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Comparable Worth: A Rejoinder

Daniel R. Fischel
Edward P. Lazear

Both the choice and crowding hypotheses can explain occupational wage differentials. If wage differentials are the product of choice, there is no cause for concern because individuals who freely choose to enter a lower-paying occupation cannot be worse off. If wage differentials are the product of crowding (discrimination), we demonstrate that the best solution is to attack barriers to entry directly rather than impose a minimum wage in female-dominated professions. Imposing comparable worth in the form of a minimum wage in female-dominated occupations is both inefficient and inequitable for the reasons developed in our principal paper.¹

When the rhetoric is swept aside, Becker and Holzhauser appear to make essentially two substantive arguments in response: (1) barriers to entry are so pervasive that they cannot be eliminated and, given the existence of these barriers, comparable worth may make things better; and (2) employers in female-dominated occupations have market power. We briefly discuss these points below.

I. PERVASIVE DISCRIMINATION AS THE BARRIER TO ENTRY

Becker and Holzhauser apparently believe that discrimination against women is pervasive at the societal level and that this justifies comparable worth. The fundamental problem with this argument, as we demonstrated in our principal paper, is that there is no connection between the injury (discrimination by society as a whole) and the remedy (sanctions against particular employers who by definition have not engaged in any discrimination). These employers have willingly hired women and have paid men and women who are hired the same wage. Imposing comparable worth penalizes employers who have engaged in socially desirable conduct by hiring women, penalizes nondiscriminating employers rela-

¹ Fischel & Lazear, *Comparable Worth and Discrimination in Labor Markets*, 53 U. CHI. L. REV. 891 (1986).

tive to discriminating employers,² and provides little or no assistance to those who have been hurt the most by discrimination. Comparable worth also aggravates the problem of excess supply in female-dominated occupations.

One additional point: Because Becker and Holzhauser dispense with the need for a showing of discrimination by a particular employer, they have no tools for identifying when to intervene in labor markets, against whom, and how much. Although they ignore these basic issues, the logical implication of their position is that all employers, public or private, who pay the market wage for secretaries (or any other female-dominated profession) are subject to sanction if the market wage is less than the wage predicted by a consultant's index. This is a curious result for Becker and Holzhauser to endorse since neither disputes our argument concerning the inherent unreliability of wage studies that do not use market prices as benchmarks. Nevertheless, their willingness to impose sanctions against employers who have not engaged in any discrimination leads inevitably to this untenable position.

II. MARKET POWER OF EMPLOYERS

Becker and Holzhauser also assert that employers in female-dominated occupations have market power—the ability to set wages below the competitive level. Holzhauser contends that such employers are monopsonists; Becker contends that employers pay lower wages in female-dominated occupations precisely because they are female-dominated.

Holzhauser asserts that employers in female-dominated occupations are monopsonists and that, under these circumstances, imposing a minimum wage may improve efficiency. The point that minimum wages can improve efficiency if employers are monopsonists is a standard one in the literature. But it provides no support for comparable worth. First, the monopsony argument is in no way limited to female-dominated occupations. If employers have monopsony power in female-dominated occupations, then presumably they have the same power in male-dominated occupations. Thus, the monopsony explanation is incapable of explaining occupational wage differentials, particularly since such differentials have persisted over long periods of time.

Second, the efficiency gains from imposing a minimum wage in a monopsonistic industry exist only if there is underemployment.

² *Id.* at 908-09.

But under the assumption that crowding has caused overemployment in female-dominated occupations, increasing employment further by imposing a minimum wage is perverse. The goal is to reduce employment in female-dominated professions, not to aggravate the initial problem by inducing even more overemployment.

Third, the notion that comparable worth is really an attempt to do something about monopsony is implausible. Consider the nursing profession, the profession that Holzhauser uses as the paradigmatic example of monopsony. The state—the defendant in comparable worth cases brought by nurses—employs only a small percentage of all the nurses in the labor market. Most nurses are hired by private employers. The same is true for secretaries and other clericals. Under these circumstances, the assertion that the state has the ability to set compensation of secretaries and nurses at below the competitive level is extremely improbable. Teachers present a slightly harder case because a higher percentage of teachers are employed by public bodies, but even there school districts compete against each other. No one school district has more than a trivial amount of market power.

Finally, let us make the highly unrealistic assumption that wages in female-dominated occupations are set at below the competitive level as a result of a massive cartel of discriminating employers. The proper solution, as we have emphasized throughout, is not to adopt comparable worth, but rather to attack the cartel directly under the antitrust laws.

Becker's argument that wages in female-dominated occupations are lower because they are female-dominated also appears to assume a massive cartel of discriminating employers. If there were no such cartel, wages would be bid up to the competitive level. We have discussed above why the existence of such a cartel is implausible and why, even assuming such a cartel exists, comparable worth is the wrong remedy.

An alternative interpretation of Becker's argument is that wages in female-dominated occupations are set at the competitive level, but that societal discrimination causes this level to be lower than it would be in the absence of discrimination. At this point, the argument becomes indistinguishable from the societal discrimination as a pervasive barrier to entry argument discussed in Part I above. As demonstrated there and in our principal paper, pervasive societal discrimination, even if we assume it to exist, provides no justification for comparable worth.