Center for American Progress


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# Hours Flexibility and the Gender Gap in Pay

By Claudia Goldin April 2015

# Introduction and summary

The issues facing workers and their families are currently in the spotlight. The gender wage gap, minimum wage, and expansions of paid leave have all been the subjects of media attention and increasing political action. As part of the conversation about the need to update the nation's labor standards, considerable attention is focused on the working hours and scheduling of lower-wage workers, particularly hourly workers.

The weak labor market of the past several years has exacerbated the problem; employees often struggle with fewer hours than desired and unpredictable hours. Some of these trends are increasing with the growing use of "just-in-time" scheduling software, which allows employers and managers to adjust staffing levels throughout the course of a business day. In retail sales, where demand varies with weather conditions, this software has led workers to experience less predictable and more unstable schedules. Some workers in retail sales have been asked to appear with little notice—known as on-call shifts—while others may be sent home during slow periods only to be called back in later. The inability of workers to have foreseeable schedules imposes hardships that are especially severe for parents—particularly mothers—as well as for students and dual-job employees. Many would like to work part time to accommodate family and student life, but unpredictable scheduling reduces the ability to work even part time. Others are unable to work more hours when they want.

However, the problems facing those who work fewer than 40 hours per week and those with variable schedules go beyond the logistical issues associated with not having reliable work hours. Workers with low to moderate incomes are more likely to be paid on an hourly basis than they are to receive a fixed salary. Wages are higher for nonhourly workers than they are for hourly workers, even for the same occupations, primarily because nonhourly workers have supervisory responsibilities and labor more hours per week.

If all equally productive workers were paid the same on an hourly basis for identical work—independent of the number and timing of hours worked—differences in pay, paid as or calculated as an hourly rate, would disappear. Women, far more so than men, often work fewer hours at some point in their lives. During those periods in their life cycle, some prefer to work specific hours, including students who cannot work during class and parents who must be home to care for children, even if they work regular or long hours. Furthermore, many prefer to work predictable hours rather than being on call or working at the whim of an employer even if they work 40 hours or more per week. Many of these considerations regarding the temporality of work are harder to measure empirically than the number of hours. Due to data limitations, the need to work particular hours cannot be directly considered in the calculations for this report, but it will loom large in the background.

This report begins with a summary of research on the role of hours in determining earnings at the higher end of the income distribution. More hours of work in some of the higher-income occupations are associated with significantly greater earnings per hour. The relationship is strongest in the business, finance, and legal fields. Advances in information technology and various organizational changes in certain sectors have weakened the relationship between hours worked and earnings per hour. These technological changes have increased the ability of employees to hand off clients, customers, and patients with little loss in efficiency and have made employees better substitutes for each other. What this change implies is that an individual working 50 hours per week is no longer worth much more than twice what two 25-hour-per-week workers are worth to an employer. Thus, these changes have served to increase the earnings of women relative to those of men when calculated as earnings per hour, even for salaried workers.

High-income professional workers in many occupations receive a wage premium for working long hours compared with those working fewer hours, but the wage effects for lower-income workers follow a different pattern. This report finds that further down the income scale, the impact of hours worked on pay is less one of receiving an hourly wage premium for working more hours than it is one of experiencing a penalty for working fewer hours. The analysis reported here finds that there is a large hourly wage penalty for working fewer than 40 hours per week for moderate- to lower-income workers. For most occupational groups, however, the penalty is not a function of gender: Both men and women who work fewer hours get less pay per hour. But because women work fewer hours than men on average per week, they are affected the most.

This report also demonstrates that of the occupational groups studied, those in the technician group who work fewer than 40 hours per week are the least likely to have a wage penalty among both men and women; the food, operator, and sales groups are the most likely to have a wage penalty among hourly workers. Relative to men, women do less well in terms of their implicit hourly wage in nonhourly sales jobs, especially if they work fewer than 40 hours per week.

This report delves into these issues in greater detail through original data analysis using the U.S. Census Bureau's Current Population Survey Merged Outgoing Rotation Groups. The findings, previewed here, provide a new perspective on the wage issues facing low- to moderate-income workers. Although developing solutions to these concerns is beyond the scope of this report, a better understanding of wage disparities is an important first step to address the needs of the modern workforce.

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1333 H STREET, NW, 10TH FLOOR, WASHINGTON, DC 20005 • TEL: 202-682-1611 • FAX: 202-682-1867 • WWW.AMERICANPROGRESS.ORG