

# Comparable worth: some questions still unanswered

*We know the issues surrounding and groups most likely to be affected by a national policy on comparable worth, but cannot quantify possible costs and benefits*

SANDRA E. GLEASON

A careful analysis of comparable worth as a national policy ideally should proceed by first defining the problem for which the concept of equal pay for different jobs of equal value to the employer is a perceived remedy. The first step could serve as the basis for the second step—determining the important causal factors and evaluating the costs and benefits of a comparable worth policy relative to alternative policies. Once these steps are completed, a remedy can be chosen through the political process based on informed judgments.

Unfortunately, as noted in the accompanying articles by Carolyn Bell and Karen Koziara, a complete and balanced policy analysis of comparable worth has not been conducted. As a consequence, questions remain unanswered, including: What is the magnitude of the employment impact resulting from labor supply and demand responses to the wage increases? What is the potential inflationary impact on the economy? What is the cost of comparable worth policy relative to alternative policies, such as occupational desegregation?

Economic theory can be used to predict the direction of labor market adjustments. We know the comparable worth wage increases required to remedy pay inequities for “underpaid” traditionally female-dominated jobs have averaged 20 percent; therefore, other things being equal, that employers will hire fewer employees in these jobs. However, at the same time, the increase in the relative

wage will make these jobs more attractive, thereby encouraging more people, particularly women, to seek positions in these already crowded occupations. In addition, this wage increase will deter some women from moving into nontraditional jobs, thereby slowing the pace of occupational desegregation. However, because we do not have an estimate of the labor supply functions in the traditional female occupations, we do not have an estimate of the size of the labor supply effect.

In contrast, we do have some estimates of the elasticity of demand for broad categories of employees which can be used to make judgments, however crude, about the magnitude of the employment impact. These estimates suggest a relatively small displacement effect. For example, in 1975, Orley Ashenfelter and Ronald Ehrenberg estimated that the wage elasticity of demand for noneducation employees in State and local government is quite inelastic.<sup>1</sup> In 1984, Ronald Ehrenberg and Robert Smith estimated that a 20-percent wage increase would result in a 2- to 3-percent decrease in female employment overall at the State and local level.<sup>2</sup> However, if comparable worth continues to be implemented slowly over a multiyear period, the job displacement impact can be reduced. Current estimates by Sandra E. Gleason and Collette Moser suggest that the number of jobs eliminated each year would be less than the estimated annual attrition in the public sector if comparable worth is implemented over a 5-year period.<sup>3</sup>

The inelastic demand for labor in the public sector implies that aggregate earnings of those remaining employed will increase. However, even if the gainers as a group can compensate the job losers and still be better off, there will be

---

Sandra E. Gleason is assistant professor, School of Labor and Industrial Relations, Michigan State University. 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.

social losses. The type of loss will depend on which employers are covered by the national policy. If only public sector and large private sector employers are covered, then employment may not decline. Those displaced will seek jobs in the noncovered sectors, thereby reducing wages in those sectors. The social loss in this case is the reduced productivity of the employee. In contrast, the maximum decrease in employment will occur if all employers are covered and if there is strict enforcement of the pay policy. The social cost is both less employment and less production. However, there may be some offsetting social benefits as well. For example, if low income women receiving noncash public assistance no longer require such aid after the wage increase, taxpayers' costs will be reduced as long as these women remain employed.<sup>4</sup> Unfortunately, there is no analysis available of the dollar costs and benefits associated with the full coverage and partial coverage scenarios, even though the employers and unions which expect to gain or lose from a policy on comparable worth have been identified. (See the Koziara article on pp. 13–16.)

In addition to the labor market effects, the potential for inflationary pressure generated by comparable worth wage increases must be evaluated realistically. The limited research available suggests that the maximum pay-equalizing effect to be expected is a decrease of no more than 4 percent.<sup>5</sup> The small magnitude of the predicted impact seems unlikely to set off severe inflation in the economy, but inflationary pressure will vary by industry. However, no estimates of inflation have been made, nor has the potential for offsetting factors which would raise employee productivity been studied. For example, some employers may have enough "organizational slack" to absorb the wage increases with little or no impact on consumer prices.<sup>6</sup>

Finally, little attention has been given to alternative policies. This may reflect the lack of consensus about what problem is to be remedied. As Carolyn Bell indicates, four problems have been discussed: female poverty, pre-labor market discrimination, occupational segregation, and sex-based wage discrimination. Comparable worth is not the best solution for all of these problems. However, contrary to the claims of some opponents, it is not necessarily the

most expensive remedy either. For example, some opponents advocate reliance on the market signals of higher wages in nontraditional occupations to encourage women to acquire education and training for better paying jobs. This approach is not costless if employers or the Federal Government assist this process by providing training. Some preliminary estimates of job training costs suggest that these can be higher than the cost of implementing some comparable worth wage adjustments.<sup>7</sup> Furthermore, if only 20 percent of the women employed in clerical and service occupations in 1981 were provided with programs designed to aid occupational change, the cost of training, counseling, and job placement services would be about \$14 billion.<sup>8</sup>

The research completed to date on the potential impact of a national pay policy based on the concept of comparable worth identifies the issues to be considered and predicts the directions of change in the labor market. However, we still have few estimates of the quantitative magnitude of these changes. As a consequence, we know who will gain and who will lose, but we do not know by how much. These missing pieces of information prevent a balanced evaluation of comparable worth as a national policy. □

—FOOTNOTES—

<sup>1</sup>Orley Ashenfelter and Ronald Ehrenberg, "The Demand for Labor in the Public Sector," in Daniel Hamermesh, ed., *Labor in the Public and Nonprofit Sectors* (Princeton, NJ, Princeton University Press, 1975).

<sup>2</sup>Ronald Ehrenberg and Robert Smith, *Comparable Worth in the Public Sector* (Cambridge, MA, National Bureau of Economic Research, 1984), NBER Working Paper, 1471.

<sup>3</sup>Sandra E. Gleason and Collette Moser, "Comparable Worth in the Public Sector: Why This Issue Won't Fade Away," mimeo, 1985.

<sup>4</sup>Sandra E. Gleason and Collette Moser, "Some Neglected Policy Implications of Comparable Worth," *Policy Studies Review*, May 1985, pp. 595–600.

<sup>5</sup>George Johnson and Gary Solon, *Pay Differences Between Women's and Men's Jobs: The Empirical Foundations of Comparable Worth Legislation* (Cambridge, MA, National Bureau of Economic Research, 1984), NBER Working Paper, 1472.

<sup>6</sup>Kalman Cohen and Richard Cyert, *Theory of the Firm: Resource Allocation in a Market Economy* (Englewood Cliffs, NJ, Prentice-Hall, Inc., 1965).

<sup>7</sup>Gleason and Moser, "Comparable Worth in the Public Sector."

<sup>8</sup>*Ibid.*