

Comparable worth: organizational dilemmas

One analyst explores the political, economic, and social implications of comparable worth for public and private employers and labor groups

KAREN SHALLCROSS KOZIARA

Comparable worth has emerged as a major equal employment opportunity issue of the eighties. This issue is extremely controversial because it challenges traditional wage setting practices. What should be the basis for wage setting in our society? Should wages reflect supply and demand forces, or should they reflect the contribution individuals make to their employers?

To a certain extent, the answers to these questions are philosophical in that they reflect individual and cultural values. These questions also have important political and economic dimensions. It is not surprising that some observers describe comparable worth as a policy that could have dire economic consequences. Nor is it surprising that advocates see the issue in moral and ethical terms, and as a fundamental and necessary part of equal employment opportunity.

It is not yet clear how Federal courts will judge comparable worth claims brought under Title VII of the Civil Rights Act of 1964. Regardless of how the courts view comparable worth, public awareness of the issue is growing and has sparked the interest of women concentrated in primarily female occupations. Comparable worth is also a collective bargaining issue, and pay equity salary increases have been included in some settlements. In addition, a number of States and municipalities have either commissioned comparable worth studies or passed legislation requiring that public sector wages be based on comparable worth.

Karen Shallcross Koziara is a professor in the Department of Human Resource Administration, Temple University, Philadelphia, PA. This article is adapted from her paper on comparable worth presented at the Annual Meetings of the American Statistical Association, Las Vegas, NV, Aug. 6, 1985.

Comparable worth could have a major effect on many organizations. This article identifies organizations likely to be affected and analyzes the issues these organizations will face. Public and private employer organizations are included in the discussion, as well as labor unions.

Background

Although the 1963 Equal Pay Act and Title VII of the Civil Rights Act of 1964 became law over two decades ago, women working full time continue to earn about one-third less than men working full time. This gap has been both consistent and persistent. Much empirical research indicates that the major reason for the gap is the concentration of women in low-paying occupations.

The current labor force participation rate for women is approximately 53 percent, almost double what it was two decades ago. About 80 percent of the women in the labor force work in 25 of the 420 distinct occupations identified by the U.S. Department of Labor. Many of these jobs are generally filled by women. For example, about 99 percent of secretaries, 85 percent of registered nurses, 82 percent of librarians, and 86 percent of clerks are women.¹ The wages for these and similar "female jobs" are the focus of the comparable worth debate.

Wage adjustments based on comparable worth could affect the wages of a large proportion of women workers, as well as the wages of men working in female-dominated jobs. Thus, many employers view the possible economic consequences of comparable worth with grave concern. Predictions include increased labor costs, with resulting price increases and unemployment, particularly within job cate-

gories allocated comparable worth increases.² In contrast, advocates of comparable worth see its potential to bolster both the economic and political power of working women. Some observers cite possible sociological implications as well, for increasing the pay for female jobs may raise the status of these jobs and of women's work in general.³

Because comparable worth may result in significant economic, political, and sociological change, it could affect the external environment in which many organizations function. Organizations affected by comparable worth also will face changes in the internal environment involving dilemmas, constraints, and opportunities.

Employer organizations

External environment. An employer's task environment includes the economic, political, sociological, and technological trends outside the organization that affect its functions. Currently, the majority of employers evaluating wages on the basis of job content and implementing comparable worth adjustments are in the public sector. There are several reasons for this. First, the highest positions in government employment are held by elected officials. Thus, public sector employers are more vulnerable to changes in the external political environment than are private sector employers. Second, many public sector employers are large organizations with diverse job titles, so there are enough different jobs to make wage comparisons between men and women possible. Third, there are enough women working for the government to make them an internal political force.

The comparable worth issue provides elected officials with some complex factors to evaluate in the external political and economic environment. One reason comparable worth developed as a political issue is the activity of coalitions of organizations advocating comparable worth. These coalitions include commissions on the status of women, working women's organizations, traditional labor unions, female legislators, and other interested groups. These coalitions attempt to increase public awareness and understanding of comparable worth and they also lobby for legislation. In some States, the filing of discrimination suits by such organizations was an effective pressure tactic.

Nonetheless, comparable worth remains a complex issue often misunderstood by the general public. In contrast, the voting public is well aware of the relationship between taxation and the increasing cost of providing government services. Although most public officials are reluctant to take a stand against comparable worth, even those who are sympathetic to the comparable worth issue answer to an electorate concerned about government budgetary responsibility. Government officials committed to avoiding tax increases while in office realize that comparable worth adjustments may require budgetary shifts from other programs.

One response public employers often make to demands for comparable worth adjustments is to commission a study

to determine whether their female and male employees are rewarded equitably. This can be an attractive short-run option because there is an inherent legitimacy in delaying action until a thorough study of the problem has been made. In the political arena, there is the added attractiveness that the results of the study may not have to be dealt with by one's own administration. Although relatively inexpensive, such a solution has potential political and economic costs. To date, the majority of the comparable worth studies show that women's jobs are undervalued in comparison to men's jobs. Once the study results are available, political pressure groups have a firmer base on which to act. Another risk to government employers is not to take action once the study is completed. Employers who do not act may be in jeopardy of having discrimination suits filed against them on the grounds that they knew female jobs were compensated unfairly, but took no action.

The cost of making comparable worth adjustments varies considerably by jurisdiction because of variations in numbers of employees, recommended adjustments, and methods of implementation. New Mexico was one of the first States to appropriate funds to implement comparable worth, allocating \$3.3 million to increase salaries in its lowest paid jobs. Women held about 86 percent of these jobs, and the remaining 14 percent were held primarily by Hispanic and Native American men. In contrast, Minnesota made an initial allocation of \$21.7 million and is expected to make an additional amount available to implement the adjustments over a period of 4 years. Suffering from severe unemployment and budget problems, Washington State made an initial appropriation of about \$100 a year for each person in affected job categories. This appropriation was primarily symbolic. Further adjustments are planned.⁴

A strategy used in the majority of jurisdictions implementing comparable worth adjustments is to phase them in over a period of several years. This approach offers several advantages to the employer. It allows gradual budget adjustments, provides sufficient time to review programs, when necessary, and permits identification and correction of problems in the implementation process. Similar phased adjustments are used to increase the minimum wage. Experience with minimum wage increases indicates that phased adjustments reduce the labor displacement effect of higher wages.

Elected officials who have an external environment which includes an informed and supportive electorate, strong comparable worth advocacy coalitions, and an expanding employment and tax base are the fortunate few. They can follow the example of Janet Gray Hayes, Mayor of San Jose, CA, who said following the comparable worth agreement between the city and Local 101 of the American Federation of State, County and Municipal Employees (AFSCME), "I am proud to be mayor of the city that took the first giant step toward fairness in the workplace for women. Today will go down in history as the day so-called women's work was recognized for its inherent value to society."⁵

Private employers are not immune from changes in the political environment. Although pressure for comparable worth has focused on the public sector, many employers speculate about the possibility of legislation spreading from the public to the private sector. Thus, some employer organizations lobby actively to discourage comparable worth legislation in general. A second concern focuses on current wage-setting practices, which even when codified and formalized often reflect the values of their originators. Therefore, as employee awareness of subjective elements in wage determination increases, so does the possibility of unionization efforts or Title VII suits. Employers concerned with these possibilities are reviewing their wage-setting practices, and a few are in the process of developing policies to initiate comparable worth adjustments.

Internal environment. Unlike the external environment, the internal issues raised by comparable worth are similar for public and private employers. There are two major internal issues. One is the effect of comparable worth adjustments on the organization's financial structure. Another is its impact on human resource administration.

As indicated earlier, estimates of the cost of comparable worth adjustments vary widely. For example, Minnesota's implementation costs were estimated to be approximately 1.25 percent of the personnel budget for the 1983–85 biennium. In contrast, implementation costs were estimated at 0.5 percent of the Burlington, VT, payroll budget and at least 5 percent of the State payroll budget of Washington.⁶ The differences reflect how much was budgeted for equity increases, the speed of implementation, and the number and amount of equity adjustments.

It is even more difficult to estimate the possible costs of not making comparable worth adjustments. Discrimination suits entail litigation costs, and negative judgments can result in large backpay awards. Failure to make equity adjustment also may make an employer vulnerable to an expensive and unpredictable unionization campaign.

As a compensation issue, comparable worth has implications for human resource administration. Because comparable worth has as an objective the narrowing of wage differentials, it may affect perceptions of equity, status, and the desirability of jobs. Equity adjustments narrow wage differentials between higher paid, predominately male jobs and predominately female jobs. In most organizations, wage differentials and wage increases follow predictable patterns. Thus, wages paid for a particular job title have an established relationship with wages paid for other job titles. Once these wage parity relationships are formed, wage increases that deviate from parity often seem unfair to adversely affected employees. The perceived status of male and female jobs also may change as the differentials between predominately male and predominately female jobs narrow. Finally, an employer following a long-run policy of giving wage increases that narrow wage differentials may face labor turnover problems

among employees in its highest pay classifications.

Another issue is that employees in predominately male jobs may fear that comparable worth adjustments will result in their receiving smaller wage increases than they otherwise would, or perhaps taking a pay cut. Because of this fear, an issue in framing comparable worth legislation is whether there will be comparable worth "adjustments" or "increases." Adjustments imply that all jobs will be reviewed, with the possibility that some wages will be lowered.

There is anecdotal evidence to suggest that there have been some initial perceptions of comparable worth adjustment as violating established wage parity norms. However, it is likely that the new parity relationships will themselves eventually become the norms for evaluating wage setting. In addition, there may be more attention to upgrading job content and to changing the design of jobs receiving equity adjustments because higher wages make jobs more costly for employers. It may also open promotional opportunities by making the salaries for both male- and female-dominated jobs more similar.

Unions

External environment. Factors in the external environment that affect employer organizations may also affect unions. However, because unions represent employees, environmental changes have a different meaning for unions than for employers. Female labor force participation rose dramatically during the last two decades. An increase in the number of women joining unions accompanied this increase in employment. Until recently, men were much more likely to be union members than were women, with 1 of every 4 male workers belonging to a union, compared with about 1 out of 7 female workers. Now, however, about half of all new union members are women. Currently, overall union membership is falling, and organized labor is looking for ways to attract new members in areas such as white-collar work where historically there was relatively little union activity and where many women work.

Given the increasing numbers of women in the labor force and the emergence of the comparable worth issue, it is not surprising that some unions are major comparable worth advocates. The AFL-CIO passed a strong endorsement favoring comparable worth and is calling on its member unions to work for pay equity studies and to negotiate to upgrade wages paid for undervalued female jobs. Among the unions actively working to promote comparable worth are the American Federation of State, County and Municipal Employees (AFSCME); the Service Employees International Union (SEIU); the International Union of Electrical, Radio and Machine Workers (IUE); the Communications Workers of America (CWA); and the American Nurses Association (ANA). Tactics used include negotiating for comparable worth adjustments in collective bargaining contracts, lobbying for comparable worth laws, instituting litigation, and educating

members and the public at large about pay equity issues.

Comparable worth is potentially a powerful organizing issue. However, it faces some constraints in the external economic environment. For some unions, the possible trade-off between higher wages and fewer jobs is a major factor affecting decisionmaking about how vigorously comparable worth should be pursued. Some unions, such as the International Ladies' Garment Workers Union (ILGWU), operate in industries facing stiff competition from imported goods. In such industries, comparable worth adjustments could result in job losses, particularly because a large proportion of union members are women.

The way in which a union handles the comparable worth issue may also raise legal questions. For example, is a union in violation of Federal law if it does not attempt to get equity adjustments for female members? Unions have a duty to represent members fairly. This means that unions must act with good faith and honesty of purpose towards all employees in a bargaining unit. It is the union's responsibility to protect members against employer discrimination. If it does not do so, it may face a member's suit.⁷

Internal issues. The unions most active in support of comparable worth share several characteristics. First, they represent workers employed in organizations with diverse job titles because comparable worth questions are employer specific and require that an employer have different job titles so that comparisons can be made. Second, they have a high enough proportion of female members for women to be a viable political force within the union. These characteristics are shared by the previously mentioned unions. With the exception of the American Nurses Association, they also have a significant proportion of male members.

Comparable worth can create very real internal political issues for unions. Male members may oppose comparable worth adjustments if they have reason to believe that adjustments will be at their expense. Therefore, union leaders may face a balancing act between alienating female employees if comparable worth is not addressed, and alienating male employees by working for equity adjustments. Unions endeavor to educate their members regarding the concept and likely impact of comparable worth. It is not an issue that can be imposed on members with the expectation that

it will meet with wide acceptance.⁸

One approach unions can use is to consider low paying jobs generally, not just women's jobs, for equity adjustments. This broadens internal political support for comparable worth by increasing the number of employees who are eligible for adjustments. It also increases its acceptability by changing it from a women's issue to a fair treatment issue. Another approach is to negotiate for separate budget lines for equity adjustments and general wage increases. Separate budget lines communicate the idea that equity adjustments do not come at the expense of overall pay increases.

While some unions are working for comparable worth, others are not. Those less supportive are usually unions with predominately male memberships. In fact, some of these unions are avoiding comparable worth studies and adjustments. In Minnesota, police and firefighter unions broke ranks with other unions and began lobbying against comparable worth when a librarian's job was classified at the same level of pay as a firefighter's job.⁹

Comparable worth raises another important internal political issue for unions. Comparable worth may be a potentially potent organizing issue, if female workers perceive unionization as a way to achieve pay equity. However, if comparable worth occurs because of a legislated mandate or voluntary employer action, it may lessen the interest of unorganized female workers in unionization. Implementation of comparable worth might even reduce support of current members if they perceive that they will be adversely affected if union-supported wage adjustments result in narrowing of wage differentials.

The comparable worth issue is both controversial and multifaceted. One common question about comparable worth is whether it is possible to meaningfully compare different jobs. This is, however, not the question of concern to the organizations most directly involved in the comparable worth debate. The issue is not whether it is possible to meaningfully compare job content, but rather what effect comparable worth will have on the organization. Decisions to support or oppose comparable worth depend on perceptions of its organizational and political effect. This article outlines some of the questions that are considered by concerned organizations in their decisionmaking process. □

—FOOTNOTES—

¹"Foreword," Subcommittee on Human Resources for the Joint Hearings on Pay Equity: Equal Pay for Work of Comparable Value, *Hearings held before the Subcommittees on Human Resources, Civil Service, Compensation and Employee Benefits of the Committee on Post Office and Civil Service, House of Representatives*, Sept. 16, 21, 30, and Dec. 2, 1982 (Washington, 1983).

²Mark R. Killingsworth, "The Economics of Comparable Worth: Analytical, Empirical and Policy Questions," in Heidi I. Hartmann, ed., *Comparable Worth* (Washington, National Academy Press, 1985), pp. 86-115.

³Heidi I. Hartmann and Donald J. Treiman, "Notes on the NAS Study of Equal Pay for Jobs of Equal Value," *Public Personnel Management*, Winter 1983, p. 415.

⁴Helen Remick, "An Update on Washington State," *Public Personnel*

Management, Winter 1983, p. 392.

⁵Robert L. Farnquist, David R. Armstrong, and Russell P. Strausbaugh, "Pandora's Worth: The San Jose Experience," *Public Personnel Management*, Winter 1983, p. 358.

⁶The National Council of Public Employers, *1984 Survey of Public Employees*, 1985.

⁷*The Wall Street Journal*, May 10, 1985, p. 27.

⁸Barbara N. McLennan, "Sex Discrimination in Employment and Possible Liabilities of Labor Unions: Implications of *County of Washington v. Gunther*," *Labor Law Journal*, January 1982, pp. 26-35.

⁹*The Wall Street Journal*, May 10, 1985, p. 27.