THE WAGE GAP AND COMPARABLE WORTH

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In December 1983 the Federal District Court for the state of Washington awarded damages of $800 million to $1 billion to female state employees for sex-based wage discrimination. This case was seen as the foundation for all future comparable worth litigation by advocates of the concept. The state of Washington had conducted a job evaluation plan and had then decided not to implement the findings. The court found that since the state had not implemented job evaluation findings it had deliberately underpaid women in female-dominated jobs.

In 1984, the concept of comparable worth became political when the Democratic Party Platform included a plank endorsing comparable worth. The Rev. Jesse Jackson, Senator Gary Hart and former Vice President Walter Mondale all supported the concept of pay equity in their fight for the Democratic Party's nomination for president. If Mondale had won the election, comparable worth would be an issue today that would potentially have great impact upon the finances of organizations. But Walter Mondale did not win the election. Ronald Reagan was re-elected for a second term and the issue of comparable worth was not presented as a major cause of his second administration. The potential impact upon the finances of organizations has not been eliminated, only delayed by the Reagan administration.

In June 1985 the Equal Employment Opportunity Commission decided not to litigate comparable worth claims saying that Congress had "never authorized the government to take on wholesale restructuring of wages that were set by non-sex-based decisions of employers - by collective bargaining - or by marketplace."

Finally, in September 1985 the U.S. Court of Appeals for the Ninth Circuit set aside the decision against the state of Washington declaring that the state government's reliance on supply and demand and other market forces to set employee salaries is immune from challenge under the "comparable worth" theory of sex discrimination. At the present time it appears that the issue of comparable worth is an issue that can be ignored, at least during the current administration. The problem with ignoring an issue as political as comparable worth is that when the politics of the country change so do the relevant issues. To ignore the problem is not to make it disappear. Comparable worth is an issue with merit and an issue that will continue to be fought for by interested groups. The intelligent approach is to deal with the issue now before the government determines that it is going to set the standards and rigidly enforce them. The issue of comparable worth is first going to be examined and then a realistic approach to the problem will be offered.

COMPARABLE WORTH DEFINED

Comparable worth has been referred to as the civil rights issue for the 80s. The issue of comparable worth was first
addressed by Congress in 1962 in the original version of what was to become the Equal Pay Act. Before the act was passed into law the wording was changed from requiring equal pay for comparable work to the narrower concept of equal pay for equal work.

The Equal Pay Act, which was tacked onto Section 6 of the Fair Labor Standards Act, made it unlawful for employers to pay higher wages to employees of one sex than to employees of the other sex who work in the same "establishment" and who perform "equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions." The exceptions built into the Act allowed for the paying of differentials due to a seniority system, a merit system, a system that measures earnings by quantity or quality of production, and "any factor other than sex."

With the passage of the Act it was hoped that the earnings gap between men and women would, if not eliminated, at least be reduced. It was an accepted fact that the entire differential between the earnings of men and women would not be erased by paying men and women the same rate for the same job. The act was designed to eliminate situations where a given employer would establish a two-tiered wage system, a male and a female rate for the exact same position. This wage system was a time-tested method and one not without justification. In an article entitled "Equal Pay to Men and Women for Equal Work" it is stated:

"If the bulk of working men support families, and the bulk of the working women do not, it seems not unreasonable that the men should have some advantage in the labour market. Equal pay for equal work, when one party is subject to unequal deductions from his pay, no longer appears quite equitable."1

Thus, many of the two-tiered wage systems were built upon the premise that men carried a larger burden and, therefore, should be compensated accordingly.

**WAGE GAP**

In the 22 years since the passage of the Act, only a slight change in the economic status of women, as measured in gross earnings as a percent of male earnings, has occurred. As Table One shows, the Equal Pay Act has had only a slight impact upon the earnings gap when measured by these figures.

The data indicates that there has been a narrowing of the wage gap since 1976. Males and females who are employed less than full-time are omitted from the data. The inclusion of only full-time employees provides a standard for comparison that is consistent for both sexes. What the data does point out is that women with more education earn less as a percent of male earnings than less educated women.

Since it is now clear that neither the Equal Pay Act nor Title VII of the 1964 Civil Rights Act is going to significantly

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TABLE ONE
FEMALE EARNINGS AS A PERCENT OF MALE EARNINGS
YEAR-ROUND FULL-TIME WORKERS 2

<table>
<thead>
<tr>
<th></th>
<th>1976</th>
<th>1980</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Women</td>
<td>57.3%</td>
<td>58.6%</td>
<td>61.6%</td>
</tr>
<tr>
<td>High School Graduates</td>
<td>59.3%</td>
<td>60.3%</td>
<td>64.3%</td>
</tr>
<tr>
<td>1 - 3 Years of College</td>
<td>59.2%</td>
<td>61.6%</td>
<td>64.9%</td>
</tr>
<tr>
<td>College Graduates</td>
<td>55.6%</td>
<td>56.5%</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

reduce the earnings gap between male and female wage earners, it is necessary to look for alternative solutions. Comparable worth has emerged as a possible solution.

The concept of comparable worth has taken on several different formulations. The simplest says that if the value of two jobs has been determined by some method to be the same then these two jobs should be paid the same. The concept has been extended, however, to include:

"that even if the value of the men's jobs differs from that of the women's jobs, the women should be paid the same percentage of the men's pay that the value of their work bears to the value of the men's work. Under this latter formulation, the principle might better be referred to as proportionate pay rather than comparable worth." 3

In the latter formulation comparable worth not only impacts upon those positions that are of equal value but would entail a total restructuring of the compensation system as it now exists.

TIME OUT OF THE LABOR FORCE

Opponents of the issue of comparable worth have argued that it is an attempt by women groups to increase women's wages without economic justification. Since women have the freedom to choose the occupation of their choice they should accept the ramifications of that choice; including better working conditions, better hours, or lower pay. Proponents argue that the market values women's jobs lower than men's jobs for the reason that the majority of the incumbents are female. Both sides have some merit.

Since the analysis begins with the figures presented in Table One, which are aggregate figures that do not take into account experience, one of the first arguments against the need for comparable worth is that women have less of an attachment to the labor force. Data published by the U.S. Department of Labor indicates that women on average do not have as great of an attachment to the labor force and will not spend as much time in the labor force as men. This attachment is quantified in a U.S.

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Department of Labor study of worklife expectancy where it is estimated that:

"the average man would enter the labor force 3 times in his lifetime. The average woman would do so 4.5 times. Men are likely to complete the phase of intermittent work more quickly than women. At age 25, they would anticipate an average of just 1.1 more labor force entries, while women could look forward to 2.7 additional entries. .... Because most men were firmly attached to the job market by age 25, they would spend an average of 29.1 years in the labor force for every entry beyond that age, but the typical woman would engage in several shorter periods of activity, averaging just 8.6 years per entry." 4

While these facts substantiate the claim that women will earn less on average than men because of time out of the labor force, this effect will be lessened as the worklife expectancy for men and women converge. Table Two illustrates the significant increases in the labor force attachment of women over the past 37 years. If this attachment were the only reason for the wage gap a significant reduction in the gap over the same 37 year period would have occurred. Since that has not happened, a further reduction of the difference in worklife expectancy is not predicted to eliminate or significantly reduce the wage gap.

### Table Two

<table>
<thead>
<tr>
<th>Year</th>
<th>Women as a Percent of Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>30%</td>
</tr>
<tr>
<td>1970</td>
<td>57%</td>
</tr>
<tr>
<td>1977</td>
<td>71%</td>
</tr>
</tbody>
</table>

JOB SEGREGATION

Job segregation has limited the impact of the Equal Pay Act on the wage gap, since women have been clustered in low paying occupations. Since the Act is only concerned with equal work job segregation has not been impacted. Eighty percent of all women employed outside the home still work in traditional women's occupations -- where seventy percent or more of the workers are women. In a study of the female-male earnings gap conducted by the Department of Labor based upon data from the national survey of professional, administrative, technical, and clerical pay it was concluded that;

"for the jobs and types of establishments studied, overall disparities in earnings between women and men appear to be more the result of differences in occupational employment and in advancements within individual occupations than of pay differences within narrowly defined job categories." 6

This finding supports the fact that the Equal Pay Act will not

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further reduce the earnings gap since the difference is not due to paying women less in the same occupation but to paying women less in different occupations. If the goal is to reduce the earnings gap then a different approach to the problem is needed.

In a comparison of the highest and lowest paid occupations based upon data supplied by the U.S. Department of Labor it is apparent that women congregate in the lowest of these. Based upon average weekly earnings in 1983 of over 200 occupations which employed 50,000 or more, women are underrepresented in the highest paid occupations and overrepresented in the lowest paid. In Table Three, which presents the ten lowest paid occupations,

<table>
<thead>
<tr>
<th>TABLE THREE</th>
<th>LOWEST PAYING OCCUPATIONS 7</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1983</td>
</tr>
<tr>
<td></td>
<td>Weekly Earnings</td>
</tr>
<tr>
<td>Private household workers</td>
<td>$111</td>
</tr>
<tr>
<td>Food counter, fountain &amp; related occupations</td>
<td>142</td>
</tr>
<tr>
<td>Waiters &amp; waitresses</td>
<td>157</td>
</tr>
<tr>
<td>Child care workers</td>
<td>158</td>
</tr>
<tr>
<td>Textile sewing machine operators</td>
<td>166</td>
</tr>
<tr>
<td>Cashiers</td>
<td>168</td>
</tr>
<tr>
<td>Garage &amp; service station related occupations</td>
<td>168</td>
</tr>
<tr>
<td>Teacher aides</td>
<td>173</td>
</tr>
<tr>
<td>Shoe machine operators</td>
<td>173</td>
</tr>
<tr>
<td>Kitchen workers, food preparation</td>
<td>176</td>
</tr>
</tbody>
</table>

only garage and service station related occupations have a high representation of males. As expected, this situation is reversed when data is presented on the ten highest paid occupations. Table Four, which presents the highest paid occupations, shows the extent to which women are not currently represented in the high paid fields.


8Ibid., pp. 55-59.
Opponents of comparable worth would argue that job segregation, and the resulting reduced earning capacity for women, is not something that the market needs to rectify. If women have freely chosen their occupation then society does not need to adjust this choice to what it feels they should be paid. Secondly if the labor market is functioning, then the women are being paid what their services are worth and more importantly what they are willing to accept.

LABOR MARKET RESPONSES

Freedom of choice is an issue that warrants special consideration. Since the law states that men and women in the same position in the same organization must receive the same pay, one obvious solution to the difference in the rate of pay between men and women would be for more women to select traditional male jobs. If the choice is in fact free, then economists would argue that the market influences would force entry and exit from occupations until an equilibrium rate would be established. One of the major difficulties with this explanation is that the choice is not entirely free. Given societal influence upon the young female in her career choosing years by parents and counselors, young women are steered along traditional paths. In twenty years the free choice argument may be effective, but until societal norms change a better career choice for women is not going to reduce the wage gap.

The issue of the effects of supply and demand seems to be the best response to the concept of comparable worth. Opponents argue that a wage that is paid for a service reflects the agreed upon rate between the service provider and the service demander. All of the interactions that take place are determined by supply and demand. Hence, if a given wage is the market wage for a particular occupation then that wage must represent the market clearing price. A well used example is that of interpreter. Assume a company requires two interpreters, one Spanish and one French. The education and experience required of the job applicants will be the same and the job duties will also be the same. There is no reason to believe that the wage of the Spanish interpreter should be either higher or lower than the wage of the French interpreter. If these two positions occur in Miami it is entirely possible that there will be a difference in wages between the two positions. The supply of Spanish interpreters in Miami will greatly exceed that of the French interpreters. The demand for Spanish will also be greater. The difference in supply and demand for two seemingly identical occupations will probably generate a different wage.

While there is certainly a great deal of merit to the supply and demand argument, as the above example illustrates, it does not discredit the concept of comparable worth. In a perfectly functioning labor market the forces of supply and demand will eliminate the wage gap. The problem remains that the existing labor market is one that only vaguely resembles the perfectly functioning labor market needed to eliminate the wage gap. There exists various social, political, economic and psychological barriers to mobility, competition, and freedom of access and
exchange that prevent the labor market from solving the wage gap. Recent research indicates that even if the barriers discussed were removed (i.e. attachment to the work force, job segregation, freedom of choice of occupations, and a more perfect labor market) that the wage gap still would not be eliminated. Research by Greg Duncan and Mary Corcoran has indicated that: "even after adjusting for sex differences on an extensive list of qualifications, white men earned substantially more than did women. ... White men's current jobs provide at least twice as much authority and on-the-job training as did women's and both training and authority increased wages." 9

Their research indicates that in situations where men and women have chosen similar career paths and invested in acquiring similar types of skills, that the men will still earn more money. Authority, as used by Duncan and Corcoran is defined as having some say over pay or promotions of others. Supervisors who simply supervised the work of others did not earn an appreciably larger amount of money than comparable workers with no supervisory responsibilities. It is not until responsibility over pay and promotion exists that a significant difference occurs in the earnings of the supervisor. Hence, even as women are moving into male dominated occupations the lack of opportunity to acquire comparable authority and on-the-job training will still impede their ability to close the wage gap.

CONCLUSION

The data indicates that women earn less than men. One explanation with merit is that women spend more time out of the labor force than men. The worklife expectancy data, compiled by the U.S. Department of Labor, predicts that on average women will spend less time attached to the work force than their male counterparts. This would indicate that women will continue to earn less than men since their experience level will always be less than men. The major problem, however, is not between men and women in the same occupation but between men and women in different occupations. Job segregation appears to be the major stumbling block to women reaching parity with men with the same level of education and experience. Unfortunately job segregation is an idea that is easily dismissed.

Articles in business publications have dismissed the idea of comparable worth either because the market will function properly and bring pay equity, or because it would be too expensive to increase the wages of women to be comparable to that of men in similar positions. Given the premise of conclusion number one, job segregation is not a labor market abnormality but a normal selection process that places women in their occupations by their own choice. To increase their wages is to "give" them something that they have not been willing to go out and earn. That conclusion is justifiable if the labor market were perfect, but it is not. Women are segregated in lower paying positions because

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9Greg J. Duncan and Mary E. Corcoran, "Do Women Deserve to Earn Less than Men?," Years of Poverty; Years of Plenty. Greg J. Duncan ed. (University of Michigan, 1984), p. 168.
of a variety of socio-economic factors that limits their freedom of choice. As long as women are blamed for the shortcomings of the market, it does not appear that the situation will be remedied without extensive government or business intervention.

Conclusion number two also garners much support. Opponents of comparable worth would argue that, even if women are paid less than men simply because they are women, it would not be possible to raise women's wages because it would destroy our competitive balance. Economic theory would indicate that it is more likely that the women are underpaid but that the men are overpaid. To insure an abundant supply of labor to all occupations it is more feasible to increase the wage of the preferred group (males) than to decrease the wage of the other group (females). In essence, the employer is being asked to pay for the "privilege" to discriminate against a select group. The difficulty in applying the theory is in attempting to measure if the one group is overpaid or the other group is underpaid. Two occupations that are often used for comparison are a registered nurse in a hospital and a janitor in the same institution. If the janitor is the higher paid when the position clearly does not require the same level of skill, knowledge or responsibility then the position is being paid using different standards. This wage differential is often justified by the fact that more money must be paid to attract the male janitor than to attract the female nurse. If the economic theory is correct then the nurse is not underpaid but the janitor is overpaid. The method to achieve pay equity is not necessarily to increase the wage of women but to reduce the pay of men. Two factors limit this remedy. First, the law historically has not allowed one group to be harmed to improve the position of another group and second, males have come to expect a higher wage and, consequently, would not accept a lower one.

The hypothesis that male dominated occupations are overpaid is currently being tested. Many unions are negotiating a two-tiered wage agreement that specifies that the new hires will earn substantially less than the more experienced worker. If these companies do not have any difficulty in attracting workers at the lower pay then one might conclude that the previous hires were overpaid. Since women are underrepresented in the labor movement, it is likely that the move towards the two-tiered labor agreement may shed some light on who is overpaid or who is underpaid and reduce the wage gap.

Something must be done, in the name of equity, to bring women's wages in line with men's wages. Comparable worth is the current recommended remedy. Implementation of a comparable worth concept would be difficult at best. However, that is not a reason to dismiss the issue. Something will be done to reduce the wage gap within the next decade as women become a more organized political force. The question facing business is whether they want to deal with the issue using their own methods or if they prefer to wait and have the government dictate comparable worth or some other remedy to the problem of diminished earnings capacity of women.