far more time into work at home – time with children and housework – than do married men, even after you adjust for their hours of work outside the home.

There are many of us who do ‘want it all’ – we want a challenging job and a good education, but we also want marriage and children. I have been fortunate enough to accomplish this, as has Heidi and many others who are here.

But the best advice that I can give to younger women who ask me, “How do you balance all this?” is to tell them that they need to ‘marry well.’

By this, I don’t mean that they need to find a rich potential spouse, but that they need to find a partner who appreciates and respects their work, as well as his own, and who will willingly share the work of raising children.

[Closing]

Let me end by musing a little on the differences in male/female behavior that we see in today’s economy. All too often, the discussion focuses on ‘how can women behave more like men so that their work levels and

earnings are the same as men's.' I know that my own talk has had that flavor at times this evening.

But it's not clear that we really want a world in which women behave just like men. Look at the different choices that women make:

- They are more likely to elect to graduate in fields that are the so-called 'helping fields' – more likely to be teachers or social workers or nurses – and more likely to want to work in the non-profit sector;
- They appear to be far less concerned about income as a metric to measure their success in life;
- They are more likely to put time into non-paid volunteer activities outside the home;
- In large organizations, they tend to work better in teams, and to be better in participatory decision-making and cooperative planning.
- They are less aggressive. Yes, they bargain less and are less likely to ask for a raise...but they also are far less likely to behave violently, either at work or at home.

Communities need members who behave like this...who are more concerned with helping others than with taking the highest-paying job. So when I say I want greater equality between men and women in the economy, I don't mean that I just want women to be more like men. I

also want some of the more traditionally 'female' behaviors to receive greater recognition and greater reward in the labor force and in society. Yes, I want women to bargain for higher wages, and I want more women to become engineers and scientists and economists. But I also want more men to understand that taking time out for children is an important and good thing. And I want more CEOs and supervisors to value the people who work well in teams more than the lone rangers who draw attention to themselves.

We will be at a better place only when some of the attributes and choices that women make are valued as much as the attributes and choices that men make.

Thank you all and congratulations again to IWPR.

I'll be happy to take some questions and comments. ###