**Pay Equity (2006)**

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**Basic Concepts and Definitions**

Pay equity literally means “pay fairness.” The concept of equity implies that one receives proportionally fair outcomes in return for what one invests in a relationship or situation, when comparisons are made with appropriate others (Adams, 1965). When applied to jobs, the term “pay equity” refers to a particular strategy for reducing or eliminating the wage gap between or among groups such as women and men, or various ethnic groups. This strategy involves the use of compensation policies that assign wages after a careful determination of the content of jobs, such as the skill or effort required, the burden of responsibility, or the job’s working conditions. This process should be conducted in a manner that assures that the sex, ethnicity, or other demographic characteristics of job incumbents do not bias the evaluations of the job so as to inflate or deflate wages unfairly.

"Pay equity” has often been used interchangeably with an earlier term, "comparable worth" (Michael & Hartmann, 1989), popularized during the 1980s to convey the idea that women’s and men’s jobs that are comparable in content should also be comparably paid. The idea of rationalizing segments of a wage structure through systematic comparisons of job content has been commonly accepted since early in the 20th century when the technology of job evaluation came into use in personnel management (Patten, 1988). However, when comparable worth advocates began to argue that unbiased job evaluation techniques should also be used to address the wage gap by comparing jobs predominantly held by men and women (Treiman & Hartmann, 1981), this was seen as a radical notion by some. The attainment of comparable worth was advanced under the Carter administration with Eleanor Holmes Norton as Chair of the Equal Employment Opportunity Commission (Steinberg, 1984), but later President Reagan called it “a cockamamie idea” and the Chair of the U.S. Commission on Civil Rights Clarence Pendleton said “it is the looniest idea since Looney Tunes” (Patten, 1988, p. 15). Perhaps in an attempt to deflect this type of attack, advocates began using the term “pay equity” as an alternative. The term “equity” seems more difficult to caricature.
Pay equity is advocated as a means of reducing the persistent aggregate difference in pay between women and men. This gap is usually calculated by comparing hourly or weekly wages or the annual earnings of those working full-time and year-round (Lips, 2003; Rose & Hartmann, 2004). In 2002, U.S. Census data showed the wage gap as an earnings ratio of 76.5 percent: the ratio of women’s to men’s median annual earnings for full-time year-round workers (Institute for Women’s Policy Research [IWPR], 2005).

Longitudinal studies of the wage gap by economists such as Blau and Kahn have shown overall improvement with periods of narrowing, widening, and little change. Blau and Kahn described the ratio as “roughly constant at about 60 percent” for about 25 years prior to 1981. It increased (i.e., the gap narrowed) during the next two decades but “the ratio appears to have plateaued in the mid-1900s” (2000, p. 76). According to other sources, apparent improvements since the 1980s have been shown to be largely attributable to a drop in men’s earnings rather than an improvement in women’s wages (IWPR, 2005; Lips, 2003; Murphy, 2005; National Committee on Pay Equity [NCPE], 1999).

Although conventional wisdom may characterize this gap as closing, longitudinal analysis by Hilary Lips showed “little reason to believe in a closing wage gap, at least in the near term. What is observed could be either a very slow trend toward closure or drift that looks like trend” (2003, p. 99). She calculated a change of less than one-fifth of a penny per year since 1951. Hartman, Lovell, and Werschkul’s analysis of Census Bureau figures from 2002-2003 showed that men’s wages rose slightly, women’s wages dropped significantly, and the wage ratio decreased (that is, the gap widened) about 1.4 percent. “The long-term trend of substantial improvement…essentially came to an end in the mid-90s. Since 1996, the ratio has moved up and down slightly, with no clear direction of change yet discernible” (2004, p. 5).

Those who have sought to understand the wage gap have often used the statistical technique of regression analysis to examine its relationship to specific variables (e.g., England, 1992, 1999). “Human capital” measures such as education and job experience may be examined as well as structural factors such as occupation or industry of employment. Researchers have tried to account for the wage gap by determining the proportion that can be estimated when measures of these variables are entered into the equation. In general, a substantial portion of the wage gap, 30-50 percent, remains unexplained by human capital variables. When occupation and industry variables are included, this residual drops considerably but does not disappear. The remaining “unexplained” portion may then be attributed to discrimination, although logically other unknown and unmeasured variables may also account for this remainder. This is “discrimination” in the sense that women and men may be treated or may behave differently, but does not necessarily imply that the discrimination is illegal.
Occupational sex segregation is one of the most important factors to consider, typically accounting for 10-30 percent of the wage gap (England, 1999). Women and men for the most part do not work in the same occupations or industries (Reskin & Roos, 1990). One index of the sex distribution across occupations is the Duncan Index, calculated from the differences in percentages of women and of men who work in an array of occupations. In 1997 this index showed that over half of employed women (approximately 54 percent) would have had to change occupations to be distributed across detailed occupational categories in the same pattern as men (Jacobs, 1999). Longitudinal analyses of Current Population Survey (CPS) data have shown that this remained true in 2000, with a drop of only 2.9 percent in the decade from 1990 to 2000 (Kim, 2003). When wage scales are carefully examined it is consistently found that jobs occupied predominantly by white men are paid significantly more than jobs held mainly by women or minorities, even when the jobs’ attributes are found to be comparable (Ames, 1993; England, 1992; NCPE, 2004a, b).

Many explanations are offered for why this is so. One possibility is that hiring discrimination against women prevents them from entering men’s jobs and thus women are “crowded” into a smaller number of occupations. The wages of these occupations then become depressed by an artificial oversupply of workers due to involuntary segregation (Albelda, Drago, & Shulman, 2004; Bergmann, 1974). Others have argued that women’s labor and women’s jobs are devalued, and that this devaluation is difficult if not impossible to separate empirically from any effects of crowding (England, 1992). The sufficiency of a crowding explanation is further challenged by research on the profession of hospital nursing, which shows that in the late 1990s, nurses’ wages remained flat or decreased during a period when hospitals reported nursing shortages and the field could not have been described as crowded (Lovell, 2006). When wages eventually began to rise in 2001, the number of hospital nurses increased. In the related field of pharmacy, in contrast, wages rose in response to a shortage of workers. Pharmacists are less likely than nurses to work in hospitals, and pharmacy is not female-dominated as is nursing.

The term “pay equity” must be distinguished from the expression “equal pay,” which implies that women and men are paid the same for the same or very similar work. This is a critical distinction for two reasons. First, as shown above, women and men seldom do “the same or very similar work” and thus “equal pay” would not materially reduce the wage gap. In addition, the first Federal remedy that explicitly addressed sex discrimination in pay, the 1963 Equal Pay Act, applies only when men and women are employed in jobs that are “equal or substantially equal.” Thus it is not surprising to see no significant evidence of a change in the wage gap that can be attributed to passage of the Equal Pay Act (Lips, 2003). Title VII of the Civil Rights Act of 1964, the other major Federal law covering discrimination by sex (along with race and other protected categories), has not been interpreted by the Courts to apply to pay comparisons between jobs that are dissimilar in content. Although to the lay person the language of
Title VII would seem to permit such an interpretation, it seems unlikely that the courts will agree (England, 1999).

The technology of job evaluation is key to the implementation of pay equity. This procedure compares jobs with each other or with a standard in terms of their content, then assigns weights or values to the job or its components in order to establish a hierarchy of job worth in an organization. Point factor job evaluation is most commonly used for pay equity analyses (Wittig & Lowe, 1989). In this method, “compensable factors” are identified that represent the job attributes for which an employer chooses to pay. When a job is evaluated, points are assigned to reflect the level of each factor represented by the job. The four compensable factors of skill, effort, responsibility, and working conditions—some adaptation of them—have been most commonly used in point factor job evaluation. This led to their incorporation into the language of the Equal Pay Act and Title VII.

After a number of jobs are evaluated, the resulting job hierarchy leads to judgments about their relative pay. Thus jobs that are more difficult, require high levels of skill or preparation, involve considerable responsibility (for people, money, facilities or equipment), or must be performed under physically challenging conditions—such jobs would be paid proportionally more.

In the context of pay equity, job evaluation can be part of the problem or part of the solution. Traditional job evaluation systems may institutionalize gender bias, for example, when one system of dimensions and weights is applied to women’s jobs and another system to men’s jobs, or when compensable factors are defined in terms particular to men’s jobs. However, when applied by those knowledgeable about unbiased evaluation, “a single bias-free…job evaluation system” (Remick, 1984, p. 99) can also identify inequities and suggest remedies (Ames, 1993).

Pay equity is usually discussed in terms of the male-female wage gap, probably because most advocates have been women’s rights organizations and have addressed this aspect of the wage structure. The concepts and methods associated with the pay equity movement are also applicable to the wage gap between whites and other ethnic groups, although historical, legal, and socio-political aspects differ in the two cases. Malveaux (1985-86) has argued that black men and women would benefit from implementation of wage adjustments based on comparable worth job evaluations. An annotated bibliography of sources dealing with race/ethnicity and pay equity has been compiled by Figart (2001), and NCPE has also developed materials on this topic (2004b).

Importance of Topic to Work-Family Studies

The major implication of pay equity for Work-Family studies is its potential to improve the economic standing of women and men who work in undervalued female-dominated jobs. Salaries of workers in
these jobs are unfairly depressed, thus their families have a lower standard of living than is their due. Family well-being may be affected in particular by access to health insurance and quality child care. The problem is particularly acute for low-wage women who are single parents or whose partner is also a low-wage worker. IWPR has estimated that women’s rate of poverty would be cut in half if women’s jobs were fairly paid— even taking into account the fact that many women work less than full-time (Hartmann, Allen, & Owens, 1999). Others have projected that with a national comparable worth policy in place, nearly 50% of ethnic minority women and 40% of white women living in poverty would climb over the federal poverty line (Lapidus & Figart, 1998).

The undervaluation of women’s work continues to affect quality of life as women mature. According to IWPR analyses, if future wage patterns resemble the past, over her 40-year working life a hypothetical woman aged 25 could expect to earn $523,000 less than the average 25-year-old man, even if she works full-time and year-round all those years (Hartmann & Whitaker, 1998; NCPE, 1999). Calculations for various combinations of age, education, and current/entry salary show that a high school graduate, aged 18-24, earning $20,000 would lose almost $700,000 over her lifetime due to male-female pay inequity (Murphy, 2005). For women aged 25-34, a college graduate starting at $30,000 would lose almost $1.5 million and with an advanced or professional degree, the figure rises above $2 million! A Web site calculator gives evidence of the differences in quality of life which these sums represent (AFL-CIO, 2006).

Continuing undervaluation of their work limits women’s ability to accumulate assets such as a home or retirement savings. Over one-third of women 65 or older are unmarried and live alone; one-fifth of these women have incomes below the poverty level. Median annual Social Security benefits for women are only 70% of those paid to men, reflecting their lower lifetime earnings or their reliance on benefits paid to spouses. Only 30 percent of women over age 65 receive pension income, and women’s annual benefits are only half of men’s (Lee & Shaw, 2003).

Undervaluation of women’s work can also affect decision-making, time allocation, and the balance of power within a family unit (England, 1999). Given the wage gap, in most dual-earner families the man’s income will be higher than the woman’s. Thus from a purely rational basis in terms of income, it is more practical for decisions to be made in a way that favors the work, income, and career of the male higher earner. In some families, women may feel they must remain in abusive or dysfunctional relationships because of the financial difficulty of trying to provide for themselves and their children without their partner’s income (Brandwein, 1999). This problem has been exacerbated by the restrictions on public assistance under the Family Protection and Work Opportunity Reconciliation Act of 1996. Perhaps more commonly, decisions about whose career will take prominence, who should assume responsibility for child care or household tasks, who should work part-time, and even where the family should live can
be constrained by women’s lower earnings (Rose & Hartmann, 2004).

Such decisions are not always based just on money, however. A recent sociological study of dual-earning couples in Australia and the United States suggests that as women’s proportion of the household income rises, they reduce the number of hours spent on housework (exclusive of child care). A compensating increase in men’s household work is not seen, suggesting that someone else does the work or it is left undone. However, there is some evidence that when the woman’s earnings become larger than the man’s, “gender trumps money” as men reduce, and women increase, their time in household work. The authors interpret this result as an attempt to neutralize the “gender deviance” of a household in which the woman earns more than the man (Bittmann, England, Folbre, Sayer, & Matheson, 2003).

Another outcome linked to the male-female pay gap may be the amount of time men devote to employment. Compared to men in other industrialized countries, American men have the longest work hours and the least amount of leisure time (Rose & Hartmann, 2004). Some couples prefer for the man to work longer hours or two jobs, with the woman employed part-time or not at all. As a result, men’s and women’s participation in family life may become more unbalanced.

Finally, an argument could be made that women who recognize the inequity of their pay may experience increased stress as a result of this perceived injustice. In other contexts, the perception of organizational injustice has been found to be associated with greater difficulty in managing the work-family relationship and thus lead to greater stress (Judge & Colquitt, 2004).

State of the Body of Knowledge

The wage gap. Descriptive aggregate information on the size of the wage gap is generally easily available and frequently updated by analyses of U. S. Census data. There is a lag in the availability of these data because of the time required to collect and analyze responses, but informative longitudinal information is accessible in both primary and secondary sources such as those cited above. For example, IWPR’s “Status of Women in the States” project provides economic and other indicators for all 50 states and the District of Columbia (IWPR, 2004). This project reports that the 2002 wage ratio was greatest (i.e., the gap was smallest) in the District of Columbia (92.4 percent) and Maryland (81.4 percent) and least in Wyoming (66.3 percent).

Inaccurate conclusions may be drawn by the media or by persons who do not understand or consider the limitations of the data and the implications of various indicators. For example, the wage gap appears smaller when ordinary hourly or weekly wages are presented (even if averaged to an “annual” figure) because these do not include overtime, bonuses, and other sources of income that are generally more
available to men (Lips, 2003). Hourly or weekly figures are based on full-time wage and salary workers 16 or over, including those who work only part-year. In contrast, annual earnings cover full-time year-round workers over 15 and those who are self-employed, and include overtime wages, so they may provide a more complete estimate of earned income. As another example, one-shot analyses of starting salaries for younger workers often show little effect of sex, but such a comparison ignores cohort effects and the cumulative effects of inequity compounded over time, which are available only in longitudinal analyses.

In discussions of pay equity, the wage gap is often calculated by comparing the median annual wages of men and women who work full-time and year-round. This convention sets the typical male work pattern as the norm against which women’s wages are compared. However, because women are more likely than men to work part-time or part-year, and to be out of the labor force for entire years, such a comparison only applies to a selected group of women—about half—who follow the “male” pattern in a particular year. The usual method is useful for estimating the wage gap unaffected by part-time and seasonal work, but it underestimates the real impact of employment policies and patterns on women and their families (Rose & Hartmann, 2004). In contrast, by examining a 15-year period of employment for a sample of men and women in their prime employment years (ages 26 to 59), these authors calculated that “women workers make only 38 percent of what men earn…This gap of 62 percent is more than twice as large as the 23 percent gap commonly reported” (p. iii). Studying only those women and men who had earnings in every year of the study, Rose and Hartman still found a 57 percent wage penalty for women.

Their report explored the pay equity question by sorting jobs into three tiers: elite, good, and less-skilled. In each tier, there are occupational clusters in which 75 percent or more of incumbents are either male or female, and in each tier the “men’s” jobs pay significantly more despite similar requirements for educational preparation. Rose and Hartman reported that women’s wage penalty is smallest in the middle, “good” tier of jobs, suggesting that women’s relative earnings would be enhanced by movement into this tier of blue-collar jobs.

*Comparative information on wages.* Unfortunately, within-firm data on wages by sex is often very difficult to obtain. This is the type of information that would be most likely to lead to individual or collective efforts to remedy sex bias in wages. Proposed Federal legislation such as the Paycheck Fairness Act would improve access to firm-level data by requiring some employers to make wage data by sex, race, and national origin available to the EEOC on a routine basis, and by protecting from retaliation those employees who share salary information (National Women’s Law Center, 2004). Other provisions of this Act would allow plaintiffs to recover compensatory and punitive damages; allow the EEOC to bring class action suits; provide for staff training, research, and education of employers; and recognize model employers.
Implementation of pay equity. Although at this time there is no Federal mandate for pay equity/comparable worth, in some localities there are pay equity ordinances or laws. Information on these is not widely available and is sometimes difficult to interpret because of the complex political and technical context, and because development and implementation of local pay equity initiatives is often not well-documented in the scholarly literature. Gardner and Daniel (1998) have provided limited information about implementation of comparable worth statutes in eight states (Connecticut, Iowa, Minnesota, Montana, New York, Oregon, Washington, and Wisconsin). Remick (1984) has given some details about the Washington experience. A more extensive discussion of Oregon’s experience during the 1980s was provided by Acker (1989), who detailed the political and technical challenges and analyzed the Oregon Project in terms of gender and class dynamics. Hartmann and Aaronson have reported results of a study of pay equity programs in twenty states which showed that all had succeeded in reducing the wage gap to some degree. “The amount of money spent, the proportion of women affected, the standard to which female wages were raised, and the rate at which adjustments were implemented, all have a significant impact” on women’s wage gains, cost-effectiveness, and any resulting negative effects (1994, p. 86). These researchers did not find evidence of the widespread unemployment that critics often predict will result from pay equity implementation.

The two examples perhaps best known to pay equity advocates are the State of Minnesota and the Province of Ontario, Canada. In Minnesota during the 1980s pay equity legislation required that state and local governmental entities conduct pay equity job evaluation studies and implement salary adjustments to correct undervaluation of jobs held mainly by women. Studies were conducted and in state agencies adjustments amounting to 3.7 percent of the state’s payroll were phased in over a four-year period. The main beneficiaries were women and men in health care and clerical work; the average increase was $2,200 (NCPE, n.d.). The detailed analysis of the Minnesota case provided by Evans and Nelson (1989) illustrates the importance of political factors as well as solid understanding of the technical aspects of reforming a compensation system.

Ontario’s Pay Equity Act is unique among local provisions because it addresses pay inequity in both the private and public sectors (Ontario Pay Equity Commission, 2006a, b). Employers must use a gender-neutral job evaluation system to examine male and female jobs and post the results of their studies. One percent of payroll must be set aside for gradual elimination of inequities in private sector firms; in the public sector, implementation was to be complete by January 1995. The Ontario example is worthy of further study because of other unique provisions developed in order to reach pay equity. One example is the creativity of methods for making comparisons in difficult situations, such as when an employer cannot identify a comparator male job for a female job in question. One illustration of the Pay Equity Act’s implementation is that of a hospital in which a comparison of registered nursing assistants to plumbers...
Implementation of pay equity is highly controversial for several reasons. Business interests and some bureaucrats and politicians argue that it will cost too much. Others believe that increased wages will lead to job loss. When wages are raised for some employees, others may resent disruption of the customary hierarchy. Pay equity raises contradict the common pattern of across-the-board raises or rewards for seniority. And the technical difficulties of devising truly unbiased methods of job evaluation should not be underestimated. Most employers will require the assistance of consultants experienced in pay equity analyses in order to implement successfully a plan to reduce sex-based wage inequity.

**Job evaluation bias.** This process has been studied in both laboratory and field settings, and has proven to be one of the most difficult to address. Researchers who have applied the experimental paradigm in laboratory settings have been frustrated by the difficulty of manipulating information about the gender-typing of jobs in ways that are both realistic and convincing. The consensus after a decade of laboratory studies was that there was little experimental support for bias as a function of the sex of the job evaluators or directly as a result of the gender typing of jobs. However, “indirect bias” has been shown when raters know the current wages of the job (Mount & Ellis, 1989). Of course, this is typically the case in real-world settings, where men’s jobs have higher pay.

On the other hand, it is typical for public sector pay equity studies to find significant wage bias as a function of the predominant sex of incumbents, even when job evaluation shows the jobs to be comparable (e.g., Remick, 1984). Detailed analyses of conventional job evaluation methods by Ames (1993), Remick (1984), Weiner and Gunderson (1990), and others show that the choice, definition, and weighting of compensable factors have traditionally operated to the disadvantage of women’s jobs. The traditional practice of designing separate systems of factors for different clusters of jobs, such as manufacturing and clerical, has also masked the existence of evaluation bias because metrics are not comparable.

**Implications for Research and Practice**

A fuller understanding of occupational segregation is needed, including why it is so pervasive and how people come to occupy jobs that are traditional for their sex. In particular, when women “choose” to spend time out of the labor force or to pursue gender-appropriate careers, what are the factors or constraints that account for these decisions? Information on methods of unbiased job evaluation should also be more widely available, and new methods should be developed.
One key to reducing the wage gap is increased accessibility of information about salaries and how they are determined. What are the sources of resistance to sharing information about salaries? How can this resistance be reduced? Proposed legal remedies such as the Fair Pay Act have contained provisions for more openness about salary structures and their relation to gender and race, but none has yet become law.

Another key to reducing the wage gap is raising the awareness of working women to this institutional problem and to actions they can take as individuals to improve the equity of their own wages. These are described by Murphy in an unusual book based on social science research and political analysis but directed at working women. According to Murphy, “The wage gap is not women’s fault. It exists because of discrimination. At the same time, each woman does have a responsibility to act. Without your efforts, the wage gap will never close- and the next generation of women will be stuck with that gap as well” (2005, p. 266). The national nonprofit organization WAGE (Women Are Getting Even) was designed to serve as a resource particularly for women who organize a WAGE Club to “support, critique, supplement, and celebrate one another’s efforts to win fair pay” (p. 268). Its Web site (www.wageproject.org) provides resources for various constituencies and a means of communication and motivation for women in dealing with pay inequity. This is a novel approach which should complement the efforts of scholars, NCPE, IWPR and other labor and professional groups, who have tried to address the pay equity issue from a data and policy perspective.

One of the greatest needs is for the development of policy that would address the inequities of our society’s wage structure, one of which is gender-based pay inequity. Rose and Hartmann (2004), for example, have called for strengthening EEO enforcement by Federal agencies; increasing opportunities for education and training; development of new EEO remedies for addressing comparable worth inequity; improving the benefits, pay, and promotional opportunities associated with part-time work; and several other initiatives. Gender-based pay inequity must be seen as a family issue, a societal issue, not only a women’s issue. An important question is, why do we tolerate it?

References


