

# Mind the gap: The economic case for equal pay<sup>[1]</sup>

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## AVAILABILITY

Access online <sup>[2]</sup>

## EXCERPTS

Each year in early April, women in the United States mark Equal Pay Day, the date on which their earnings finally reach the amount American men took home the previous year. Women who hold year-round, full-time jobs earn, on average, 20 percent less than their male counterparts, the equivalent of 80.5 cents on the dollar. The gender wage gap is widest for African American and Hispanic women, who make just 61 and 53 percent, respectively, of what white non-Hispanic men earn. And although the gap is decreasing overall, progress is slow. At the current rate, American women will not reach pay equity with men until 2106.

The United States is not alone: the wage gap between the sexes is a global phenomenon. Indeed, in not a single country do women earn as much as men. According to the World Economic Forum, women around the world are paid on average just 63 percent of what men earn.

The gender wage gap doesn't shortchange only women. A McKinsey Global Institute study estimates that closing gaps between men and women in the work force, including the wage gap, could boost the global annual GDP by up to \$28 trillion in 2025—gains that would benefit developed and developing countries alike. The United States, for example, could grow its GDP by \$4.3 trillion, China by \$4.2 trillion, and India by \$2.9 trillion if women were to work the same hours as men, participate in the labor force at the same rate as men, and be employed at the same levels as men across sectors. Companies stand to benefit as well: greater female representation in highly compensated corporate leadership positions can improve firm performance. In order to eliminate the gap, however, one must first understand its cause.

## WHY THE PAY GAP PERSISTS

Given evidence that closing gender inequalities in the workplace could boost growth, what explains the wage gap's persistence? Outright discrimination—paying a woman less than a man for equal work solely on the basis of her gender—certainly remains a factor, notwithstanding that 40 percent of nations have prohibited

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**Region:** United States <sup>[3]</sup>

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