

COMMENT

Equal pay for women: a reply

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R. G. Gregory and R. C. Duncan (*JPKE*, Spring 1981, pp. 403-28) outline some consequences of the "equal pay for women" decision in Australia. They contend that the segmented labor market theories of Doeringer and Piore and others describe "the outstanding characteristics of the Australian labor force with regard to its male and female components" and that the effects of equal pay "coincide largely with those predicted by these theories" (p. 405). This note briefly explains why a segmented labor market theorist would find their analysis inadequate.

Although Gregory and Duncan (hereafter G & D) claim that the segmented labor market theories (hereafter *SLM* theories) "in their broadest conception, possess a high degree of descriptive accuracy" they make no real attempt to embrace the complexity and subtlety of the segmented approach. Their analysis and conclusions can be subsumed within a neoclassical model, whereas it is our contention that the importance of the *SLM* theories lie in their rejection of orthodox methodology, in particular the neoclassical faith in the continuity of economic activity and social behavior.

G & D do not substantiate an explanation for market dualism which in the *SLM* theories is the result of a complex interaction of phenomena which influence recruitment, subcontracting, training, technological change, capital investment, pricing policies, discre-

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tionary government policy, and product market conditions generally. To establish the existence of segmentation one first has to discuss the general notion of *discontinuity* in the behavior of individuals (or social classes) and in their experiences within the system. These discontinuities distinguish labor market segments which are qualitatively different. Berger and Piore argue that "... various segments of society organise around different rules, processes, and institutions that produce systems of incentives and disincentives to which individuals respond" (1980, p. 2).

The following points summarize important aspects of the orthodox approach:

1. The neoclassical paradigm is based on the assumption of the continuous nature of behavior and resulting economic outcomes.
2. Job segregation can result from rational choice. Women, who traditionally have an instrumental attachment to work, may choose jobs which maximizing entrepreneurs provide in accordance with the workers' preferences.
3. In a simplistic sex discrimination model, no significant employment changes should occur if females receive higher wages as long as employers maximize their utility in making employment decisions.
4. If the logic of the competitive system is accepted, discrimination should be undermined in the long run (a possible interpretation of G & D's Table 1).

The neoclassical paradigm can thus generate the principle conclusions of G & D. Further, while purporting to support a *segmentation* model, G & D deviate substantially from the principle working hypotheses of the *SLM* approach. These deviations are noted below.

First, G & D (p. 410) argue that market forces "do not appear to have been important in the wage process either before or after equal pay decisions." While earnings may be influenced by statute in a secondary labor market (e.g., minimum wage laws), the process of determination must vary from that found in primary labor markets. G & D fail to substantiate such a difference in relation to the Australian wage determination process.

Second, and related to the first point, is the question of substitution *within* the secondary labor market. A principle conclusion of G & D after posing the question: "What might be expected to

happen to female employment when a large increase in female wages is imposed on such a segmented labor market?" (p. 413), is that substitution responses to relative wage changes were very small. The conception of the secondary labor market in *SLM* literature is that it operates in a similar manner to a competitive market. We would expect that if an exogenous wage increase occurred, a number of consequences would follow. On the demand side, employers would quickly see substitution possibilities, particularly among nonfemale migrants and youths. These groups of workers are also considered *marginal* because they view work in instrumental terms, as do the majority of females. Their respective social status is derived from outside of the work force, and hence they have an unstable attachment to the work force.

The fact that female employment did not fall after the equal pay decision (in the face of large youth unemployment in Australia during that period) would imply that the female labor market is not a secondary labor market of the Doeringer and Piore dichotomy.

Third, an important aspect of dualist thinking is the role played by discretionary government policy in developing and perpetuating the segmented structure (Bluestone, 1970). Government policies and contracts typically provide a stable environment for sectors in which primary labor markets predominate. In Australia, however, massive amounts of government assistance have been concentrated in industries that historically have employed large numbers of female workers (as well as other low attachment groups like migrants, youths). G & D do not consider this ostensible anomaly. No attempt is made to provide a geographically specific explanation of divergences from the standard *SLM* hypotheses.

Finally, G & D also do not account for the possible changes in perceptions of the female labor force. True, they allude to the possibility of a covariance between the forces which have provoked the movement toward equal pay and those which have increased the demand for female labor. But women may be relating to work increasingly as a socioeconomic rather than an instrumental activity. The demand for better jobs, work conditions, and security inevitably follows such changing expectations. G & D fail to distinguish between females who have an instrumental attachment to work as opposed to those who see it as a source of social status. It may be that females are increasingly being subsumed within pri-

mary labor market structures (coincident with equal pay), and thus employment is more stable and rigid in the face of wage changes. No conclusion can be made without investigating the motivations underlying labor supply.

In conclusion, the *SLM* approach emphasizes the importance of nonconvergence and discontinuity. G & D do not portray the complexity of the *SLM* literature and instead advance a crude model of dualism based on wage differentials, which has little theoretical foundation. It is certainly not compatible with the discontinuous approach which exemplifies the difference between *SLM* theories and the orthodox paradigm. There are conceptual weaknesses and substantive failings in their exposition.

REFERENCES

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