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Occupational Gender Segregation : Public Policies and Economic Forces

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**Occupational Gender Segregation: Public Policies
and Economic Forces**

Introduction and Overview

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Throughout the OECD, the twentieth century has seen much progress in labour market outcomes for women. Still, considerable differences among countries persist. In Canada, the labour force participation of women reached 60 per cent in 2000 - that of men's was 73 per cent - while more recent studies of the gender pay gap put the ratio of the average female hourly wage to the average male hourly wage in the 84 to 91 per cent range in 1999 (Ali and Drolet, this issue). However, these numbers pale in comparison with those of certain Scandinavian and European countries. In Sweden, female labour market participation stood at 76 per cent in 1998; in France, the gender pay gap was in the upper 90 per cent in 1999 (Evans, this issue).

It is not surprising, given the international context, that Canadian legislative and organizational initiatives to promote gender equality in the labour market remain high on the public agenda. In the early 1990s, Ontario - which has been called a world leader in pay equity policies - implemented a pro-active pay equity legislation that applies to the private sector as well as the public sector. Quebec has introduced similar measures to be implemented in the early 2000s. In the late 1990s, the province of Quebec also introduced a program of child care for pre-schoolers of both working and student mothers, which may have far-reaching implications in leveling the (labour market) playing field for women. In general, at the federal and provincial levels, government initiatives can be divided into three main arenas: equal pay policies (including predominantly pay equity), equal opportunity policies (including employment equity), and family friendly policies.

In this issue, various authors review the state of such policies in Canada and in other countries to provide a basis of comparison, and an opportunity to learn from the experience of others. To guide readers, our introduction to the volume has two parts: first we summarize briefly the contributions and, second, we highlight the common themes touched on.

Overview of Papers

The special issue begins with two descriptive analyses of the state of occupational gender segregation and of the gender wage gap in Canada. Nicole Fortin and Michael Huberman provide an historical perspective of the changes in and the nature and consequences of occupational gender segregation over the course of the twentieth century. Occupational gender segregation, or the division of work into women's work and men's work, is often seen as the main cause of lower pay of women. The initial idea behind occupational gender segregation - that a woman's place is with other women - has deep historical origins. While this view may have faded away in contemporary Canadian society, the authors contend that the idea that a woman's place is not higher up in the hierarchy may still prevail. This gives rise to a type of occupational gender segregation that is not fully characterized by the femaleness of occupations. In order to provide distinctions that reflect the evolution of women's work in a modern society, the paper revives a traditional but neglected taxonomy of occupational gender segregation that proves relevant to the discussion of gender equality policies. Fortin and Huberman call "horizontal segregation" the segregation of women and men into jobs with similar educational and skill requirements, but in different fields of study or endeavor. Pay equity

policies are designed to redress gender wage differentials arising from horizontal segregation. “Vertical segregation”, segregation along hierarchical levels, has two dimensions: it can arise in similar lines of work (intra-occupational vertical segregation) or in different lines of work (inter-occupational vertical segregation). Employment equity policies are best designed to address problems of vertical segregation. Fortin and Huberman investigate the evolution of gender segregation and its relation to earnings along *all* these dimensions using Census and firm level data. The paper finds that horizontal segregation, especially the pink/blue collar female/male divide, has essentially stagnated since mid-century. Meanwhile, continuing progress in inter-occupational vertical segregation has contributed to narrowing the gender pay gap substantially. It follows that intra-occupational vertical segregation is now responsible for a substantial and growing portion of the decreasing gender wage gap.

The second paper by Jennifer Ali and Marie Drolet examines the contribution of a broader array of factors - besides occupations - in explaining the gender wage gap. The authors use the recently released 1999 “Workplace and Employment Survey (WES)”, a new matched employer-employee data set, to study the extent to which factors not previously explored in the Canadian context explain differences in the earnings of men and women. Unlike other studies that examine the individual determinants of the gender wage gap, this study quantifies the importance of both individual worker and workplace characteristics. Exploiting standard Oaxaca decomposition techniques, Ali and Drolet break the gender wage gap into a portion attributable to differences in the wage determining characteristics of men and women, and a portion related to differences in the

returns to these characteristics. The study goes one step further and includes the portion of the gender wage gap attributable to differences in the workplace characteristics of men and women. The results indicate that workplace specific wage effects are an important determinant of wages for both men and women. Like other studies that use decompositions techniques, Ali and Drolet find that men still enjoy a wage advantage over women. A significant portion of the gender wage differential is found to result from the fact that women are disproportionately employed in low-wage workplaces. In this regard, the authors find that the workplace is just as important as the worker herself in accounting for the gender wage gap. While the inclusion of workplace-specific wage effects tend to increase the “explained” component of the gender wage gap, conditional on the wealth of worker and workplace characteristics available in the WES, a relatively high portion, 46 per cent, of the wage gap remains unexplained.

Francesca Bettio contrasts Canadian and European experiences in narrowing the pay gap. The seventies and early eighties witnessed noticeable reductions in the gender pay gap across Europe. For several countries, many observers attribute this trend to equal pay legislation and its enforcement. Progress has been slow and uneven since the mid 1980s. By 1995, the latest year for which comparable data for the whole of Europe are available, the level and range of the gender (hourly) gap had narrowed, from 30 per cent in Portugal to 12 per cent in Sweden. However, there is also evidence suggesting that the unexplained part of the gap, the share of the gap not accounted for in terms of individual differences in age, education, sector of activity etc., may be higher now than in the past, and that it has increased alongside the dispersion of earnings. One plausible explanation

of the slow and uneven progress is that renewed efforts to improve the pay equity machinery and reduce the incidence of direct discrimination were offset by an increase in the dispersion of earnings. Bettio examines recent trends in the gender pay gap across Europe in the light of this hypothesis and discusses feasible policy options.

Equal opportunity laws, and in particular the employment equity legislation of at the federal level, target directly occupational gender segregation in Canada. Their objective is to remove obstacles to employment of traditionally disadvantaged group members. Joanne Leck provides a unique overview of managerial practices and policies in relation to Employment Equity Programs (EEPs). She offers a discussion of the positive and negative consequences of EEPs and of employment equity legislation. On the positive side, Leck emphasizes the improvement in human resources management policies, as well as the increased presence and improved status of women, along with a decreasing gender wage gap. On the negative side, she discusses issues of employee backlash, increased reporting and associated administrative costs, and decreased productivity. Leck suggests a series of practical recommendations for the implementation of employment equity, such as increasing employee participation in program design, thereby decreasing employees' negative attitudes towards it.

Employment equity aims is to reduce occupational gender segregation directly. Pay equity legislation is directed at redressing the negative *wage consequences* of occupational segregation, or the low pay of female jobs with respect to comparably valued male jobs. In international perspective, the Canadian experience is noteworthy

because many initiatives in the area have moved from a complaints based approach, a system where pay redress results from the complaints of employees, to proactive pay legislation, a system where the onus is placed on the employer. Canada is now a leader in pro-active pay equity legislation, which covers the private sector as well as the public sector in its two largest provinces (Ontario and Quebec). Thirteen of fourteen Canadian jurisdictions have pay equity requirements for at least some of their employers. Nan Weiner reviews twenty-five years of experience with pay equity in Canada. She identifies the lessons learned about the implementation of pay equity legislation. These include the need for a proactive approach and for the involvement of unions, and the need for clear definitions of who the employer is and what constitutes female and male jobs. Although she supports gender neutral job evaluation systems and accepts the exemptions for non-gender based wage differentials contained in current legislation, Weiner argues that a wage line methodology is the best approach to identify any pay equity adjustments, because it provides some logic to the compensation system. Additional challenges for pay equity include discovering means to improve compliance among smaller employers, and ensuring the institutionalization of pay equity into the compensation structure such that all employers achieve pay equity in similar ways.

While Weiner offers a generally positive assessment of the Canadian experience with pay equity, Gunderson and Lanoie, in the next paper, submit the Ontario pay equity legislation to a more demanding set of program evaluation criteria, which are directed not only at the program design but also at the outcomes of such legislation. These criteria are informative in their own right, but they also provide a systematic way of categorising the

issues that are involved in evaluating pay equity in general. The program evaluation criteria include: target efficiency; vertical equity; horizontal equity; allocative efficiency; minimization of administrative costs; transparency of process and mechanisms; flexibility, adaptability and reversibility of the program; and political acceptability. Illustrations from case studies are then used to highlight the evaluation criteria. The paper concludes that the negative features associated with the policy's complexity are a significant barrier to the effective implementation and wider adoption of the policy.

Mark Killingsworth provides another viewpoint on the challenges faced by pay equity legislation in his assessment of the evolution of comparable worth/pay equity legislation in the United States over the past ten years. Killingsworth distinguishes developments at both the state and federal levels, because like Canada, the United States is a federal union of sovereign states. At the federal level, the principles of comparable worth were first introduced through the courts in an attempt to extend the Equal Pay Act. These attempts, which ultimately failed, were based on enlarging the legal standard for evidence of discrimination to incorporate the "worth" of jobs. The American experience thus provides interesting lessons for the Canadian federal complaint-based pay equity legislation, which struggles with the establishment of legal standards such as the definition of an employer noted earlier by Weiner. At the state level, although not numerous (only six states have any legislation of note) attempts to implement comparable worth/pay equity were more successful. Killingsworth examines these cases on the basis of outcomes, principally the costs of the programs and their impact of the gender pay differential. In particular, he examines implementation of pay equity among employees of

the Minnesota State Government for which detailed data are available. The evidence indicates that, although parity was not achieved, pay equity adjustments reduced the pay gap among employees of the state government by about 9.6 percentage points, a substantial improvement.

In the next paper, Cassidy, Strobl and Thornton examine the Republic of Ireland's experience with legislation designed to combat gender discrimination in wages and employment. Although the Irish case with such legislation has drawn little attention in the literature, an assessment of its experience is insightful because legislation was passed in a particularly challenging environment. The authors begin with a description of the background that led to gender equality legislation, and then they discuss how Irish equality legislation functions in practice. Here, in contrast with the stringent statistical standards characteristic of the U.S. example, the Irish experience is based on a relatively subjective process. In their evaluation of the impact of the legislation, Cassidy et al. use standard time series analysis. They find that the introduction of pay equity legislation had a positive, but small impact - about four percent - on closing the wage gap. This type of analysis, as the authors admit, is an example of *post hoc ergo propter hoc* reasoning. The authors note that the rising trend in women's wages was occurring before the introduction of comparable worth legislation and that there were other changes in women's labour market experiences that contributed to closing the gap. These findings are consistent with those of Fortin and Huberman.

In a final paper, John Evans documents the behaviour of firms in different OECD countries in the context of the different national policy provisions for work/family reconciliation. He then examines how firm behaviour impacts on occupational segregation. The labour market choices of women depend to a large extent on the work/family interface. Occupational gender segregation thus depends on the way that firms deal with the fact that a high proportion of their employees have family obligations (child-care at younger ages and elder care at older ones). Policies designed to influence occupational segregation need to take this into account. Across OECD countries, Evans distinguishes two general strategies. The first model is a crude caricature of the U.S. approach. It focuses on increasing women's participation in the labour force, concentrating on child-care provisions rather than leave for family reasons. This contributes to a narrowing of the gender wage gap and of occupational gender segregation because it allows women's choices to be more similar to those of men. The second approach could be called the Swedish model. Here the emphasis is put on maternity and child-care leave. It reduces any negative effects of policy on gender equity and occupational segregation since it encourages greater involvement by men in child-care and unpaid household work - that is it makes men's choices more similar to those of women.

Key Themes Addressed

This section gathers some of the main findings of the special issue into four main themes or questions: the magnitude of the gender pay gap and the evolution of occupational gender segregation; the evaluation of processes involved in the

implementation of gender equality legislation; the evaluation of the outcomes of gender equality legislation; and the role of unions.

The magnitude of the gender pay gap and the evolution of occupational gender segregation

In certain papers, such as Cassidy et al. and Killingsworth, the presence and persistence of a considerable gender wage gap is viewed as the main reason for gender equality policies. The evolution of the gender wage gap is then used to shed light on the effectiveness of policies that have been put in place. Fortin and Huberman, Ali and Drolet, and Bettio discuss the magnitude of the gender wage gap and various explanatory factors. Both Ali and Drolet and Bettio report that the unexplained part of the gender wage gap - often attributed to discrimination - still constitutes a large portion of the gender wage gap. Occupational gender segregation and the gender pay gap are investigated, in more detail, in the papers of Fortin and Huberman, Bettio and Evans. The lessons from the European evidence tell a story of trade-offs between women's labour force participation, occupational gender segregation and the gender wage gap. In Europe, increasing women's labour force participation from its initial low level to North American levels has led to the entry of women into traditional female jobs, thus increasing occupational gender segregation (Bettio). Evans provides examples of countries where high levels of occupational gender segregation are not incompatible with low gender pay gap. In the North American context of relatively high female labour force participation, Fortin and Huberman tell a story of more progress in women's entry into

traditional male jobs among the more highly educated, accompanied by the continuing decrease in the gender pay gap.

The evaluation of processes involved in the implementation of gender equality legislation

Many contributors have given much importance to the mechanics of gender equality legislation, illustrating that in this area fairness in process may be as important, if not more so, than fairness in outcomes. Leck addresses this point directly in her description of the positive and negative aspects of employment equity, where issues such as employee participation and awareness figure predominantly. The pieces of Weiner and Gunderson and Lanoie also give much attention to processes. For Weiner, the need to absolve employers for an “intent to discriminate” is an important motivation in her support of pro-active rather than complaint-based pay equity system. The Irish case study is interesting here because it is a complaint based approach. Cassidy et al. comment on the inadequacies of the complaint based approach which they conclude has been “somewhat problematic to administer.” But Gunderson and Lanoie also see the growing complexity of pay equity policy, when it is applied proactively and on a unit-by-unit basis, as a potential source of problems. These problems are exacerbated by the fact that simple rules for its application are elusive; rather than closing loopholes, further regulations in Ontario seemed to add more complexity. In terms of the actual instruments that measure the pay redress, Gunderson and Lanoie illustrate the pitfalls of using the wage-line method; yet Weiner, sees it as a second best alternative. Neither paper deals explicitly with the externalities of pay equity, although Weiner observes that this was an

important part of the story underlying the legislation in the first place. Weiner argues that pro-active pay equity can provide an opportunity to institutionalize pay equity into compensation practices of employers and consultants and have non-negligible effects on human resource management more generally. Gunderson and Lanoie temper that optimism by arguing that the unwieldy nature of the legislation raises the danger that it will be largely ignored. This possibility is enhanced by the fact that pay equity settlements in the private sector, sometimes seen as a sign of past corporate wrongdoing, have been much smaller than in the public sector.

The evaluation of gender equality legislation outcomes

The papers by Gunderson and Lanoie, Killingsworth and Cassidy et al. illustrate different ways to test for the effects of pay equity legislation: the first two consider the effects on targeted groups while the later looks for an aggregate effect. To evaluate Ontario's pro-active legislation, Gunderson and Lanoie use a case study method based on interviews with human resource managers at three firms considered to have typical experiences with pay equity. They then analyse the data using a set of program evaluation criteria, many of which look explicitly at the outcomes of the legislation. Gunderson and Lanoie identify some potential negative or perverse effects of the legislation: not all persons targeted receive the same redress and occasionally pay equity increases as opposed to decreases occupational segregation. They also identify the possibility of negative employment effects and the leakage from targeted to non-targeted groups. Killingsworth and Cassidy et al. focus exclusively on the impact of the law on the gender pay gap. Killingsworth

studies the impact of pay equity among public employees in the U.S. State of Minnesota - the targeted group, while Cassidy et al. look at the general evolution of the gender gap in Ireland. Both studies find improvements in the gender wage gap, in the order of nine and four percent respectively, but they do not compare those improvements with changes in the gender wage gap among similar non-targeted or non-covered groups, making it difficult to assess a causal effect of the law.

The role of unions

The fixing of wages is not a straightforward exchange between employers and workers. Unions are a third party in most situations in which pay equity legislation is applicable. In order to deal with unionization and pay equity, it is best to begin with the historical record. Fortin and Huberman observe that in the public goods sector unions contributed significantly in closing the wage gap beginning in the mid to late 1960s. Today, unions' role is more complex because it is not necessarily in their interest to have pay equity do their work for them. In a period of declining union density rates, unions have to demonstrate that it pays to be member. Thus, Weiner and Gunderson and Lanoie report that in Ontario where unions are involved it takes much longer to come to an agreement. Unions may not be willing to go ahead with job for job based evaluation preferring instead to have all workers in the firm considered to be part of a single bargaining unit. This is one aspect of the lengthy battles between Air Canada and Bell Canada and their workers. These procedures have made the application of pay equity complex and cumbersome. Indeed, Gunderson and Lanoie attribute the lack of transparency at all

stages as a major stumbling block in implementing pay equity laws. Conversely, Killingsworth underlines the potential long-run conflict of interest between the uniform implementation of pay equity across all bargaining units at the firm level and the union's interest in playing out the bargaining advantages of different units. If job evaluation completely determines the rate of pay of all jobs, there may be little for unions to bargain over. Here again comparison with Europe is instructive. In contrast to Canada, wage bargaining in Europe is centralized. Put differently, wage setting is not in the hands of firms and its workers. Bettio's paper on Europe examines this issue. She finds that under the growing number of women in traditionally female occupations has put pressure on the state, employers and unions alike to maintain Europe's highly compressed wage structure.

Concluding Remarks: Canada in International Perspective

Canada's experience with pay equity legislation is relatively recent. Because of this short history, research has been necessarily limited. International comparisons provide a means to enlarge the data set and hence to suggest further avenues of research. Our reading of the international literature, in conjunction with Canada's own experience, is that although the form of occupational segregation has altered, it remains an obstacle to the narrowing of the wage gap. As the European case illustrates, even in the late twentieth century occupational segregation is in no way disappearing - but it is not necessarily and always associated with a higher gender pay gap. Still, activist policy is often seen as a solution to close the pay gap associated with occupational segregation, either by targeting

occupational segregation itself or the gender pay differentials resulting from horizontal segregation. It must be kept in mind, however, that the gap is closing even in the absence of legislation. This is one lesson that can be drawn from the Irish experience. If this is the case, attention needs to be paid to the potential perverse effects of legislation on the labour market outcomes of women. For example, the European experience shows that to be effective pay equity needs to be complemented with other work and family policies. These issues will need to be followed up by researchers and policy makers in order to make further assessments of the effectiveness of Canadian gender equality legislation in the next decade.