

“Earn Less, Pay More: The State of the Gender Pay Gap and ‘Pink Tax’ in 2018”

Gender Pay Gap Continues while Marginal Improvements on “Pink Tax” Mask Persistent Problems

Executive Summary

The gender pay gap is a well-known form of sex discrimination in employment. The average woman is paid 80 cents for every dollar earned by the average man and the disparity for women of color is even worse - 63 cents paid to African-American women and 54 cents paid to Hispanic women for every dollar paid to white men. Over the course of a woman’s life, the gender pay gap can cost more than half a million dollars in lost income, savings and retirement benefits.

Unfortunately, pay isn’t the only area where women are given short shrift. Research has found that women often face price discrimination and end up paying more for female-specific products – a “pink tax” – compared to similar gender-neutral products or those marketed to men.

As this report reveals, steps have been made toward ending the pink tax, but there is still a long way to go to reach fair pricing for women.

The Good News: Small steps toward equality

- Thanks to consumer advocacy and greater public awareness, some retailers have eliminated or shrunk the pink tax on products for which side-by-side comparisons are possible, e.g., toys, sporting goods, office supplies and back-to-school items.
- The gender-based price differences for some of the most vivid examples in past reports on the pink tax appear to have disappeared. For example, a pink scooter for girls that in 2015 was double the price of a red scooter for boys now costs exactly the same.

The Bad News: Gender pay gap may be worse than feared while “Pink Tax” remains subtle, selective and serious

- The gender pay gap can cost women more than half a million dollars over a lifetime and new research suggests it may be even worse than previously thought.
- Prices on women’s personal care products continue to be higher than those for men, in part because they are obscured by different sizes, item counts and other factors.
- The price difference for personal care products and other frequently purchased items can add up to large sums over time.
- The marketing practice of using constantly shifting “sale” prices may mask gender-based pricing.

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The continued existence of a large lifetime gender pay gap and substantial pink tax point to the need for both policies and legislation that would help establish gender equality. Additionally, more research is needed – especially comprehensive studies that only the government can afford.

These findings also reinforce the importance of consumer engagement and public information about gender pricing differences. Public awareness of these inequities is an extremely powerful force that can bring about change not only when it comes to pricing but also public policy.

The strongest measure against the pink tax would be passage of the Equal Rights Amendment, which would prevent legal discrimination against women in all areas and provide a platform for women to take action when confronted by discrimination. The ERA would mean that women would no longer have to fight the pink tax product by product, or fight the gender pay gap job by job or employer by employer, and it would solve intractable problems that a piecemeal approach cannot.

The gender pay gap may be larger than previously thought

The usual standard of measure is the “gender pay gap,” which compares the wages of an “average” (median) woman to an “average” man for full-time, year-round work. Until now, the gender pay gap has measured annual wages in dollars. In 2016, the last year for which data are available, the difference between the wages of an average woman and an average man was more than \$10,000 per year.¹ Another way of expressing this difference is that the average woman was paid only about 80 percent of what her male counterpart was for full-time, year-round work – approximately four dollars for every five paid to a man.²

Women of color fare even worse compared to white men. African-American women on average are paid 63 cents for every dollar paid to white men; Hispanic women earn only 54 cents. Some economists estimate that for all women the gender wage gap may add up to more than \$500,000 over a lifetime; the loss to African-American and Hispanic women would be far greater.³

Recent research, however, suggests that the gap may be much larger than previously thought. In May 2018, economists Thomas Piketty, Emmanuel Saez and Gabriel Zucman released a new research paper on the gender pay gap that found that women are paid only about 57 percent compared to their male counterparts.⁴ The authors’ work is based on individual income tax data, which is more accurate than the census data with which wage comparisons are usually made. Their study also takes into consideration fringe benefits, hours of work, self-employment income and other factors.

This startling finding, coupled with a persistent pink tax on certain products, means that women are hit much harder than had previously been realized. The losses women incur via the pink tax, in addition to those imposed by the gender wage gap, put women at a very large economic disadvantage.

While some progress has been made on eliminating gender price discrimination, women still pay more than men for some services and everyday essentials

Past reports found that retailers openly charged higher prices for products marketed to women

Gender-based price disparities for certain goods and services have been well documented. A detailed December 2015 report by the New York City Department of Consumer Affairs (NYCDCA) studied 794 products in 35 categories and found that women pay more for substantially identical products 42 percent of the time, whereas men pay more only 18 percent of the time.⁵ The report studied hundreds of examples of products marketed to men and boys or women and girls, and found that prices of female-marketed products were consistently more expensive than identical products for males.

One of the most shocking things about the NYCDCA report was that in many cases retailers openly advertised women’s products at significantly higher prices. Side-by-side comparisons of online advertisements were startling – for example, a pink child’s scooter was listed at twice the

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price of an otherwise identical blue scooter, women’s blue jeans sold for \$20 more than men’s jeans of the same style, and women’s golf polos sold for \$5 more than identical men’s polos. The NYCDCA report revealed that there not only was a clear pattern of price discrimination when large numbers of products were compared, but that retailers clearly felt that this was an acceptable business practice.

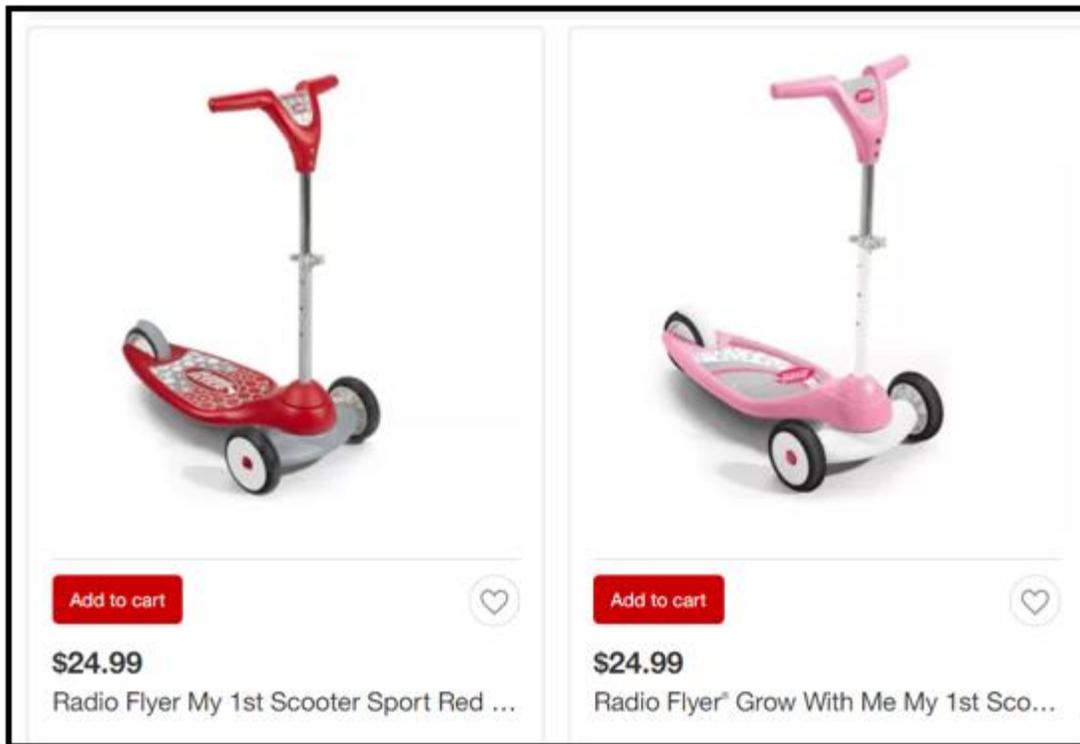
These blatant examples of gender-based price discrimination were confirmed a year later by a report by the Democratic staff of the U.S. Congress Joint Economic Committee under the direction of then Ranking Member Carolyn B. Maloney (D-NY-12).⁶ The report found that the costs of the products highlighted in the earlier report still were priced dramatically higher for women.⁷ Even when side-by-side comparisons could be easily made, retailers still saw no reason not to charge a pink tax.

The pink tax on some products appears to have shrunk

Recent research by the staff of Congresswoman Carolyn B. Maloney found that there has been progress. A number of products highlighted in the NYCDCA report were now priced the same. For example, the identical pink scooter now was advertised at the same price as the blue scooter, pink toys cost the same as the blue ones, and pink and blue sporting goods and school supplies also were priced the same.

This was particularly true in stores or online where one-to-one comparisons could be made easily since there are not separate departments or websites for men’s and women’s sporting goods or office supplies, and products are shelved or displayed side by side. Large retailers like Walmart, Target, Staples and others are scrupulous about gender neutral pricing – prices were exactly the same for pink and blue toys, sports equipment, office products, school supplies and other products. In many cases, even products that may have different manufacturing or licensing costs were priced the same, such as Cinderella backpacks and Spiderman backpacks.

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It cannot be said that the pink tax for all these products had disappeared – that would require a larger study of more retailers over a longer period of time. And it seems likely that some retailers have not changed their pricing practices, or that they have done so selectively. However, it is clear that some of the largest leading retailers have responded to public criticism by equalizing prices for men’s and women’s products – at least those that can easily be compared. It appears that in many major stores it is no longer acceptable to practice this blatant form of discrimination and that is likely to due to increased public awareness of price differences.

In the past there has been a good deal of evidence of gender-based price differentials for services such as hair styling and dry cleaning. Defenders of gender-based pricing claim that the services offered are not identical. However, in some cases – for example, in hair styling – the price for women can be double the price for men. The difference is so great that it seems unlikely that price differences can be explained simply by the difficulty of providing the service.

There has been substantial progress in states like New York and California, which have passed laws banning gender-based pricing for services. Some companies in other states also have equalized pricing without laws banning discrimination; for example, some dry cleaners now have equal prices for cleaning men’s and women’s clothing. However, many other companies continue to practice gender-based pricing.

Like in the retail sector, progress in the service industry also could be in response to public attention, which for some companies has made blatant discrimination a bad business practice. However, most states still have no legal protections against gender-based pricing.

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Price differentials on personal care products and the high cost of repeat purchases

There is evidence that there is a significant pink tax on products that cannot be compared easily. A recent report by the Government Accountability Office (GAO), which had been requested by Rep. Carolyn B. Maloney and Sen. Bob Casey (D-PA), found evidence of gender-based pricing on personal care products.

The report went beyond previous research by adjusting for the factors that make comparisons of prices of health care products and others difficult. For example, instead of sampling advertised prices, which fluctuate significantly, the study gathered detailed data of prices paid at the register.

Retailers obscure the prices of personal care products by selling men’s and women’s versions in slightly different sizes and quantities. For example, where men’s deodorant may be offered in a 2.7 ounce size, the women’s version of the same product comes in an 2.6 ounce size.⁸ Where men’s razors may be sold in 5-packs, women’s razors may be sold in 4-packs.

The GAO report adjusted its calculations for price and quantity, enabling more accurate price comparisons. Not surprisingly, it found clear evidence of gender-based pricing when one-to-one comparisons of products could not be made easily.

The study found that of 10 categories analyzed, women paid more than men in five – underarm deodorants, body deodorants, shaving cream, designer perfume and mass-market body sprays. Men paid more in only two categories – shaving gel and non-disposable razors. When price per ounce was considered, women paid more in 6 categories while men paid more in two.

It would seem that relatively small price differences on personal care prices would not be significant. However, the GAO points out that the differences add up over time:

“... if female and male consumers pay different prices for similar products that they purchase frequently, such as personal care products, this could result in substantial differences in expenditures by gender over time. A consumer’s annual spending on a product category can be significant, even when prices for products within that category are low.”

To estimate the cost of the pink tax, it is not enough to sample prices. The size of the tax is multiplied by many repeat purchases, and it can lead to very large costs over a lifetime.

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Table 1: Comparison of Average Prices Paid for Men’s and Women’s Personal Care Products After Controlling for Observable Product Characteristics

Product	Higher average item price for products targeted to ^a	Higher average price per ounce or count for products targeted to ^a
Underarm deodorants	Women	Women
Body deodorants	Women	Women
Shaving cream	Women	Women
Shaving gel	Men	Men
Disposable razors	No difference	No difference
Nondisposable razors	Men	Men
Razor blades	No difference	Women
Designer perfume	Women	Women
Mass-market perfume	No difference	No difference
Mass-market body sprays	Women	Women

Source: GAO analysis of Nielsen Company data. | GAO-18-500

Clothing demonstrates the difficulty of making direct comparisons

Making comparisons of the prices for men’s and women’s clothing is difficult because most items are not identical. However, the NYCDCA report found a number of examples of identical men’s and women’s clothing, e.g., polo shirts or t-shirts, for which women’s prices were significantly higher. However, recent research shows that it is difficult to find substantially identical items with markedly different prices. This does not mean that the practice has been eliminated, but that it is no longer acceptable to employ such obvious price discrimination.

It is difficult to make simple price comparisons for men’s and women’s clothing as these items are often altogether different in style, material and the number of available sizes. Some claim that these factors are the reason for any apparent pink tax on clothing; however, it isn’t clear how much these factors affect price differentials.

One solution to this problem is to compare the average prices of many items in different clothing categories. Recent research by the staff of Rep. Carolyn B. Maloney analyzed clothing at 15 major retailers, comparing the average of the top 25 best-selling men’s and women’s items in categories for which comparisons are possible. The research sampled both retail and sale prices to limit the possibility that price differentials could be hidden by this frequently used marketing mechanism.

The analysis did not find clear and consistent price differences for most categories of men’s and women’s clothing. The exceptions were women’s swimsuits, which almost universally cost more than men’s, and women’s blue jeans, which generally cost more than men’s. However, average prices for men’s dress shirts, shoes, and blazers were almost always higher.

The study revealed a fact that may have broad implications for measuring gender-based pricing. The researchers were instructed to check their work, reviewing the prices of items several days later than they had first been sampled. They confirmed what most shoppers already know – that

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prices can shift dramatically as items are put on sale or returned to retail price. Because researchers sampled a large number of items, they could see a broader pattern – the differences in overall prices for men’s and women’s clothing could shift dramatically depending on what products are on sale. In order to evaluate the size of the pink tax for clothing, prices should be sampled over a long period of time.

The “Tampon Tax” imposes an additional cost on women

In many states, a number of personal care products, medicines and other items are exempt from taxation because they are seen as essential. However, in most states this doesn’t include feminine hygiene products, although they are an essential healthcare item. The practice of taxing instead of exempting feminine hygiene products has been called the “tampon tax.” It is one of the ways women are forced to pay an additional price just for being women.

As in other forms of gender-based discrimination in the marketplace, there have been positive steps on this issue. Nine states including New York have exempted feminine hygiene products from taxation. Legislators in seven other states have introduced legislation to end the tampon tax. An international comparison is instructive – in Canada, feminine hygiene products are exempt from the nationwide goods and services tax (GST). This may point the way to a more comprehensive approach to the tampon tax in the United States.

Recommendations to address the pink tax and the gender pay gap

The persistence of the pink tax, particularly when it is obscured by subtle variations in price, quantity, packaging and “sale” price, highlights the need for a more comprehensive solution to the problem. Likewise, the pernicious persistence of the gender pay gap, which continues to have an overwhelmingly long-term effect on women’s lifetime earnings, demands a legislative solution.

The most effective measure to solve both inequities would be the Equal Rights Amendment to the Constitution, which has long been championed by Congresswoman Maloney. Research shows that more than 90 percent of Americans believe that the Constitution should guarantee equal rights for men and women. Passage of the Equal Rights Amendment is essential to addressing economic inequality at the root and giving women equal legal and economic standing.

Additionally, more research is needed – especially comprehensive studies that only the government can afford.

These findings also reinforce the importance of consumer engagement and public information about gender pricing differences. Public awareness of these inequities is an extremely powerful force that can bring about change not only when it comes to pricing but also public policy.

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