



Business and  
Professional  
Women / USA

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# PAY EQUITY FACT SHEET

## WHAT IS PAY EQUITY?

Pay equity is a means of eliminating wage discrimination in the workplace by establishing wage-setting criteria that is sex- and race-neutral.

## WHAT IS THE LEGAL STATUS OF PAY EQUITY IN MARYLAND?

The Equal Pay for Equal Work Act prohibits unequal pay to employees of the opposite sex if the employees “work in the same establishment and perform work of comparable character or work on the same operation, in the same business, or of the same type.” An employee may bring action against an employer who engages in discriminatory wage-setting practices to recover the “difference between the wages paid to male and female employees who do the same type work and an additional equal amount as liquidated damages.” Any action must be filed “within 3 years of the act on which the action is based.”

## WHY IS THERE A WAGE GAP?

The wage gap exists, in part, because many women and people of color are still segregated into a small number of jobs such as clerical, service workers, nurses and teachers. These jobs have historically been undervalued and continue to be underpaid to a large extent because of the gender and race of the people who hold them. Studies show that the more an occupation is dominated by women or people of color, the less it pays. Part of the wage gap results from differences in education, experience or time in the workforce. But a significant portion cannot be explained by any of those factors; it is attributable to discrimination.

## HASN'T THE WAGE GAP CLOSED CONSIDERABLY IN RECENT YEARS?

The wage gap has narrowed by about fourteen percentage points during the last 19 years, ranging from 62 percent in 1982 to 76 percent in 2002. Since 1973, approximately 60 percent of the change in the wage gap is due to the fall in men's real earnings. About 40 percent of the change in the wage gap is due to the increase in women's wages.

## HOW IS MARYLAND DOING IN COMPARISON TO THE OTHER STATES?

In a recent report by the Institute for Women's Policy Research (The Status of Women in the States, 2002-03) Maryland ranked second in the U.S. on the employment and earnings composite index reflecting women's relatively good status as compared with women in other states. Median annual earnings for women working full-time, year

round in Maryland were \$31,680 with 41 percent of employed women in managerial and professional jobs (ranking second in the U.S. on both indicators). The rankings, however, do indicate that women in Maryland continue to lag behind men in terms of wages and labor force participation with women in Maryland working full-time, year round earning 76.6 percent of what men earn (ranking ninth in the U.S.) and 64.3 percent of the women in Maryland employed in the labor force (ranking fourteenth in the U.S.). In Maryland, pay inequity continues to cost workingwomen's families over \$4.4 billion dollars each year.

## **WHAT ARE THE OTHER STATES DOING ABOUT PAY EQUITY?**

More than half of the states are expected to introduce equal pay legislation. State equal pay bills can generally be grouped into three categories: 1) bills that prohibit wage discrimination on the basis of sex, race, and national origin; 2) bills that enhance current legislation to allow employees to sue for punitive and compensatory damages; and 3) bills that establish a commission to study the wage gap and recommend solutions.

Since the 1980s, twenty states have made some adjustments of payrolls to correct for sex or race bias. Seven of these states successfully completed full implementation of a pay equity plan. Twenty-four states including Washington, DC conducted studies to determine if sex was a wage determinant. Four states examined their compensation systems to correct race bias, as well.

## **WOULDN'T PAY EQUITY COST THE STATE TOO MUCH?**

In Minnesota, where pay equity legislation meant raises for 30,000 state employees, the cost was only 3.7 percent of the state's payroll budget over a four-year period--less than one percent of the budget each year. In Washington State, pay equity was achieved at a cost of 2.6 percent of the state's personnel costs and was implemented over an eight-year period.

## **References**

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