Research Notes

Comparable worth

In "Comparable Worth—the Compensation Issue of the 1980's?" Ronald M. Green examines recent attempts to apply the doctrine of comparable worth, designed to combat pay discrimination, particularly against women. Success, the author indicates, has been limited.

Green notes various court setbacks to the concept that, going beyond equal pay for equal work in one job setting, endeavors to compare the intrinsic value or difficulty of different jobs in the same community, industry, or market. Plaintiffs have been denied redress under Title VII of the Civil Rights Act of 1964, and the Equal Employment Opportunity Commission is uncertain whether the law empowers it to press comparable worth claims. Particularly disappointing to those seeking judicial clarification of the doctrine was the 1981 Supreme Court ruling in *County of Washington v. Gunther*, which did not address the issue because of the "narrowness of the question" before the court. As a result, comparable worth has been in "judicial limbo," according to the author.

Meanwhile, there have been scattered efforts by States, unions, and other to fashion remedies. Green cites a California law "setting salaries of female-dominated State occupations in reference to comparable worth" and a Hawaiian resolution "encouraging all employers to commit themselves to comparable worth." Union-negotiated moves toward compensation include establishment of a pay equity fund for a group of health care workers and a proposed job evaluation system for nonmanagerial employees of a large corporation.

This paper was prepared for the 35th annual meeting of the Industrial Relations Research Association in New York in December 1982.—Merv Knobloch, MLR □

Employment effects of minimum wages

In *The Economics of Wage Floors,* Jacob Mincer of Columbia University and the National Bureau of Economic Research outlines various consequences in the labor market when above-equilibrium wages, or wage floors, are imposed by (1) minimum wage legislation and by (2) labor unions. Mincer first describes and then criticizes the standard "double-cross" analysis, which shows a decrease of covered-sector employment in response to an increase in, or the imposition of, a minimum wage. The analysis also shows that the induced total excess supply of labor to the covered sector (unemployment) is larger than the reduction in employment (disemployment) in the sector as workers move from the noncovered sector in search of covered-sector jobs. The author criticizes the traditional analysis conclusion, reasoning that labor supply responds not only to a wage level, but also to the probability of obtaining employment at that wage level. In analyzing the effect of the labor market in response to an imposition of the minimum wage, Mincer reviews equations and conclusions from his 1976 study which indicate that increases in the minimum wage and its coverage result in outflows of labor from the covered sector into the noncovered sector as well as out of the labor force.

The author notes several implications of the imposition of wage floors. For example, employer-financed training might be reduced or eliminated due to increased labor costs. Reduction of training slows job and wage advancement of the young and the inexperienced in the labor market and eventually increases turnover in those jobs which previously contained specific training opportunities. Because minimum wages tend to discourage the formation of "general" (transferable), as well as firm-specific, skills, they probably boost the rate of return on prolonged schooling (for those intellectually and financially able to undertake it); moreover, wage floors may induce the substitution of more- for less-educated labor, and student exemptions to the floor may promote the employment of student, rather than non-student, labor. Finally, the evidence suggests that higher minimum wages do not lure individuals away from welfare dependence or crime into gainful employment; rather, the unemployment caused by wage floors may lead to a greater frequency of both problems.

Because of the imposed increase in wages, employers have greater incentive to ration jobs systematically, by hiring the more productive workers in order to reduce the increase in unit labor costs. The author also notes that the excess supply of labor enables some employers to indulge their appetites for discrimination and nepotism.

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The author then discusses the minimum wage model in contrast with union wage effects. Unlike minimum wage literature, which focuses on employment effects, union effects literature focuses on union-nonunion wage differentials. For example, the author describes the "threat effect," or the idea that in response to any increase in union wage rates, nonunion firms raise their wages to reduce the probability that a union will organize their employees. This effect, however, does not eliminate the "spillover" effect: as wages increase, demand for labor is reduced, and labor eventually moves to other sectors or into unemployment.

Systematic job rationing, or selective hiring, is more prevalent when employers do the hiring directly in order to achieve greater productivity and a partial offset of increased labor costs (higher wages); where unions play a part in hiring, however, job rationing is more probabilistic. The author continues his analysis by discussing union effects on training, fringe benefits, and quit rates.

This paper was presented on April 13, 1983, at the Department of Labor Seminar Series.—Debra Dobbins, MLR □

What lies ahead?

Clearly, times and conditions are changing, and our labor relations philosophy must keep pace with those changes. Too many of our perceptions about the relationship between labor and management are still rooted in a bygone era that will never return. Clinging to a collective bargaining relationship that was forged a half century ago—regardless of how well it served us—can only be a prescription for mutual disaster, not mutual survival. If economic and social progress is the name of the game, then labor-management cooperation should now be the preeminent rule under which it is played.

And there are substantial benefits to be derived from labor-management cooperation—benefits that include improved product quality, reduced costs, fewer disruptions, and a better quality of working life for employees. Studies have shown that when a company promotes cooperative efforts its workers usually respond by showing greater loyalty to the firm and pride in its products.

—Remarks by SECRETARY OF LABOR RAYMOND J. DONOVAN
before the Regioinal White House Productivity Conference on
Human Resources, St. Louis, Mo., June 23, 1983