

## *Is “Comparable Worth” Worth It?*

### *The Potential Effects of Pay Equity Policies in New York*

by Heather Boushey

Inequality in the earnings of men and women is a pervasive and continuing problem in the United States economy and New York is no exception. There is good news, however, as women have seen their wages move closer to men's over the past few decades: the ratio of female to male weekly wages for people who work full-time was 58.3 in 1979 and up to 71.7 by 1994. It seems that women are catching up with men.<sup>1</sup> In New York, the trend is similar. In a recent issue of *Regional Labor Review*, Niev Duffy asked what has happened to the gender wage gap in the New York metropolitan area. She found that the difference between the average annual earnings of men and women has decreased during the 1990s and that women in the New York area enjoy a smaller pay gap than in other parts of the country.

However, earning only 71.7 cents on the dollar is *not* parity. There are many policies that have been designed to explicitly reduce the pay gap. The Equal Pay Act, passed in 1963, prohibits employers from paying a woman less than a man for doing the same job. The following year, Title VII of the Civil Rights Act expanded the scope of anti-discrimination protections to hiring, firing, promotion, and most other conditions of employment. Affirmative Action was designed to go a step further, requiring government contractors and certain other employers to set formal goals and timetables to remedy the past underrepresentation of women and minority employees. These policies may help close the wage gap as women and people of color move into jobs that have historically been open only to men and non-minorities and are thereby able to receive the higher salaries associated with these jobs.

The pay gap remains, however, partly because of the high degree of segregation of women and men into different types of jobs. As a result, another policy approach, comparable worth, has drawn growing attention as a possible means to eliminate the wage penalty for working in a predominantly female and/or minority occupation. In this brief article, I use statistical analysis of recent government data to explore the possible impacts of adopting comparable worth policies in New York. My results suggest that, if the current comparable worth legislation proposed in New York State were to become law, there is great potential for it to reduce the wage gap and especially benefit low-wage workers, while not causing an excessive burden on employers. Implementing comparable worth would likely mark an important step toward closing the gender wage gap and toward boosting pay for women and minorities in the low-wage labor market.

#### **What is the Pay Gap in New York?**

In New York City and in New York State, there is a pay gap between men and women and between minorities and non-minorities. Figures 1 and 2 show median earnings per week for workers ages 16 to 64, subdivided by skill levels, in the New York City metro area and in all of New York State. In New York City, median earnings per week for full-time workers are \$60 more for men than for women. The ratio of female to male earnings is smallest in occupations where most jobholders have a college degree and highest in low-wage occupations. This is consistent with trends in the United States as well. Nationally, in 1994, full-time women with less than a high-school degree earned 72.2 cents on the dollar relative to their male counterparts while women with a college degree or more earned 67 cents on the dollar relative to similarly skilled men.<sup>2</sup> The wage gaps are larger in New York State than in New York City, as we can see when comparing Figures 1 and 2. (See Appendix A for a more detailed description of these three skill groups.)

Figures 3 and 4 show that African-American women have lower earnings ratios, relative to all male workers, in the higher-skilled groups than do white women. This indicates that African American women may be more likely to experience the “glass ceiling” in high-skilled occupations as they are unable to either move up the job ladder or are underpaid relative to their white peers. Low-wage African-American women fare better compared to all men in both New York City and New York State.

New York State does relatively well on gender inequality compared to the national average. The state's gender earnings ratio is .80 while the national ratio is only .74.<sup>3</sup> This better overall position for women, however, is largely due to the very low wages of minority men, rather than the relative gains made by women.

## How Do We Explain the Gender Wage Gap?

There are three main economic factors that explain the wage gap. First, women and men tend to have different levels of educational attainment and on-the-job tenure. Working women today are more likely than working men to have attended and completed college, but men tend to have longer job tenure.<sup>4</sup> Second, there are differences in the occupations held by men and women and different racial/ethnic groups. Occupations in New York City and New York State are still highly segregated and this affects the pay gap. In New York City, nearly 50% of women work in occupations where over 70% of the jobholders are women. Women in female-dominated occupations earn \$86 less per week than do other female workers. Occupational segregation allows employers to pay workers different wages based on the gender and race of most of the occupants, although the skill requirements of the jobs may be identical to jobs that pay higher but where the occupations are male and/or non-minority.

As important as these two sets of factors are, recent empirical research has found that they can only explain, at most, about two-thirds of the average male-female wage gap. This suggests that as much as one-third of the average pay differential between fully employed men and women is attributable to a third explanatory factor: gender discrimination.<sup>5</sup>

## What is Comparable Worth and How Does it Work?

Comparable worth policy does not address the issue of men and women doing *the same work for different pay*, which the Equal Pay Act already outlaws. Rather, it focuses on the persistence of men and women doing *qualitatively different, but comparable work for different pay*. It aims to remedy this aspect of the discrimination problem by eliminating the wage penalty for working in a predominantly female and/or minority occupation. Supporters of comparable worth point out that jobs that have historically been designated as “female,” such as child care workers, nurses, or secretaries, may have just as high skill requirements as historically male jobs, although they may be remunerated far less. One example of this is zookeepers, who are paid far less relative to childcare workers. Another example is nursing, which although it is highly skilled has historically not been a highly paid occupation.<sup>6</sup> Female and minority occupations pay less because of the gender and/or race of the occupants, not necessarily because of the skill requirements of the jobs. Thus, there is a wage penalty for working in a predominantly female occupation—a penalty that all workers in that occupation experience.

In those areas of the U.S. where comparable worth remedies have been adopted so far, they are typically applied within a given firm or statewide civil service.<sup>7</sup> The first step is to conduct a job evaluation study that assigns points, based on a uniform set of criteria, to jobs in the each establishment based on their skill and tenure requirements. These points are used to determine if jobs typically held by women or minorities are underpaid. In this way, the comparable worth plan seeks to introduce a pay structure based on merit, not the gender or race of the job occupants.

Critics have charged that using such a method to compare different jobs is impractical and interferes with the natural workings of labor markets. Nevertheless, many large private businesses and government agencies have for years successfully relied on job evaluation schemes to set compensation levels.<sup>8</sup> In general, comparable worth plans are implemented over a period of years as a part of normal annual pay increases. Workers whose pay has been historically undervalued receive higher pay increases over time than other workers to “catch up” to where their pay should be with respect to other workers. Because of this, the costs of comparable worth are borne out over several years and do not pose an undue financial burden for employers. In no case have worker’s wages been cut to implement comparable worth.

Where comparable worth has been implemented, the effects on pay inequality have been large and the costs have been relatively small and distributed over a number of years. The Institute for Women’s Policy Research (IWPR) found that of the twenty states that have implemented comparable worth in their civil services since 1989, all increased their female to male wage ratios. Statistical analysis done in three of these states found that comparable worth was implemented without substantial negative side effects such as increased unemployment. The costs to states that have implemented comparable worth in their civil services range from 1 to 11.8% of the state’s payroll, with the average at 4%.<sup>9</sup>

The comparable worth plans that were found to be the most cost effective were ones that targeted underpaid female-dominated occupations, rather than an attempting an overhaul of the entire civil service pay structure. No state that used targeting spent over 3.5 percent of its wage bill on comparable worth programs. This type of approach is also very effective at reducing the pay gap: of the six targeting states, the IWPR found that all had some wage ratio improvement and three of them had wage ratio improvements of five percentage points or more.

A typical case is that of Minnesota. In 1982, the state of Minnesota implemented a comparable worth plan for its state employees. The average pay increase for those women who were affected was \$2,000 per year. The wage adjustments were phased in over four years and cost only 3.7 percent of the State’s payroll. Overall, women’ pay increased by approximately nine percent with no significant impact on employment for women within the state system.<sup>10</sup> The benefits to the individual women who received pay raises were large, but the costs to the state overall were relatively small.

The report by Hartmann, Allen, and Owens, *Equal Pay for Working Families*, discusses the costs of wage discrimination for working families and suggests comparable worth as an appropriate remedy. This report finds that nationally, if married women were

paid the same as comparably skilled/tenured men, their family incomes would rise by nearly six percent, and their families' poverty rates would fall from 2.1 percent to 0.8 percent. If single working mothers earned much as comparably skilled/tenured men, their family incomes would increase by nearly 17 percent, and their poverty rates would be cut in half, from 25.3 percent to 12.6 percent. If single women earned as much as comparably skilled/tenured men, their incomes would increase by 13.4 percent, and their poverty rates would be cut from 6.3 percent to 1 percent.<sup>11</sup>

### **Forecasting the Potential Effects of Comparable worth**

Economic forecasting has been used by researchers to evaluate the overall economic effects of comparable worth. Since these policies have only been implemented on a large scale in civil service jobs in the United States, forecasting is a preferable method to studying the potential effects of the policy. Deborah Figart and June Lapidus estimate that if a comparable worth plan were implemented nationwide, it would significantly reduce the number of women who are working but poor. They find that if all employers were covered, comparable worth would virtually eliminate the gap between male and female poverty. Further, if all firms who have 25 or more employees implemented comparable worth, this would do more to lift full-time working women out of poverty than a \$0.50 increase in the minimum wage.<sup>12</sup>

To forecast the effect of implementing comparable worth in New York, we begin from the hypothesis that the “percentage women” in an occupation lowers wages, all else equal. Given that women who work in female-dominated jobs earn less, all else equal, this a reasonable assumption. Comparable worth remedies seek to eliminate the wage penalty associated with the percentage of women in an occupation. Thus, we can study how wages change when the “percentage women penalty” is set to zero. Further, comparable worth plans generally require that no worker's wages be lowered. To be consistent with this, we predict wages given that no worker's pay is lowered—that is, if a worker's actual pay is higher than their predicted pay, they keep their actual pay.

Figures 5, 6 and 7 show actual average wages in 1997 and what predicted wages would be if comparable worth were implemented—that is, if the percentage women penalty were set to zero—for all workers, white workers, and African American workers, respectively. For all workers, the predicted wages are an average of 26% higher for women and 22% higher for men in New York City. The largest gains would be for African American women, whose wages would potentially be 36% higher than their actual wages in New York State overall, as shown in Figure 7.

Figure 8 shows what would happen to the gender earnings ratios. For all workers, the female to male earnings ratio would potentially increase from .89 to .92 in New York City, and from .80 to .86 in New York State. African American women would be brought near to parity with African American men, but still receive only 82 cents on the dollar relative to all men in New York City and only 76 cents on the dollar in New York State.

The positive effect of eliminating the percentage women penalty is that low-wage workers would benefit more than would higher-paid workers. In the New York City area, 24% of women and 25% of men earned less than \$300 per week—a reasonable poverty threshold for weekly wages in the city.<sup>13</sup> If the comparable worth plan were implemented, 15% of women and 15% of men would earn under this poverty threshold. We can conclude that, for both New York City and New York State, the estimates of predicted wages under comparable worth show that this policy would significantly reduce poverty, help low-wage workers, and have a positive effect on the gender earnings ratio.

### **Policy Agenda**

Comparable worth is currently a part of the New York State legislative agenda and similar bills are being considered in over 20 other states. One New York State bill, Nolan A6832, states that eliminating discrimination in pay based on sex, race and national origin would have positive effects. This would provide a solution to some of the social problems caused by discriminatory low wages. Eliminating such discrimination would reduce the number of working women and people of color earning low wages, thereby lowering their incidence of poverty during normal working years and in retirement.

The legislation would make it illegal to pay “wages to employees at a rate less than the rate paid to employees of the opposite sex or of a different race or national origin for work in equivalent jobs” or pay “wages to employees in a job that is dominated by employees of a particular sex, race or national origin at a rate less than the rate at which such employer pays to employees in another job that is dominated by employees of the opposite sex or of a different race or national origin.” The bill implements comparable worth within firms rather than across the entire labor market, which is consistent with previously implemented comparable worth plans. Further, this legislation would:

- Prohibit pay differentials between women and men and between minority and non-minority workers in jobs that are equal within the meaning of the federal Equal Pay Act, or that are equivalent in their overall composite of skills, effort, responsibility, and working conditions. The exception is where differentials are based on seniority, merit, or piece rate systems or other non-discriminatory factors;
- Require employers to periodically make a written disclosure to each employee, informing that employee of her job title, wage rate and how the wage is calculated;

- Bar employers from retaliating against an employee because the employee has opposed an unlawful pay practice or has inquired about her own wages and/or discussed wages with others;
- Require employers to maintain wage records and file periodic reports with appropriate state agencies; and
- Provide for administrative and judicial enforcement of the Act and authorize injunctive relief as well as back pay, compensatory and punitive damages, attorneys' fees for violations.

Since implementation of the Nolan bill would be based on individual court actions, it is likely that remedies would target the comparable worth issue, rather than systemic overhauls of an employer's entire pay structure. Thus, it is likely to be in the "less costly" range of remedies.

The scope of the solution in the Nolan Bill is small relative to the wage inequality problem. However, this is a first step that will provide women and minorities with access to the information they need to bring suits against employers. It may push employers to raise the wages of historically undervalued jobs to prevent lawsuits and the law's wage disclosure provisions may help employers to understand how and where they underpay women and minorities. Further, it will help to cut down on frivolous lawsuits, as workers will have a clearer understanding of how their wages have been calculated. It may be a small measure, but it is a necessary step to reducing gender disparity in pay and helping women earn the money they need—and deserve—to support their families.

### Appendix A: The Skill Groups

The College-required occupations are those where at least 75% of the employees have a college degree. They are: (1) Administrators and Officials, Public Administration; (2) Other Executive, Administrators, and Management; (3) Management Related Occupations; (4) Engineers; (5) Mathematical and Computer Scientists; (6) Natural Scientists; (7) Health Diagnosing Occupations; (8) Health Assessment and Treating Occupations; (9) Teachers, College and University; (10) Teachers, Except College and University; (11) Lawyers and Judges; (12) Other Professional Specialty Occupations; (13) Health Technologists and Technicians; (14) Technicians, Except Health, Engineering; (15) Sales Representatives, Finance, and Business.

Low-wage occupations are the 10 lowest paid occupations. They are: (1) Private Household Service Occupations; (2) Food Service Occupations (3) Health Service Occupations; (4) Cleaning and Building Service Occupations; (5) Personal Service Occupations; (6) Construction Laborers; (7) Freight, Stock and Material Handlers; (8) Other Handlers, Equipment Cleaners, and; (9) Farm Workers and Related Occupations; (10) Forestry and Fishing..

Skilled, non-College occupations are those that require skills, but where the occupants do not necessarily have college degrees. They are: (1) Engineering and Science Technicians; (2) Supervisors and Proprietors, Sales Occupations; (3) Sales Representatives, Commodities, Etc.; (4) Sales Workers, Retail and Personal Services; (5) Sales Related Occupations; (6) Supervisors - Administrative Support; (7) Computer Equipment Operators; (8) Secretaries, Stenographers, and Typists; (9) Financial Records, Processing Occupation; (10) Mail and Message Distributing; (11) Other Administrative Support Occupations; (12) Protective Service Occupations; (13) Mechanics and Repairers Construction Trades; (14) Other Precision Production Occupations; (15) Machine Operators and Tenders, Except Pr; (16) Fabricators, Assemblers, Inspectors, and; (17) Motor Vehicle Operators; (18) Other Transportation Occupations and Mat; (19) Farm Operators and Managers.

Table 1 shows the distribution of workers by gender among the three skill groups in 1997. Women are more likely to be in the college-required group and less likely to be in the low-wage group, relative to men, even though median female earnings are less than men's.

**Table 1: Percent of Workers, by Gender, New York City MSA, 1997**

	College-required	Skilled, non-College	Low-wage
Percent of Male Workers	33%	47%	21%
Percent of Female Workers	41%	41%	18%

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997. Sample includes wage/salary earners (not self-employed) ages 16 – 64.

### Appendix B: Regression Analysis

To estimate the effects of comparable worth, I ran two regressions for full-time (more than 35 hours per week) workers ages 16 - 64:

$$\ln W_f = \beta_0 + \beta_1 X_f + \beta_2 Z_f + \varepsilon$$

$$\ln W_m = \gamma_0 + \gamma_1 X_m + \gamma_2 Z_m + \varepsilon$$

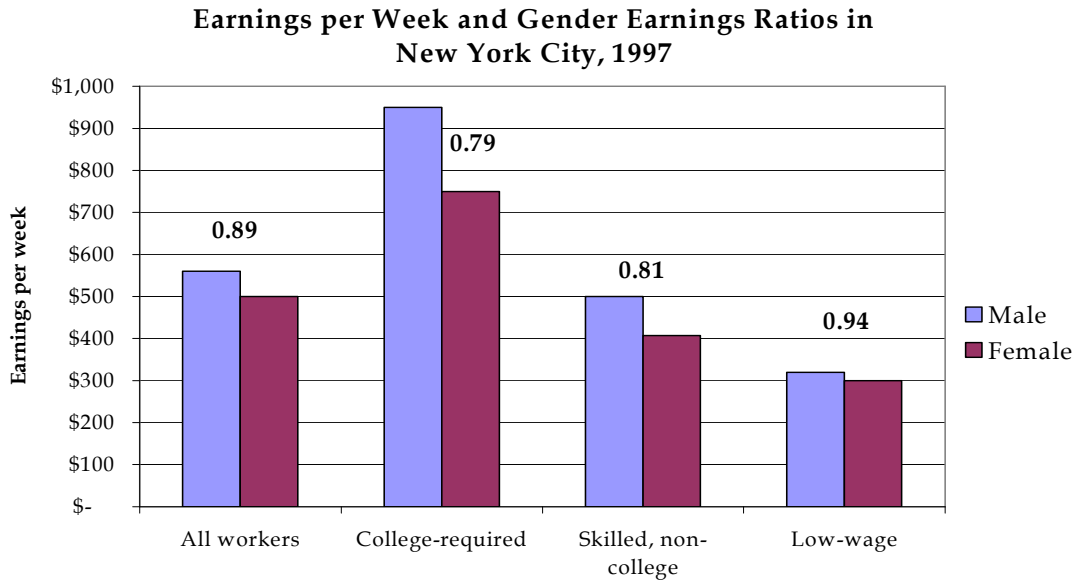
Where the subscripts  $f$  and  $m$  are for female and male, respectively;  $\ln W$  is the log of earnings per week;  $X$  is a vector of individual

characteristics that are commonly thought to affect wages (educational attainment, age and its square, dummies for union membership, marital status, citizenship, sector, and industry and occupational dummies); and  $Z$  is the percentage of the occupation that is female. Data come from the U.S. Census Bureau's Current Population Survey Outgoing Rotation Group Files for 1997.

To estimate how gender segregation affects wages, I calculate the predicted wage with  $Z$  equal to zero. Thus, I predict the wage for each worker without allowing the percentage of an individual's occupation that is female to have an effect on his or her earnings.

The effects of "percentage women" in an occupation on earnings are negative in both the New York City MSA and New York State. For the NYC metro area in 1997, the percentage of women in an occupation lowers wages by a factor of -.23 for women and -.18 for men. For New York State, the percentage of women in an occupation lowers wages by a factor of -.30 for women and -.26 for men. Full summary statistics and regression estimates are available from the author on request.

**Figure 1**

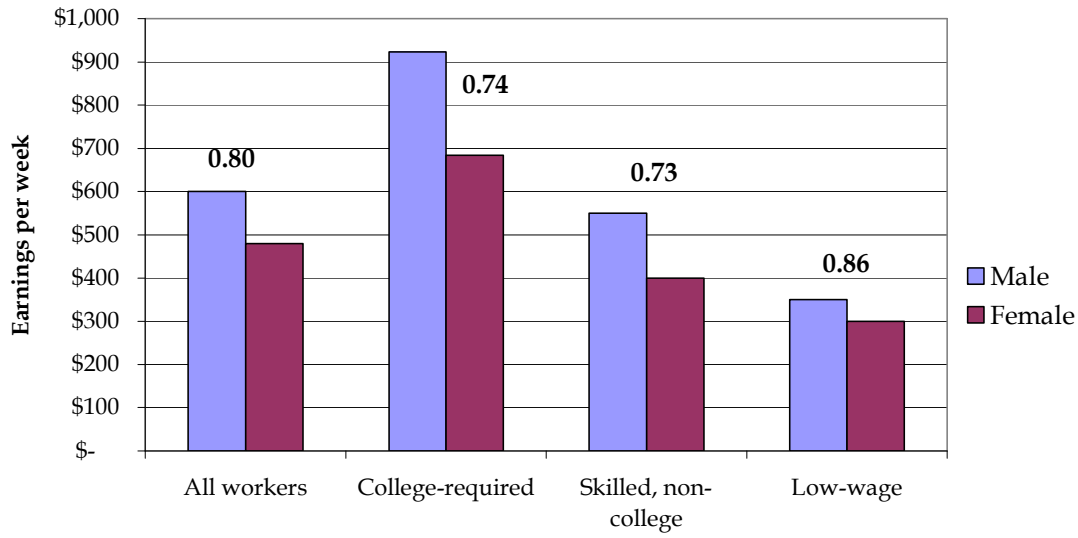


The numbers above the bars indicate the ratio of female to male weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 2

Earnings per Week and Gender Earnings Ratios  
in New York State, 1997

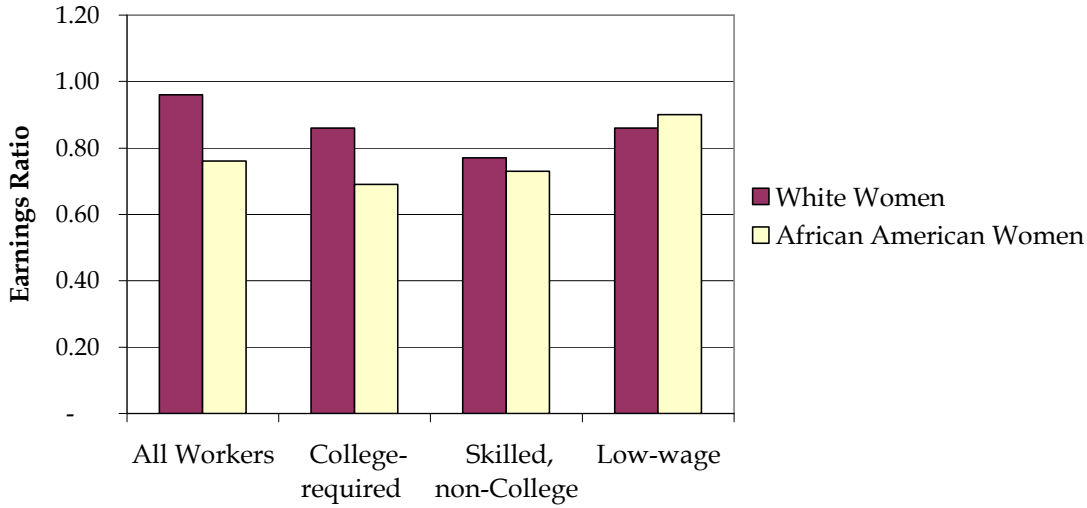


The numbers above the bars indicate the ratio of female to male weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 3

**Earnings Ratio Relative to All Men  
New York City, 1997**

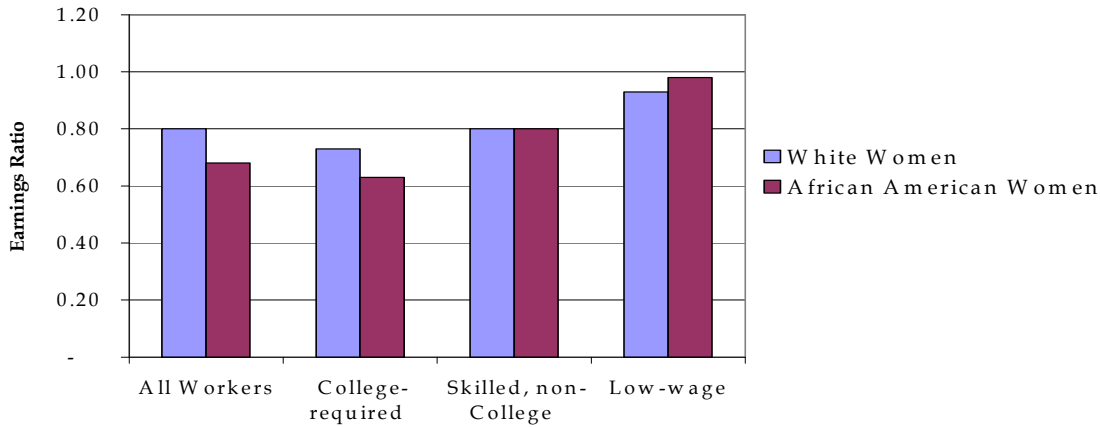


Ratio calculated from weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 4

**Earnings Ratio Relative to All Men  
New York State, 1997**

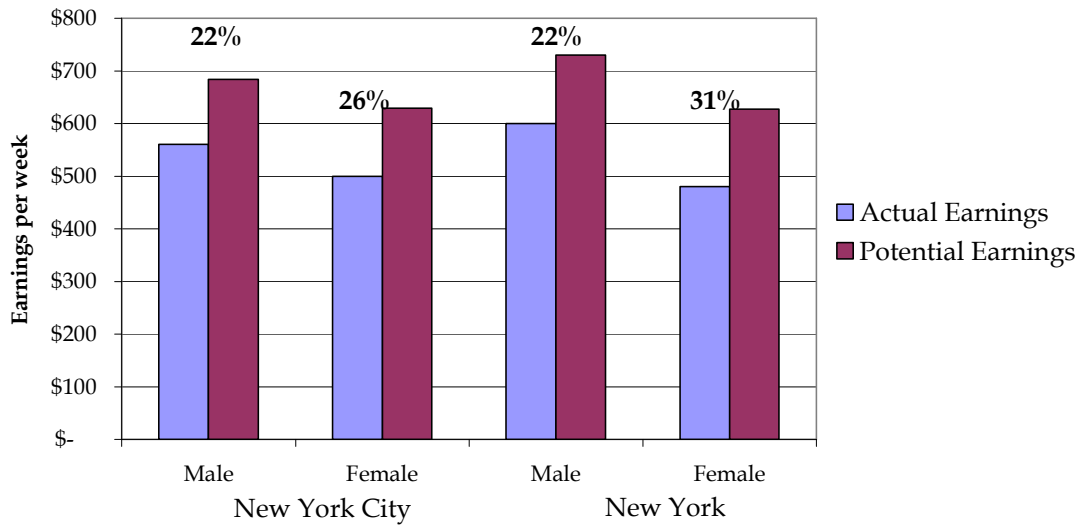


Ratio calculated from weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 5

### Potential Increase in Earnings for All Workers with Comparable Worth Legislation

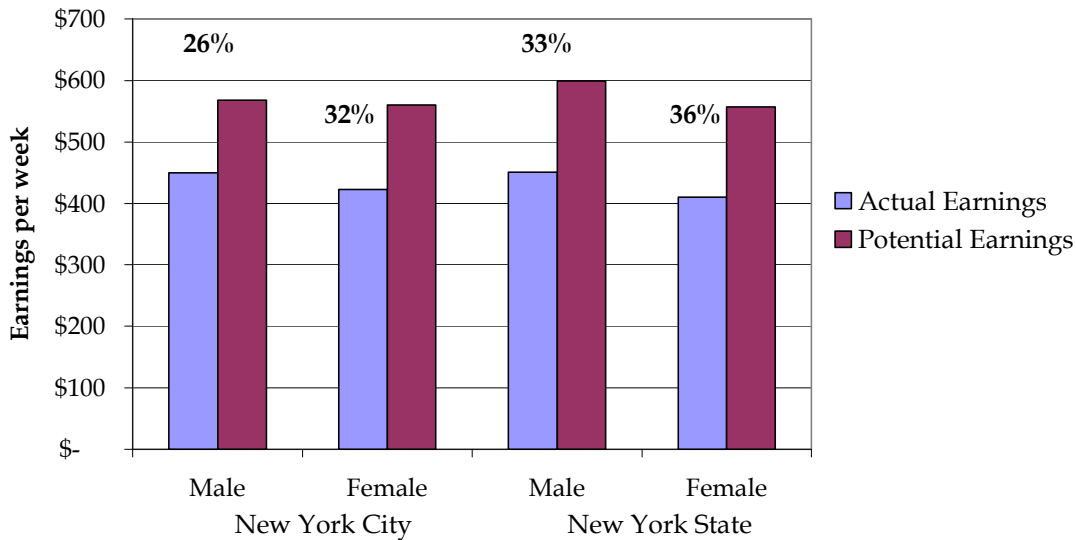


Percentages indicate the potential increase in weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 6

### Potential Increase in Earnings for African American Workers with Comparable Worth Legislation



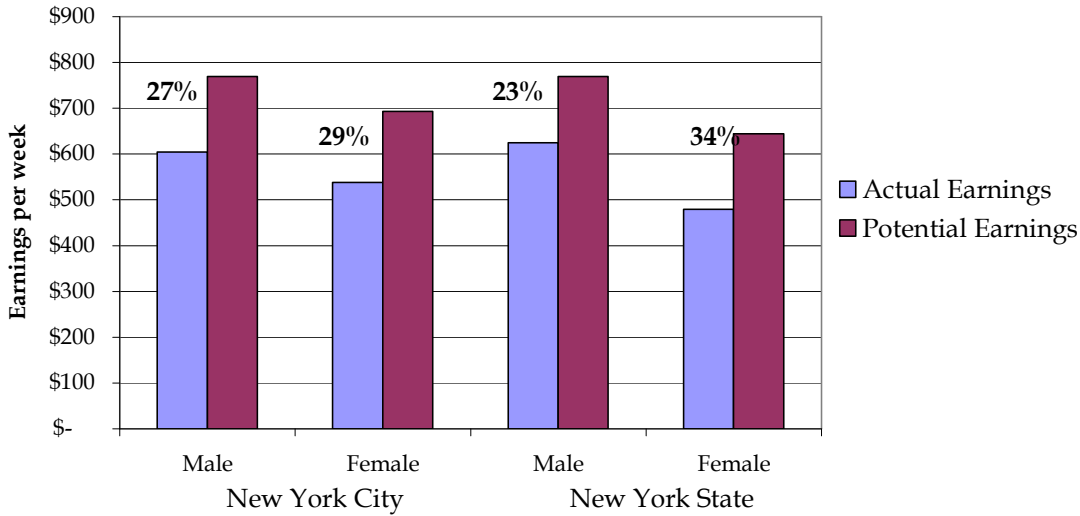
Percentages indicate the potential increase in weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.



Figure 7

Potential Increase in Earnings for White Workers with Comparable Worth Legislation

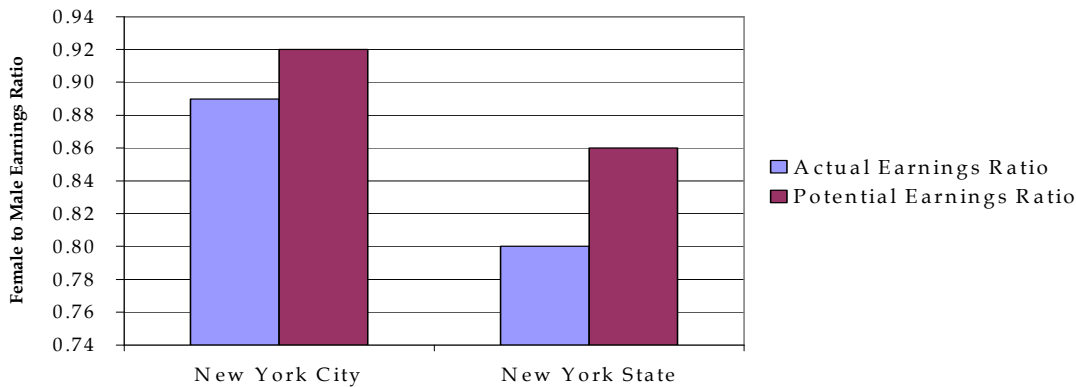


Percentages indicate the potential increase in weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

Figure 8

Potential Increase in Earnings Ratio with Comparable Worth Legislation



Ratio is calculated from weekly earnings for full-time wage and salary earners (not self-employed) ages 16 to 64.

Source: Author's analysis of Current Population Survey Outgoing Rotation Group Files, 1997.

NOTES

<sup>1</sup> Francine Blau, "Women's Economic Well-being, 1970-1995: Indicators and Trends," *Focus* Vol. 20, no. 1 (Winter) 1998-99, p. 7.

<sup>2</sup> *Ibid.*

<sup>3</sup> Heidi Hartmann, Katherine Allen, and Christine Owens, *Equal Pay for Working Families: National and State Data on the Pay Gap and Its Costs*. (Washington, DC: AFL-CIO and the Institute for Women's Policy Research, 1999). Estimates are for full-time workers in 1997.

<sup>4</sup> In the New York City metro area, 62% of all working women and only 51% of all working men in 1997 had some college or more while 38% of working women had at least a college degree, compared to only 31% of working men (Author's calculations from the Current Population Survey Outgoing Rotation Files). The NYC MSA includes the city's 5 counties, plus Putnam, Rockland, and Westchester counties.

<sup>5</sup> Francine Blau, et.al., *The Economics of Women, Men, and Work*, 3<sup>rd</sup> ed. (Saddle River, NJ: Prentice-Hall, 1998).

<sup>6</sup> Barbara Bergmann, "Does the Labor Market for Women's Labor Need Fixing?" *Journal of Economic Perspectives* Vol. 3 (Winter), 1989.

<sup>7</sup> Comparable worth is not a U.S. invention. Canada's Ontario Province passed a province-wide comparable worth law in 1988, which requires that female job classes and male job classes of comparable value be paid the same job rate. Studies of the effects of the law show that adjustment amounts vary widely across employers, but ranged from an average of 1 to 1.25% of total payroll in 1991 to an average of 5.12% of total payroll in 1989/90 (Canadian Facts, *Outcomes of Comparable worth for Organizations Employing 50-99 Employees in Ontario* Toronto, Ontario, 1993.)

<sup>8</sup> For a review of the comparable worth debate and past research findings, see Blau, et.al., *ibid.*: ch. 7, and the studies cited therein.

<sup>9</sup> Institute for Women's Policy Research, *Comparable Worth and the Wage Gap: Success in the States* (Washington D.C.: IWPR, 1999).

<sup>10</sup> This information is from the National Committee on Comparable worth.

<sup>11</sup> Heidi Hartmann, Katherine Allen, and Christine Owens, *ibid.*

<sup>12</sup> Deborah Figart and June Lapidus, "A Gender Analysis of U.S. Labor Market Policies for the Working Poor," *Feminist Economics* Vol. 1(3), 1995, pp. 60-81.

<sup>13</sup> The poverty line for 1997 for a family of three was \$12,931 and \$16,276 for a family of four. If someone earns \$300 per week and works for 50 weeks out of the year, they earn \$15,000. Given that the cost of living in New York City is higher than average, I used this as the poverty threshold. \$206 is the minimum wage.

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*REGIONAL LABOR REVIEW, vol. 3, no. 1 (Fall 2000): 29-35.*

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