

Central Intelligence Agency



Washington, D. C. 20505

28 January 1986

[Redacted]

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Palo Alto, California 94306

Dear [Redacted]

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I have again looked at your article on Mexico and have decided, with the Director's concurrence, that you may submit it for publication as a Hoover Monograph -- subject to suggested fixes I mentioned on the telephone. Frankly, we are still a little uncomfortable with this, as we would be uncomfortable with any analyst writing on issues of contemporary significance. However, given the changes you have already made and the means of publication, we hope that any negative reaction will be limited. Please be sure that the publication, if it identifies you as an employee, explicitly also states that the views therein are your own and not those of either the Agency or the US government.

Sincerely,

[Redacted Signature]

25X1

Robert M. Gates
Deputy Director for Intelligence

DDI/RMGates [Redacted]

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Central Intelligence Agency
Office of the Deputy Director for Intelligence

17 January 1986

NOTE TO:
DD/OCR

STAT

The DCI is thinking about letting
 publish his Mexican paper in a Hoover
Press publication (see attached). This
publication has a limited dissemination
and the appropriate disclaimers would be
printed. What do you think?

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Robert M. Gates
Deputy Director for Intelligence

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WOMEN AND COMPARABLE WORTH

Rita Ricardo-Campbell

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WOMEN AND COMPARABLE WORTH

Rita Ricardo-Campbell

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Hoover Monograph Series

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First printing, 1985

Manufactured in the United States of America

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WOMEN AND COMPARABLE WORTH

Despite the feminist movement and spread of affirmative action programs, full-time working women have not substantially increased their earnings relative to full-time working men in the United States. Why is this so, especially when this sex-earnings ratio has narrowed significantly in other industrialized countries?

The ratio of full-time working women's annual earnings relative to men's increased to 62 percent in 1983 compared to 59 percent in immediately recent years. However, that ratio has hovered around 60 percent over the last several decades. The ratio peaked at 63.9 percent in 1956, reached a low of 56.6 percent in 1973 and was 62 percent in 1983. A similar ratio of median weekly earnings of experienced, full-time earners was, during the second quarter of 1983, 66 percent, reflecting six consecutive years of a one percent rise. "The near stability of wage differentials [by sex] in the U.S. ... turns out to be an exception in our [twelve industrialized countries] international comparisons,"¹ states Columbia University professor Jacob Mincer in a 1985 article.

The use of average earnings, unadjusted for age, hides among full-time workers that younger women earn more relative to men than do older women. In 1983 the earnings of women 20-24 years were 78 percent of average earnings of men who were in the same age bracket, and for those

25–34 years, that ratio was 73 percent.² Younger women entering the labor force have more education relative to men than older women in the labor force. Women are also gaining in number of years of experience, because most women are not leaving the labor force when they bear their first child. The data indicate that earnings of all full-time working women will, in the future, be rising faster than those of all full-time working men.

Moreover, if the earnings data are changed into wages per hour data to reflect the fact that full-time working women average 9 percent fewer hours than full-time working men, the 62 percent earnings ratio of 1983 becomes somewhat higher. If a man and a woman each earn \$5 per hour, and the man works 40 hours, he will receive \$200. If the woman works 10 percent fewer hours, 36 hours, she will receive \$180. There is no wage discrimination involved, but the ratio of earnings is 90.

It is not that women work fewer hours than men on a given job for a specific company with scheduled hours, but rather that women are concentrated in industries and occupations where a full-time work week is defined as 35 hours. For example, common in clerical work is nine to five with one hour for lunch or a 35-hour week versus the hours worked in production, eight to four-thirty with a half-hour for lunch, or a 40-hour week.

The concept of “comparable worth” of a job apart from its market price implies two things: that jobs have a fair or just price (an idea commonly held in the Middle Ages for products and services) and also that it is possible to measure the fair price or worth of jobs and thus compare them.

Adam Smith’s “diamond-water paradox” illustrates the fallacy that goods and services have an intrinsic value which should set the price that society pays. Adam Smith asked “Why is a cup of water worth less than a small diamond?” Water is necessary to life, but water is relatively abundant. Diamonds are not necessary to life but they are very scarce. Similarly, a nurse’s services can be more valuable to a particular person at a specific moment than a tree-trimmer’s services. But the market price of the nurse is determined by the value of the last nurse hired, not that of the first nurse, or the average of all nurses hired. Nurses are hired until the last one hired adds in value an amount equal to her additional cost. The supply as well as the demand affects the price. But intrinsic value, just price and comparable worth are all concepts that ignore the influence of supply on market prices.

A common measure for the value of each job is sought under “comparable worth” to compare the relative values of different occupations. Although Webster’s New Collegiate Dictionary (1977 edition) defines “comparison” in terms of “similar,” “like another,” and “equivalent,” the popular usage of comparable worth is to compare non-alike jobs by assigning

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points for broad, common factors, such as skill, problem-solving, physical effort, accountability and working conditions, and then totalling the points. The broad factors chosen may not be mutually exclusive and thus sub-factors common to more than one broad description can have a multiple effect. If each broad factor has the same maximum number of points, then each is artificially weighted as equal. Problems with this measure are discussed later under the heading "job evaluation plans." To believe that "comparable worth" is not a logical method to determine wage rates does not rule out that discrimination exists. For example, a recent *Roper Report* (83-10) asked individuals to respond to whether they think that a "specific kind of occupation . . . should be pretty much restricted to men, pretty much restricted to women or *equally open* to both men and women" (my italics). Twenty percent answered that the job of auto company executive and 21 percent the job of electronic engineer should be restricted to men. Thirty-eight percent believe that the job of airline pilot should be restricted to men; 41 percent, police officer; 56 percent, construction worker; and 59 percent, firefighter. For these and other job categories persons 60 years and older who were queried would restrict entry for women by even greater percentages. Thirty percent would restrict the auto company executive job and 32 percent the electronic engineer. Obviously, social acculturation acts to bar women from entering specific jobs.³

Sex-Earnings Ratio in Other Countries

Other industrialized nations have already experienced a decreasing average earnings differential by gender. The ratios of full-time women workers' hourly earnings to full-time men workers' hourly earnings in manufacturing have narrowed in Sweden and Italy to 90 and 83 percent, respectively.⁴ In Australia, the ratio of full-time working women's to men's earnings was 76.5 percent in 1980.⁵ Why do such substantially different experiences from that of the United States occur?

In 1975, the Australian Federal Tribunal adopted a formal policy of "equal pay for work of equal value." The Australian government sets, through tribunals, minimum "award" rates for hundreds, even thousands, of jobs. This is wage regulation. Australia's female to male earnings ratio for full-time workers moved from 58 percent in 1969, when "equal pay for equal work" was introduced, to 71 percent by 1974 and jumped to 76 percent in 1975, where the ratio hovers, even with the comparative worth law. This ratio is very close to a projected ratio of 74 percent for the United States by the year 2000,⁶ when current factors of more education, greater

commitment by women to the labor force and freer entry to male-dominated occupations will have had a substantial effect. A correction for full-time women workers averaging 9 percent fewer hours than full-time men workers in the United States and 7 percent less in Australia does not substantially reduce either country's earnings gap differential.

In Australia as in the United States, full-time, nonmanagerial women workers work fewer hours than men: in 1980, 38.4 hours per week while men worked 40.9 hours; the difference accounts for about 7 percent of the Australian wage earnings gap.⁷ Occupational segregation continues in that country as it does here, but there was in Australia after 1975 a noticeable shift of women workers into government jobs and a substantial increase in the number of female part-time workers. In some instances these two factors are linked. For example, the government of New South Wales offers permanent part-time work to women returning from maternity leave. The ratio of the hourly earnings of part-time female workers to part-time male workers in private industry has been consistently higher in Australia than the comparable ratio for full-time workers. The part-time hourly earnings ratio by sex was 72 percent in the 1960s compared to 58 percent for full-time workers. The part-time workers' earnings ratio by sex from 1975 through 1980 reached the low 90 percent range and then fell to 86 percent in 1981.⁸ Ninety percent of the increase in the number of Australia's female workers over the past two decades has been among part-time workers. In Australia, where only 45 percent of women work, a low 16 percent of the female labor force work part-time. Australia is a highly unionized country and its labor unions are against extending shopping hours into the evening and beyond Saturday mornings of the weekend. As one Australian economist has commented to me, "If women are assigned the chore of shopping and shopping is allowed only during normal work hours, then women are limited in their job opportunities."⁹ Illustrative of the perception of women's role in the Australian economy is the denial of unemployment benefits to women workers whose husbands are working.

In Sweden, 85 percent of women work and 55 percent of them work part-time. United States data lie between, with 60 percent of women working and 30 percent of these (including teenagers) working part-time. For comparative purposes, it should be noted that primarily because of retirement, only 78 percent of men work.

A recent narrowing of the wage gap by sex occurred in Sweden when income taxes on a family basis were changed to an individual basis. Because of very high marginal rates the second worker had been discouraged from working. Today, second workers in families, and especially in those families where the primary worker earns a middle or high income, have a strong

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incentive to work, and they are entering the labor force in large numbers. Wives of high earners usually earn more than the average for all wives. The range of wage rates among full-time workers in Sweden is less than in the United States and the unionization of occupations in which women primarily work is greater. Because the U.S. income tax is based on family not individual income, the marginal rate on earnings of the second worker continues to be high.

In many industrialized countries recent increases in the number of women workers have occurred primarily in part-time jobs, while in the United States it has been mainly in full-time jobs. The reasons for this are varied and some may be unknown. The expansion of government jobs is greater in the welfare-state economies than in the United States and part-time jobs are more common in their governments. The supply of full-time women workers in Australia and Sweden has not greatly increased but that supply exploded in the United States in response to the growing demand by the service industries. This places downward pressure on full-time women's earnings. In countries where the new additions to the female labor force were primarily part-time workers the earnings of female workers relative to males rose in both part-time and full-time worker categories.

Part-Time Work in the United States

In the United States, 32 percent of women workers (including teenagers) in 1970, and 28 percent in the mid-1980s, work part-time and about 70 percent of them prefer part-time work. Among men 20 years and over, 8.0 percent worked part-time in 1982, compared to 4 percent in the mid-1960s.¹⁰ Only half of male part-time workers prefer those hours to full-time work. Among males, self-selection into part-time work may stem from lesser human capital, education and experience, when compared to that of male, full-time workers. In 1979 male part-time workers averaged \$3.20 per hour, and full-time workers nearly double that amount, \$6.25 per hour.¹¹ Among women, part-time workers earn about the same as full-time workers, each close to the minimum wage. It is possible that some men who work part-time may, irrespective of age, have lower energy levels or more health problems than full-time male workers.

Young persons who work part-time often combine going to college with work. The comparative number of younger men with lesser job experience may be disproportionately greater among part-time workers than among full-time workers. That the woman who works part-time earns on the average nearly as much as the man who works part-time does not mean

that part-time female workers earn more per hour than full-time female workers. It primarily reflects that part-time male workers earn much less than full-time male workers. In 1979, part-time women workers in the United States, on the average, earned only \$3.21 per hour and full-time women workers an average (median) of \$3.98 per hour.¹²

Part-time work in the United States does not pay well whether the worker is a man or a woman. Part-timers are usually confined to the lowest-paying jobs. Women who work part-time may have the same amount of human capital as women working full-time, but many of them wish to combine, more easily than full-time work permits, marriage, children and a job. Comparative output per hour between part-time and full-time workers is unknown.

Older women and older men may be more heavily represented among part-time workers than among full-time workers. Although by 1980, 41 percent of women 55–64 years were working in the U.S. and 72 percent of men in that age group, only 8 percent of women 65 years and older and 19 percent of men were working.¹³ About one-fifth of part-timers are “moonlighters,” that is, have more than one job.

Economists Explain

Wage rates are determined by the supply of and the demand for a specific kind of labor. The market wage rates being paid to women appear to be high enough to attract sufficient numbers of workers. Women have entered the labor force in record numbers during the past ten years. Yet, unemployment rates among women are lower than among men. Women who believe that they are underpaid can, and many do, seek other jobs. The restrictions on entry to male-dominated occupations have lessened, but in the past informal and formal barriers have kept some women out of higher-paying jobs. To the degree that employers are more willing to invest money to train men employees in-house rather than equally competent women employees, the latter's promotion opportunities are limited. The effect of past restrictions, which have greatly lessened, is still seen.

The traditional economist explains that although women earn less than men that, in the long run, women as do men, receive the increments in value of the product that their work produces. Because women on the average bring less human capital in terms of education, skills and experience to the labor force the value of their products is less. Additionally, women work fewer hours even in full-time jobs and are concentrated in less productive occupations than men. As women become better educated and

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more enter higher-paid occupations the average wages paid full-time, working women will rise. A recent study estimates that by 2000 the sex ratio of earnings will be at least 74 percent, reflecting the continuing increase in the work experience of women. The estimate is conservative because it does not reflect probable greater investment by women in market skills.¹⁴

The marginal product line of argument assumes competitive labor and product markets. But there are structural rigidities in labor supply that affect the sex differential in wages. Unionization in the United States is more prevalent in the male-dominated industries of construction, steel and automobile production than among the female-dominated service occupations. That some union wages have been artificially edged upwards above competitive levels is supported by recent international trade data. U.S. automobiles and steel are not competitive largely because of high unit labor costs, both wages and fringe benefits. The male-dominated professions have, until recently, successfully discouraged entry by women, and it is claimed that psychological barriers still exist. Hazing of women in male-dominated occupations is still occasionally reported as being greater than that of men. Some married women with children and some men prefer the less demanding jobs, and thus lower-paying jobs, within a special occupation. There are no data to quantify to what degree preferences rather than discrimination account for existing occupational segregation.

The health sector, our third largest industry, is illustrative. It has a unique manpower ladder that restricts advances from lower to higher levels. Educational credits earned for lower level jobs do not count towards educational requirements needed for higher level jobs. Nurses with five-year degrees, for example, start at scratch in respect to formal education credits if they wish to become physicians. The gap in economic rewards between the female-dominated occupation of nursing and the male-dominated occupation of physician is very large. Physician organizations have been labeled "guild-like" associations by some economists. While the intermediate area of health care occupations includes "physician assistant" (male-dominated) and "general nurse practitioner" (female-dominated) the former, often with less training, receive more than the latter in civilian jobs, although in the armed services this is reversed. The military uses what is considered to be job evaluation. There is also historical precedent that sets the pay of military nurses as commissioned officers and physician assistants as non-commissioned officers. Barriers to entry have artificially reduced the supply of women physicians. Although increased enrollments in medical schools by women indicate that this is being gradually corrected, anecdotal evidence substantiates the statement made in a study for the Canadian Committee on the Healing Arts that "males normally dominate

the medical professions and seem to delegate to females jobs that require less responsibility and competence than their training would justify."¹⁵

Job Evaluation Plans

Large firms tend to use job evaluation plans that justify the structure of rates within their companies. Many such plans compare unlike jobs. A job evaluation plan describes factors common to all jobs and sets a range of points for each factor. The points assigned to different factors such as fatigue, mental composure, willingness to risk, accountability, education required, experience, etc., involve value judgments. A job is rated by summing up the total of points assigned to it for each broad factor, e.g., skill, effort, responsibility. Each broad factor usually is assigned the same number of maximum points thus weighting each equally. This creates an artificial scale that permits comparison of *unlike* jobs in terms of wage rates. The use of points or numbers gives an unreal preciseness to job evaluations.

Individual companies set hundreds and some even thousands of wage rates. Companies may use area wage surveys indicative of market supply and demand levels to determine the going wage rates for different jobs in their geographical areas. There is usually a lag between survey data and practice. Many jobs are unique to a given company in an area and for these jobs industry-wide surveys can be used to build rates into the wage schedule that is loosely tied to a job evaluation plan's specific wage rates. Experience with the number of applicants for a given job acts to check whether a wage rate is approximately equivalent to the market rate. If too few applicants of needed quality apply, the rate is increased; too many applicants, the rate is reduced. In practice the market rates, not the rationalized job evaluation rate, prevail over the long run.

Proponents of equal pay for jobs of comparable worth claim that many job evaluation plans, by the method used to measure component factors, favor male-dominated jobs. For example, skill is usually measured by experience. Skill could be measured by equivalent educational levels and/or knowledge displayed by testing. Until recently most men have had more experience than most women.

In some companies the government's *Dictionary of Occupational Titles* (DOT), which is designed to be used in vocational counseling, has been used to set relative wages. The fourth edition supplement (1982) of DOT carries a special disclaimer: "The United States Employment Service has no responsibility for setting wages or hours or for settling jurisdictional matters. In preparing occupational definitions, no facts concerning such

matters were collected. Therefore, the data contained in this publication cannot be considered as establishing standards for setting wages or hours or for settling jurisdictional matters.”¹⁶

That this formal note is considered necessary indicates that DOT has been used to set wages and it probably influences their relative levels. DOT assigns each position a number which indicates the difficulty or complexity of a particular job with the lower the number the greater the complexity. The first two numbers of DOT's three number code refer to “data” and “people” respectively, and the third to the job's relationship to “things.”

An example of the difficulties that DOT has in setting points using its “data, people and things” criteria follows. (The lower the number the more complex the job.) “Environmental analyst” (1982 supplement) has a “167” rating and “parking analyst” a “261” rating. The last digit refers to “things”; a “7” is the least complex, merely “handling,” while “1” is next to the most complex, here “precision working.” Both jobs are “analyst jobs” and although the descriptions vary, the range between “1” and “7” for “things” seems excessive. Obviously, job evaluation involves arbitrary decisions. Whatever job evaluation scheme is used, the user has difficulties in assigning points.

It is claimed that some existing government and company plans, many originally derived from the third edition of DOT, are out-of-date. The third edition (1965) of DOT has been charged with sex bias against traditionally female jobs, and the fourth edition (1977) is claimed by a National Academy Press publication to be free of sex bias.¹⁷ However, state and local governments and others that set rates in accordance with the earlier edition may not have changed the structural relationship of their wage rate structure to conform to the fourth edition.

An example of an outmoded definition of a factor is the one usually used for “fatigue.” Fatigue is often defined in terms of the physical effort required in using the large muscles. Fatigue, however, also occurs with eye-strain and concentration on detail. The female-dominated occupations have a much larger component of these latter attributes than do the male-dominated occupations.

Proponents of “equal pay for jobs of comparable worth” would weight differently the factors so that female-dominated jobs would gain in wage rates over those in male-dominated jobs. Because there are no fixed guidelines, job evaluation plans can be tailored to fit a specific goal. Hiring experience acts to check the “correctness” of a wage rate. If, however, the rate is too high, the excess of applicants will not necessarily set in motion corrective factors as when the job evaluation rate is below the market rate. The thousands of applicants who over the years have lined up for a chance

for a postal clerk job illustrate this. Government wage rates can be out-of-line with market wages, but they do not fall. Higher government labor costs result in higher taxes, not higher prices that slow demand for a product and thus for labor. Government wage rates appear to be even more rigid downwards than those in the private sector where labor unions may be strong.

For example, airline companies have been lowering the salaries of their pilots and flight attendants because their salaries are higher than what must be paid to attract sufficient applicants of the necessary quality. However, in many airline companies those with seniority are retaining their relatively higher wages, creating a two-tier wage structure; apparently unequal pay for the same work. Redefining of some jobs and seniority modifications may rationalize this process.

The Equal Pay Act of 1963 requires employers to pay the same wage to each person doing an identical job, but a bona fide seniority system creates a permissible exception. Lags in enforcing the Act exist and additional lags in effectiveness occur because of the bona fide seniority system exception. Private industry wage rates are probably more fluid downwards than government wage rates. As society moves to an information, service-oriented economy, claims that the existing job evaluation plans used by various levels of government are outmoded are mounting. Women continue to be concentrated in the service area occupations where growth is occurring. The number of new types of jobs in these areas requiring new rates is increasing. However, women are concentrated in the low-paying, computer-related jobs of data entry and computer operator. Of the higher-paid occupation of programmer one-third are women and one-fifth of the highest-paid, engineering-type, system analysts, are women. "The ratios of women's to men's earnings [in these four computer-related jobs] generally remained constant between 1970 and 1980" at 73 percent in the higher-paying jobs and 65 percent for the others.¹⁸ Not many women take courses in engineering.

Companies tend to promote from within and artificial barriers to in-house training courses can limit women's opportunities. Highly unionized industries such as steel, automobile, petroleum, and heavy equipment manufacturing are male-dominated. Few women know about jobs in these industries and high school counselors still do not inform them. Jobs in these industries are customarily filled by men. Union and employer exclusionary policies may be playing a decreasing role but seniority and company pay structures reward the longtime employee while society's attitudes are still influential. Causative factors become interrelated. For example, a recent analysis of differences in occupational earnings, using "ridge regres-

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sions" to reduce sensitivity to multicollinearity among the many variables, comments that "What is striking . . . is the influence of 'business suit or dress' on earnings differentials" and that there is a "fairly sizeable white collar differential even in the presence of a host of variables designed to capture white collar effects. It is difficult to attribute the outcome for a variable such as this to market forces. Assuming that variables such as risk, education, decision-making and job-related experience are capturing real economic effects that tend to distinguish white collar from blue-collar and other jobs, it is difficult not to reach the conclusion that the 'class' influence on white/nonwhite collar pay differentials may be sizeable."¹⁹ The analysis did not fully assess the influence of the "female variable." For many who have tried to promote in a large bureaucracy a top-notch female secretary whose work is largely administrative to an administrative assistant, this subtle argument about the effect of 'class' has overtones applicable to earnings of women.

Governments and Comparable Worth

During the past decade a few states and some cities have been examining their pay structures with the intent not to mesh them with market-determined rates, but to ask whether those occupations dominated by women, pay women less than different occupations of "comparable worth" dominated by men. Governments that use job evaluation plans are especially open to challenge. Minnesota, as a result of a 1979 study, amended its personnel law to award "pay equity" raises that average \$1,600 over two years to 8,000 employees. Moreover, that state requires all its local governments to analyze their pay structures and correct any pay inequities which they find. Minnesota involved trade unions in these changes, which are expected to cost the taxpayers about \$44 million. Although current legal and union activity is confined largely to governments, over 25 states are studying the comparative worth concept or have enacted legislation on comparable worth. Six states have laws that either require, or their laws have been interpreted to require, equal pay for work of comparable value. Other states have completed their studies and one, Pennsylvania, has proposed similar standards for private employers.* Bills and resolutions for

*Alaska, Arkansas, California, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Maryland, Missouri, Nebraska, New Jersey, New York, North Carolina, Oklahoma, Oregon, South Dakota, Tennessee, West

the federal government to make similar studies were introduced during the 1984 legislative sessions.

Implementation by local and state governments of "comparable worth" designed to increase wage rates in female-dominated jobs is usually done by increasing more the rates for those jobs than the rates for male-dominated jobs. Personnel administrators prefer to keep everybody happy and not to correct a perceived inequity by lowering wage rates in the other jobs, here those held by men. Even so, correcting one perceived inequity creates new inequities and over the years a wage structure which is thus manipulated is likely to become increasingly out-of-line with the prevailing market wage rates.

Private employers are disturbed by the potential spread of government action that will interfere with the determination in the private sector of wage rates in conformance with supply and demand. How can they pay wages which are above the market rate? The federal government is a very large employer. Many state governments are large enough so that their pay schedules affect local market wage rates, for example, Sacramento, California, and the indirect effect is obvious to employers. Further, under the Davis-Bacon Act private industry holding government contracts must pay the highest prevailing wage in a wide geographic area surrounding the workplace.

Governments receive revenues from taxes; business from sales. When government costs rise the demand for their services does not shrink, but when business costs rise, either profits fall and/or their prices rise. Wage increases to favor female-dominated jobs are unlikely to result in actual decreases in male-dominated jobs but may result in the latter having lower increases than would otherwise occur. In California, this has already been occurring in a limited fashion.

A comparable worth version of affirmative action could result in fewer but more highly paid jobs in the female-dominated occupations of the private sector. More men will compete for these jobs and it is possible that the percentage of such jobs held by women will fall. The number of government jobs paid from tax revenues could remain unaffected, but more men will apply if the wage rates are higher than supply and demand dictate. Already the high number of applicants for a few government jobs testifies to the fact that some government wage rates are higher than the market requires.

Virginia, and Wisconsin are studying the concept. Connecticut, Iowa, Minnesota, New Mexico, North Dakota and Washington are adjusting wage rates under pay-equity plans.

Governments cannot ignore this political problem. Ten million women are maintaining families today compared to 5.6 million in 1970. Sixty percent of these women have children under 18 years of age and 60 percent are working, nearly 80 percent of them full-time. Their earnings in March 1982 averaged \$256 weekly, about 64 percent of earnings by male heads of households.²⁰ Fifty-nine percent of children born last year are expected to grow up in single-parent homes. However, many women who head households moved out of poverty and others into it during a single year as their family structure changed.

To ignore the problem at the state level may result in lawsuits. Governor Deukmejian vetoed in 1984 a \$76.6 million comparable worth pay increase, part of a five-year, \$400 million legislative proposal and this was followed by a class action civil rights lawsuit filed by the California State Employees Association. About 37,000 state employees and hundreds of others who have left the state payroll could get increases if the suit were successful. Already California has given a ten percent increase to clerical workers and only a five percent increase to those in male-dominated jobs during 1984. What some males fear is already occurring: less pay in male-dominated jobs to benefit those in female-dominated jobs.

Discrimination, Prejudice and Statistically Significant Risk Groups

What is discrimination? Employers may attribute to a specific woman perceived attributes of all women as a class (for example, married and in childbearing years) which tend to lower women's marginal revenue products and wages. A specific woman may not belong to that class, but if her pay and promotion opportunities are limited by the perception, then that is "discrimination." Here, discrimination exists even though each person receives the same pay when performing the same job. Discrimination exists because an individual is excluded from higher-paying jobs because of sex.

Artificial barriers such as rules of professional associations and trade unions have been largely eliminated. It is impossible, however, to eliminate fully by legal means prejudging by employers from stereotypes. There are some academics who do not perceive this form of sex stereotyping that limits job opportunities as "discrimination" but as "prejudice," a less derogatory term to describe more elusive behavior. It is agreed that stereotyping by an easily determined characteristic, e.g., sex, can convey information about the *probable* behavior of a particular person with that characteristic. Economist Walter Williams, for example, states that:

in employment choice, the applicant's sex may convey information about unobserved characteristics which pertain to the applicant's expected productivity. The employer may believe that women have higher turnover rates than men. There are two good reasons why a woman's employment will be interrupted to a greater degree than a man's. Women are more likely to bear children than men, so that's one reason for absence from the labor force; furthermore, women are more likely to care for babies once they are born. Women are also more likely to move or change jobs to accommodate their spouses' career changes. All this means that sex can be used as a valuable proxy variable for turnover rate. Turnover rates have a lot to do with productivity.²¹

Although these observations may have been true prior to the 1980s for all women on the average, they do not apply to each individual woman and they are less true in the mid-1980s than in earlier years. The percentage of women who do not bear children is increasing. Among women who today bear children many do not leave the labor force. In the mid-1980s the majority of women are combining homemaking, bearing children and working for pay at the same time in their lives, rather than as in the 1970s, going out of the labor force when they bore children and remaining out of the labor force for a number of years. Additionally, family moves and changing of jobs are usually made to accommodate the higher earner, which increasingly may be the woman. In many families, not the majority, the wife is the higher earner.

The traditional stereotype fits fewer women as time passes. It is semantics to distinguish, as does Professor Williams, between "discrimination" and "prejudice" when the end result is the same. It is true that use of stereotypes to convey information at minimal cost can be defended. Other possibly more acceptable proxies in employment choices are a four-year college degree, and for university teaching, a Ph.D. Obviously, not all holders of these degrees are better employees for the specific job than all nonholders of the degrees. Is the use of a college degree as a requirement for employment acceptable because the proxy is not a physical characteristic as is sex or race?

The concept of statistically significant risk groups with sex as the delineating factor could, until a recent Supreme Court decision, be legally used to set actuarial rates. However, when the stereotype of a statistically significant group describes an increasingly smaller portion of the whole group, protests against such informational shortcuts will increase.

Both "discrimination" and "prejudice" connote a degree of unfairness because the individual is not judged on his or her merit, but on the group's anticipated performance. Although it is illegal to discriminate by race and

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sex it is not illegal in hiring to use credentials to predict performance of an individual. The latter can be obtained by hard work, a highly regarded value in our society. Race and sex are very difficult to change.

Occupational Segregation

It is virtually impossible to look at the distribution of women workers across the spectrum of occupations to assess to what degree women choose to stay out of certain occupations and to what degree prejudgments by employers and artificial barriers have kept them out of higher-paying occupations. Unions in the United States have been stronger in traditionally male occupations, for example in the construction trades, than in traditionally female occupations, for example, retail trade and clerical work. Many small companies are prevalent in the latter areas and women tend to work for smaller firms. Employees scattered across many firms are difficult to organize. Unions act to preserve jobs for their existing membership and this discriminates against whoever is outside the union, whether women, Asians, or other groups. The same has been true for professional associations. However, these barriers have greatly lessened.

Women workers are still concentrated in the relatively low-paying service sector, including teaching, nursing, retail sales (especially apparel), financial services and state and local governments. Seventy percent of all jobs held by both men and women are in the service area, but not in the same subsectors. For example, women are more likely to be elementary school teachers; men, high school teachers. Jobs carrying the same job title, even a very precise title, in a given industry are not always comparable.

In the manufacturing sector, women work primarily in the lower-paying industries of apparel and leather products, not in high-paying coal and metal mining, petroleum products or heavy construction. Manufacture of apparel and shoes is shrinking in the United States because of effective foreign competition stemming from lower-paid labor abroad and, some believe, the more distinctive styling and possibly higher quality of foreign products. As the demand for these U.S.-made products shrinks, unemployment occurs and downward pressure against costs in these industries makes these wages lose ground relative to all wages.

In the financial sector women have been moving into the higher-paying jobs of banks, investment and insurance companies. Eventually the average earnings of full-time working women will reflect that more women are working in these and other higher-paid jobs. Women have just recently been obtaining four-year college degrees at the same rate as do men and

women are earning nearly half of all master's and nearly one-third of doctorate degrees. However, because women tend to take courses in the more general areas of knowledge which may not require as much continuing effort in order to maintain skills and possibly to gain excellence, the effect of education on their earnings will be less than the above implies. More women than men major in English and far more men major in engineering, mathematics and the hard sciences for which expertise the pay is high. The effect on earnings data of the recent substantial increase in women's educational training and in holding higher-paying jobs than earlier is just beginning to be recorded. In 1980, 14 percent of all lawyers were women, 13 percent of physicians and 38 percent of accountants and auditors—much higher levels than in 1970, when 5, 10, and 25 percent, respectively were women. In the traditionally male-dominated, executive, managerial and administrative positions the number of women during the recent decade has soared from 19 to 31 percent of such workers. There are very few women CEOs and presidents of companies, but the number of women vice-presidents has increased.

To what extent women's preferences and to what extent discriminatory barriers are the explanation for women dominating some occupations and having much smaller representation in others is unknown.

An analysis based on survey data²² examines a single company to explore whether women and men in that company voluntarily sought out different types of jobs or whether women were blocked at entry and promotion from the higher-paying jobs. The unidentified *Fortune* 500 company, "XYZ," with about 6,000 employees, 5,500 in entry-level clerical positions, was assessed by a consulting firm. The most pertinent fact found was that although a relatively low proportion of women had been promoted, "male and female clerks at XYZ were promoted in exactly the same proportions as they expressed interest in promotion."²³ Questionnaires revealed that many more women than men chose not to seek promotion and some women voluntarily chose demotion—usually because of family demands. Consideration of women's occupational preferences, usually to better dovetail paid work with household and family demands, lessens the unexplained portion of the unaccounted-for wage gap differential by sex.

A 1983 study by Randall K. Filer²⁴ cautiously concludes, from an analysis of one consulting firm's client data covering 8,359 men and 1,021 women, that omission of tastes and personalities has led to an overestimation of the degree of discrimination against women who do not have college schooling, and "that there remain large components of the differential in earnings between men and women" about which we know little.²⁵

The men in Filer's sample earned 36 percent a month more than the women. Filer's work supports the conventional wisdom that an additional child in the family correlates with increased earnings by the man and reduced earnings by the woman. The study implies that many women who graduate from college knowingly trade off income against more congenial work. Less educated women may not have such choices available to them. A basic reason given for the sex-earnings gap is that women go in and out of the labor force more than men. Women who re-enter the labor force do not return at as high a level as they previously held, although their wages do rebound somewhat after they have worked continuously over a period of years. Persons with continuous work histories are more likely to have the in-house training that opens up management jobs. Employers are less willing to invest in training of those who, they believe, will not be steady workers. A few employers place all women in this category. Is this sex-stereotyping discrimination?

Full-time working women work fewer hours than their male counterparts. Full-time work is defined as 35 hours or more of employment for fifty or more weeks a year, or 1,750 hours a year. In 1981, full-year, full-time, male workers reported 163 more hours of work than full-year, full-time, female workers.²⁶ However, women in medicine averaged 2,050 hours and in management, about 1,900 hours. Women may restrain their job commitments in order to have more time and energy for commitments in the home. Because the birth rate is still about 1.8 births per woman over her lifetime as compared to 3.6 births in 1960, child care demands in the household have fallen. Sharing between husband and wife of household tasks appears, according to anecdotal reports, to be increasing. Additionally, use of labor-saving household equipment is widespread. Washers and dryers within the home and use of no-iron materials have greatly lessened demands on time as also has the more recent microwave oven now owned by nearly half of all households. With fewer household demands and greater real wages than were paid in 1960, more women are making continuing commitments over their lifetime to the labor force, and the wage gap between women and men will narrow. By January 1983, the difference in the median years of working for the current employer between men and women was 1.8 years as compared to 2.4 years in 1968.²⁷ Up to age 25 there is no longer any difference in seniority between men and women, and for ages 25-29 only 0.6 years. Seniority for women lags men increasingly in the older age groups being 5.1 years for ages 40-44 years and 6.9 years for ages 50-54 years.²⁸

By 1984, 70.4 percent of women 20-29 years were working, as were 69 percent of women 30-34 years, and 70.1 percent of women 40-44

years. Even at ages 50–54 years, 59.4 percent of women were working in 1984.²⁹ The bona fide seniority plan exception under the Equal Pay Act will favor men over women far less consistently in the future than it does now.

Not until women reach age 50 is their labor force participation rate lower in 1984 than in 1979. Seventy percent of women age 40–44 years in 1984 were in the labor force, whereas in 1979 only 64 percent of that age group were in the labor force. Women who were 40–44 years in 1984 were born in the period 1941–45. In 1979, among this age cohort, then 35–39 years, only 63.4 percent worked but when they were 20–24 years only 50 percent of them worked. Today, 70.4 percent of women 20–24 years are working. These are revolutionary changes. Younger women are accruing seniority and human capital at nearly the same rate as younger men.

Using late 1960s data, the 1973 Report of the Council of Economic Advisers states that “a differential, perhaps on the order of 20 percent, between earnings of men and women remains after adjusting for factors such as education, work experience during the year and even lifelong work experience. How much of this differential is due to differences in experience or in performance on the job which could not be measured adequately, and how much to discrimination?”³⁰ The Council did not answer. What part may be due to differences in preferences was not addressed. The Council’s estimate of the gap reflects lower levels of education, higher birth rates with time off from paid work as well as more rigid sex preferences than exist in the mid-1980s. While the earnings gap has changed very little, subsequent Council reports have not addressed this problem.

Because single women’s median wage and salary income is closer to that of single men—about 90 percent among those who never marry and 75 percent for all “unrelated” (in census terms) individuals³¹—it is sometimes stated that it is marriage and children and women’s commitment to the household above a paid job that basically accounts for their relatively lower earnings.

However, “unrelated” males earned in 1981 only 57 percent of what the male “householder” earned, while “unrelated” women averaged 85 percent of the amount earned by “female householders.” The claim that the married male works harder because he has a family to support may be true. But it is also probably true that never-married males on the average have poorer health, less energy and drive and that these factors lower their earnings.

Because all the quoted census data are unadjusted for age and occupational distribution it can be safely stated only that there is little difference

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in earnings between married and unmarried women, even though there is a known sizeable difference in earnings between married and unmarried men. The data do not support or oppose the assertion that is sometimes made that married women work less hard than single women and single men.

Also, there is no way of knowing the wage history and labor force commitment over several years of the women who are working today in comparison with those of men who are working. Comparative earnings by last job held which are in the census data do not answer the question of how many years a person has worked, although the data are suggestive. In 1981, about 25 percent of male workers and 32 percent of female workers had been on their current jobs less than one year. Twenty-four and a half percent of the men and only 16 percent of the women had been on their current jobs more than 10 but less than 30 years.³² Women who bore children prior to the mid-1970s usually left paid work for a few years. But in the 1980s, this was no longer true. Labor force participation rates of women in the mid-1980s are fairly constant at 70 percent from 20–45 years. Over 40 percent of both men and women 18–45 years had changed jobs during the year preceding the January 1981 survey, because of the offer of “better pay, full-time work” and about 20 percent for “other” reasons. Differences by gender occur in the responses only in the 18–24 age group where, for example, 15.2 percent of the men but only 9.2 percent of the women cite “lost job, laid off” as their reason for changing jobs.³³

It may be that the overall higher mobility rate of women reflects greater comparative upward mobility in that period as women moved into managerial jobs.

Should The Federal Government Act?

There is general agreement that differences in occupations, education, continuity of employment, training on the job, perceived risk, working conditions and other similar identifiable variables do not explain all of the wage gap between women and men. However, there is also near agreement that the unexplained remaining differential does not prove discrimination. Women's preferences and “cultural factors” play a role but the degree of their impact is unknown. Some argue that cultural factors per se are a form of discrimination. That part of the wage gap may be due to discrimination has neither been proved or disproved. Disagreement exists about whether there is a need for the federal government to do anything beyond what it does now and if it is believed that it should act there is no agreement on

what the government should do. Many states have comparable worth laws and also many European countries. To the degree that wage rates are not fluid downwards it may be that individuals in traditional male occupations in those firms where longevity of service acts to create routine annual increases are paid above the market rates. It is unlikely that wage rates paid to women are below market rates because shortages of labor would have forced them up, unless there are still some barriers to entry which may be unrecognized.

Even without unassailable proof that discrimination exists, the *status quo* is not politically acceptable to all. "Comparable worth" has become a political question with emotional involvement. A legal remedy that would not hurt employment opportunities of women is not obvious. My proposals to continue to eliminate artificial barriers to jobs as they become known and widen part-time job opportunities will not satisfy proponents of comparable worth. I know of no direct way to increase women's earnings relative to those of men which a government can enact and which will not reduce employment opportunities for some women. The instances where men in male-dominated jobs who are paid more than market rates have accepted, without demonstrable protest, lesser increases so that rates to women in female-dominated jobs may be increased without an increase in total labor costs are very few. The introduction of a two-tier pay system in the airline industry indicates, however, that restraint on increases and downward pressure on some existing wage rates exist.

The federal government has few options. It should continue to enforce equal pay for equal work and to eliminate entry barriers to jobs and to the required education and training for jobs.

The federal government should not be involved in setting wage rates except for its own employees. Comparisons of wage rates in government jobs to identical jobs in the private sector should include adjustments for fringe benefits: health, life insurance and pension benefits. Costs of fringe benefits are part of labor costs. Increases in fringe benefits are in lieu of increases in wage rates and dollar amounts can be placed on them.

Enforcement of existing laws that prohibit barriers to jobs based on sex or race needs to be continued. It is sometimes difficult to prove that exogenous barriers exist and that apparent occupational segregation by sex is not basically the result of women's preferences.

Economist Gary Becker writes in his well-known book, *The Economics of Discrimination*,³⁴ that actual discrimination occurs when persons "pay or forfeit income" for the "privilege" to discriminate. An employer who discriminates by not hiring a woman whose addition to the product which the employer sells would be valued as greater than the cost of hiring her,

loses money. This fact needs to be widely publicized. The employer who discriminates acts "as if he incurs non-pecuniary, psychic costs of production." He has a "taste for discrimination" because of "race, religion, sex, color, social class, personality or other non-pecuniary considerations."³⁵

Although an employer may lose money by discriminating against women in promotion and hiring, the employer may simultaneously gain from social approval by his peers, and this has a value to him. Because of the cultural, traditional values engendered in childhood, some men do not want to accept women at higher levels of authority, especially higher than their own. In this regard, Gary Becker has speculated that the greater amount of discrimination "against older and better-educated non-whites" probably reflects the resentment of whites in lower occupations because of the non-whites' "relatively large amount of authority and decision-making powers" and their relatively large income.³⁶

Even if employers perceive that the promotion of a woman, say to executive vice-president, is in the economic interest of their companies, they perceive individually that they will lose not only approval by some of their colleagues, but also by some employees at lower occupational levels. A promotion which on the surface appears to be in the best economic interests of the company may not occur because this subtle form of discrimination can result in loss of productivity from supervised males and loss of existing or potential customers. With the tremendous increase in the numbers of women in high level jobs in finance and accounting and their great visibility in managerial decision-making jobs, subtle discrimination should be declining in importance, but it still persists.

All-male luncheon clubs are self-advertised as social in nature, but only the naive would believe that no business arrangements result from the informal contacts from which women are excluded. Self-employed lawyers and real estate sales persons are only two common occupations which benefit from such social contacts. A 1984 letter written by a male chief executive officer reads:

Unfortunately, women are still excluded from informal social networks where trusting and comfortable business relationships are formed. Two male executives can have a private lunch together (and even look as if they're enjoying each other's company), an afternoon of golf, or an after-dinner drink while strolling the lakefront at a planning retreat—without raising a single eyebrow.

Women will only be able to exercise their considerable talents at the top when society understands that informal relationships between the sexes don't necessarily mean sexual relationships.

I know our women managers are grateful that my wife understands the difference.³⁷

There is subtle discrimination resulting from married, non-working women who object to their husbands working in a day-to-day relationship with other women on an equal basis. This non-measurable factor has often surfaced in those jobs which require normal "sleep time on a stand-by basis" at a place of work; for example, firemen. Although this is an extreme case, there are nuances of this sort of discrimination scattered throughout business, occurring at upper levels of hierarchical companies as well as at lower levels among blue-collar workers. As the percentage of married women who work increases and ignorance of workday activities decreases, this type of subtle influence may decline.

These non-measurable, and sometimes subconscious forms of discrimination do not always appear in the rigid market models and quantitative analyses used by economists. Gary Becker, whose model of non-pecuniary variables is the pioneer work in the field, believes however, that market forces will eliminate even these forms of discrimination which still persist. In a May 13, 1985, *Business Week* article, Becker states that "Between 1979 and 1984, the earnings of women compared with those of men rose at probably the most rapid rate in our history" and this is "explained by mostly market forces" (p. 16). Nowhere in the brief article are actual data given and historical comparisons made. In 1956, the ratio of full-time working women's annual earnings to men's was 63.9 and in 1983, 62.0. The ratio rose from 59.7 in 1979. The more recently compiled series of median weekly earnings of experienced, full-time workers reports an increase in its ratio of one percent a year for six years reaching 66 percent in 1983.

Increases in market demand for women workers have helped absorb the great inflow of women workers and helped push their wages up, but early childhood acculturation of both men and women will have to change before subtle discrimination and its effects will erode. Five years experience is a very short period from which to draw conclusions. Government during 1979-83 probably influenced the earnings ratio by helping to remove artificial, easily assessed barriers to entry, including barriers to the required educational programs. There are multiple forces at work.

The more difficult cases of subtle discrimination are best left to the courts. A recent example, which entails some of the complexities of assessing an individual's quality and productivity in a professional field and the subtle, men's club form of discrimination is briefly mentioned to illustrate the difficulties in proving or disproving discrimination of this nature. Former associate professor of the Harvard Graduate School of Business, Barbara B. Jackson, is suing Harvard University upon denial of tenure after eleven years on the faculty. The Harvard Business School, or "B" School, has a ten-year, not the usual seven-year, requirement for tenure. There is

currently only one woman among ninety tenured professors at the "B" School, where I once worked many years ago, and in its 76-year history only one other woman was a tenured professor, Henrietta Larson, who was primarily a researcher. Any federal government interference in tenured appointments of universities in the name of fairness should be assessed against other worthwhile goals, such as protecting the freedom of private university education. The courts can better handle this type of issue than the federal bureaucracy.

Pay increases in line with seniority on the job are common in unionized and non-unionized industry. As women commit at earlier ages to the labor force they will, as do men, enjoy the higher wages that occur with seniority. The recently published data (May 1985) on airline pilots' salaries, by years of service are revealing. United Airlines pilot salaries averaged \$22,452, first year; \$43,752, second year; \$60,456, fifth year; \$74,232, tenth year; and \$91,752, twentieth year,³⁸ or more than four times as much as in the first year. In this occupation, experience increases skill, but more than four times as much seems an excessive estimate of the degree.

Although years of experience with one company probably increase an employee's productivity, beginning workers appear to earn less in many occupations than their marginal revenue product, while some longtime employees appear to earn more than their marginal revenue product. Large companies encourage their employees to retire early for this reason. Women who do not enter or re-enter the labor force until middle age do not have long seniority. Because bona fide seniority systems are an exception to the Equal Pay Act, they permit unequal pay for equal work. Until women on the average have the same seniority as men on the average, women will, because of this exception alone, earn less than men. This does not argue for changes in seniority rules which are best left to union/company negotiations where they originated.

Sixty percent of women in the United States are working or looking for work.³⁹ Society cannot turn back the clock to a rural way of life as in an agricultural society where both husband and wife worked in and about the home. Today, the loss of income to a family is potentially so great if the wife does not work that most wives are working.

The federal government can help working women in ways other than setting wage rates for government jobs in order to lessen wage differences between female and male-dominated occupations. However, despite the U.S. Civil Rights Commission's April 1985 rejection, based on economic reasoning, of "comparable worth" as a remedy, at least six states have been increasing wage rates for female-dominated jobs faster than for male-dominated jobs, and over twenty-five states are studying the matter of compa-

rable worth. The wait for market forces to narrow the earnings ratio is perceived by many to be too long. This is an emotional political problem and recent court decisions do not assure employers that they are exempt from a comparable worth legal challenge despite the self-correcting market forces which are at work.

The government should recognize that society has an interest in the number of hours women work and how much they are paid. About twenty percent of all families with children are maintained by women.⁴⁰ About half of these women work and their earnings are substantially lower than in families maintained by men, about 80 percent of whom work. Of the larger population of all mothers, sixty percent with children under 18 years are working (80 percent of divorced mothers) and 71 percent of them work full-time.⁴¹ In 1983, among all women 25–44 years who work part-time, 54 percent “wanted [to] or could only work part-time.” This compares to 15 percent of men in that age group who work part-time.⁴²

It is reasonable to assume that there are nonworking mothers and full-time working mothers who would prefer to work part-time if they could find part-time work which pays the same wage rate that they could earn doing identical work full-time. This high a wage level for part-time work is unlikely and some trade-off between paid work in the marketplace and time freed for other pursuits occurs. This is also true for men. The accepted amount of wages traded for more leisure or other activities differs for different people. Society has an interest in encouraging employers to offer part-time jobs. Part-time work is not as readily available in the United States as in most other industrialized countries. In some of these countries women are a higher percentage of government employees and government employees are a greater percentage of the labor force. This is not a solution which I advocate.

In the 1970s the U.S. federal government encouraged implementation of “flex-time,” which permits individual scheduling but does not satisfy the demand for part-time work. Flex-time rather than part-time job opportunities develops more easily if shopping hours are extended beyond normal working hours and Saturday mornings. Large stores in the United States are commonly open evenings and weekend hours. Where this pattern does not exist part-time work may be more common. Deviations from normal working hours occur usually under pressure from labor shortages. Flex-time redistributes within a 24-hour period the hours of paid work, but it does not reduce the total number of the individual's hours worked. Part-time work reduces the number of individual's hours worked and also the income earned. Flex-time permits working mothers and others to dovetail home duties with other family members, but the total work burden on the mother

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may remain the same. Flex-time and part-time are not complete substitutes. Society can benefit if women and older workers who might otherwise have retired can choose from a variety of full- or part-time jobs.

The service sector of the economy is expanding and it lends itself more easily than manufacturing to use of part-time workers. Economic incentives in part discourage this practice because the employer has increased paper-work and has to work out acceptable pro-rating of fringe benefits. However, there will be a labor shortage by 1990 because new entrants to the labor market in the 1980s will be reflecting the low birth rates from 1960 on. Flex-time may not attract a sufficient supply of labor to satisfy the demand. Moreover, flex-time is better fitted for some types of jobs than others. This is also true for part-time work. Both should be available to yield an optimum supply of labor in a period of labor shortage. Hewlett-Packard in its Palo Alto plants continues to use flex-time, which it started in its Waltham, Massachusetts plant in 1972, in order to attract more women workers. Documentation of productivity per hour worked may show that in some cases those who work part-time produce more per hour than those who work full-time. Tax incentives might be considered to offset additional costs, if there are any. Too little is known about part-time work. The government could create an economic climate through provision of information for private employers to provide part-time jobs and work-sharing by two persons of one job.

Societal Concerns

There may be a multiple public policy payoff if this approach can be realized. If some married mothers of young children switch from full-time to part-time work the stability of family life probably increases. With more part-time jobs available more older persons will work over a longer period of their lives and lessen the drain on the social security system. Recent surveys indicate that three-quarters of persons age 55 years and over also "prefer part-time work to full-time retirement."⁴³ Increases in life expectancy make clear that retirement at age 62 or 65 may no longer be desirable for many individuals. For the years up to age 75 or 80, most people have years of relatively good health. At age 65, white men on the average can expect to live until eighty years and black men to 76 years. The 1983 social security legislation will eventually encourage later retirement and increase the supply of part-time older workers. Older people often seek second careers that are less demanding than their early, primary careers. Part-time work would help to fill this need.

It is in society's interest that some women who maintain households and carry the emotional burden of day-to-day, sole decision-making in respect to their children's lives be able to earn income sufficient for minimal needs. Society's mores have in the past restricted job opportunities for women. It will take years for their increasing education, greater commitment to the labor force and lessening of the earlier severe restrictions to act to increase women's earnings in the marketplace. Even then the earnings gap will not disappear unless women's tastes for specific occupations change to be almost identical to those of men. This is unlikely. The country's future depends on its children, one-fifth of whom are being brought up in households headed by women, half of whom work. It should improve the fate of these children if their mothers had more choices in the labor market.

The courts have not generally accepted an alleged "historical bias" argument as the determinant of wage discrimination. The supply as well as the demand for labor determines its market price and if there are no formal entry barriers then it is presumed by many that rates are generally what the market system dictates. Women have entered the labor force in record numbers during the last ten years thus acting to depress their wage rates. A recent article in the *American Economic Review* answered "are workers paid their marginal products?" as follows:

For a limited and probably not very representative sample of occupations for which coherent measures of marginal products could be devised, we may conclude that the answer to this question seems to be no; in each instance examined, the most productive members within an organization appear to be paid substantially less than their marginal products while the least productive members appears to be paid substantially more.⁴⁴

Although this observation is based on a limited number of companies' internal wage structures, it still weakens the unqualified assertion that in normally competitive markets each worker, including each woman worker, receives the value of his or her marginal product. Among currently working women are many who entered the labor market in their middle years and who, therefore, have on the average less seniority than working men. Customary annual wage increases eventually push many individuals' wage levels beyond the value of their marginal product. This is the primary reason why companies encourage early retirement. This reflects a lifetime pattern of earnings. In the early years with a company an individual's marginal product may exceed his or her wages. This is made up for in later years. Many currently working women will never benefit from this phenom-

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enon. Younger women today are expected to have lifetime work patterns similar to men and will benefit.

For the individual woman and for society, a major question is "where the balance will be struck between the roles of women as wives and mothers and women as workers and economic providers for their families."⁴⁵ Enactment of government regulation of wages in line with comparable worth is not the answer, but society cannot ignore the problem.

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About the Author

Economist Rita Ricardo-Campbell, Ph.D., a senior fellow of the Hoover Institution at Stanford University, is an expert on the health care sector, the Social Security program, and drug industry regulations. In 1981, she became a member of the President's Economic Policy Advisory Board, and in 1982 she was appointed a member of the National Council on the Humanities.

Dr. Ricardo-Campbell is a Director of the Watkins-Johnson Company and of the Gillette Company, whose Finance Committee she chairs. She served eight years as a member of the President's Citizens' Advisory Council on the Status of Women. She has testified before the House Ways and Means Committee and the Senate Finance and Budget Committees.

Dr. Ricardo-Campbell's latest book, *The Economics and Politics of Health*, was published in 1982 by the University of North Carolina Press (second edition, 1985). She has also written *Social Security: Promise and Reality*, *Drug Lag: Federal Government Decision Making*, and *Food Safety Regulation: A Study of the Use and Limitations of Cost-Benefit Analysis*.

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December 20, 1985

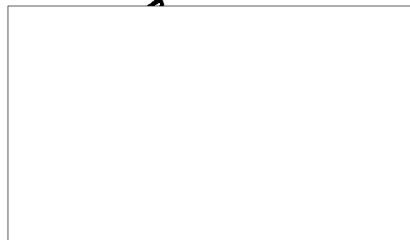
Dear Bob:

Thanks for your recent letter and for spending so much time considering my Mexico draft. I am disappointed not to be able to offer it to a journal, but I do understand your concerns and the Director's.

If there is also no possibility of offering it to Hoover for limited distribution in their monograph series (we discussed this over the phone after you wrote), then I would of course be pleased to have it published as a NIC Memorandum as you proposed.

Meanwhile, best wishes for a happy holiday season.

Sincerely,



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