Equal pay for equal work – or for “equal value”?

- A submission to the British Columbia task force on pay equity -

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About The Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit, non-partisan, educational and advocacy organization founded in Saskatchewan in 1990. In eleven years it has grown to become a national organization with tens of thousands of annual supporters nation-wide.

The CTF’s three-fold mission statement is:

1) To act as a watchdog on government spending and to inform taxpayers of governments’ impact on their economic well-being;

2) To promote responsible fiscal and democratic reforms, and to advocate the common interest of taxpayers;

3) To mobilize taxpayers to exercise their democratic responsibilities.

The CTF maintains a federal and provincial office in Ottawa and offices in the four provincial capitals of British Columbia, Alberta, Saskatchewan, and Manitoba. Provincial offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

The CTF’s official publication, The Taxpayer, is published six times a year. CTF offices also send out weekly Let’s Talk Taxes commentaries to more than 800 media outlets nationally. The CTF staff and Board of Directors are not permitted to hold memberships in any political party.

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Canadian Taxpayers Federation, November 30, 2001

Executive Summary

Relevant points:

- “Pay equity” – equal pay for work of equal value – is distinct from the concept of equal pay for equal work. The Canadian Taxpayers Federation (CTF) supports equal pay for equal work, but finds that equal pay for work of equal value is philosophically problematic, statistically questionable, based upon spurious assumptions, and unworkable as coherent public policy.

- Pay equity legislation in Ontario has the unintended and perverse result of suppressing wage growth for women who entered previously male-dominated fields, both in blue-collar and white-collar jobs. Just as women have begun to enter male-dominated jobs in large numbers, pay equity legislation threatens to suppress their wage gains in such jobs. This has been the experience in Ontario according to a University of British Columbia study published in 2000.

- Where apples to apples comparisons are made – single, university-educated women on average earn $600 more per year than single, university-educated men. As women and men begin to make different choices – to interrupt their careers or to raise children – the average earnings of men and women begin to diverge, and as a result, comparisons begin to be of the “apple-to-orange” variety, not the apple-to-apple variety.

- Even the former government – sympathetic to claims of systemic discrimination in the private sector – published statistics that noted that the much-touted “wage gap” between the average earnings of men and women – once other factors such as education and unionization were considered – shrunk from 27% to 13%. Further analysis of the 13% reveals that the statistical assumptions behind the figure are highly questionable and spurious in some cases.

Recommendations:

- That the government not proceed with legislating equal pay for work of equal value – “pay equity” – in the private sector, as it is statistically questionable and philosophically spurious, and where applied appears to have suppressed the wages of women entering traditionally male-dominated fields just as they are entering those fields in large numbers.

- That the government vigorous enforce existing laws against wage discrimination in clearly identifiable identical jobs. The CTF supports increased and vigorous enforcement against age discrimination in apple-to-apple comparisons, but not apple-to-orange comparisons.
To the Task Force on Pay Equity

**Scope of this submission:**

This submission will focus on the pay equity issue as it relates to the private sector. While many of the same points are relevant to pay equity issues in the public sector, it is our understanding that the task force is examining pay equity issues only as it relates to the private sector. Thus, the scope of this submission is intentionally limited to that area.

**The appeal of pay equity**

It cannot be repeated enough, at least for those who may be new to the issue of pay equity, that pay equity is not about equal pay for equal work. Paying men and women different wages for the exact same duties – assuming all other factors such as education, experience and related relevant factors are equal – has been against the law for decades. This is known as *equal pay for equal work*. The Canadian Taxpayers Federation supports equal pay for equal work.

In contrast, *pay equity* is about the concept of *equal pay for work of equal value*.

The CTF has strong objections to the attempt by governments to attempt to equate obviously different jobs in pursuit of a statistically and philosophically flawed concept. Pay equity – while superficially attractive – is a public policy thicket.

Pay equity is attractive to politicians and to public policy analysts for at least two reasons. First, it appeals to our basic sense of fairness. Who could be against what is perceived to be “equity” in whatever form it need take?

It is also appealing for a second reason. Since, historically, there have been fewer women in high-income fields, the gap between the overall average full-time earnings of men and the overall average full-time earnings of women – a statistic based on the aggregate earnings of both genders divided by the number of full-time workers – is pointed to as proof that pay equity is needed to right what seems to be an obvious wrong.

**Problems with the 73% statistic**

The Pay Equity Issues and Questions paper released by the task force notes that “according to Statistics Canada, women’s annual full-time earnings amount to 73% of men’s full-time earnings.”

However, the problem is that the wage-gap most often cited – women earn only 73% of what men do – does not take into account the important factor that women working full-time work 38.7 hours per week when compared to 43.8 hours per week for their male counterparts according to Statistics Canada.

Nor does the 73% statistic take into account any differences that may occur due to work experience, historical trends, career breaks, education, or multiple other factors. Unfortunately,
this commonly quoted figure, is often assumed a priori, to prove discrimination in the workplace or at least hint at the undervaluation of what has been labelled to be predominantly “women’s work.”

There are several other problems with the 73% figure. It is an overall average comparison of the earnings of men and women. Averages are of little help in determining whether there is discrimination per se. Averages are statistical snapshots; they can not and do not in themselves prove a claim in either direction. What is more useful is in the analysis of how factors influence the make-up of the statistic in question. In this, some information already released by the previous government is helpful in clarifying the nature of the debate over pay equity.

**Former government’s analysis: The 27% wage gap is actually 13%**

In an earlier released discussion paper from the Ministry of the Attorney General and the now-defunct Women’s Ministry⁵, released by the former government in February 2001, the paper noted that the 27% wage gap was not all due to alleged wage discrimination, even in their highly sympathetic view. The paper noted that experience, education, and unionization accounted for 8% of the wage gap. In addition, difference in hours worked accounted for a further 6% of the wage gap.

_in other words, the overall average wage gap between men and women was thus narrowed to 13% after experience, education, unionization and hours of work were accounted for._

(27% - 14% for experience, education and unionization and fewer hours worked = 13%.)

That remaining 13% gap between the average wage of men and the average wage of women is attributed to “undervaluation of women’s work” (8%) or “other” causes (5%), which is also assumed to have a discrimination component to it.

The subject of debate then – even according to the former government which stated its belief that hidden and/or systemic discrimination was prevalent and problematic – can only realistically be said to be the 13% wage-gap, not the 27% wage-gap.

**Why even the 13% figure is problematic: The statistical analyses**

But even this figure is problematic given that it is still an average, and averages reveal little about the multiple factors – and possibly unlimited factors – that influence individual incomes to exist at the level they do.

To argue that the 13% figure is itself proof of discrimination – direct or hidden – is adhere to a guiding assumption that a proper statistical analysis could possibly capture all the factors that influence salaries over time, including but not limited to by any means - individual choice about which profession to enter into. This is itself a highly debatable proposition. Moreover, such individual factors must then be multiplied by literally millions of employees (in the case of British Columbia) and potentially tens of thousand or hundreds of thousands of employers and their decisions, decisions which may be deliberate or not.
Can statistical assumptions regarding a time span of decades combined with literally millions of decisions be regarded with the same sureness as a modern-day opinion poll?

The assumption that the 13% figure is due to either active, hidden or systemic discrimination is highly problematic. Compare it to opinion polling regarding electoral favourites for example. In the case of opinion polling, a respondent has a very limited choice of answers. In a federal poll on a favoured political party, there would be five main parties from which to choose: Alliance, Bloc Quebecois, Liberal, New Democratic, and Progressive Conservative. In addition, there may be the option of “other” or “no answer/don’t know.”

From a sample, 500 or 1,000, a poll can be derived that more or less correlates to a snapshot of public opinion at that point. The choices going into the “experiment” were limited from the outset: five main choices plus some supplementary ones. And the results are therefore likely to be largely accurate, though even then, a bad poll can result which is why polling companies routinely warn of accuracy problems in one poll out of 20 for example.

Contrast that with the amount of factors that can possibly be fed into a statistical analysis of reasons for the average wage gap between the full-time earnings of men and women. As noted above – there is a large initial assumption even in the analysis where experience, education, unionization and hours of work are (attempted to be) factored into and then taken out of the equation.

But can this assumption even be made? While it is possible to note average years of post-secondary education for example, that alone does not identify what sort of post-secondary education is attained. Where breakdowns of such data does occur, we know that many more men than women have historically obtained engineering degrees than have women, though that is changing somewhat. Given that engineering – a male-dominated profession - has been a highly paid field whereas some other fields traditionally dominated by females – teaching for one example – would be lower-paid in comparison, it stands to reason that even degreed women and men would have an overall aggregate average wage gap until they enter similar fields at roughly the same rate and for the same duration.

The rooster crows and the sun rises: causation and correlation

The counter-argument is that female-dominated professions (traditionally) – say teaching or clerical work, are underpaid precisely because the majority of employees are women. *But this argument assumes one identifying trait is also the cause*: a female-dominated profession is lower-paid because it is female-dominated. This is similar to arguing that because the rooster crows and the sun rises, that the rooster caused the morning sun. The argument mistakes correlation for causation.
**Case studies: comparisons of immigrant groups / men and women lawyers**

To examine one example, if one took the average earnings of Vietnamese Canadians in 1985 and compared them to the average earnings of other Canadians, one would find a wage gap between the former and the latter. “Other’ Canadians would, on average, have made more. That gap could be labelled an “ethnic” gap, with the assumption being that ethnicity, and discrimination – active, hidden, or systemic – is behind such a gap.

But such a presumption would be wholly unwarranted. As many Vietnamese were recent immigrants to Canada – a large majority arrived in 1979 and 1980 – it is reasonable to expect that given the language barrier among other complicating factors, that their average earnings would be on average lower than other Canadians even five years later, or rather, merely five years later. Changes in the average earnings of specifically measured groups – assuming assimilation into greater society is a goal – usually takes decades, and it is often only the second generation that matches the average wage earnings, though there are exceptions that occur more quickly.

It might be argued that Canadian women are not a recent immigrant group so the example is hardly applicable in the context of a discussion about pay equity. That argument misses the central point that any group defined in one context – whether it be ethnicity or gender or some other factor – may have predominant factors that influence choices and thus (in the context of this discussion) affect earnings. In one case, recent immigration and unfamiliarity with the host culture negatively affects initial earnings. In the case of gender, choices about raising children have affected career paths and earnings potential – on average – among more women as opposed to men, who do not make such choices as often.

For another example, consider the case of lawyers. If one were to compare the per capita earnings of female lawyers with their male counterparts, the wage gap would similarly exist. As women have only recently flocked into law school at the same rate as men, a majority of the most senior lawyers, judges, and law professors – where the money is – are male.

Because it takes several decades to reach the top rung of any profession, it will thus take that long for the aggregate average wage of women lawyers to equal that of their male counterparts. (I.E., the total number of women lawyers plus their collective wages divided by their number compared to the total number of male lawyers plus their collective wages divided by their number.) And that assumes that one day that both sexes (who practice law) will work the same amount of hours on average, bill at the same rates (on average), and take career breaks that are on average equivalent for both groups.

*And if just one individual in one sample group departs from the average choices made by the others, that immediately creates the first gap between the average earnings of one group versus the other.*

The relevant point here is that any decision to stall one’s career climb, whether it be to raise children or to backpack around Europe, or even to partially stall one’s career options – to work at a less demanding law firm though still full-time but for less compensation - will affect one’s present and future earnings in relation to those who opt not to make similar choices.
That is not discrimination; it is the result of choices.

**Apples and oranges**

That women have historically been dominant in some lower-paying fields is not itself proof of hidden discrimination, which is not the same as saying no discrimination has occurred or does not occur today, a point to be dealt with shortly. But insofar as it concerns pay equity, apple-to-apple-comparisons should be made. Statistics Canada data shows that university educated never-married women earned $40,787 in 1996, almost $600 more on average than university educated never-married men who received $40,182.\(^3\)

The above statistic compares apple to apple choices and qualifications: singleness and a university degree. This is unlike a married women to married men comparison, where on average, more women than men take time out of the workforce to raise children, thus affecting their career experience and future average earnings vis-à-vis men. This latter example – because of the divergent paths which affects earnings – makes the married women and married men comparison an apple to orange comparison.

**Practical problems: the self-employed sector / wage suppression among women**

Beyond the philosophical and statistical problems with the notion of equal pay for work of equal value, there are practical problems. Foremost among them is that supply and demand drives wages more than any other single factor and any attempt to tinker with supply and demand from Victoria will cause unintended results.

If the government chooses to regulate wages in the private sector, it will first have to ignore about one-fifth of the working population – the self-employed. Their wages are also set by supply and demand and they can do little do adjust their own wages. In fact, the absurdity of attempting to have government set wages shows up most obviously in the self-employed sector: what self-employed person – male or female – would not raise their own salary if at all possible? But desire, wish, or even the stroke of a legislative pen cannot raise salaries in the self-employed sector.

And in the private sector in companies, the effect of attempting to legislate various wage levels according to a philosophically and statistically problematic notion of “value” will depress some wage levels at the expense of others. Governments who legislate pay equity are generally loathe to allow employers to reduce pay to some employees in order to raise the salary of others. But employers have no magic reserve of funds either at the beginning of implementation of pay equity or later in the process. Over time, some wage levels will find their wage growth suppressed in order to keep the overall wage bill for a company at a sustainable level.

One major unintended consequence of pay equity legislation is that as women have moved into traditionally male-dominated fields – which are usually higher paying – those same women (along with the men in that sector) will find that their salary increases are artificially limited by the new emphasis on pay equity. And this wage suppression hurt women both in blue-collar and white-collar sectors previously dominated by men. One study of pay equity legislation in Ontario noted this unintended effect:

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Focusing on those sectors of the labor market where the legislation appeared to have the greatest bite, however, we find that any effects of the law tended to be negative rather than positive: it suppressed wage growth for women working in blue-collar male jobs.4

The study continued, pointing out that:

More generally, there is no evidence that Ontario’s extension of pay equity to the private sector had an aggregate effect on the relative compensation of women.5

And most striking, where the pay equity law did have an effect, it was a perverse one: women in traditionally male jobs were actually hurt by the legislation.

When we focus on larger firms, however, to try to more effectively isolate the impact of the legislation, we remain hard-pressed to find a lasting advantage to women in female jobs. Our most consistently estimated effect is that women in male jobs would appear to have been hurt by the legislation, by some estimates quite substantially.6

Recommendations:

- That the government not proceed with legislating equal pay for work of equal value – “pay equity” – in the private sector, as it is statistically questionable and philosophically spurious, and where applied appears to have suppressed the wages of women entering traditionally male-dominated fields just as they are entering those fields in large numbers.

- That the government vigorously enforce existing laws against wage discrimination in clearly identifiable identical jobs. The CTF supports increased and vigorous enforcement against wage discrimination in apple-to-apple comparisons, but not apple-to-orange comparisons.

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5 Ibid.
6 Ibid.