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THE WHITE HOUSE
WASHINGTON

4.18.83

Bill -

Read + let's discuss briefly
before getting back to Kevin.

Jeri
Columbo
DOL

6197

523-
6141

THE WHITE HOUSE

WASHINGTON

April 15, 1983

MEMORANDUM FOR

KEN CRIBB
BECKY DUNLOP
DAVE GERSON
ERIC HEMEL
VELMA MONTOYA
ROGER PORTER
EMILY ROCK
MIKE UHLMANN ✓
FAITH WHITTLESEY

FROM:

KEVIN HOPKINS 

SUBJECT:

DRAFT ISSUE UPDATE ON COMPARABLE
WORTH

Could you please review the attached draft and provide
comments to me by COB, Tuesday, April 19.

Thanks much.

EQUAL PAY FOR COMPARABLE WORTH?

In 1958, the average working woman earned 63 cents for every dollar received by the average working man. In the ensuing 25 years, women organized, protested, and demanded equal opportunities. Congress responded by passing the Equal Pay Act, and increasing numbers of women entered the workplace. Yet women's average salaries actually declined in relation to men's; women now earn only 59% of what men do.

This disparity has puzzled social theorists and angered some feminist leaders who would seem to have little to show for their years of activism. Finding someone or something to blame has been difficult. Wage differences cannot be attributed to sex discrimination: the right to equal pay for equal work is well-protected under the Equal Pay Act and equality of opportunity is guaranteed by Title VII of the Civil Rights Act of 1964. These laws seem to be serving their purposes -- studies show that men and women in the same jobs invariably receive equal wages.

Most feminists agree that equal pay is no longer a problem. They contend, instead, that women earn only 59% as much as men because they are concentrated in "undervalued" traditionally female jobs. They point out that jobs usually held by women -- secretary, nurse, librarian, household helper, and elementary school teacher -- are among the lowest paid jobs in the workforce.

They claim these jobs are poorly paid solely because they are held by women. Female workers were segregated into certain professions and then paid less than their real worth, the argument goes, because male employers knew they could achieve higher profits that way. As a union official from the American Federation of State, County, and Municipal Employees said, "the system of wages was set by a grand conspiracy, so to speak, that has held down the wages of women to minimize labor costs."

An increasingly popular "solution" to this perceived problem is the theory of "equal pay for comparable worth." According to this doctrine, each employee has an intrinsic value or worth. This value should be determined by a bias-free evaluation and wages should be distributed accordingly; marketplace wage rates, based as they are upon sexist assumptions, should be ignored. For example, a secretary shown to be worth as much to a company as a truck driver should receive the same wages as a truck driver.

According to Eleanor Holmes Norton, the former "chair" of the Equal Employment Opportunity Commission, "the equal worth question is the women's issue of the 1980's." Already Congressional hearings have been held on the subject; it has also been litigated in the Supreme Court.

*not strictly true;
although misimpression
is later corrected in
discussion of the issue*

The history of comparable worth

Although the question of comparable worth has only recently been popularized by feminist groups, its origin dates back at least to World War II. During the mobilization, when more women were needed to work in factories, the National War Labor Board decreed that women industrial workers had to be paid the same as men when they performed comparable work. Since factory work readily lent itself to statistical evaluation, in terms of productivity, output, and job skills, the system functioned fairly well.

At the end of the war, however, the National War Labor Board disbanded and most of its war-time decrees, including the regulation concerning equal pay for comparable work, were rescinded. Separate wage schedules for men and women were reestablished.

Those unequal wage rates were outlawed in 1963 with the passage of the Equal Pay Act. The new law clearly stated that men and women who worked at the same jobs had to receive the same salaries. Just as clearly, however, Congress chose to reject the concept of comparable worth. The term "comparable worth" had, in fact, been in the first version of the Equal Pay Act but it was deleted by the House of Representatives when the bill reached the floor. Congressman Landrum explained that the deletion would, "prevent the trooping all over the country of employees of

the Labor Department harassing businesses with their various interpretations of the term 'comparable' when 'equal' is capable of the same definition throughout the United States." Congressman Goodell, the bill's sponsor, agreed: "We do not expect the Labor Department to go into an establishment and attempt to rate jobs that are not equal. We do not want to hear the Department say, 'Well, they amount to the same thing,' and evaluate them so that they come up with the same skill or point. We expect this to apply only to jobs that are substantially identical or equal."

Despite the obvious intent of Congress not to endorse the concept of comparable worth, many women's groups have fought for it in the courts. They base their lawsuits on the decision by Congress to include women in Title VII of the Civil Rights Act. For example, city nurses in Denver sued for higher salaries, saying they should be paid the same as men, including plumbers, who held totally different jobs. Their claim was denied by a federal court.

The U.S. Supreme Court refused to review the Denver case, letting the denial stand. But it did accept a somewhat similar case, eventually ordering an Oregon county to increase the salaries of its women prison guards relative to the male guards even though they did not have totally equal

jobs. In Washington County vs. Gunther, the Court ruled that women have the right to sue under Title VII even if their jobs are not equal to men's jobs. The Court, in an opinion written by Justice William Brennan, was careful to emphasize that its decision was "not based on the controversial concept of 'comparable worth.'" Rather, it said, the salaries of the female guards should be raised from 70% to 95% of what the men were making because the County's own job evaluation study said that was their worth. Despite the narrowness of the decision, however, the Court has opened the door for future comparable worth lawsuits and may one day determine if the theory should become official government policy.

Assumptions behind the "comparable worth" doctrine

Presumably, the advocates of equal pay for comparable worth are interested in fairness and justice in the workplace. This objective is also a major goal of the Reagan Administration and there is no dispute that equal pay should be provided for equal, or even substantially similar, work. While comparable worth, of course, technically goes beyond this standard, it is promoted as a mere "perfecting amendment" to the "equal pay for equal work" principle, a simple extension that should be regarded as the next logical step in securing pay equity.

But the comparable worth concept is defensible on this

basis only if it actually does enhance the goal of providing equal pay for equal work. To determine whether it does or not, one must examine the implicit rationale underlying comparable worth.

The notion of "equal pay for comparable worth rests on four assumptions: first, that wage disparities really do exist; second, that these disparities stem from external factors, such as sexism, over which women have no control; third, that it is possible to establish an objective standard of worth that can be promulgated by the government; and fourth, that enforcing this standard would eliminate the aggregate wage differences between men and women.

All four assumptions must be satisfied in order for the comparable worth concept to improve on the equal pay standard and therefore justify government action. Otherwise -- if there is no real problem, for instance -- then there is no need for a "solution." Nor is a solution worthwhile if it does not produce the desired result.

On the contrary, mandating wage adjustments where no legitimate grounds existed would stand the equal pay principle on its head. In effect, comparable worth would require equal pay regardless of the equality of work.

Is there really a wage disparity?

At first glance it seems obvious that a disparity exists between men's and women's wages -- that is, that the first assumption is valid. After all, the aggregate statistics show women earning only 59% as much as men. But what is true for a class is not necessarily true for women as individuals. For instance, female college professors earn salaries roughly equivalent to male college professors in the same field and with comparable experience, and female welders receive wages approximately equal to those of male welders with similar work histories. And while female secretaries generally earn less than male truck drivers, male secretaries generally earn less than female truck drivers as well.

Thus, the wage disparity question is not so much an issue of wage disparities per se as it is one of occupational disparities that create apparent wage differentials. As comparable worth advocates correctly point out, many women are concentrated in occupations that pay less than those dominated by men. The question then becomes whether those jobs are inherently underpaid -- that low wages prevail because the jobs are held by women -- and whether women are, indeed, forced into those lower-paying jobs.

The first aspect concerns the wage-earning power of women workers: are there characteristics of women workers that cause them, on average, to earn less than men? Or are women in female-dominated occupations inherently discriminated against because of their sex.

In fact, women earn less than men on average because of choices women themselves make.

One major reason why women's average pay is less than men's is that women typically work fewer hours. The Survey Research Center at the University of Michigan found that married women with full-time jobs work an average of only 35.7 hours per week compared to 44.0 hours for married men. Women who work full-time are also less likely to work irregular hours such as night shifts, evening shifts, or twelve-hour shifts. Simply adjusting the number of hours worked changes the female differential a full ten percent. If women worked as many hours as men, they would earn 69% as much, on average, as men do.

There are contributing factors to the wage differential other than number of hours worked, however. Women in general, are less willing to commute, and so must take jobs near their home. This effectively precludes them from higher paying jobs they might find further away from home. Women

also have 50% more absences than men, resulting in more "docked" pay. And women have held their current jobs, on average, only a little more than half as long as men have -- 2.6 years versus 4.5 years, meaning that their rank and status -- and hence, pay -- are likely to be lower.

But probably the major reason for differences in men's and women's wages is the difference in their work history. Women tend to move in and out of the workforce far more frequently than men, which prevents them from acquiring on-the-job training and establishing seniority. For example, only 16% of white working women aged 40-54 had continuous working experience while almost all men in that age category had worked or sought work virtually all their lives.

Because most salaries are based on training and length of time on the job, women quickly find themselves behind in the pay scales when they leave and then return to the workforce. One study estimates that for each year out of work, women fall 1.5 to 2 percent behind men's wages. This is not only because women do not receive the same amount of experience as men but because even when they do return to work, they find their skills have atrophied while they were at home.

These differences in work history alone are believed to account for another 40 to 50 percent of the variation in salaries. A study of social security records shows that

women who worked all their lives earned 31% more than women with interrupted work histories. Census figures show that never-married women, aged 25-54 -- the females most likely to have worked all their lives -- earn 87% as much as never-married men. Similarly, female college graduates aged 18-24 earn 88.3% as much as male college graduates. But that differential declines in every succeeding age category until the 55-64 year category, in which women earn only 55.4% as much as men do. Thus, women start out with wages only slightly below men's but fall behind as they leave and re-enter the workforce.

Feminist leaders who rely on the emotional appeal of the 59¢ differential to gain political support therefore vastly overstate their case by looking only at raw statistics and aggregate averages. These simplistic statistics not only manufacture differences that do not in fact exist but they mask another important influence on an individual's earning power: the choice of career. Whatever real wage disparities exist between male and female workers must be considered in this context.

Do women control their own destinies?

A major failing of the comparable worth theory is its refusal to acknowledge that many women have different career goals than men, and that women themselves freely choose

does not consider, for example, that most women decide to bear and raise children, often making their careers secondary to their families. Because of this, women tend to leave the labor force to have children and do not return permanently until the birth of their last child.

Since many women plan to enter and leave the workforce throughout their lives, many choose careers that will provide them with a maximum amount of flexibility. These careers require skills that can be easily resumed after a few years' absence -- such as secretarial, waitressing, clerical, or nursing skills. If there is any job segregation, it is done by the women themselves.

The self-segregation begins early, during college and graduate school. Although men and women have the same amount of education, they concentrate in different areas. Women typically choose fields with depressed salaries in the marketplace, such as the humanities, social sciences, and education. Men, on the other hand, tend to educate themselves in high-demand areas, including engineering, computer science, and accounting. This is not surprising, because in surveys male college students usually place more importance on achieving financial success than their female counterparts.

The different employment goals between men and women become more apparent as they enter the workforce. In addition to choosing jobs that allow them to leave and

return with some flexibility, women tend to place more emphasis on non-wage characteristics such as pleasant working conditions, location, or inter-personal relationships.

Women also more frequently chose to work in non-union jobs where wages are not collectively bargained, further accounting for their lower wages. For while female union members earn 30% more than non-union women workers, only 28% of all union members are women.

Thus, if women are concentrated in low-paying jobs, it is because in general they choose to be so concentrated. And if they did not choose, then federal policy should be directed toward increasing educational opportunities or eliminating occupational barriers, not establishing some artificial wage standard. The federal government, however, has no responsibility whatsoever to equalize wages when individuals themselves freely selected to work in lower-paying occupations.

Why comparable worth wouldn't work

Despite the fact, therefore, that aggregate wage disparities are almost entirely, if not completely, the result of women's own choices, feminist groups continue to insist that women are unfairly paid and argue that wages can and should be set according to some "bias-free standard." They contend that women as a group should receive the same average pay as men, regardless of the jobs individual people select, and that this wage parity should be guaranteed by the courts, Congress, or a new bureaucracy that would evaluate and weigh every job in the country and assign to it an intrinsic worth.

Of course, this would be an impossible task since there is no way to determine a job's worth other than through the marketplace. Feminist groups themselves are the first to admit that traditional job evaluation surveys, for instance, reflect the inherent biases of the people who write them. They have been bitter opponents of job surveys in the past, charging that employers use them to keep women's salaries low. In fact, these surveys do have only a limited usefulness in determining salaries -- such factors as skill, knowledge, mental ability, accountability, working conditions and stress must all be assigned a certain number of points and there is a large margin for error even in the most objective of efforts.

Even groups sympathetic to the concept of comparable

worth agree there is no fool-proof method of implementing a "worth standard." The National Research Council, for example, under contract to study comparable worth for the Equal Employment Opportunity Commission during the previous administration, concluded that "we do not recommend requiring the installation of a job evaluation plan in a firm not using one in an attempt to ensure that the firm's pay system is nondiscriminatory. At present we know of no method that would guarantee a 'fair' pay system" (emphasis added).

The National Research Council did, however, attempt to demonstrate the kind of formula that could be used to set salaries if a fair evaluation system were devised. In their formula:

$$\hat{Y}_i = a + \sum b_i J_{ij} + c(\bar{F}),$$

"Y" is the fair pay rate: "a" is a constant term derived by using multiple regression techniques; "b" is the regression coefficient associated with each of the compensable factors, "J", and can be interpreted as indicating the contribution of each factor in determining the average pay rate of workers in this occupation; "F" is the mean percent female for all jobs in a firm; and the coefficient "c" is an adjustment factor in the pay rate that depends on the percent sex composition of the occupation.

It does not take a vivid imagination to picture the helpless reaction of a small contractor as he tries to use this formula to distribute raises among his secretaries and truck drivers. The problems do not end with the mere incomprehensibility of the formula. There are several other difficulties that make such an approach to wage-setting a worthless exercise, even if the employer could figure out how to apply it. Three deserve mention.

First is the problem of selection of the "comparable factors" -- the "J"s in the formula. What factors should enter into a determination of wage rates? Clearly, there are many such factors, and the inclusion or exclusion of any given factor could produce a wide variation in the resulting wage, as determined by the equation. Consider this simple formula:

$$Y = 4 + .1X + .2E + 1.0P,$$

where Y = the "fair wage," and the individual "J"s are represented by X, the worker's years of work experience; E, the workers years of education; and P, some measure of the worker's productivity. Given the values of the variables:

	X	E	P
Male Worker	10	7	2.6
Female Worker	6	15	1.4

the male and female workers would have identical wage rates of \$9/hour.

But now assume the education variables were dropped from the equation. In this case, the man would suddenly be earning \$1.60/hour more than the woman -- all because of a change in the selection of factors. "Comparable worth" is apparently not as comparable as it seems.

Complicating this matter, of course, is the question of whether to include all factors in the evaluation of all jobs. While a pleasant voice may be an important attribute for a telephone operator to possess, it is somewhat irrelevant to a dock worker's worth. And while an employer might wish a dock worker to have incredible strength, the same could scarcely be considered an important criterion for evaluating a telephone operator.

A second problem is the assignment of weights, or coefficients (the "c"s), to the comparable factors. Even if an acceptable set of factors could be chosen, how much of a role should each play in determining the wage rate? There is no objective answer, of course -- it varies from job to job and from employer to employer. But the formulaic approach would disregard these differences and establish these weights by running a statistical test and selecting whatever coefficients forced the average of females' wages into equality with the average of males' wages. To say the least,

But assuming that both the factors and weights could be appropriately selected, a third, and even more serious problem arises. If, at a given time, the average male wage equaled the average female wage, what would happen when the proportion of female workers in a given occupation or in the workplace as a whole changed? Clearly, the average wages would probably change. And to maintain actual wage parity, the coefficients in the equation -- and hence individual wages -- would have to change as well.

To observe the impact of such a move, consider this example. -- workforce consists of 30 males and 20 females. For simplicity, assume the comparable worth wage formula has generated these wage rates:

- 15 males earning \$8/hour
- 15 males earning \$12/hour
- 10 females earning \$6/hour
- 5 females earning \$12/hour
- 5 females earning \$16/hour.

Clearly, both males and females earn an average of \$10/hour.

But now if 10 females with earning capacity (under the current formula) of \$16/hour enter the labor market, the average female wage would be \$12/hour -- \$2/hour higher than men's. To restore parity, all men would have to be given a 20% pay raise, or all women receive a 17% pay cut. Neither

result would be greeted with cheers by feminist leaders, but it would be an inescapable outcome of a genuine "comparable worth" standard.

The point is, it would be impossible to construct a fair, rational, and acceptable method of determining wages under the comparable worth theory using any kind of formulaic approach. Yet there is no other way to generate the wage rates unless such a formula is used.

Perhaps the ultimate reason why comparable worth would not work is that it fails to account for the reality of labor market supply and demand. Even if it were possible to evaluate the intrinsic worth of every job -- as noted, an extremely dubious assumption -- wages would still have to be set according to willingness of workers to accept them. Just because two jobs are deemed to have the same worth does not mean the number of openings and applicants will be in balance. Two jobs may require identical backgrounds and involve the same amount of responsibility, yet workers may choose one job over the other because it is more interesting, in a better location, or has better working conditions.

Proponents of comparable worth do not understand that a short-sighted employer who refuses to pay his employees what they are worth will not remain in business very long. His competitors would quickly hire away his best workers by

of supply and demand, working conditions, or any other factor that determines wages. In other words, the law would require that men and women be paid equally regardless of the equality of their work. This "solution" would cause nothing but chaos in the workplace and overflowing in the courtrooms.

What if comparable worth could "work"?

Even if streamlined procedures could be devised to impose a comparable worth standard without the government's red tape destroying productivity, and even if wages for traditionally female jobs could be raised equal to men's with only a minimum of court action, comparable worth would nevertheless have a devastating impact on the economy.

American employers would have to raise the salaries of the nation's 27 million full-time female employees by \$150 billion a year to bring their median pay equal to men's. Since there would be no corresponding increase in productivity, the pay hike would produce a huge jump in inflation. Economists have compared this effect to the impact of the OPEC oil increases, which led to price increases throughout the entire economy as producers passed cost increases along to the consumer. A new inflationary spiral would hurt women as much if not more than men. Certainly divorced and single mothers trying to raise their families on their own would suffer the most.

The more immediate impact of higher wages would be fewer women working. Employers faced with the prospect of arbitrarily raising secretaries' pay would decide to make due with fewer secretaries, much as employers do now with young workers whenever the minimum wage is raised. Then, too, women would probably face increased competition from men for their old jobs as men decided that since truck driving paid the same as secretarial work, they would just as soon be secretaries.

Perhaps the most severe threat to women's jobs would come from overseas. That is why the International Ladies Garment Workers Union, the union with the highest proportion of women workers, is opposed to the concept of comparable worth. As the union's president said, "I'll be damned if I know a way to get the women more money....The value of their work isn't set by theoretical principles but on the value of the work in the marketplace and in the face of competition from overseas, where garment workers make 30 cents an hour."

Comparable worth would also dramatically increase the cost of government. San Francisco Mayor Dianne Feinstein has called the concept "misguided" and warned of "unfathomable" costs for municipalities. Coleman Young, the Mayor of Detroit, was more blunt: "I wouldn't want to put the fiscal status of the city or the labor scales of the city up for

judgement on the basis of some damn study. If a painter earns more than a secretary, then let more women be painters. Equal opportunity and affirmative action is how you do that."

Furthermore, it is entirely likely that the government would be called in to referee not only disputes between men and women but between groups of men as well. After all, men's salaries are not set according to a theoretical concept of "worth" any more than women's are so it would be logical that the government would be called upon to settle the apparent discrepancies between, say, policemen and concert pianists, both predominantly male occupations. Someone would have to decide if policemen were worth more than pianists and if so, by how much. Again, the complications would be legion, and probably inseparable.

In fact, the most famous question of comparable worth did not revolve around a man and a woman but two men. During the Depression, reporters asked Babe Ruth if he thought he really deserved to be paid more than President Hoover. Ruth's witty answer -- that he had a better year than the President -- belies the fact that wages and salaries are based on supply and demand, special skills, working conditions, and any number of factors other than intrinsic "worth." For the government to begin assigning salaries on this basis would be to manufacture a nightmare far out of proportion to what a mere "symbolic solution" could justify.

A real solution

President Reagan is committed to eliminating all remaining vestiges of sex discrimination through the vigorous enforcement of the Equal Pay Act and Title VII of the Civil Rights Act. In this connection, he has appointed a Task Force on Legal Equity for Women, whose purpose it is to search for discriminatory or unfair federal statutes and regulations. Additionally, through the 50 States Project, the Administration is assisting individual states in completing a similar review of their own laws and regulations to make sure government itself is not a cause of inequality.

Furthermore, the President proposes to enhance women's job opportunities through greater integration of the job market, improved job training, and career counseling. However, the single most important factor in improving the position of women in the job market is to create more real private sector jobs through a robust and dynamic economy. The President's Economic Recovery Program is especially vital in this regard. It is expected to create an additional 5 million new jobs by the end of next year alone and 15 million by the end of 1988.

Moreover, despite the false impression of a lack of progress implied by the 59¢ differential, women have indeed made strides because of the enforcement of existing laws. When women are compared to men holding the same jobs, they are found to be neither more educated than men nor underpaid. And more and more women are entering those high-paying fields once reserved only for men. Between 1970 and 1978, the proportion of accountants who are women rose from 25.3% to 30.1%, a 19% increase. For engineers the increase was 75%; lawyers and judges, 100%; physicians and osteopaths, 27%; and non-farm managers and administrators, 41%. A telling indication of female progress is the analysis by airlines of business travel -- in 1979, business travel by women accounted for 17% of the airlines' revenues, up from only 1% five years earlier.

Conclusion

Former Washington State Governor Dixie Lee Ray made the best point about comparable worth when she characterized it as "apples and bananas and a can of worms." Men and women have different career objectives and so choose different types of jobs. It would be a major mistake for the government to try to equalize pay between the sexes because ultimately it would result in the government setting quotas or arbitrarily assigning wage ranges or even telling men and women what kinds of jobs they could take.

Perhaps the worst aspect of comparable worth is the assumption that women are incapable of making their own decisions without government supervision. Women, the theory seems to say, cannot be counted upon to set their own priorities, choose their own goals, or select their own careers without being duped into accepting wages lower than they deserve.

By assuming that women should make one dollar in the aggregate for every man's dollar, comparable worth advocates are trying to change the whole concept of American equality. They are saying that different groups of people with different characteristics should achieve equal results, no matter what the causes of the differences: equal pay regardless of equal work.

But the purpose of government is not to equalize pay for unequal work, as comparable worth advocates would have it do. Rather, government should help ensure to equal opportunities so that men and women alike have the freedom to choose their own priorities.

Women should be free to pursue a high-paying, high-pressure career if they so choose. But they should also be free to take lower-paying, part-time jobs if they decide their primary responsibility is to their families. Life is full of choices and priorities; women, as well as men, must make their own individual decisions. Neither the government not feminist leaders can do it for them.

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