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**PAY EQUITY AS A REMEDY FOR WAGE DISCRIMINATION:  
SUCCESS IN THE STATE CIVIL SERVICES**

Testimony  
Concerning the Fair Pay Act of 1994

Before the U.S. House of Representatives  
Subcommittee on Select Education and Civil Rights,  
and the  
Subcommittee on Compensation and Employee Benefits

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women of color and men of color earn less than white men in the same occupations. An analysis of the decennial census in California revealed that men of any race were the top paid workers in 311 jobs. White men led, receiving top pay in 144 jobs; Hispanic male citizens were top paid in 58 jobs, and Asian male citizens were top paid in 50 jobs. Women of any race or ethnic group were the top paid in only 112 jobs altogether, with white women receiving top pay in 46 jobs (*San Francisco Chronicle*, September 6, 1993: A1).

A wage gap also exists within firms between employees performing dissimilar but equivalent work. When the State of Minnesota reviewed its civil service for pay equity, it found that female-dominated jobs were consistently paid less than comparable male-dominated jobs. For instance, the jobs of radio communication supervisors (who were more likely to be male) and typing pool supervisors (who were more likely to be female) were determined to entail comparable skills and responsibilities, yet the male communications supervisors were paid \$460 a month more than the female typing pool supervisors, an additional \$5,500 a year.

#### Sex segregation of workers: one factor underlying the wage gap

As the comparison between communication supervisors and typing pool supervisors demonstrates, female workers as a group can be paid less than comparable male workers because they work in different occupations. This is known as occupational segregation. Workers of different races and ethnicities are also often segregated into occupations disproportionately held by individuals of their same racial or ethnic group.

Analysis of the decennial census reveals that in 1980, 48 percent of all women worked in female-dominated occupations--occupations in which at least 80 percent of the workers were female. Men were even more segregated: 71 percent of all men worked in male-dominated occupations. Another way to measure the level of segregation is the index of sex segregation, which was 0.530 in 1990. This means that in order to desegregate the

Occupational segregation is of concern for a number of reasons. To the extent that it is due to discrimination, occupational segregation prevents people from working in jobs that would best use their skills. And, thus, their remuneration and opportunity for advancement are likely to be curtailed. An IWPR study based on the Survey of Income and Program Participation found that women and minorities are segregated in low wage occupations even when their human capital is equivalent to that of white men. Specifically, women of color were four times as likely as white men to work in low wage jobs; white women were three times as likely to work in low wage jobs, and minority men were 1.5 times as likely to work in low wage jobs (Institute for Women's Policy Research, 1989).

In fact, research shows that occupations dominated by women are paid less than comparable male-dominated occupations. The National Academy of Sciences / National Research Council Committee on Occupational Classification and Analysis found that in 1970, occupations dominated by women were paid \$27.50 less per year for each additional percentage point female than equivalent mixed and male-dominated occupations (Treiman and Hartmann, 1981). A job in a 100 percent female occupation requiring the same level of skill, effort, and responsibility as a 100 percent male job paid \$2,750 less per year, equivalent to \$10,242 in 1993 dollars.

Specific examples of unequal pay for comparable worth between female- and male-dominated jobs exist in both the public and private sector. A U.S. General Accounting Office analysis of wages in the Washington State civil service found that of 65 jobs paid less than the average of all jobs found to be equivalent, 17 were female-dominated while only 7 were male-dominated (U.S. General Accounting Office, 1992). In the private sector, equivalent female and male jobs have also been paid at different rates. In a 1943 War Labor Board case, General Electric paid female labor grade 4 \$0.765 an hour, while male labor grade 4 received \$0.905, despite the fact that the company had determined that these jobs were comparable in terms of skill, effort, and responsibility. The International Union of Electronic Electrical Salaried Machine and Furniture Workers successfully argued that these sex-based wage differentials continued to influence wages into the 1970's; the

## Pay equity as a remedy for gender-based wage discrimination

Given that women are paid less than men, even when performing comparable work, the question then becomes how to address the situation. Original proposals for a federal equal pay act included provisions mandating equal pay for work of equal value; however, legislation could not be passed until the legislation was limited to equal pay for equal work. The Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964 have both been cited as providing comparable worth protections, but legal precedents based on existing legislation are unclear (England, 1992:227-228). The proposed Fair Pay Act would provide a new clear set of remedies for pay discrimination when workers are segregated by sex, race, and ethnicity.

If firms are to be required to provide equal pay for equivalent work, the question then becomes "will this strategy reduce the wage gap between female and male employees, and between white and minority employees?" The Institute for Women's Policy Research has recently completed a study of pay equity programs in twenty state governments. The goal was to determine whether specific types of pay equity programs effectively reduce gender-based wage inequities and whether these programs cause any positive or negative unintended effects. The study, conducted jointly with Elaine Sorensen of the Urban Institute, reviewed the types of programs implemented and, using both descriptive statistics and regression analysis, analyzed the effects of the programs on the wages and employment of female workers in the state civil services. The study relied on data collected from official state agencies, supplemented when necessary with information from labor unions and women's organizations.

Some of the states studied implemented comprehensive civil service reform far beyond the scope of the current legislation, which requires only that employers adjust the pay of those employees whose complaint that they are being paid less than employees performing equivalent work is upheld. Nonetheless, our findings are relevant for a number of reasons. FIRST, the states were able to determine the content of their jobs in a

Many states already had sufficient job evaluation procedures in place, while others had to create them anew. The states used a variety of different job evaluation systems: some used proprietary plans bought from consultants, while others created their own job evaluation plans. The level of pay inequity discovered varied according to the job evaluation plans used. Some systems more effectively captured the skills associated with women's work than others. For instance, when the State of New York conducted its own job evaluation of its civil service it found that jobs that were 100 percent female-dominated were 1.56 salary grades lower than those that were mixed or male-dominated. A job evaluation done by the Center for Women in Government, however, found that female-dominated jobs were paid an average of two salary grades less than mixed or male-dominated classes, while a study by the Arthur Young consulting company found even greater levels of pay inequity.

The lessons from the states regarding job evaluation that are relevant to the debate over the Fair Pay Act are two-fold. First, it is possible to compare dissimilar jobs and to determine whether they require comparable work. Second, the method an employer uses to evaluate jobs will affect their job worth and the extent to which jobs are found to be undervalued and underpaid. Therefore, the sections of the legislation requiring employers to preserve records of their systems of establishing wages are crucial to determining whether jobs have been fairly evaluated (see sec. 6. RECORDS.)

SECOND, although the level of pay inequity found depends on the job evaluation system used, nearly all the states did find some level of gender-based wage discrimination in their civil services. In Connecticut for instance, female-dominated positions were found to be paid eight to 19 percent less than jobs traditionally held by men when jobs of comparable worth were compared. For jobs receiving 350 points, men's pay was 123 percent of women's pay. In Illinois, an evaluation of 24 benchmark classes performed by the Commission on the Status of Women and Hay consultants using the Hay plan found

It is important to note that because other economic and political changes were occurring simultaneously with pay equity implementation, the changes observed in the states' female/male wage ratios may not be due to the pay equity implementation alone. Multivariate modeling is needed to estimate the cause and effect of observed wage changes. For three states for which we had more complete data--Iowa, Minnesota, and Washington--we estimated the extent to which the observed wage changes were associated with pay equity. We performed regression analyses of male and female wages with control variables representing change in wages in the overall economy. This exercise suggests that most of the observed change in those three states was, in fact, the result of pay equity implementation; in other words, pay equity remedies increased women's wages relative to men's. In Iowa, the model estimated that pay equity policies increased the female/male wage ratio by one percentage point. In Minnesota, pay equity implementation was responsible for a nine percentage point increase in the ratio. Lastly, in the state of Washington, pay equity was responsible for five out of the seven percentage points of the wage ratio increase.

FOURTH, targeting underpaid jobs is a cost-effective way to achieve pay equity. The states we studied implemented two types of reform: either they targeted adjustments at the most undervalued female-dominated jobs in their civil services, or they made large scale changes in their personnel systems such as changing their classification or job evaluation system; in a few cases they did both. Systemic changes not only enhance pay equity, but achieve other goals such as ensuring that an employer's personnel systems are consistent across his or her whole workforce. Of the sixteen states for which we were able to gather sufficient data, seven states targeted adjustments, five states made systemic changes, and four combined both approaches.

Our study indicates that targeting undervalued jobs is clearly cheaper when the percentage point improvement in the female/male wage ratio is compared to the type of program implemented--system-wide change versus targeting female-dominated occupations (see Table 1). Three states that used targeting, Minnesota, Michigan, and California.



achieved wage ratio improvements of five percentage points or more. For these three states, the "average" improvement was six percentage points, at a cost of 1.8 percent of their wage bill. In comparison, two states that used comprehensive methods achieved wage ratio improvements of five percentage points or more. These two states, Washington and Oregon, experienced an "average" gain of seven percentage points at a cost of 8.4 percent of the wage bill.

Across all sixteen states for which we collected data, it is clear that targeting achieves an equal wage ratio increase for lower expenditures. The legislation before us, in a sense, requires firms to make targeted pay adjustments when pay discrepancies are claimed and upheld. The data from our study indicate that this is a cost-effective way to achieve pay equity, although it will not ensure that a firm's pay policy is consistent across its entire workforce. To do that would require more systemic change.

FIFTH, pay equity was implemented in the state civil services without causing substantial declines in employment and without affecting the pay practices of surrounding businesses. Opponents of pay equity often argue that forcing businesses to increase the wages of employees in female-dominated jobs will cause those businesses to hire fewer women. This argument was heard during the debates about the Equal Pay Act of 1963 and the Pregnancy Discrimination Act of 1978, as well, but statistical analyses have not found any disemployment effects of these earlier laws. If firms did lay off women workers, the supply of female labor to other firms could increase, lowering women's wages in other firms. Alternately, pay equity might require all employers in the area to increase wages to women, because women would no longer be willing to work for lower wages. Our analysis found that for the states in our study, pay equity implementation had only a minimal effect on employment, and we did not identify any "spill-over" effects, positive or negative, on wages in the private sector.

In Minnesota, the state for which the statistical model is likely to be the most accurate because it had the best data available, pay equity implementation was shown to

## Conclusions

Our findings on the impact of pay equity remedies in the many states that have implemented pay adjustments in their civil services suggest that it will be possible for firms to meet the requirements of the proposed legislation and that implementing comparable worth will help to close the pay gap between women and men. Raising women's wages to just levels should have an important place in our current economic and social policies. We cannot be competitive if we continue to undervalue and underpay women, who now comprise 46 percent of our civilian labor force (*Employment and Earnings*, June 1994:33). Furthermore, pay equity should be part of the equation as we continue to debate policies for improving the lives of working Americans and for helping those women on welfare make the transition to paid work. Pay equity can improve the pay of many of the low wage jobs in which women currently work. By raising the pay in undervalued entry level jobs, it increases the benefits of work over welfare. As noted, if pay equity were implemented economy-wide, the proportion of working women earning poverty wages would be reduced by 40 to 50 percent (Figart and Lapidus, 1994).

Pay equity can make a significant difference in the lives of affected women. In fact, had all female workers in the United States received the average pay equity adjustment observed in this study, each would be earning an additional \$1,400 annually, and the national female/male wage ratio in 1990 would have improved from 71 to 76 percent. Such advances would represent an important contribution toward improving women's economic well-being.

Thank you for holding these hearings and for the opportunity to testify.



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