

DOCUMENT RESUME

ED 258 865

SO 016 522

AUTHOR Walker, Deborah  
 TITLE Value and Opportunity: Comparable Pay for Comparable Worth. Series on Public Issues No. 10.  
 REPORT NO ISBN-0-86599-020-4  
 PUB DATE 84  
 NOTE 20p.; For related documents, see SO 016 513-527.  
 AVAILABLE FROM Public Issues, Center for Free Enterprise, Texas A&M University, College Station, TX 77843 (\$2.00).  
 PUB TYPE Viewpoints (120)

EDRS PRICE MF01/PC01 Plus Postage.  
 DESCRIPTORS Capitalism; \*Controversial Issues (Course Content); Employment Practices; \*Equal Opportunities (Jobs); \*Feminism; \*Government Role; Higher Education; Instructional Materials; Labor Economics; \*Salary Wage Differentials; Secondary Education; Sex Discrimination

IDENTIFIERS \*Ccomparable Worth

ABSTRACT

In this booklet, one of a series intended to apply economic principles to major social and political issues, an argument is presented against comparable pay for comparable worth policies for women. Separate subsections present opposing viewpoints on this controversial issue as well as an examination of whether legislation has been a "friend" or "foe" to women's equality, a discussion of ways in which the government discriminates in the private and public sectors, and reasons why both feminists and women in general should encourage the reduction of government intervention. In conclusion it is argued that it is consumers who place a value on women's jobs and who thus ultimately decide their wages. It follows that women must be willing to gain skill and/or education required to move into the areas that consumers value more highly. (LH)

\*\*\*\*\*  
 \* Reproductions supplied by EDRS are the best that can be made \*  
 \* from the original document. \*  
 \*\*\*\*\*

**U.S. DEPARTMENT OF EDUCATION  
NATIONAL INSTITUTE OF EDUCATION  
EDUCATIONAL RESOURCES INFORMATION  
CENTER (ERIC)**

\* This document has been reproduced as received from the person or organization originating it.  
Minor changes have been made to improve reproduction quality.

- Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS  
MATERIAL HAS BEEN GRANTED BY

Steve Pejovich

TO THE EDUCATIONAL RESOURCES  
INFORMATION CENTER (ERIC)."

The SERIES ON PUBLIC ISSUES is published by the Center for Education and Research in Free Enterprise, Texas A&M University. The purpose of the series is to apply simple, well-tested economic principles to the major social and political issues of the day. The views expressed in the series are those of the authors and do not necessarily reflect the opinions of the staff, directors and advisers of the Center for Free Enterprise or the administration or Regents of Texas A&M University.

The Series on Public Issues is edited by Dr. Svetozar Pejovich and by Dr. Henry Dehloff. Address all correspondence to Public Issues, Center for Free Enterprise, Texas A&M University, College Station, TX 77843.

#### BOARD OF DIRECTORS

Lawrence D. White (Chairman)  
Fort Worth, Texas

Carl F. Raba, Ph.D.  
(Vice Chairman)  
San Antonio, Texas

Keith L. Bryant, Ph.D.  
Dean, College of Liberal Arts  
Texas A&M University

Dean C. Corrigan, Ed.D.  
Dean, College of Education  
Texas A&M University

Thomas R. Frymire  
Dallas, Texas

H. O. Kunkel, Ph.D.  
Dean, College of Agriculture  
Texas A&M University

William H. Mobley, Ph.D.  
Dean, College of Business Adm.  
Texas A&M University

Robert H. Page, Ph.D.  
Forsyth Professor of Engineering  
Texas A&M University

Herbert G. Schiff  
Dallas, Texas

Mayo J. Thompson  
Houston, Texas

#### Ex-Officio Directors

Leslie L. Appelt  
Houston, Texas

C. H. Seely  
Fort Worth, Texas

William V. Muse, Ph.D.  
Vice Chancellor for Academic  
Programs  
Texas A&M University System

#### NATIONAL ADVISORY BOARD

Maurice Acers  
Dallas, Texas

H. E. "Eddie" Chiles  
Fort Worth, Texas

Edwin Feulner, Ph.D.  
Washington, D.C.

Rawles Fulgham  
Dallas, Texas

Honorable Phil Gramm, Ph.D.  
Washington, D.C.

John H. Moore, Ph.D.  
Stanford, California

Robert D. Tollison, Ph.D.  
Washington, D.C.

H. B. Zachry  
San Antonio, Texas

#### CENTER FOR EDUCATION AND RESEARCH IN FREE ENTERPRISE

**Director**  
Svetozar Pejovich

**Associate Director**  
Lawrence C. Wolken

**Rex. 3. Grey Professor**  
S. Charles Maurice

**Series Production Director**  
Marilyn Dardenne

**Administrative Assistant**  
Judy Roessner

Series on Public Issues No. 10

Published by the Center for Education and Research in Free Enterprise, Texas  
A&M University, College Station, Texas.

ISBN 0-86599-020-4  
Copyright ©, 1984. All rights reserved.

Reprinted from Policy Analysis No. 38, May 31, 1984, by permission of the CATO  
Institute.

## Introduction

There are few, if any, men who would qualify for the position of Playboy bunny; and there are few, if any, women who would qualify for the position of male lead in a motion picture. However, there are many other occupations in which gender may be irrelevant. People in these jobs include nurses, truck drivers, lawyers, secretaries, and economists. Why is it, then, that these jobs are each characterized by a disproportionate number of males or females? And why do many female-dominated occupations command lower wages than do male-dominated occupations?

During the past two decades, many feminists have answered these questions with one word: discrimination. They have felt that the only appropriate means for bringing about change and equality for women in the work force has been government regulation. The 1960s were characterized by one law after another, each seen as a step toward bettering women's position in the labor force. In 1963, for example, Congress passed the Equal Pay Act, requiring equal pay for the same work. Title VII of the Civil Rights Act, passed in 1964, prohibited employers from discriminating against women.

Feminists in the 1980s, though, are stating that these regulations have not been effective because women on average still earn approximately 59 percent as much as men do, and are largely concentrated in certain types of jobs. Members of the Business and Professional Women's Foundation blame this "lack of progress" on poor enforcement of the regulations and on "the imprecise language of the Equal Pay Act." The organization also claims that "Segregation of 'men's jobs' and 'women's jobs' has been a barrier to successful litigation and bargaining for equal pay for women. Because the jobs of both sexes are not identical, it has been difficult to demonstrate the discriminatory basis of women's wages."<sup>1</sup>

## The Issue of the '80s

To deal with this, many feminists are focusing on what Janet Gray Hayes, former mayor of San Jose, California, calls the "issue of the '80s" — equal pay for work of comparable worth. The concept of comparable worth differs from that of equal pay for equal work not only in definition but also in how it would affect women if it were passed into law. Equal pay for equal work deals with paying a woman the same wage as a man, or another woman, who is doing exactly the same job. Comparable worth focuses on paying an entire profession or occupation the same wage rate as a second profession or occupation, both of which are determined by some outside authority to be of the same worth or value to an employer.

The proposed method of determining the worth or value of a job is a job-evaluation point system. Under such a system a certain number of points are awarded for different job criteria, such as skill, effort and responsibility required by the job, as well as working conditions under which the job is performed. Those jobs with the same number of points are determined to be of equal worth.

Advocates of the point-system method, therefore, claim that each job has an intrinsic value to an employer and that it is possible to objectively determine this value. In a recent court decision, the American Federation of State, County and Municipal Employees (AFSCME) won a major lawsuit against the state of Washington. Using a point system similar to the one described above, AFSCME introduced evidence that positions such as that of clerk-typists should be paid the same wage rate as that of warehouse workers. Judge Jack Tanner ruled that wages in "female occupations" be increased, not that wages in "male occupations" be lowered.

In other court cases, nurses employed by the city of Denver have argued that they should be paid as much as city tree-trimmers,<sup>2</sup> and jail matrons in Oregon have argued that they should be paid the same wage as male guards.<sup>3</sup> The nurses and jail matrons — like the AFSCME typists — relied on the argument that their jobs are automatically valued lower than male-dominated jobs simply because they are female-dominated jobs. Their argument implies, therefore, that if the occupations of clerk-typist, nurse, and jail matron were predominantly male, the wages for these occupations would be higher.

A recent report prepared for the Equal Employment Opportunity Commission (EEOC) by the Committee on Occupational Classification and Analysis concludes that<sup>4</sup>

**our judgment is that there is substantial discrimination in pay. Specific instances of discrimination are neither easily identified nor easily remedied, because the widespread concentration of women and minorities into low-paying jobs makes it difficult to distinguish discriminatory from nondiscriminatory components of compensation. One approach, which needs further development but shows some promise, is to use existing job evaluation plans as a standard for comparing the relative worth of jobs.<sup>4</sup>**

Do jobs really have an *intrinsic* value irrespective of the market that can be determined by using job-evaluation systems? One useful way to examine this question is to consider exactly how the value of a job (or a wage) is determined.

When a person values something more than he values something else, he is simply stating a preference for A over B. (I am aware of the possible sexist connotations carried by "he," "his," and "him," but I prefer this simplified use of English to the cumbersome "he and she," "his and hers," etc.) An

employer values the labor of his employee more than he values the wage he pays. The employee, on the other hand, values the wage more than he values his time and effort. If this were not the case, trade between the employer and employee would not take place. When trade does take place, both people feel they are better off; they have traded something of less value for something of greater value. Each of them has subjectively determined that the trade was worthwhile at that particular time and under those particular circumstances.

How do the employer and employee determine their respective values? Values are always determined in the individual, unique minds of men and women. A person will value one thing over another because he feels it gives him greater utility — that is, satisfaction or usefulness. This satisfaction or usefulness may not seem right or appropriate in the eyes of another person. Right or wrong, though, one's notion of value guides one's actions and determines one's goals. These goals may change as a person changes his value of something.

Things and people do have intrinsic characteristics, but even these are viewed and valued differently by different people. Objectively, for example, a painting by Picasso is just a piece of canvas with paint on it. Subjectively, however, this same canvas may be viewed and valued as a great work of art. It is important to remember that values are always determined *subjectively*.

Do jobs, then, really have an intrinsic (objective) value? Or can the value of any job only be determined subjectively, depending on the circumstances? Given that the value of a job can change at any time and differs from person to person, jobs have subjective characteristics.

Consider the situation of a man stranded on a deserted island. The day before he was stranded, his circumstances and ideas may have led him to value the services of a tailor very highly. However, once he is stranded, he no longer cares if his clothes fit well. He may now be willing to trade the services of fifty tailors for those of one boat builder. As a consumer, the man stranded on the island has determined the value he places on the services of a boat builder, as well as his value of any person the boat builder might employ.

As entrepreneurs become alert to the changing values of consumers, they will shift their factors of production — labor, capital, land — to best satisfy these consumers. Therefore, those factors most valued by consumers will also be valued highly by the entrepreneurs. If, for example, a great number of sailboats were suddenly demanded (valued), the boat builder's employees who are trained in making sails would become more valuable to consumers — and to the employer — and they would command higher wages. Employers, therefore, cannot simply set rates at whatever level they desire. Rather they must be constantly alert to the changing values of consumers.

However, not only do wage differentials between jobs reflect the values

consumers place on the contributions workers make to the final product, but they also depend upon the scarcity of qualified workers relative to the demand for their contributions. Employees who have skills, experience, abilities, and contributions needed by an entrepreneur and who are also scarce relative to demand will be paid higher wages.

Wage differentials between men and women are not the consequence of women being inherently less productive than men. The differentials exist because women, in comparison, generally have less education and fewer skills and are higher risks for employers. For example, those women who entered the work force in the 1950s were generally more educated than their male counterparts. Since then, however, as more and more women have entered the work force, the average level of education for working women has fallen behind the average level for men.<sup>5</sup>

Men do not leave their jobs to have children and are less likely than women to leave their jobs to care for their children. In addition, men are less likely to move if their spouses are forced to relocate for professional purposes. All of these are reasons why turnover rates for men are lower than turnover rates for women. One study using Department of Labor reports estimates that the median number of years men stay on their jobs exceeds that for women by 77 to 100 percent.<sup>6</sup>

Differences in wages between men and women can also be explained by other factors. Men are usually physically stronger than women and they tend to work in jobs that have a higher probability of physical harm. Because of this increased risk to the employee, these jobs command higher wages.<sup>7</sup>

With a comparable-worth policy, what would happen if supply and demand conditions were to drive up the wages in one particular occupation? For example, with regard to the *AFSCME v. State of Washington* decision, if there is a sudden shortage (relative to demand) of warehouse workers in Washington, causing wages to increase at a greater-than-normal rate, should clerk-typists automatically receive the increased wage simply because their occupation is determined to be of comparable worth?

Through the use of prices, the competitive process enables market participants to learn about available opportunities. As consumers' tastes and preferences change, prices change to reflect the new choices the consumers are making. As the prices of consumer products change, wages in the labor market change. Workers, like entrepreneurs, are always at the mercy of consumers, and prices are the signals that tell all market participants how products, services, and ultimately workers are valued in the market.

Wage rates in turn provide information to people who are deciding on an occupation. An occupation demanding a high wage rate means that consumers value the job and that there is a small supply of workers relative to demand. The incentive to enter this occupation would be high. A comparable-worth policy would cause great distortions in this information.

A high wage rate may simply mean that the occupation is determined to be of comparable worth to a different, high-paying occupation. People would then have incentives to enter and train for occupations where there is already an ample supply of workers. The result would be over-supply of workers in some occupations and under-supply in others.

One popular argument against permitting the forces of supply and demand to set wages is stated by EEOC consultant Ruth Blumrosen. She contends that prevailing wages are a product of other employers' prior discriminatory practices.<sup>8</sup> But entrepreneurs are concerned only with the present and the future. The value of something yesterday has no meaning to them today. They value the factors of production, including labor, available in the present in accordance with these factors' anticipated services in the future production of consumer goods. This is because entrepreneurs are always acting in the present to produce results in the future.

Some feminists also claim that many women should not be subject to changes in market supply and demand. The EEOC report explains that "while the opportunity to move out of segregated job categories may be welcome to many women, many others, who have invested considerable time in training for their jobs, demand wage adjustment in 'women's jobs' rather than opportunities to work in other jobs."<sup>9</sup>

In other words, many women feel employers should be forced to demand whatever skills, experience or abilities these women may already have. This would be the same as forcing consumers to purchase products they do not want simply because these products are already on the market. If this were the case, entrepreneurs would have little incentive to create new, more innovative products; consumers would have to buy what the producers already are selling.

This is precisely the effect a comparable-worth policy would have upon women. They would no longer have the incentive to better themselves, to learn new skills that are actually in greater demand. With this lack of incentive, wage rates would be likely to decrease rather than rise. For example, the judge in the *AFSCME v. State of Washington* case ruled that wages in "female occupations" be increased. This decision is likely to increase the incentives of women to continue entering these "female occupations" and therefore create an oversupply in these jobs.

Many feminists, in effect, are saying to women, "Stay where you are." This kind of advice, though, only reinforces the idea that women are unambitious and less capable than men. The very women who are trying to shed this image are actually demonstrating that they agree with it by arguing that women will "never get anywhere" without the help of government.

## Government: Friend or Foe?

Any reliance on government to increase women's position in the labor force is ironic, in that analysis shows that government legislation, although well-intentioned, has not always been helpful to women. Historically, legislation has restricted women from entering certain occupations for several different reasons. During the early 1900s, women were banned from working in establishments that sold liquor so that immoral and disorderly situations would not develop. Women also were prohibited from working in mines and at night jobs to prevent "unregulated mingling of men and women" in dark places.<sup>10</sup> "Specific evil effects of long hours on childbirth and female functions" was the basis for restricting the number of hours women could work.<sup>11</sup>

The job-related regulations were initially seen as helpful to women. Most of them, however, proved to be just the opposite. One female economist realized this very early. In 1906 Sophonisba P. Breckinridge wrote:

**Such legislation is usually called "protective legislation" and the women workers are characterized as a "protected class." But it is obviously not the women who are protected. For them, some of this legislation may be a distinct limitation. For example, the prohibition against work in mines or against night work may very well so limit the opportunities of women to find employment as to result in increased congestion and decreased wages in such other occupations as are open to them. . . . But no one should lose sight of the fact that such legislation is not enacted exclusively, or even primarily, for the benefit of women themselves.<sup>12</sup>**

Even in recent years there has been protective labor legislation that limits the hours, rest periods, minimum wages, occupations and duties of women. Such legislation often has kept women out of well-paying jobs or has made women less valuable to employers.<sup>13</sup> Some of these restrictions, however, are not as easily seen as those in effect at the turn of the century. Consider the following three examples.

First, women with children, constantly confront government-made obstacles. Because of laws prohibiting them from operating businesses from their homes, they are not able to work and care for their children at the same time. Ironically, the very industries that are most highly regulated are those in which "female jobs" dominate. For example, the apparel and craft industries, in which women could easily be highly productive at home, are highly regulated by the restrictive Fair Labor Standards Act.<sup>14</sup>

Also, as women make new choices to enter occupations that will take them away from home, the market will meet their demands by supplying different types of institutions that enable them to do so. One of these institutions is the day-care center. Unfortunately, those who demand

day-care centers may find them in short supply. There are so many regulations that must be complied with to operate a day-care center that many would-be entrepreneurs simply cannot go into this business. This puts a restriction not only on those who are willing and able to supply the day-care centers but also on those women who demand them.

Second, certain regulations with which employers must comply make it more expensive for them to hire women than to hire men. In many states employers must pay pregnant women benefits under statewide temporary disability insurance laws. Under the affirmative action order for service and supply contractors, employers must undertake the cost of setting goals and timetables for promoting minorities and women.

Third, those women who accept the notion that discrimination is their main barrier to entry into many jobs must ask themselves the following question: Does government involvement increase or decrease the incentives for employers to discriminate against women? The answer is twofold. Not only does government action increase the likelihood of discrimination in the private sector of our economy but it actually promotes discrimination in the public sector.

## The Private Sector

To understand how the government promotes discrimination in the private sector, one must first realize that discrimination is costly to any profit-maximizing firm. For employers to discriminate on any basis, they must spend more time searching for employees who do not have the characteristics the employers consider undesirable. A firm will have to choose between discrimination or higher profits (because of lower costs). This statement holds true because even a slight cost advantage can mean a very substantial competitive edge for those firms who do not discriminate. When the government taxes income or profit, it gives every firm an added incentive to choose discrimination and other amenities over higher profits in order to avoid higher taxes.

Laws that fix wage rates at certain levels for the purpose of benefiting workers create side effects, including discrimination. When a minimum-wage law is imposed, many new job applicants enter the market hoping to get paid this wage rate. This activity creates a surplus of people searching for jobs and allows employers to be discriminatory at a very low cost.<sup>15</sup> Furthermore, many of the job applicants whose skills are not worth the minimum wage to employers will not be hired at all. For reasons discussed earlier, many of these applicants will be women.

Restrictive licensing by the government limits the number of licenses available in a particular occupation. It may also increase the likelihood of discrimination. When the number of licenses available is less than the number of applicants in the particular labor market, the wage rate is forced

to a higher level than would exist without the licensing requirement. This higher wage attracts more applicants to the labor market, and because there are more potential employees to choose from, it again creates a situation in which discrimination by employers is considerably cheaper.<sup>16</sup>

Although managers in both private and public sectors have definite incentives to increase the number of prerequisites available to them, there are several built-in market mechanisms in the private sector that work against these incentives. For example, profit sharing in many private firms increases the probability that managers will maximize profits, not perquisites (including discrimination). If managers do decide to increase their operating costs by discriminating, this less profitable management will be reflected in the stock price of a corporation. A low price may mean the potential for a large capital gain, and this will increase the possibility that the company will be taken over by those who feel they can manage the company more efficiently.<sup>17</sup> The new owners will fire the discriminating managers and hire more productive, profit-maximizing managers. A competitive market for corporate control, as well as a competitive managerial labor market, both work as checks on the discriminating behavior of private managers. None of these checks, however, exist in the public sector.

## The Public Sector

Because public-sector managers are not subject to market competition — in which survival depends upon making a profit — their incentives are different. They must show that they are needed by the public. The most effective way to show this, they believe, is by spending greater and greater amounts of money. The main incentive for these managers is to increase the size of their budgets. In each budget period, therefore, they have a greater incentive to spend more money so that their budgets will be increased during the next period. This will allow them not only to show that their existence is "necessary" to the public welfare and to bestow a greater amount of public benefits, but also to indulge their own preferences, which may include employing men instead of women. With this increased incentive to spend more money, then, there is also an increased incentive to discriminate.

As economist Thomas Sowell notes, "Discrimination levels in colleges, universities, hospitals and the government itself were, in past eras, greater than in competitive industries at the same time."<sup>18</sup> It is interesting to note that suits based on the comparable-worth issue have been initiated by women who are in some way employed by the government or by nonprofit institutions. These women include the nurses employed by the city of Denver, librarians working at the University of California, employees of

the city of San Francisco, clerical workers at the University of Northern Iowa, jail matrons employed by the county of Washington in Oregon, and clerk-typists employed by the State of Washington.

This fact is not surprising. These women indeed may have been subject to discrimination. They are not working under private sector managers, where market incentive systems would protect them, to a great degree, from discrimination.

## The Rationality of the Market

Should not both feminists and women in general encourage the reduction of government intervention, as well as the growth of the private sector of our economy? Most legislation will only decrease women's freedom in the labor force. This loss of freedom will affect women far more severely than any discriminatory practices by employers. Most women are not consciously asking for special favors; they are simply asking for the opportunity to prove that they can contribute to society in ways that have been traditionally reserved for men. Whenever government gives opportunity to some, it is always at the expense of others. The unhampered market, in contrast, gives opportunity to everyone and even encourages the discovery of more challenging, more exciting and greater opportunities.

Women are *individuals* — each of whom has unique aspirations and desires. The freedom and opportunity that the market offers a woman enables her to choose her own, individual path in life. No woman can be coerced to work for a particular boss, even if she has signed a contract to do so. A competitive market process would provide endless alternative employment opportunities even though they may mean a cut in pay. A labor force controlled by the state, though, would mean the abandonment of any choice an employee could make as to an employer. As economist F. A. Hayek notes: "That the freedom of the employed depends upon the existence of a great number and variety of employers is clear when we consider the situation that would exist if there were only one employer — namely, the state."

Even without having completely eliminated discrimination, an unhampered market, over time, would tend to equalize wage rates between equally productive men and women. This tendency shows the importance of "a great number and variety of employers." Assume a discriminating employer pays his male employees \$10 per hour and his female employees \$5 per hour for doing the same work. If no other job opportunities existed in the market, the women would have to accept this wage disparity or stop working.

Precisely because the employer discriminates, however, he creates an opportunity for other entrepreneurs to enter the market and provide the

same product or service at a lower cost.<sup>20</sup> When a second employer enters the market, he will hire all women at a wage rate higher than \$5 per hour but lower than \$10 per hour and therefore have lower costs than the first employer. The women working for the first employer will move to the new employer at the higher wage rate. The discriminating employer either will be forced to lower the wage rate he pays to his employees (now all men) until these rates are equal to the wages of the second employer or will be forced out of business.

Nevertheless, the market's ability to create opportunities and to generate and spread information is far superior to that of the state, if indeed the state has the ability at all. It is superior because of the market's competitive process. As entrepreneurs compete for consumer approval, they are compelled to continually create new opportunities, not only for themselves but also for consumers and people in — or trying to enter — the work force. Each time an entrepreneur seizes an opportunity and provides the consumer with a better product or service, he is also providing new opportunities in the labor market.

It is true that the government provides women with some jobs that otherwise would not have been available to them. Again, though, when one looks beyond the immediate effect of government granted opportunity, one sees a different story. In the market there is always a tendency for the most productive people available for a job to be employed in that job. When an employer must hire women to meet hiring quota requirements, he must search to find women as qualified as the men now employed. In many cases this is not possible, and less qualified personnel are hired. This shift will mean lower profits, less corporate growth, and eventually, perhaps, reduction of personnel. When such down-turns occur, women are the first to be let go. Not only are the government-granted opportunities lost, but many more are also lost because the company did not grow and prosper as it otherwise might have.

This situation would also occur if, because of comparable-worth regulations, employers were forced to increase the wages of some employees because their jobs were determined to be of the same value as jobs already commanding higher wages. These increased wages would mean additional costs to employers. One consulting firm in Philadelphia, which produces job-evaluations systems, estimates that increasing wage rates to eliminate wage disparities between "female jobs" and "male jobs" would cost \$320 billion in added annual wages throughout the American economy.<sup>21</sup> Employers may or may not be able to pass these added costs on to consumers. Unless their values change, consumers will not be willing to pay higher prices for the products and services an employer is offering. Therefore, the employer absorbs these costs; again the company will not expand as it might have and may even be forced to reduce its business and lay off employees.

If employers can pass these costs on to their customers, the ultimate burden of the comparable-worth laws would rest upon consumers. All consumers in fact would be subsidizing women working in "female jobs."

A further cost to consumers would be what economists call "rent seeking." Instead of developing their own skills in order to improve their productivity and pay, workers would have an incentive to spend their time and effort trying to influence whatever government agency determines the worth of a job. Resources would be diverted from productive use to lobbying, which is a negative-sum game for the entire society.<sup>22</sup>

### An Alternative Direction

Feminists need only to glance back into the history of the United States to see what opportunity means and how it is created. Why did millions of immigrants from many different religious and ethnic backgrounds come to the United States? Because it was the land of opportunity, where everyone was equal in the eyes of the law and anonymous in the eyes of the market.

Equality and anonymity meant, and still mean, that the market looks at individual human beings. It does not care if a person is a woman, a Jew or a black. It cares only that the person is able to perform a particular job better than any other applicant for the job, taking into consideration the costs of finding the best applicant. To the market, people are anonymous so long as they satisfy the ultimate economic arbiter, namely the consumer. To cite Ludwig von Mises: "The point of view from which the consumers choose the captains of industry and business is exclusively their qualification to adjust production to the needs of the consumers. They do not bother about other features and merits."<sup>23</sup> The market is the most efficient creator of opportunities for women.

Most women ask not only for opportunity but also to be seen as individuals. Unfortunately, some women want to be judged as individuals, and at the same time, be given special consideration as a group. What these women are actually advocating, then, is a collective ideology. They are ignoring the fact that there are differences not only between men and women but among women themselves, and that these differences will be valued accordingly in the market. In some cases the fact that someone is female will open many doors for her that are closed to a man.

If feminists want to learn why some women are segregated into certain occupations, they should not simply leap to the conclusion of "discrimination" and call for further legislation. They should take an alternative direction and look for further explanations. In the eyes of consumers, one gender may be seen as better than the other at performing certain jobs. For whatever reasons, women are choosing certain occupations, such as nursing and waitressing, and they may very well be proud of the work they are

doing. If they are not satisfied with the wages they receive for their chosen work, they must realize that consumers are the ones who place a value on their job and who are ultimately determining their wages. If they want to receive higher wages, they must be willing to gain skill and/or education required to move into those occupations that consumers value more highly.

Many feminists claim that women have failed to progress because of discrimination and because it is so difficult to prove that discrimination exists. But it is even more difficult to determine how many doors of opportunity these feminists have closed, not only to themselves but also to others, because they have used government in their attempt to achieve equality. Outright discrimination by an employer will eventually be detected by market participants looking for new opportunities, but the choices taken away when the government intervenes in any market interaction may never be discovered. These feminists should be analyzing their own past actions; they may find that such actions have contributed to the reasons why many women are not where they want to be.

### Summary

Wage rates are ultimately determined by the subjective values of consumers. These values can never be objectified by using job-evaluation point systems. Only individual consumers can compare the worth of a job with the worth of any other job. They do this whenever they choose to buy one product over another. Through their actions in the market, consumers signal employers as to which employees they value highest. These employees will rightfully command higher wages.

A comparable-worth policy would mean a great reduction in consumer sovereignty. Any information the market would provide through changes in prices and wages would be greatly distorted. The economic consequences, therefore, would be severe shortages in some occupations and an excess supply in others. Overall economic activity would decline not only because of these market distortions, but also because many women who could have made innovative and creative contributions to the economy would be deprived of the incentive to do so.

If many women are trying to gain the opportunity for individual choice, a comparable-worth policy, or any other government legislation, is not the answer. Women's opportunities and choices depend upon the amount of freedom they have. Only an unhampered market will provide them with the individual choices they desire and the freedom to pursue them.

## Footnotes

- <sup>1</sup> Catherine Seldon et al., "Introduction," *Equal Pay for Work of Comparable Worth: An Annotated Bibliography* (Chicago: American Library Association, 1982), p. 3.
- <sup>2</sup> *Lemons v. City and County of Denver*, 17 FEP 906, D. Colo. 1978.
- <sup>3</sup> *County of Washington v. Gunther*, LW 2175, September 11, 1979.
- <sup>4</sup> Committee on Occupational Classification and Analysis, *Women, Work, and Wages: Equal Pay for Jobs of Equal Value* (Washington, D.C.: National Academy Press, 1981), p. 91. The same report also concludes (p. 92) that "we have not been able to make any assessment of what the social and economic consequences may be of implementing wage policies based on the principle of equal pay for jobs of equal worth."
- <sup>5</sup> Vivienne Killingsworth, "Labor: What's a Job Worth?" *The Atlantic* (February 1981), p. 17.
- <sup>6</sup> Elizabeth M. Landes, "Sex Differences in Wages and Employment: A Test of the Specific Capital Hypothesis," *Economic Inquiry* (October 1977), pp. 523-538.
- <sup>7</sup> Cotton Mather Lindsay, *Equal Pay for Comparable Work: An Economic Analysis of a New Antidiscrimination Doctrine* (Coral Gables, Fla.: Law and Economics Center, University of Miami, 1980), pp. 20-21.
- <sup>8</sup> Ruth G. Blumrosen, "Wage Discrimination, Job Segregation, and Title VII of the Civil Rights Act of 1964," *University of Michigan Journal of Law Reform* 12 (Spring 1979): 397.
- <sup>9</sup> Committee on Occupational Classification and Analysis, p. 2.
- <sup>10</sup> Sophonisha P. Breckinridge, "Legislative Control of Women's Work," *Journal of Political Economy* 14 (January 1906): 107.
- <sup>11</sup> Judith A. Baer, *The Chains of Protection: The Judicial Response to Women's Labor Legislation* (Westport, Conn.: Greenwood Press, 1978), p. 58.
- <sup>12</sup> Breckinridge, pp. 107-8.
- <sup>13</sup> Joan Kennedy Taylor, "Protective Labor Legislation," in *Freedom, Feminism, and the State*, ed. Wendy L. McElroy (Washington, D.C.: Cato Institute, 1982).
- <sup>14</sup> David R. Henderson, "Free the Women," *Policy Report*, Vol. 3, No. 11 (November 1981), p. 11.
- <sup>15</sup> Thomas Sowell, *Markets and Minorities* (New York: Basic Books, Inc., 1981), p. 42.
- <sup>16</sup> Sowell, p. 43.
- <sup>17</sup> Henry Manne, "Mergers and the Market for Corporate Control," *Journal of Political Economy* (April 1965), p. 113.
- <sup>18</sup> Sowell, p. 47.
- <sup>19</sup> Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), p. 121.
- <sup>20</sup> As F. A. Hayek again notes: "The existence of a multiplicity of opportunities for employment ultimately depends on the existence of independent individuals who can take the initiative in the continuous process of re-forming and redirecting organizations." Hayek, p. 124.
- <sup>21</sup> Jake Lamar, "A Borthy but Knotty Question," *Time*, February 6, 1984, p. 30.
- <sup>22</sup> Peter Germanis, "Comparable Worth -- Part 2: The High Cost of Bad Policy," *Heritage Foundation Background*, March 2, 1984.
- <sup>23</sup> Ludwig von Mises, *Human Action*, 3d ed. (Chicago: Henry Regnery Company, 1963), p. 313.

BEST COPY AVAILABLE 13

17

## Selected Center Publications

In an effort to reach as broad a spectrum of readers as possible, the Center for Free Enterprise publishes numerous research monographs, other papers and occasionally a full length book. The following is a partial listing.

### Research Monograph Series

The research monograph series is designed to provide interpretations of technical articles appearing in scholarly journals. The monographs often are useful for teachers who are addressing current economic issues in the classroom.

1. *The Economics of Industrial Democracy: An Analysis of Labor Participation in the Management of Business Firms*, by Eirik G. Furubotn.
2. *International Price Stabilization and the Less Developed Countries: Lessons from History*, by John R. Hanson, II.
3. *Distortions in Official Unemployment Statistics: Implications for Public Policy Making* by Kenneth W. Clarkson and Roger E. Meiners.
4. *Profitability of Major Oil Companies: Normal Returns or Windfall Profits?* by Gerald D. Keim, Barry D. Baysinger, Roger E. Meiners and Gary D. Libecap.
5. *The Inflationary Impact of Labor Unions*, by Dwight R. Lee.
6. *The Foundations of Free Enterprise*, by John W. Allen, David G. Armstrong and Lawrence C. Wolken.
7. *The Exploration and Colonization of Space*, by Lawrence C. Wolken.

### Series on Public Issues

The series on public issues has been designed for use by high school teachers and the general public. The authors in the series use commonly accepted economic principles to help readers increase their understanding of complex economic, political and social issues.

1. *Are We Running Out of Everything?* by S. Charles Maurice and Charles W. Smithson.
2. *The Minimum Wage Laws: Who Benefits, Who Loses?* by Margaret Jane Hobson and S. Charles Maurice.
3. *Japan: The Modernization of an Ancient Culture*, by Lawrence C. Wolken.
4. *The Overpopulation Myth*, by Thomas R. Saving.
5. *Entrepreneurship: A U.S. Perspective*, by Henry C. Dethloff and Keith L. Bryant, Jr.
6. *Karl Marx in One Lesson (1818-1883)*, by Steve Pejovich.
7. *Pollution in America: The Trouble with Trash*, by S. Charles Maurice and Charles W. Smithson.
8. *Is the Market Fair?* by Gerald Keim.
9. *Inflation: Causes and Cures*, by Thomas R. Saving.

### Other Publications

*The Economic Responsibility of Government*, by Milton Friedman and Paul A. Samuelson (\$1.00).

*The Political Economy of Federal Government Growth: 1959-1978*, by James T. Bennett and Manual H. Johnson (Paper-\$4.95, Cloth-\$12.95).

*Los Fundamentos de la Libre Empresa*, by John W. Allen, David G. Armstrong and Lawrence C. Wolken (\$1.00) [Spanish version of *The Foundations of Free Enterprise*].

*The American free enterprise system traditionally rests on three premises: the right of ownership, contractual freedom and limited government. These premises generate predictable human behavior, consistent with liberty and efficiency. Indeed, the American free enterprise system produces a standard of living and a degree of personal freedom that no other system (or country) has been able to duplicate.*

The purpose of the Center for Education and Research in Free Enterprise is to enhance public understanding of individual liberty and the American Free Enterprise System through education, community involvement and research.

Admission to Texas A&M University and any of its sponsored programs is open to qualified individuals regardless of race, color, religion, sex, age, national origin or educationally-unrelated handicaps.

## Biography of the Author

Deborah Walker is a research fellow at the Center for the Study of Market Processes at George Mason University.

Published by the Cato Institute, *Policy Analysis* is a regular series evaluating government policies and offering proposals for reform. Nothing in *Policy Analysis* should be construed as necessarily reflecting the views of the Cato Institute or as an attempt to aid or hinder the passage of any bill before Congress.

Contact the Cato Institute for reprint permission.

Additional copies of *Policy Analysis* are \$2.00 each (\$1.00 in bulk). To order, or for a complete listing of available studies, write to: *Policy Analysis*, Cato Institute, 224 Second St. SE, Washington, D.C. 20003.

\$2.00