The Case for Pay Equity

Submission to the BC Task Force on Pay Equity (Nitya Iyer, Chair)

From the BC Office of the Canadian Centre for Policy Alternatives

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INTRODUCTION

WOMEN'S ROLE IN THE CANADIAN LABOUR market has changed profoundly in recent generations. Women have entered the labour force in record numbers, are more strongly attached to the labour force than in previous years, and have made considerable gains in the kinds of characteristics typically rewarded in the labour market (such as experience and education). Women's skill levels (relative to men) have risen, as have women's educational levels and levels of job experience, and women have successfully infiltrated many previously male dominated occupations (Drolet 2001, Gunderson 1998).

Such changes reflect in part the fact that women's earnings have also become increasingly important for both their own and their families' economic well-being. Indeed, the single-earner family with one male 'breadwinner' now represents only 18 percent of Canadian families (Gunderson, 1998).

Yet despite women's increased role in the labour market, they continue to participate on gendered, and often unequal terms. One of the most obvious indicators of this is the continued presence of a gender wage gap. No matter how you define earnings (e.g. annual versus hourly, mean vs. median), a gap between women's and men's wages persists, even across educational categories and age groupings.

Given the fact that employment has become the norm for most women most of the time, the consequences of discriminatory wages are substantial. For women heading single-earner families, this is particularly obvious, and it is also clearly important for those partnered with men whose earnings are relatively low. Perhaps less obviously, women's wages are also important even in families where men earn an adequate "family wage" as women's employment and earnings relative to their husbands appears to affect the balance of power in marriages (England and Kilbourne 1990, Lundberg and Pollak, 1996). Some other consequences of lower female earnings include lower retirement incomes, and greater difficulty in leaving abusive or unhappy marriages.

One potential means of addressing women's labour market disadvantage is through pay-equity legislation. Such legislation is based on the assumption that part of women's wage disadvantage stems from the sex segregation of the labour force and the systematic devaluing of jobs predominantly filled by women. Pay equity does not directly address the sex segregation of the labour force, only the negative wage outcomes tied to that segregation. It does not require that women adopt "male" jobs, or vice versa, but only that the gender of those doing a job should not affect its rate of pay. Simply put, pay equity proposes that workers should receive "equal pay for work of equal value".[1] This principle is one of simple fairness, and it is recognized in international conventions to which Canada is signatory[2].

The federal government and most Canadian provinces have enacted some form of pay equity legislation, as have most OECD countries (Baker and Fortin 2000). In British Columbia, some parts of the public service have taken steps to address pay equity, and some unions have bargained for this principle. There is, however, currently no pay equity legislation in British Columbia. Both internationally and nationally, BC is a laggard when it comes to pay equity.

There is ample evidence that labour market forces can work in discriminatory ways in the absence of government regulation. Government can and should play an important role in promoting equitable labour market practices for all workers. Pay equity programs should be part of the general framework within which government promotes fair treatment of workers.

It is important, of course, that such intervention be well-designed and thoughtful if it is to achieve its aims and not create problems of its own. Our submission is presented in the spirit of helping government assess how best to use pay equity legislation to address women's labour market disadvantage. Because it is important to first understand the nature and extent of the problem pay equity is designed to help solve, the brief begins with a discussion of the extent of the gender wage gap in BC and the reasons for it. The next section describes the forms pay equity initiatives have taken in other jurisdictions, as well as some of the potential problems and limitations of these approaches. Finally, the report ends with recommendations for British Columbia.

THE GENDER PAY GAP

Key parameters of the BC gender pay gap

A number of different measures have been used to estimate the pay gap between men and women, and the size of this gap depends in part on the measure used.

The "earnings gap", between men and women represents differences in annual earnings, and has generally been estimated from the Survey of Consumer Finance (SCF). Because women and men vary in the average time worked per year (in part because women are more likely to work part-time), analysts typically compare the earnings of full-time, full-year workers. [3] The gap between men and women's earnings for full-time, full-year work has declined considerably in the thirty years since the SCF has allowed it to be documented. In Canada as a whole, the female to male earnings ratio increased from 58.4 percent in 1967 to 72.5 percent in 1997, the last year for which we have comparable earnings data.[4]

In 1997 in BC, the average earnings of full-time/full-year men were $45,050, while the average earnings for equivalent women were $32,849. The gender earnings ratio for full-time/full year workers was thus 72.9 percent, very slightly higher than the overall Canadian ratio (BC Stats). In Canada as a whole, the gender earnings ratio varied from 80.2 percent in PEI to a low of 64.2 percent in Alberta (Drolet 2001, BC Stats 2000).

The "wage gap" is generally estimated in terms of hourly, rather than yearly, earnings, and represents wages and salaries of employees in their "main" job only. Since 1997, this ratio can be estimated from the Labor Force Survey. Unlike the earnings gap, this measure excludes the earnings of the self-employed, overtime pay, or wages received for secondary jobs. In measuring overall gender earnings differences between full-time full-year workers, the earnings gap thus remains a superior measure. However, the exclusion of part-time workers from measures of the earnings gap means that a substantial portion of the female workforce is not represented in estimates derived from it, whereas part-time workers are included in measures of the gap in hourly wages. The latter is also a more direct measure of discrimination in rates of pay per se. The 1997 Canadian gender wage ratio of hourly earnings was 82.3 percent, considerably higher than the overall gender earnings ratio at this time.[5] By 2000, however, women had lost some ground in both British Columbia and Canada: the gender wage ratio in both jurisdictions dropped to 81 percent.

The gender pay gap is not the same across all groups in British Columbia (see Table 1). The 2000 wage ratio among unionized workers was much higher (88%) than among non-unionized workers (77%). This is not surprising since unions generally reduce wage differentials among workers and standardize wages of similar workers across establishments in the same industries or occupations (Drolet 1999). Moreover, many public sector unions have negotiated pay equity agreements in their collective bargaining, the results of which may be reflected in this narrower pay gap.

Younger workers also have a higher gender wage ratio. In 2000, British Columbian young women between 15-24 earned 90 percent of the wages of young men. By the time women were between 25-54 years of age, however, they earned 80 percent of male earnings, and this ratio dropped to 79 percent for workers 55 and over (Statistics Canada, Labor Force Survey). The smaller pay gap for younger workers may reflect the fact that these workers are new entrants to the labour market and hence have similar skills and similar labour market experience (Drolet 2000). The gender wage ratio is also higher among more educated workers, ranging from 66 percent for those with less than a secondary school education to 90 percent for those with graduate degrees.

The gender wage ratio in BC also varies by industry, ranging from a low of 70 percent in manufacturing to a high of 99 percent in the utilities industry (Statistics Canada, Labor Force Survey.

It is also notable that the wage gap is smaller in the public sector than for the labour market as a whole. In public administration the gender wage ratio is 85 percent. In the educational sector and in health care and social assistance (both generally considered part of the wider public sector), the gender wage ratio in 2000 was 84 percent and 92 percent

respectively. This may in part reflect higher unionization rates, the generally greater employer size and centralization of pay arrangements in the public sector, as well as the implementation of pay equity in parts of the public sector.

Accounting for the gender pay gap

It is important to acknowledge that the existence of a wage gap between men and women does not in itself prove women's disadvantage results from the discriminatory valuation of "male" and "female" jobs. Arguments in favour of pay equity policies are based on the presumption that the sex composition of jobs affects their wage levels, even after other factors are accounted for. The labour market does not, in this view, operate in a gender-neutral way. Rather, wage determination processes are gender biased in ways that devalue jobs characteristically done by women relative to those performed by men. This gender bias may arise from a number of mechanisms, including norms that undervalue work done by women or that presume that women need or deserve less money than men, or underestimation of the contribution of women's work to organizational goals. Organizational inertia may then perpetuate biased wage rates insofar as past wages guide current wage rates, and bias in one organization may be transmitted to others as organizations look to prevailing rates in other firms to calibrate their own wage levels (England 1999).

There are, however, other factors that also contribute to the pay gap between men and women. Differences in women and men's productivity-related "human capital", such as education, skills, and experience, are related to wages[6]. On average, Canadian women have lower levels of labour market experience than men, as well as shorter tenure with their current employers (Drolet 1999). Women may also be differentially allocated to jobs, occupations and establishments that pay lower wages, a process of "allocative discrimination" that produces sex-segregation and "female job ghettos" in the labour force (Peterson and Morgan 1995). Women may also receive lower wages than men within the same job category in an organization ("within-job wage discrimination").

Standard decomposition techniques attempt to determine what factors account for the wage gap by estimating the degree to which the gap can be "explained" by factors such as those identified above, and what portion remains "unexplained", and thus attributable to differences in the pay men and women receive for the same characteristics.[7]

To date, no research has performed such a decomposition of the BC wage gap. There are, however, a few studies that attempt such an analysis at the national level. The particular proportion of the pay gap attributed to different factors varies in these studies as a result of different methods of calculating the gap and differences in the variables included in the researchers' models. Nonetheless, even after controlling for differences in wage-determining characteristics, including human capital factors and differences in gender representation in particular occupations and industries, most of the wage gap between men and women remains "unexplained" in all the models. In other words, if women had the same wage-determining characteristics of men, they would still earn less money on average. Estimates of the size of this "unexplained" factor vary: Baker et al. (1995) find that 75 percent of the wage gap in the 1970-85 period is unexplained, Christofides and Swidinsky (1994) find 73.4 percent is unexplained, and Coish and Hale (1995) cannot explain 88 percent. The two studies that control for the most factors explain a larger portion of the gap, but the unexplained portion remains above 50 percent in each case, with Gunderson (1998) unable to account for 53 percent of the gap and Drolet (1999) leaving 51 percent unexplained.

Are female jobs "devalued"?

Standard gender wage gap decompositions can inform our understanding of this gap to some degree by measuring how sex segregation contributes to it. Sex segregation occurs at a number of levels, including industries, establishments, occupations, and jobs.[8] For example, more men than women work in the forestry industry while more women work in the service industry (industrial level sex-segregation), 911 dispatchers working from fire departments in Vancouver are mostly men, while 911 dispatchers working for the police are largely women in BC (establishment level sex-segregation), and engineers are more

likely to be men, and nurses more likely to be women (occupational level sex-segregation). An example of job-level sex-segregation could be a real estate company in which realtors selling residential properties are mostly female while most commercial properties are handled by men. Segregation at each of these levels can contribute to the pay gap between men and women (Bayard et al. 1999, Baron and Bielby 1995 Petersen and Morgan 1995). Not surprisingly, the more finely detailed the measure used (i.e. jobs instead of occupations, more as opposed to fewer occupational categories), the more sex-segregation one finds, and the larger proportion of the overall wage gap that is "explained".

In Canada, overall estimates of the role of sex-segregation in perpetuating the gender wage gap generally consider segregation at the level of industry and/or occupation. The contribution of occupation and industry to the "explained" portion of the gender wage gap may capture some of the gendered devaluation of jobs. Using 1997 data, Drolet (1999) estimates that sex segregation at the level of industry and occupation explains approximately 11.2 percent and 8.5 percent respectively of the gender wage gap. If women's occupations and industries are devalued, this will be reflected in these numbers. Because Drolet's work uses only 8 occupational categories, however, the 8.6 percent of the pay gap she attributes to occupational segregation is likely understated. In addition, it understates the overall role of sex-segregation in creating the wage gap insofar as it fails to account for the effects of job-level sex segregation that may occur within occupations and industries, and which is currently reflected in the "unexplained" portion of the pay gap. The gender pay gap that remains even within occupations and industries may reflect in part sex-segregation between establishments and/or between job classes within firms.

Of course it is also true that differences in pay between occupations and industries dominated by women versus men may not reflect pure gender bias, but also differences in other characteristics that are related to pay levels. If women are concentrated in occupations and industries that have lower skill requirements or are lower in power and prestige, this will be reflected in lower wage rates. While the gendered processes that sort women into such positions are in themselves an important barrier to women's equality, and should not be viewed as a "justification" of pay differentials per se, they are beside the point of pay equity as traditionally conceived.[9] Using the occupational and/or industrial contribution to the wage gap as a measure of the gendered devaluation of jobs obscures the fact that not all wage differences between occupations and industries come from the devaluation for the of women's work.

There are ways to test more directly whether women's jobs are devalued and if this contributes to the pay gap between men and women. Unfortunately, while there has been considerable research on this question in other countries, (research that has largely supported the proposition that women's work is devalued - see e.g. Bielby and Baron 1986, Johson and Solon 1986, Sorensen 1986, for a study that finds little effects of gender composition on wages see Macpherson and Hirsch, 1995) Canadian evidence is sparse.

Job evaluation studies provide the most direct means of testing whether female jobs are devalued relative to male jobs of "comparable worth" in the same workplace. In a study of 1988 wages in the health care sector of (Ontario or Manitoba), Ames (1995) found that while most of the difference in pay between male and female jobs was due to differences in their "worth", gender composition had a significant effect. On average, female-dominated jobs were paid $1.23 less per hour than men's jobs judged to be of comparable worth. The fact that women have won pay equity settlements both through collective bargaining and through court cases also provides de-facto evidence that by this measure, at least some Canadian women have suffered wage discrimination as the result of the gendered devaluation of their jobs. Because the results of job-evaluations pertain only to particular workplaces, however, they do not allow an overall estimate of the degree to which women's work is devalued in the labour force as a whole.

The only Canadian research that attempts to test directly whether women's work is devalued is a recent study by Baker and Fortin (2000). While this study does not test for gender-based wage differences between jobs within establishments, the usual target of pay-equity policies, it does test whether the percentage of women in an occupation as a whole makes

a difference for wages. Baker and Fortin use more detailed occupational categories than other Canadian studies, and they attempt to control for a number of occupational characteristics that are likely to affect wages.[10]

Baker and Fortin test for the devaluation of female dominated occupations for both Canada and the United States in the late 1980s. At this time pay equity legislation was limited and largely ineffective, making their results less likely to be affected by wage adjustments resulting from pay equity. Consistent with most American research, they find that women working in female-dominated occupations in the United States suffered a wage penalty relative to women in mixed and male dominated occupations. In Canada, however, this penalty was absent when calculated for women as a whole, a difference they attribute to the relatively high wages earned by certain "public goods" occupations in Canada, such as those in the educational and health sector, and to unionization effects. Relatively well-paid, female-dominated occupations in the Canadian public sector essentially "drive-up" the overall wages for female-dominated occupations. This is consistent with what we would expect from Mueller's (2000) research that finds that, all-else equal, women receive better pay in the public sector.

When Baker and Fortin look at specific groups of Canadian women workers, they find a very different story. On average, full-time female workers, non-unionized female workers, and female university graduates did suffer a wage penalty for being in female-dominated occupations, all else equal. Since full-time, non-unionized women alone make up 47 percent of working women, by Baker and Fortin's estimate, almost half of all women suffered from the devaluation of female occupations.

A limitation of Baker and Fortin's study is the lack of establishment-level data. While the occupational categories they use are relatively detailed, it should be remembered that American research routinely finds sex-segregation within occupations at the establishment level. Pay equity legislation is designed to address the devaluation of women's work at the level of *job classes*, not simply occupations, but Baker and Fortin's research does not allow comparisons of male and female wages at this fine a level.

This, however, is not the only problem in terms of using this comparison to evaluate the likely effects of pay equity. Baker and Fortin argue that the lack of a statistically significant overall penalty for women working in female occupations undermines the premises on which pay equity programs are based. This is quite simply untrue, not only because pay equity programs have tended to be targeted at jobs and not occupations, but also because they are comparing women in female dominated occupations to the wrong people. While comparing women's wages in female dominated occupations with women's wages in mixed and male-dominated occupations tells us whether women would be better off, individually, switching to occupations with more (or less) female representation, it tells us nothing about the likely effects of pay equity. After all, pay equity does not compare women's wages in female-dominated occupations to *women's* wages in male-dominated occupations, but *average* wages (for men and women) in each situation. Since men's wages are higher than women's in male dominated occupations, Baker and Fortin's comparison of female wages understates the likely effects of pay equity settlements.

Comparing women's wages in occupations with different levels of female representation is not only a poor measure of the likely effects of pay equity, it is also a poor measure of the devaluation of women's occupations per se. If women in male dominated occupations are more likely to face other kinds of discrimination that lower their wages (as much qualitative evidence suggests), this will statistically offset and thus obscure any devaluation of women's occupations that is occurring. A far better measure of whether female-dominated occupations are devalued is to compare *men's* wages in female-dominated occupations with *men's* wages in mixed and male-dominated occupations because men will not be affected by other forms of gender discrimination. Baker and Fortin's research does, in fact, make this comparison, and finds a substantial and statistically significant negative effect for working in a female dominated occupation, all else equal, providing strong support for the proposition that women's occupations are devalued.

So what does the research tell us? A number of findings stand out. First of all, the wage gap clearly remains a problem for women in British Columbia,

although the magnitude of this gap varies according to a number of factors including union status, age, occupation and industry. While we do not have BC-specific research, based on the results of studies with national-level data it is probably also fair to presume that much of this gap can be attributed to sex-based discrimination of different kinds, including discrimination tied to both the sex-segregation of the labour market in general, and the devaluation of female-dominated jobs specifically. Pay equity policies therefore are clearly a necessary and appropriate policy response to the gender wage gap although they will not eliminate the gender wage gap altogether. After all, part of the wage gap is due to factors other than the devaluation of female jobs. Moreover, while more women than men work in female-dominated jobs, the fact men suffer relatively larger wage penalties for doing so means that raising the pay of all incumbents in these jobs will also raise men's wages. While this will blunt the effect of such a policy on reducing the overall wage gap, it highlights the fact that eliminating the gendered devaluation of jobs is not simply a "women's" issue.

ADDRESSING THE DEVALUATION OF WOMEN'S WORK: PAY EQUITY IN PRACTICE

Pay equity policies have been enacted in various forms in different jurisdictions. While the details of particular plans vary, there are four major types: initiatives tied to collective bargaining, complaint-driven legislation, pro-active approaches, and sectoral bargaining.

Collective bargaining

In BC, pay equity has largely been advanced in the public service through the collective bargaining process. While important changes have been made as a result of this process, the process has also been hampered for some women by its general limitation to comparisons of the wages of "male" and "female" jobs within bargaining units. When bargaining units are predominantly female, the lack of an appropriate male group against which to compare wages can undermine the process.

Siting pay equity within the collective bargaining process also necessarily excludes non-unionized workers. Since non-unionized women suffer from a larger pay gap than their unionized counterparts, this is clearly a major limitation.

Complaint-driven legislation

Pay equity initiatives in Canada have also taken the form of complaint-driven legislation embedded in human rights codes. While some complainants have received wage settlements as a result of this legislation, complaint-based pay equity models have had little success in reducing the overall pay gap between men and women (Kovach 1997). This is not surprising due to a number of drawbacks with this model. In this type of legislation, the onus is on the individual or union to bring a case to court alleging unfair pay. In Canada, relatively few complaints have been brought (Kovach 1997). Although some of the cases, like that brought by the Public Service Alliance of Canada (PSAC) have been huge, the small number of complaints obviously limits the utility of such policies. The fact that cases tend not to have been brought by individuals also reflects the difficulty of making complaints against a current employer without fear of reprisal. Not surprisingly, most employees leave their place of employment before making a complaint. The adversarial nature of a complaint-based approach has also, in practice, leads to significant expense and delays. Federal government employees are only now receiving pay equity adjustments after over 15 years in the courts (Baker and Fortin 2000). On the positive side, the publicity accorded large cases before the court may educate others about the issue of pay equity and may also encourage other employers to modify their behaviour to avoid lawsuits and negative publicity. The BC Human Rights Code protects women from sex discrimination in employment, and from sex-based wage discrimination regarding similar or substantially

similar work. It does not currently offer express protection based on work of equal value.

Proactive approaches

In response to the lack of progress with complaint-based pay-equity approaches, a number of jurisdictions have implemented pro-active legislation. For the most part, these have been restricted to the public sector: Ontario and Quebec are the only jurisdictions with pro-active pay equity legislation that applies to the private sector to date. Typical pay equity initiatives call for a study of the jobs and pay structure within an organization. Points are generally rewarded for characteristics relating to the skills, effort, responsibility, and working conditions required for jobs, and weights are assigned to reflect the relative importance of each characteristic. Job classifications with similar point scores are assigned equal wage rates.

Pay equity policies have clearly benefited some women, with wage increases of around 20% common in Canada for those who have received an adjustment (Gunderson 1998). The effectiveness of such programs for changing the wage gap overall, however, has varied. While pay equity programs in Iowa, Michigan, Minnesota, San Jose and Washington State have been estimated as potentially able to close 45% of the pay gap, actual results have been more modest. In Canada, pay equity programs are estimated to have reduced the gender wage gap by 28% in the Manitoba government. Ontario's more ambitious program, however, did not appear to make a difference at the aggregate level, in part because of a widespread lack of compliance (Gunderson and Riddel 1992, Baker and Fortin 2000).

Methodologically, proactive pay equity policies can be quite complex, and differences in details can make a large difference in their effectiveness. A number of problems and limitations with proactive approaches as they have been adopted in various jurisdictions have undermined their potential efficacy.

As noted earlier, not all of women's wage disadvantage stems from the devaluation of female dominated jobs. As commonly implemented, whether proactive or not, pay equity policies do not address these other forms of disadvantage. Moreover, even pro-active pay equity policies are not designed to address all the levels at which the gendered devaluation of jobs may occur, focusing only on discrimination that occurs at the level of a particular employer or establishment. There is, however, considerable sex-segregation that occurs within occupations but between employers, and this too may lead to the gendered devaluation of jobs at this level.

Political pressures of various kinds can also reduce the positive impact of pay equity policies. In most American states, job evaluation schemes initially proposed by hired consultants were changed before being implemented, often in ways that compromised their effectiveness (Orazem and Mattila 2001). In Iowa, the comparable worth plan finally implemented by the government reduced the unexplained portion of the pay gap between men and women far less than would have occurred under the original plan that was proposed. Orazem and Mattila (2001) note that the changes redirected some of the benefits towards union members, supervisors, and professionals. Various participants in the pay equity process clearly can and do influence that process in ways that tend to favour the more powerful players (Cuneo 1991, Haignere 1991, Orazem and Mattila, Acker 1989, Steinberg 1991, Warskett 1991).

The first potential place where pay equity can be undermined is the job evaluation process. This process is necessarily somewhat subjective: empirical studies have demonstrated that different job evaluators do not necessarily come up with the same results when assigning points to jobs or weights to job characteristics (Arnault et al 2001, Orazem and Mattila 2001). Gender bias can infiltrate this procedure, and was a common complaint raised against early job-evaluation systems (see England 1992, Gaskell 1991). For example if "effort" is measured in terms of the strength necessary to do a job, rather than the fatigue it causes, this will likely bias evaluations to value men's jobs more highly than women's on this measure.

The weighting of job components may also reflect gender bias. Commercial job evaluation systems often set the relative weights for various job factors in advance, generally using weights that they have found to "fit" general market realities (England 1999). Insofar as these realities are themselves gender-biased (i.e. if characteristics that tend to be more strongly associated with "women's" jobs are undervalued in

the marketplace), such schemes are vulnerable to perpetuating gender bias. This is also a potential problem with "policy-capturing" systems that use the current pay practices of the employer as the criterion for setting weights (England 1999, Haignere 1991).[11]

Another set of problems arises from the procedures for determining if a given "female" job is underpaid and for adjusting wages. The simplest way of determining whether a job is underpaid and how to remedy this is a "job to job" comparison. Used in Ontario, this entails comparing a single female job class to a single, equivalent male job class. When multiple male comparators exist, the lowest paid job class is used. If no male comparator exists, the lowest paying job of the next highest value is used. While appealingly simple, this method quite clearly limits the legislation's potential to eliminate the under-valuation of female jobs. By always choosing the lowest male wage, female wages are biased downwards. Moreover, compensation is extremely sensitive to the values of particular male comparator groups, and if that group is an outlier, this may result in unfair and illogical remedies. A female job with more job evaluation points may end up paid less than a female job with less points if the male comparator for the former is relatively underpaid itself (see Gunderson and Lanoi (1999) for examples of how this happened in Ontario).

Another problem with the job to job method of comparison arises in the absence of equivalent male jobs. In response to this, Ontario allowed proxy comparisons for women in the broader public sector so that comparators in other parts of the public service could be used in the case of no appropriate male comparators within a particular sector (Baker and Fortin 2000). While this was a significant advance, this method remains vulnerable to all the problems of the single job to job comparison. One would also assume that the choice of which proxy to use could become the subject of intense dispute for obvious reasons. This method is also difficult to use in the private sector (and in fact was not allowed in this sector in Ontario), since firms being used for proxy comparisons may rightfully object to giving competitors wage and salary information.

An alternative was, however, adopted, in Ontario when direct job to job comparisons were unavailable in the private sector. In this method, separate female and male wage lines are constructed with job classes ranked by value on the horizontal axis and the corresponding salary level on the vertical axis. A "hypothetical" comparison can be made by moving a point on the female wage line to the point of comparable value on the male wage line, whether or not there is actually a male job class at that particular point. This "point to line" adjustment is used for all jobs in the federal jurisdiction and in Newfoundland. While this removes systemic differences between the male and female payline when used for all jobs, it also eliminates random variations in the female payline (Kovach 1997). To the extent that these variations are due to factors legitimately related to pay but not encompassed by job evaluations (i.e. relative demand), this is problematic.

One of the best approaches has been adopted in Manitoba, PEI, and New Brunswick. Here, pay adjustments are based on raising the female payline to the male payline. In other words, all female jobs receive a boost equaling the average amount by which female dominated jobs are underpaid. This eliminates systematic sex differences, but does not eliminate random deviations within the paylines (Kovach 1997). While some of these deviations are "irrational", this process leaves the maximum space for (nondiscriminatory) market factors to affect wages, and it will tend to cause less variation in the magnitude of adjustment in female dominated jobs.

While the "point to line" and "line to line" procedures are both self-evidently fairer than the "job to job" procedure, they make the most sense when there are a large number of jobs being evaluated, and are therefore problematic for small employers. They are also more technically complicated. Small employers are less likely to have the formal job descriptions necessary to evaluate jobs in the first stage - to expect them to also have the expertise in-house to perform the necessary statistical calculations for wage line comparisons is unrealistic. This method will thus increase both costs to employers and the possibility of error. As a result, Ontario excluded small workplaces from pay equity legislation. Not surprisingly, even among those included, evidence suggests up to 80 percent of smaller organizations did not comply with the law (Baker and Fortin 2000). In their evaluation of Ontario's plan, Baker and Fortin (2000) found that

the lack of male comparators for female jobs seriously hampered its efficacy.

Such exclusions, whether resulting from legal exceptions or avoidance of the law create unfair differences in the treatment of women in different female dominated jobs, as well as giving those employers that do not comply an unfair advantage over those that do[12]. It also means that some of the women most in need of pay equity are the least likely to receive it. Not surprisingly, in Ontario impressionistic evidence suggests that "better results had been achieved in unionized, public sector, and larger workplaces, and for women in higher paying jobs." (Baker and Fortin 2000).

A final hypothetical problem with all pay equity initiatives is that by raising the relative cost of female labour, they will increase female unemployment. As with arguments about the effects of raising the minimum wage, much turns on the magnitude of disemployment effects. If these are small, the advantages of the policy will outweigh its costs (England 1999). So far, arguments about the disemployment effects of pay equity are largely theoretical and/or based on simulations rather than actual data. Using actual data from Ontario, Baker and Fortin (2000) find that the impact of pay equity awards on employment in female jobs was very small.

Sectoral bargaining

The final type of pay equity program to be discussed, that embedded in sectoral bargaining, does not address all of these barriers either, but it does go further than the other approaches in addressing the wage impacts of sex-segregation outside firms at the occupational and sectoral level.

Cross-national evidence suggests that institutional features of the labour market play a major role in mediating the degree of wage inequality both generally, and between men and women. In general, the more centralized the system by which wages are determined, the less overall wage inequality, and the less gender-based wage inequality (Blau and Kahn 1992, Kidd and Shannon 1996). Even within countries, places where wages setting is more centralized tend to produce less gender based wage inequality (Grimshaw 2000). Because of this, embedding pay equity principles in systems in which wages are set by sectoral bargaining has the potential to go the furthest in reducing the devaluation of women's jobs. Wage-setting in British Columbia tends to take place largely at the level of the establishment, however, and political reasons make this unlikely to change in the near future.

CONCLUSION

Pay equity cannot eliminate all sources of women's economic inequality. Other initiatives, including easier access to unionization, protecting public service jobs, raising the minimum wage, eliminating the training wage, ensuring access to not only education, but also training and retraining, employment equity, and access to child and elder care are necessary to improve women's overall economic equality.

Pay equity policies are, however, necessary to reduce the gendered devaluation of jobs, and counter a pernicious form of discrimination against women. In so doing, they will improve a considerable number of women's (and some men's) economic well-being. If women have the opportunity to earn higher wages, they are also likely to increase their attachment to the labour force, thus improving elements of human capital that are related to wages (Will 1999). In the longer run, the pay equity program should also raise awareness of the value of women's work, undermining prejudices that contribute to other forms of labour market discrimination against women.

At the same time, it must be acknowledged that conventional approaches to pay equity have a number of potential limitations and drawbacks, and these limitations are likely to be particularly relevant in the private sector. These problems are not insurmountable, but they do suggest that we do need to think carefully about how pay equity is implemented.

The primary goal of pay equity programs should be to eliminate the gendered devaluation of jobs. We will know we are successful when the gender composition of jobs does not affect their pay. In order to accomplish this most fairly and efficiently, pay equity programs should, at the minimum:

- Apply to everyone, regardless of where they work or the size of their employer to ensure fairness and compliance with international human rights law. Pay equity should not only be applied to existing jobs, but should be maintained in the creation of new jobs, job classes, or changes to existing jobs, in the negotiation or renewal of collective agreements, and in any changes to a company or its legal structure.
- Involve workers and unions in the development and implementation of the pay equity program. This could be accomplished through workplace committees (similar to health and safety committees).
- Include timelines for implementation and penalties for employers who do not comply.
- Eliminate the devaluation of women's jobs by raising the pay of these jobs, not decreasing the pay of other jobs.
- Recognize that equal pay for work of comparable value is a human right.

No one should suffer a wage penalty due to the gender composition of the job in which they work. There is simply no excuse for discrimination, and government has a clear responsibility to address this problem.

Table 1: Gender Wage Ratios for BC Labour Force, 2000

	mean wage ratio
Total employees	81.10%
Union coverage	
Union coverage	88.03%
No union coverage	76.94%
Age	
15 - 24 years	89.97%
25 - 54 years	80.50%
55 years and over	79.26%
Education	
0 to 8 years	65.84%
Some secondary	70.21%
High School Graduate	78.27%
Some post-secondary	78.80%
Post secondary certificate or diploma	79.78%
University bachelors degree	85.83%
University graduate degree	90.34%
Industry	
Total employees	81.10%
Goods-producing sector	71.16%
Agriculture	86.96%
Forestry, fishing, mining, oil and gas	77.81%
Utilities	99.03%
Construction	79.14%
Manufacturing	69.67%
Services-producing sector	84.01%
Trade	74.61%
Transportation and warehousing	80.09%
Finance, insurance, real estate and leasing	73.47%
Professional, scientific and technical services	80.53%
Management of companies and administrative and other support services	91.44%
Educational services	84.00%
Health care and social assistance	92.46%
Information, culture and recreation	81.61%
Accommodation and food services	86.90%
Other services	70.68%
Public administration	84.96%

Table 1 continues on page 13…

Continued…Table 1: Gender Wage Ratios for BC Labour Force, 2000

Occupation	mean wage ratio
Management occupations	79.37%
Senior management occupations	75.27%
Other management occupations	80.63%
Business, finance and administrative occupations	84.73%
Professional occupations in business and finance	82.33%
Financial, secretarial and administrative occupations	82.68%
Clerical occupations, including supervisors	93.17%
Natural and applied sciences and related occupations	82.39%
Health occupations	97.74%
Professional occupations in health, nurse supervisors and registered nurses	100.04%
Technical, assisting and related occupations in health	91.82%
Occupations in social science, education, government service and religion	88.39%
Occupations in social science, government service and religion	88.56%
Teachers and professors	89.70%
Occupations in art, culture, recreation and sport	93.58%
Sales and service occupations	80.37%
Wholesale, technical, insurance, real estate sales specialists, and retail, wholesale and grain buyers	81.66%
Retail salespersons, sales clerks, cashiers, including retail trade supervisors	76.99%
Chefs and cooks, and occupations in food and beverage service, including supervisors	91.90%
Occupation in protective services	86.73%
Childcare and home support workers	86.11%
recreation and sport as well as supervisors	88.89%
Trades, transport and equipment operators and related occupations	78.77%
Contractors and supervisors in trades and transportation	*
Construction trades	*
Other trades occupations	89.14%
Transport and equipment operators	76.96%
Trades helpers, construction, and transportation labourers and related occupations	82.48%
Occupations unique to primary industry	65.27%
Occupations unique to processing, manufacturing and utilities	62.45%
Machine operators and assemblers in manufacturing, including supervisors	61.59%
Labourer in processing, manufacturing and utilities	66.84%

*insufficient data to calculate ratio

Source: Statistics Canada: Labour Force Survey

NOTES

1. Note that this is more encompassing than "equal pay for equal work" since the latter only covers people in substantially similar jobs. Equal pay for work of equal value, by contrast, implies that workers in dissimilar jobs of comparable worth should be paid the same wage.

2. Canada signed the International Labour Organization's Convention of Pay Equity in 1951, as well as the United Nations Convention on the Elimination of All Forms of Discrimination Against Women. Canada was criticized in 1998 by the United Nations Committee on Economic, Social and Cultural Rights for failing to adequately protect women from wage discrimination. The Committee urged Canada to implement measures to assure women's right to equal pay for work of equal value

3. Of course, simply comparing full-time workers does not address the issues of lower pay for women who involuntarily work part-time.

4. The earnings ratio expresses the average earnings of women as a percentage of the average earnings of men. If both groups are the same, the ratio would be 100, if women earn less, the ratio would be less than 100, if more, greater than 100

5. Reasons for the difference in estimates include the fact that women tend to work fewer hours than men, even among full-time workers. The fact that part-time workers are excluded from earnings ratios but not from hourly wage ratios also contributes somewhat to this difference since both female and male part-time workers have lower hourly earnings than their full-time counterparts and there are more female than male part-time workers (Galarneau and Earl 1999).

6. This is not to say that attainment of human capital attributes is not in itself tied to discrimination

7. Decomposition calculates the hypothetical earnings that women could expect to earn if they were rewarded the same as men for the same characteristics. Women's average endowments of wage-determining characteristics (the mean values of their explanatory values) are multiplied by the returns that men receive for these characteristics (the male regression coefficients). The difference in the wage gap attributed to differences in men and women's characteristics can then be calculated by subtracting this number from the average male earnings. Subtracting this number from women's average earnings gives the portion of the gender pay gap attributable to discrimination.

8. The term "job" refers to a specific position with an employer, and is generally defined in terms of a particular set of responsibilities and duties. Employees that perform essentially the same tasks are considered to be in the same "occupation", whether or not they work for the same employer, or even in the same industry. When used in government statistics, "occupations" may be defined very broadly, with all jobs fitting into only a few occupational categories, or quite narrowly, with many categories. An "establishment" is the physical location of a certain economic activity, for example, a factory, mine, store, or office. Generally a single establishment produces a single good or provides a single service. An enterprise (a private firm, government, or non-profit organization) could consist of one or more establishments. Finally, "industries" are groups of establishments that produce similar products or provide similar services. For example, all establishments that process lumber are in the same industry.

9. There are also technical problems with calculating the effects of occupational and industrial factors in individual-level wage regressions. Insofar as wages tend to be similar to one another within occupations and industries, observations within occupations and industries will have correlated error terms, thus violating OLS assumptions and biasing estimates of standard errors. This in turn makes estimates of the statistical significance of any effects one discovers less reliable. A superior approach is to estimate a multilevel regression model (also known as random coefficient linear model, hierarchical regression model, or variance decomposition model), nesting individuals within occupations and industries. In this way one can properly decompose the variance in individual income into that occurring because of differences between individuals, between men and women and/or differences between the characteristics of industries and/or occupations (including differences in the gender composition of industries and occupations). This

is necessary to explicitly test the degree to which the gender devaluation of jobs, net of other occupational characteristics, affects women's wages.

10. It also uses a properly multi-level specification, avoiding the problem of correlated error terms discussed earlier.

11. This generally entails the use of a multiple regression analysis to estimate coefficients for each factor. The coefficients reflect the weight (and hence importance) already given to the factor by the employer's existing pay practices

12. It should be noted, however, that calculations of the costs of pay equity wage adjustments in the U.S. suggest they have not been of the magnitude to impose serious costs for employers, averaging between 2 and 5 percent of total payroll (Steinberg, 1986 cited in England 1999)

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