

## **REVIEW: THE ECONOMICS OF EQUAL OPPORTUNITIES**

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Jane Humphries and Jill Rubery (1995) (eds), **The Economics of Equal Opportunities**, Manchester: Equal Opportunities Commission, £25, pb, ISBN 1870358473.

A casual reader of the popular press might be forgiven for thinking that women had achieved equality with men, or even thinking that women were gaining ascendancy over men. Large compensation awards for successful sex discrimination cases, most new jobs going to women, girls out-performing boys at school, women being awarded an equal share of their husband's pensions on divorce, and so on, may all be seen to be indicators of women's equality. The reality, of course, is much more complex than the headlines suggest. In fact women still face considerable disadvantage in the labour market. What explanations exist for this, and what impact have equal opportunities policies had?

The collection of essays brought together in **The Economics of Equal Opportunities** provides a detailed analysis of the economics of women's status in the labour market, and of the role of equal opportunities policies. In the editors' view such a volume was needed, because 'the perceived costs of equal opportunities policies act as barriers to change' although the ethical grounds for equality of opportunities between men and women are now widely accepted. In particular, policy interventions are seen to threaten competitiveness. To challenge this view requires engagement with the theory and practice of economics.

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The engagement with economic theory and practice, and their interrogation from a gender perspective, marks an important step in the development of thinking on equal opportunities. Economic theory is a powerful ideological force, and current fashions for free markets and deregulation clearly are hostile to either economic intervention or to policies which regulate employment practices and conditions of labour. But economic theory is not just important because it currently favours non-interventionist approaches, but also because it conceptualises economic activity and processes in such a way that free markets are thought to operate rationally. Because economics is dependent on various assumptions about behaviour and choice, it finds it hard to explain sex discrimination, as it is conventionally understood. This appears as a case of employers making systematic errors, which competition is supposed to eliminate.

Feminist critiques challenge the view that the wage gap between men and women can be substantially explained by existing differences between male and female workers, and the view that these differences are the results of free choice or essential differences between men and women. Humphries and Rubery point out that 'for feminists the differences themselves are socially constructed: the products of a history of subordination.' Economics not only sees differences in men's and women's participation in the labour market as a result of free choice or optimisation by families; it also fails to take into account what happens to people before they enter the labour market. From a feminist point of view socialisation into gendered roles plays a significant part. As the editors comment, 'feminists want to examine the source of gendered preferences. Economists take preferences as given.' One key objective of the text, then, is to look at the deficiencies of orthodox economics when it comes to explanations of discrimination, and to look at new economic theories to ask whether they can provide better explanations. As Humphries and Rubery conclude, while the orthodox economist position that the market, left to itself, will produce the appropriate outcomes is still alive and well, new economic approaches do recognise market failure, and this provides more scope at a theoretical level for a positive role for policy intervention.

A second major task of the book is to analyse in detail what factors operate in structuring women's participation in the labour market, and determining their levels of pay. Using a conventional 'human capital' approach (i.e. differences that can be accounted for in terms of education, qualifications, experience, and duration of participation in the labour market), Paci, Joshi and Makepeace examine data from the National Child Development Study,

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looking at pay gaps facing men and women born in 1958. They conclude that the different composition of men's and women's employment accounts for about half the wage gap, and that the remainder is likely to result from differential treatment. On a more optimistic note they found that the gap had diminished compared to the previous cohort (born in 1948), from 58% to 39%, with the element attributed to differential treatment reducing from 28% to 19%. They also found clear evidence of a strong correlation between occupational segregation and the low pay of women in general and part-timers in particular.

One of the contributory factors to women's disadvantaged position in the labour market is the reinforcement of gender segregation by government training policies. Indeed, as Alan Felstead shows, far from combating sexual segregation, training through government funding and Training and Enterprise Councils in England and Wales reinforces sexual segregation to a greater extent than exists in the workforce. But, as Friederike Maier argues in her comparative study of skill formation and equal opportunity in Europe, in Britain there seems to be a relatively weak relationship between educational or vocational qualifications and labour market position, and employers appear to have much greater flexibility to determine relative pay and grade of jobs than in other countries. This implies that increasing women's participation in education and training is only one factor in promoting equal opportunities, and not sufficient in itself to secure these. It is also the case that many of the 'skills' women employ in paid work are those developed in their caring roles in the family, and these are undervalued or used without being paid as they are not acquired through formal training.

Bruegel and Perron argue that sex-typing of jobs is a major rigidity in the British labour market, but that orthodox economics regards the causes for this as external to the economy, and as a reflection of preferences. Gender segregation between establishments is very substantial in Britain, as Millward and Woodland show, and this has adverse effects on the relative pay of women. This problem cannot be tackled either by good management practice within firms, or by legislation that requires comparators within firms for equal pay claims to be advanced. Hunter and Rimmer's comparative study of Britain and Australia underlines the importance of negotiating structures and of modes of regulation for pay and conditions for the enhancement of equal opportunities for women. In this respect the Australian experience is instructive in that higher levels of women's pay relative to men's have been achieved, but it has also shown that part-time and temporary jobs do not necessarily have to be accompanied by poorer conditions and diminished

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rights. Recent moves to deregulation in Australia have already proved to be to the disadvantage of women.

As Bruegel and Perron also note, in so far as 'family friendly' policies can be said to exist for the majority of women workers they consist of part-time jobs and some provision of unpaid leave during school holidays. Part-time workers are seen as a flexible workforce, with no interest in career development, though in fact women part-timers form a relatively stable part of the workforce. This contributes to the underdevelopment of skills in the British economy, and is not in the long term collective interest of firms. They argue that this is yet to be recognised 'as part of the ingrained low-investment, low-productivity cycle' in Britain, and that 'at a societal level it is an important cost of the established gender order'.

It is in addressing the relation of the state and the family to the labour market that the issue of part-time work is discussed in most depth. At the extremes there are two opposing views of part-time work as good or bad for women. There is the view that sees part-time work as providing choices for women, allowing them to combine caring in the family with participation in the labour force, and ultimately also choices for men who may also wish to reduce their hours of work in order to spend more time in the family. The view that it offers choices and opportunities to women is one that is often promoted by employers, but also, as Janneke Plantegna shows in her study of the Netherlands, by radical groups such as the Dutch Green Left who see it as a way to an alternative way of living and working. The negative view of part-time work is that it represents only an improvement in the quantitative position of women in the labour market, whereas in qualitative terms little has changed, since it does not challenge the traditional division of labour or allow women to build careers. If part-time work is regarded in this light it is 'profoundly non-egalitarian'. Optimists, however, insist that it is a first step towards a new employment structure, which would erode the division between bread winners and carers. The ability to take a negative or positive view of part-time work depends very much on the general conditions surrounding part-time work, in particular whether workers have any real choice over whether to work part-time, the number of hours they work, and when they work these hours; whether these choices are available to male employees as well as female employees; and whether part-timers have rates of pay, conditions, and employment rights comparable to those of full-timers. In the absence of these conditions, as is the case in Britain, it is very difficult to see part-time work as being other than to the advantage of employers.

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The problematic nature of part-time work is further emphasised by the contributions to the book on social security, on women's financial dependence on men, and on the distribution of work between 'work rich' and 'work poor' households.

Eithne McLaughlin argues that there is a contradiction in the development of highly deregulated forms of employment and an increased emphasis on forms of social security provision predicated on the male breadwinner model, and that this contradiction manifests itself in reduced employment rates for lower skilled men and increased inequalities between women. Female labour force participation has risen fastest in households where male partners are in employment, and the majority of female part-time workers are married or cohabiting, usually with working partners likely to be of intermediate and high skill or educational level. Thus the expansion in part-time work has benefited relatively highly qualified women rather than unskilled and less educated women or men. The unskilled of both sexes have been increasingly excluded from the employment expansion of the 1980s, though paradoxically much of the employment growth has been in unskilled or unqualified occupations.

These forms of labour do not even meet the short term maintenance requirements of the workers employed, and therefore effectively result in cross-subsidies between employers, utilising different types of labour. One consequence of this pattern is that women in two earner households are likely to be over qualified for the occupations in which they are employed. Unqualified and unskilled women are often caught in a situation of living with partners also excluded from the labour market, as relatively well paid employment for semi-skilled or unskilled men in the manufacturing sector has declined. As McLaughlin aptly puts it, 'these men and women are caught up in the terminal stages of the demise of the male manual "family wage"'.

The polarisation of households into 'work rich' households where both partners work, and 'work poor' households where neither partner works, is described by Gregg and Wadsworth. They note that women without a working partner, including those with no partner, whether or not they have children, are finding it harder to obtain employment, despite being in the most obvious need of earned income. In their view part of this polarisation can be explained by the shift towards part-time work. However, they also make the point that this change is not gender specific in that similar declines are observed for men without working partners. Changes in the benefits system partly explain the remaining degree of divergence between

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households. In particular, changes such as rising housing benefits payments, steeper tapers, and more means-tested benefits can effectively exclude women in workless families from taking up employment. It is difficult to avoid the conclusion that the rise of part-time work has played an important part in the rise of poverty in Britain, in that it does not offer people sufficient incomes to come off benefits, and presupposes a dual earner household. This latter point is perhaps emphasised by the deterioration in participation rates in the labour market of single parents.

Davies and Joshi demonstrate the importance of 'family transfer' to married women's economic well being, which reinforces the point made elsewhere that the forms of labour available to many women do not in themselves provide sufficient income for their reproduction and maintenance costs as workers. They conclude that for a married woman it could easily be the case that more than half of her lifetime's income is derived from her partnership, unless she is committed to a full-time career, with the result that 'as long as there is either unequal treatment in the labour market or inequality in the division of unpaid and paid work between spouses, the family will be needed to act as a source of income security'. This 'family transfer' tends to be particularly important for women when they have dependent children and in old age. As the nature of the family changes, women are less able to rely on it as a source of income, and hence the need for better labour market opportunities is evident.

A key question for equal opportunities activists and policy makers must be that of the impact of policies. Dex and Sewell undertook a comparative study of equal opportunities policies and women's labour market status in industrialised countries. Overall such policies can be said to have had a positive impact. The results of their analysis are complex and some of them surprising, for example the fact that neither average rates of unemployment, nor union density, nor the period since equal pay legislation was enacted, appeared to have an impact on the female-to-male ratios of manual hourly earnings. Publicly funded childcare provision had little or no effect on the proportion of women in top occupations, probably because such women are less likely to rely on public provision. However, childcare for 3-5 year olds appeared to have the effect of both increasing the percentage of low paid workers who were women, and decreasing the percentage of women with low pay, results which, the authors comment, are 'not obviously consistent'.

The measure of the period since equal pay legislation was enacted was consistently associated with improvements in women's occupational status

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and the extent of women's low pay, but it did not appear to be related to the earnings ratio. This may be because in some countries legislation came after equality policies were starting to be pursued. Because the trend towards improvement is correlated with the enactment of equality legislation, 'equal opportunities policies can confidently be said to have helped to promote these changes'. As Dex and Sewell point out, equal opportunities policies can also be enacted through union bargaining and attitude change, and the fact that there are improvements in women's status at both the top and bottom ends of the labour market is some evidence for this general environmental effect. However, particular policies have different impacts at different ends. For example, government spending to boost the public sector has led to improvements in women's occupational status, but has not had much effect on low pay. Women at the bottom end of the labour market have probably benefited from more extensive childcare provisions and greater unionisation.

In general, it would appear that it is a complex interaction of factors that creates the disadvantages that women face, and these are to some extent different for different groups of women. The corollary of this is that policy impacts are also differentiated, with some groups of women benefiting more than others. Current economic and social policies are creating an ever wider gap between less educated and unskilled women and better educated and skilled women, with the former being increasingly excluded from the labour market. However, for those gaining access to the labour market, equal opportunities policies have had a positive impact. One conclusion that might be derived from this is that there is no one overarching policy solution, although Eithne McLaughlin argues that policy changes required to improve the situation for both groups of women are the same - a minimum wage, and equal treatment of those combining part-time and irregular employment with caring responsibilities in both employment legislation and social security. Perhaps the major conclusion to emerge from this book is that, if women are to achieve equality with men in the labour market, policy intervention is necessary, in terms both of targeted equal opportunities policies, and of establishing the principle that all policies have potential gender impacts that need to be identified and monitored. And although the editors consistently stress that 'ultimately the case for equal opportunities must rest on ethical arguments', they add 'that this does not mean that there should not be a search for policies that can enhance the efficiency of the economy and lead to benefits for other groups than women'.

A virtue of this book is its scholarly approach, exemplified by its painstaking scrutiny of evidence which delineates the extent of discrimination, and the

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attempts to quantify precisely the costs to women, to employers, and to the state. It is an ambitious and substantial volume, for the specialist rather than the lay reader, and is on occasion highly technical and relatively inaccessible to the non-economist. Though some of the themes are familiar and have been well developed elsewhere, it is useful to have them brought together in one volume. If a clear and comprehensive policy programme has not yet emerged, this volume has made a substantial contribution to providing an in-depth and informed basis for policy formulation and debate

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