

## The wage gap myth and everything you need to know about it

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The Cambridge English Dictionary defines a wage gap as the difference between the average pay of two different groups of people. At first glance, studies and articles on the wage gap myth seem to imply that the wage gap is gender-based. However, various factors in the literature contribute to wage gaps. Some of the most studied wage gaps are the gender-based wage gap, beauty based wage gap and motherhood based wage gap.

### **Beauty based wage gap**

A study carried out based on the countries Germany and Luxembourg showed that wages are more driven by physical appearance than by self-esteem. The measures of beauty used in this study were 1) an interviewer based objective measure of beauty and 2) a self-reported measure of beauty. The study explains that attractive men and women have better market attributes than their unattractive counterparts. Better looking people have better chances of obtaining better opportunities and advancing to have higher wages while less attractive people may need to compensate with qualifications and other traits.

There are several possible explanations for the relationship between physical appearance and earnings. These have been categorized into direct and indirect effects. Direct effects, first elaborated by Hamermesh and Biddle (1994), include pure employer discrimination, customer discrimination and occupational crowding. The indirect effects are harder to pin down but several theories have been put forward. Mocan and Tekin (2010) find evidence that being an unattractive student in high school may hinder human capital development, due to preferential treatment of attractive students. This will have a knock-on effect on earnings later in life.

Mobius and Rosenblat (2006) examine different channels through which beauty may affect wages and identify the stereotype channels and taste-based discrimination. In a series of other papers, researchers have examined whether there is interviewer based discrimination in favour of better-looking people (e.g. Marlowe et al. (1996), Watkins and Johnston (2000), Lopez Boo et al. (2012)) and find that more attractive people receive more favourable treatment.

Customers may prefer interacting with better looking or more confident individuals employed in certain occupations. However, the effect of beauty is negative and statistically significant only for women indicating that, for women, beauty does not pay off in occupations that require more personal interactions. The interaction is also negative, but not significant for men.

There are higher wages in occupations where beauty is deemed more important in both countries. However, these may simply be higher-paying occupations independently of beauty requirements. Evaluating the effect of beauty on wages at the mean, the study found that women experience a larger beauty premium (20% in Germany, 10% in Luxembourg) than men (14% in Germany, -3% in

Luxembourg). In Germany, attractive men experience a larger unexplained wage premium than women.

### **Motherhood based wage gap**

Mothers tend to receive lower wages comparable to childless women. This ‘motherhood wage gap’ has been reported in numerous studies. Based on 208 wage effects of having exactly one child and 245 wage effects of the total number of children, a study found an average motherhood wage gap of around 3.6 – 3.8%. While the gaps associated with the total number of children are mostly explained by the loss of mothers' skills during child-related career breaks, the gaps associated with one child are predominantly driven by mothers' choice of jobs and occupations that pay less.

It was also suggested that women who choose to have more children or have them early are less oriented at occupational careers (Korenman and Neumark, 1992) or that employers discriminate against mothers (Budig and England, 2001; Correll et al., 2007). Finally, it was also suggested that the size of the motherhood wage gap is determined by the social context, namely the country-specific policies and social norms, which affect the conditions in which mothers combine paid work and childcare (Misra et al., 2011; Budig et al., 2012, 2016). Nonetheless, it is still unclear which of these mechanisms are most responsible for the persistence of the motherhood wage penalty, because existing empirical studies, even though abundant, reported mixed findings. Furthermore, the obtained estimates of the motherhood wage penalty are very diverse, ranging from around 0–1% (e.g. Datta Gupta and Smith, 2002; Davies and Pierre, 2005) to as much as 10–13%.

### **Gender-based wage gap**

The gender wage gap can be defined as the difference in average hourly earnings of male and female employees after controlling for human capital factors such as education (Pasztor, 2016). In response to critics who questioned the magnitude and scope of the wage differential, Obama once forcefully noted: “It’s not a myth; it’s math”. Here, he referred to numerous studies that show women’s earnings as compared to men’s are capped at 77 cents to 82 cents per dollar. These are the widely reported statistics for America.

There is ample evidence that shows that women give greater importance in their choice of work to its value to society and personal interactions, and less importance to money and prestige than men, but few studies investigate this path directly. A hypothesis in the gender pay gap literature, called the negotiating divide hypothesis, argues that women may have less of a sense of entitlement to higher wages and are less likely to initiate negotiation or bargain.

Another myth says that the gender pay gap is inevitable as women choose lower-paid jobs because of fixed biological traits. In most countries, engineering is dominated by men. Only 23% of the UK’s science, technology, engineering and maths (STEM) workforce is female. The previous article on women in science that can be found [here](#) shows these statistics. However, after all, has been said, a question remains - Are these wage gaps real?

### **Are these wage gaps real?**

“It’s not a myth; it’s math.” This statement refers to the use of statistics from various studies that can show whether the wage gaps are real or not. For the gender-based wage gap, The Official Bureau of Labour Department of America’s statistics shows that the median earnings of full-time female workers is 77 percent of the median earnings of full-time male workers. But that number is comparing the total amount of salary paid to men and women. It is fair to point out the flaws in the statistics. The median gap is calculated by lining up all men’s and women’s wages from top to bottom and comparing the number that falls in the middle for each gender. As with all averages, it smooths out nuances and doesn’t account for differences in specific job roles, age, or previous experience.

It does not take into account such crucial factors as profession, qualifications, type of employer, seniority, hours worked or many other things that go into deciding compensation. According to an article on Forbes’ website, when comparing two people in the same profession, with the same seniority, working the same number of hours, and so forth, women earn \$0.98 for every dollar that a man earns. The fact remains that this is lower than men’s salaries. However, this shows that the statistics being reported are not very reliable. The wage gap exists, but it is not as big as studies say.

This is the same for the motherhood wage gap and the beauty wage gap. More research and analysis needs to be done to provide accurate and reliable results about the wage gap myth. In conclusion, the wage gap myth remains a myth. For HR professionals, this means that careful analysis needs to be done in your organizations to ensure that there is no wage gap for employees working on the same job, with the same skills, performance, qualifications etc.

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