

Chapter Twelve

Discrimination and Male-Female Earnings Differentials



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Reasons and Sources of Discrimination

- **Reasons for discrimination:**
 - Race
 - Age
 - Language
 - National Origin
 - Sexual Orientation
 - Political Affiliation
 - Sex

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Learning Objectives

- **Reasons and Sources of Discrimination**
- **Theories of Labour Market Discrimination**
- **Evidence on Male-Female Earnings Differentials**
- **Policies to Combat Sex Discrimination**
- **Impact of Policy Initiatives**

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Reasons and Sources of Discrimination

- **Discrimination occurs when groups of employees with similar productivity potential are treated differently because of the:**
 - Demographic group they belong to, or
 - Personal characteristics
- **Discrimination occurs in the following forms:**
 - Wages
 - Promotion
 - Training
 - Hiring
- **Statistical discrimination**

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Reasons and Sources of Discrimination

- Who can discriminate?
 1. Employers
 2. Male co-workers
 3. Customers
 4. Unions

Theories of Labour Market Discrimination

1. Demand theories of discrimination:

Demand for female labour is lower than male labour, causing lower employment and lower wages of female labour

Possible causes:

1. Underestimation of female productivity
2. Prejudices

Theories of Labour Market Discrimination

- Demand Theories
- Supply Theories
- Noncompetitive Theories
- Productivity Difference Theories

Theories of Labour Market Discrimination

2. Supply theories of discrimination:

Common Characteristic:

Increased supply of female labour, causing lower productivity and reduced wage rate.

- **Crowding hypothesis:** Females are segregated into female type jobs and there is an excess supply of female labour, causing lower marginal productivity of female labour and, hence, a lower wage rate.
- **Dual labour market:** With males in the core and females in the secondary market, the wage in the secondary market is much lower.

Theories of Labour Market Discrimination

3. Noncompetitive theories of discrimination (in PC discrimination is not possible):

- Government, trade unions, employers, monopsony, systemic discrimination (e.g., old-boy system)
- Queuing theories - Firms are paying efficiency wages higher than competitive wages in order to:
 - Reduce turnover
 - Improve morale
 - But, they then have the advantage of a queue of workers that are waiting to be hired anytime

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Evidence on Male-Female Earnings Differentials

- Different studies have focused on different aspects of discrimination such as:
 - Wage discrimination
 - Sex discrimination
 - Institutional discrimination
 - Household discrimination
- Findings:

While the results are varied, on average females tend to earn about 60 to 65 percent of what males earn in part due to invisible barriers (glass ceilings) in the labour market.

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Theories of Labour Market Discrimination

4. Productivity Differences: Choice or Discrimination?

Women differ from men in their acquired capital endowment due to:

- Shorter expected length of labour market participation which, in turn, reduces their level of experience
- Higher turnover rate
- Higher absenteeism
- Difference in household responsibilities

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Evidence on Male-Female Earnings Differentials

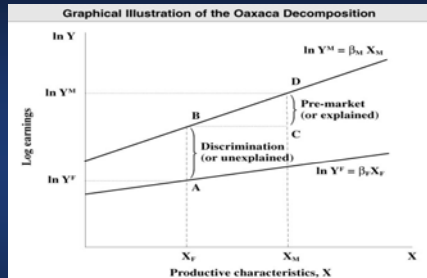
- Indirect evidence of discrimination as reflected in unequal pay between the groups
- The question is: "What would women earn if they were men"?
- By holding all productive characteristics constant and changing the sex only, one can see how the pay would be adjusted.
- Discrimination occurs when equally qualified women and men are paid differently, performing the same job in the same firm.

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Evidence on Male-Female Earnings Differentials



- Pay scales for males are higher than females
- Earnings are higher for males
- Productive characteristics are higher for males
- AB is the difference in earnings due to labour market discrimination or other unobservables

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Policies to Combat Sex Discrimination

- **Conventional Equal Pay**
 - Deals only with wage discrimination within the same job within the same establishment
- **Equal Value, Pay Equity, or Comparable Worth**
 - Value procedures an important component
- **Equal Employment Opportunity**
 - May benefit new recruits
- **Affirmative Action/Employment Equity**
- **Policies to Facilitate Female Employment**

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Evidence on Male-Female Earnings Differentials

- **Empirical studies on gender discrimination conclude that on average the wage gaps exist due to:**
 - Household responsibilities
 - Family responsibilities
 - Occupational distribution of females into lower paid industries
 - Employment of women into low paid occupations
 - Actual vs. predicted experience
 - Less unionization amongst women

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Policies to Combat Sex Discrimination

- **Equal pay legislation**
 - Requires equal pay for equal value of work within the same establishment
 - The value is determined by a job evaluation scheme that is free of gender bias
 - Applicable in all Canadian jurisdictions except Alberta

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Policies to Combat Sex Discrimination

- **Equal Value, Pay Equity, or Comparable Worth**
 - Equality of pay between jobs of equal value
 - Value determined by job evaluation scheme free of gender bias
 - Comparisons between jobs that are predominantly male and predominantly female
 - Rationale-deals with both wage discrimination and occupational segregation

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Policies to Combat Sex Discrimination

- **Design Features of Comparable Worth**

The following features will have to be designed and worked out to facilitate the practical implementation of the policy

 1. **Definition of gender predominance (male vs female jobs)**
 2. **Job evaluation procedure**
 3. **Procedure for adjusting payment**
 4. **Exemptions**

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Policies to Combat Sex Discrimination

- **Scope of equal value initiatives:**
 - Potentially large because it allows comparison across occupations
 - Limited sometimes because of the fear of the employees to complain (if complaints-based)
 - Enables employees to achieve pay equity through job evaluation system

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Policies to Combat Sex Discrimination

- **Equal Employment Opportunity Legislation**
 - Designed to prevent discrimination in recruiting, hiring, and promotion
 - Time consuming since it involves a few stages in filling in the complaint, court decision, and investigation
 - Increases female employment
 - Increases female wages
 - Serves as a complement to equal pay legislation

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Policies to Combat Sex Discrimination

- **Affirmative Action/Employment Equity Legislation**
 - Exists only in federal jurisdiction
 - Covers only 10% of the Canadian labour force
 - Applicable to four designated groups: women, visible minorities, disabled persons, and Aboriginal people
- **Policies to Facilitate Female Employment**
 - Designed to expand the range of choices for women
 - Increase female participation in the labour market
 - Improves availability of facilities and family-friendly workplace practices (e.g., flex-time, daycare, etc.)
 - Increase union representation

Summary

- Definition, causes, and consequences of discrimination
- Theories of discrimination:
 - Demand
 - Supply
 - Noncompetitive
 - Productivity differences
- Empirical evaluation and research
- Policy categories to combat discrimination

Policies to Combat Sex Discrimination

- **Overall impact of Policy Initiatives:**
 - Limited impact and scope
 - The effect of equal pay and equal employment opportunity policies is inconclusive
 - Comparable worth policies have reduced the earnings gap

End of Chapter Twelve