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Bad laws depress wages of women

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Tuesday was Equal Pay Day. Equal Pay Day is a holiday celebrated in some corners of an American subculture known as the "Establishment Media." As Easter has the Easter Bunny and Christmas has Santa Claus, Equal Pay Day has its make-believe creature: the myth that women make 79 cents for every dollar a man does for the same job.

That figure amounts to a lie because it compares the average lifetime earnings of all full-time men versus women across the country, regardless of job, skill level, hours worked, or career choices. Adjust for these factors, and the pay gap shrinks almost to a vanishing point. It stands to reason, if employers could get away with paying women less for the same amount of work as men, then there wouldn't be an unemployed woman in the country.

The small pay gap that does exist is grounded in part in bad policy.

Policymakers seem set on making it more expensive to hire women by imposing mandates on anyone who hires them. Such mandates, whether they put employers or taxpayers on the hook, create a hiring bias against women, depress women's wages, and result in fewer women reaching managerial positions.

For instance, some countries and some U.S. states require employers to grant paid parental leave. Congress is considering multiple bills to make a national paid parental leave bill. Such laws inevitably create a fiscal liability for employers who hire women of childbearing age. As Obamacare architect Jonathan Gruber put it, women bear "100 percent" of the economic burden.

Democratic proposals to make employers cover the cost of paid leave obviously function as taxes on anyone who hires a woman. For any employer, Democratic paid maternity leave proposals mean at some point getting one worker for the price of two. But Republican proposals to draw the funds from Social Security suffer a similar flaw. They do not eliminate all of the added costs associated with employees who take those months off. The employer must still cover the employee's benefits during leave, and less efficient (and likely less competent) temporary employees must be hired. In the meantime, the women taking leave are encouraged to be out of the workforce, where they accumulate less human capital and face lower lifetime wages as a result.

The Republican paid-leave proposals aren't as harmful. Women in high-skilled industries, such as tech and finance, probably wouldn't be harmed much by them. But women seeking employment at smaller, less profitable companies, who are disproportionately lower-income to begin with, will face increased discrimination in the hiring process as employers factor in the possibility they are hiring someone they're going to lose for a few months in the coming years.

When Sen. Bernie Sanders complains America is the only nation in the Organisation for Economic Co-operation and Development without mandatory paid parental leave, he misses the flaws of those proposals. Studies of European paid-leave plans demonstrate that even when the policies are gender neutral, women still take the overwhelming majority of time off. And since 1970, the average length of paid leave in the eurozone has tripled to more than a year. One result: The average OECD nation has just 4.4 percent of women in managerial positions, compared with nearly 15 percent in the U.S. In fact, America has almost achieved gender parity in managerial positions.

The free market has acknowledged that when companies can afford it, independent paid-leave plans are powerful incentives for attracting the finest, young talent. As Vanessa Brown Calder at the Cato Institute has found, private paid leave “has grown three- or fourfold over 50 years and continues to grow,” indicating that the free market and an increasingly prosperous society will adopt expanded paid leave in a manner that doesn’t harm young working women or increase the pay gap. In the meantime, policymakers’ meddling can only make things worse for women in the workplace.