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A COMPARATIVE STUDY ON THE WAGE RATE PAID

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ABSTRACT

The report titled "Time for Equality at Work" (ILO 2003a) stresses the ongoing wage discrimination between employment of equivalent value, indicates the harmful repercussions of such discrimination, and restates the urgent need to take the required actions to remove said discrimination. In a study that was published not too long ago (2006), the European Commission laments the fact that the wage gap between men and women continues to be unacceptably large and shows no indications of narrowing. These results should also be of concern to governments and social partners in a great number of nations located both to the South and to the North. It would seem that the ineffectiveness of pay equality law and, more specifically, the inability of companies to comply with it are to blame for the persistence of pay discrimination.

keywords: Comparative, Wage, Rate

INTRODUCTION

Pay equity, also known as equal pay for work of equal value, is a fundamental right enshrined in the Equal Remuneration Convention, 1951 (No. 100), which has been ratified by the vast majority of countries4, but it is still largely unachieved. This is despite the fact that the majority

of countries have signed on to the convention. The report titled "Time for Equality at Work" (ILO 2003a) stresses the ongoing wage discrimination between employment of equivalent value, indicates the harmful repercussions of such discrimination, and restates the urgent need to take the required actions to remove said discrimination. In a study that was published not too long ago (2006), the European Commission laments the fact that the wage gap between men and women continues to be unacceptably large and shows no indications of narrowing. These results should also be of concern to governments and social partners in a great number of nations located both to the South and to the North. It would seem that the ineffectiveness of pay equality law and, more specifically, the inability of companies to comply with it are to blame for the persistence of pay discrimination. Companies are unwilling to comply with this law due to the subsequent increases in pay bill costs that would be incurred as a consequence of its implementation as well as due to the anticipated possibly harmful consequences on their competitive position. In addition, companies are concerned that complying with the legislation might lead to big changes in the workplace, such as alterations in the existing occupational categorization system or in the pay scales, which could spark internal conflicts and put the social peace at risk. These kinds of concerns explain why businesses are reluctant to take the efforts necessary to discover and remove wage discrimination in their workplaces. In the meantime, numerous studies on the effects of other anti-discrimination initiatives, such as affirmative action, measures aimed at diversifying workforce composition, or measures aimed at reconciling work and life, reveal that the success of such policies depends largely on the employer's commitment. This is the case with affirmative action, for example. In situations where this is lacking, equity initiatives often have a limited impact since top management may reject their prescriptions. This may be frustrating for everyone involved. So, the next logical step is to discover strategies that encourage employers to dedicate themselves to pursuing the elimination of prejudice in the workplace. This may be done by identifying methods that motivate companies to pursue the elimination of discrimination. One strategy that has the potential to be of service is known as the business case. This strategy involves promoting non-discrimination and equality policies on the basis of the possible net economic advantages that these strategies would bring to the organisation. While this strategy has been used in the framework of diversity management policies, the potential of this technique with regard to pay equality has not yet been properly explored. By conducting a comparative analysis of the various national models, the purpose of our study is to investigate the many implications, including costs and advantages, of the advancement of pay equality. This does not imply that, even in the unlikely event that benefits exceed costs, this should become the primary

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justification for pursuing pay fairness. Equal treatment without bias or prejudice is a fundamental human right, and as such, it cannot be negotiated away. The question is rather how to advertise it in a way that is more successful while keeping the expenses to a minimum and increasing the benefits to a maximum.

RESEARCH METHODOLOGY

In many academic disciplines Randomized Controlled Trails (RCT) is held as the gold standard to estimate effects of interventions, exposures, or treatments on outcomes. RCT avoids the pitfalls (at least in theory) of confounding treatment status with measured or unmeasured characteristic. That is achieved by randomising the allocation of treatment. With the random treatment allocation, it is possible to directly estimate the treatment effect on the outcome by comparing the subjects that have been treated with the untreated. Unfortunately, RCT studies are often not feasible due to technical-, resource-, and ethical constraints (Edwards et al., 1998). In practice, one often has to resort to observational studies where the treated and untreated subjects most likely will systematically differ from each other (Austin, 2011). These differences render it difficult (impossible) to estimate the treatment effect directly without bias. In the potential outcome framework (Rubin, 1974) a subject has two potential outcomes Yi(0)and Yi(1), which are the outcomes from receiving the control treatment or the active treatment. In reality, a subject can only receive one of the treatments. If treatment is denoted by Z, where Z = 0 for control treatment and Z = 1 for active treatment, only one outcome is observed per subject Yi(Zi). (Austin, 2011).

The result from treatment on the outcome is per subject defined as Yi(1) − Yi(0), and are often presented as either the average treatment effect (ATE) or the average treatment effect for the treated (ATT or ATET). ATE is what the effect would be on average if the whole population would go from untreated to treated, E[Yi(1) − Yi(0)]. ATT, on the other hand, is what the effect is on average for those who got the treatment, E[Yi(1) − Yi(0)|Zi = 1]. In RCT studies thesetwo metrics are the same because of the randomisation of treatment (Austin, 2011). For observational studies, it is only possible to obtain the ATT, and to do so, a method that can mimic the characteristics of an RCT study has to be applied. A method for mimicking the RCT in observational studies is propensity score matching, which under certain conditions can produce an unbiased estimate of the ATT on the outcome (Rosenbaum and Rubin, 1983).

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Other methods could have been used to control for confounding and make causal inference, such as an instrumental variable approach. The choice not to use an instrumental variable approach was mainly due to the problem of identifying good instruments, and to the relative straightforwardness that propensity score matching offers. Rosenbaum and Rubin (1983) defined the propensity score as the probability, ei = P r(Zi = 1|Xi), for a subject of being assigned into treatment conditional on a vector of observed covariates X e.g. age, gender, wage etc. The propensity score work as a balancing score, where the distribution of covariates are similar between the treated and untreated. That has the effect that two subjects that have the same propensity score can represent each other's counterfactual outcome. In RCT studies the true propensity score is known, but in observational studies, it has to be estimated . To get an unbiased measurement of the ATT, there must be demonstrated that the treatment assignment is ignorable. This can be shown to hold based on two conditions: i) That treatment assignment is independent of potential outcomes, conditional on observed covariates (Y (1),(Y (0)) ⊥⊥ Z|X; ii) Each subject has a non-zero probability to be either treated or non-treated; (0 < P(Z = 1|X) < 1). The first condition is also known as the no unmeasured confounders assumption, which says that all variables that affect outcome or assignment of treatment have been measured (Austin, 2011).

RESULT

The following format will be used for the display of the DiD-PSM results: Estimates are provided for both females and men in the first section (6.1), however these estimates do not take into account any matching on the draught record variables for males. In the second part (6.2), the estimates are given solely for men, and the specifications are given both with and without the draught record variables. The findings for various age groups, including those under the age of 26 and those above the age of 25, are shown in the third part (6.3) of the report. This section also compares the outcomes for those people who registered as jobless to those people who did not register for unemployment benefits. The findings of computing the private net benefit on gross wage earnings for each of the various parameters are shown in the fourth section (6.4) of this report. The estimation (DiD-PSM) of the ATT is in absolute numbers, and the balancing test gave that the null hypotheses for different means could not be rejected at a 5% significance level (see A.1 and A.2), which includes the fact that the variance ratios all fell within the accepted range of 0.5-2.0 (e.g. Rubin (2001)). The fifth and final part provides descriptive data on the ways in which the educational levels of various sub-samples of KVX

enrollees and non-enrollees have evolved ten years (2002), following the enrolment or non-enrollment of the population in question.

Females And Males - full sample results

Figures 1 and 2 illustrate the difference-in-difference (DiD) in terms of the average yearly salary earnings (in terms of 2015 prices) between individuals who took part in the KVX study and those who did not take part in the study. The 95% confidence interval together with the standard errors were generated with an adjustment to account for the fact that the propensity score was approximated rather than known. The non-participants are always considered to be the starting point, or 0. There is a definite initial unfavourable impact from enrolling in KVX, and this effect is shown equally across boys and girls. Both genders will continue to experience this unfavourable impact up to ten years following their enrolment in the KVX programme. The first unfavourable impression Figures 6.1 and 6.2 illustrate the difference-in-difference (DiD) in terms of the average yearly salary earnings (in terms of 2015 prices) between individuals who took part in the KVX study and those who did not take part in the study. The 95% confidence interval together with the standard errors were generated with an adjustment to account for the fact that the propensity score was approximated rather than known. The non-participants are always considered to be the starting point, or 0. There is a definite initial unfavourable impact from enrolling in KVX, and this effect is shown equally across boys and girls. Both genders will continue to experience this unfavourable impact up to ten years following their enrolment in the KVX programme. The first unfavourable impression

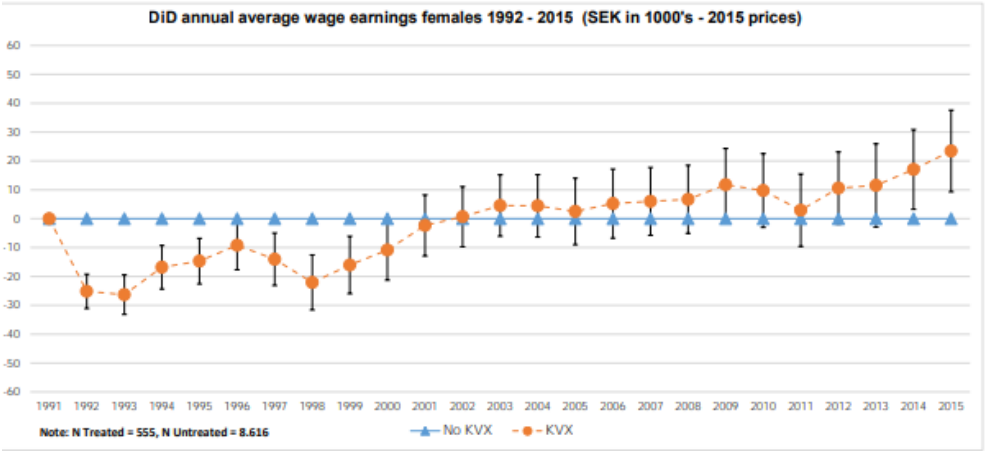

Figure 1: Results females

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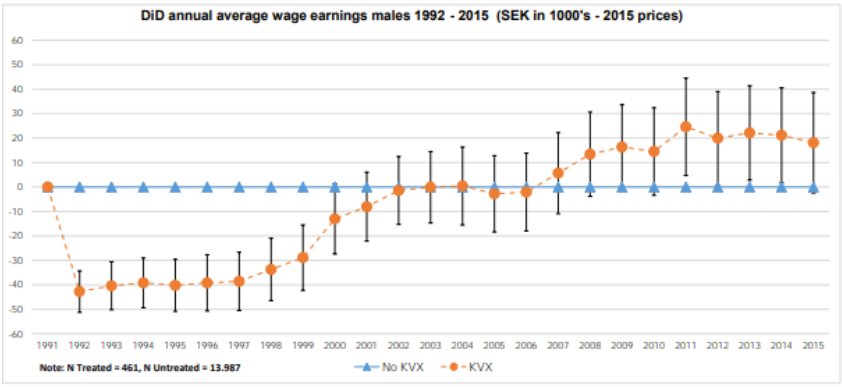

Figure 2Results males no draft record data

Males - extended control for ability

In this section, the two figures 3 and 4 show theDiD in average annual wage earnings (2015 prices) for males only, where the difference between the results is that in the figure 6.4 shows the results from DiD-PSM with matching on the draft records. From visual inspection there appear to be minor differences between the two results. There is a substantial initial negative effect that is persistent in both figures. With the draft record data, the negative effect is present until 2007. With the draft record data, there are also no significant positive effects, while without the draft data there are significant positive effects during the period 2011-2014.

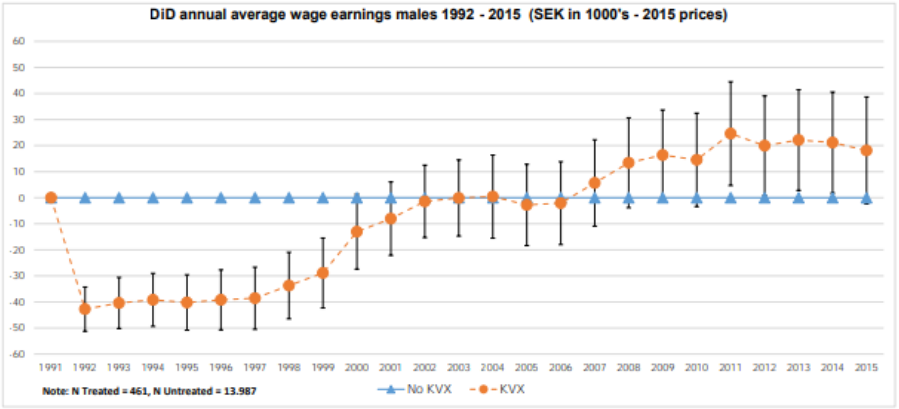

Figure 3Results males no draft record data

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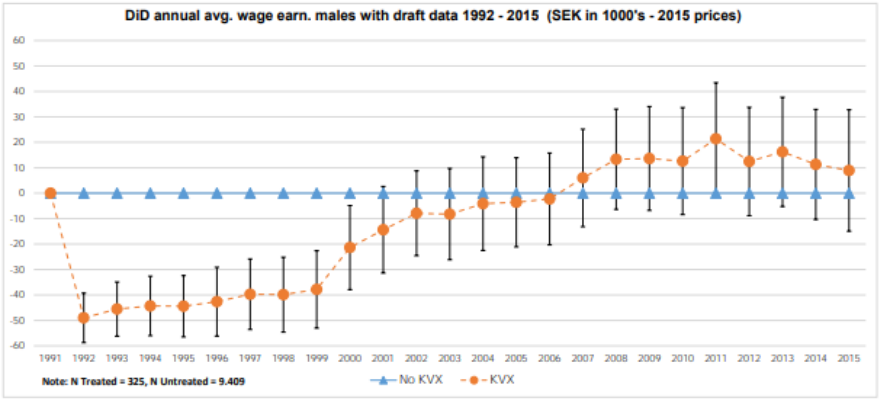

Figure 4: Results males with draft record data

Heterogeneous effects

Age

According to human capital theory, the individuals' age is a prominent factor that affects the selection into education as well as the outcome of the investment (see chapter 3). In this section, the results of the DiD-PSM for females and males are divided into two groups, those who at the time of KVX enrollment or non-enrollment in 1992 were under 26 or over 25.

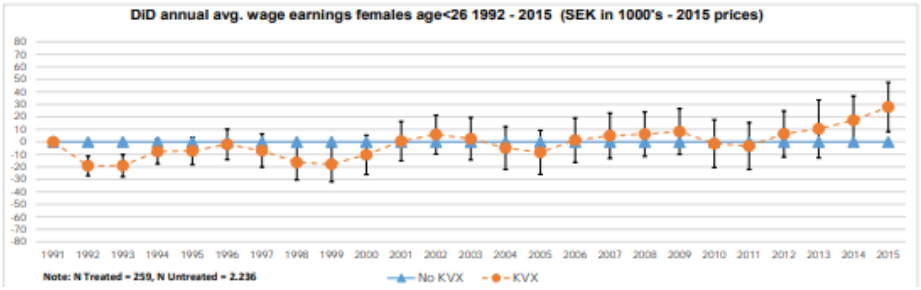

Figure 5: Results females age < 26

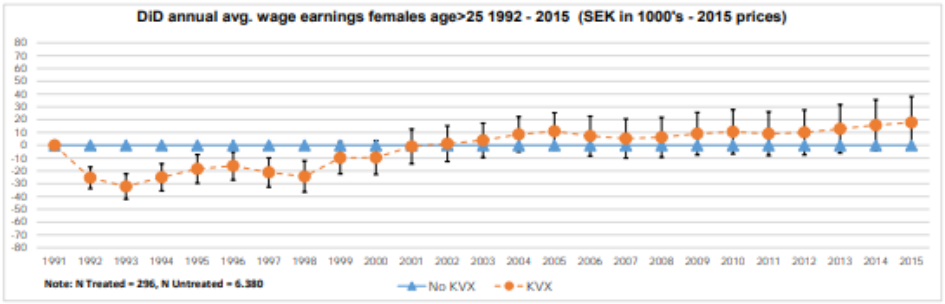

Figure 6: Results females age > 25

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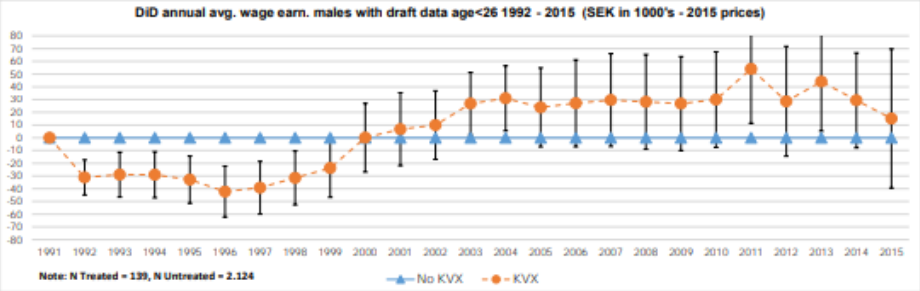

Figure 7Results males age < 26

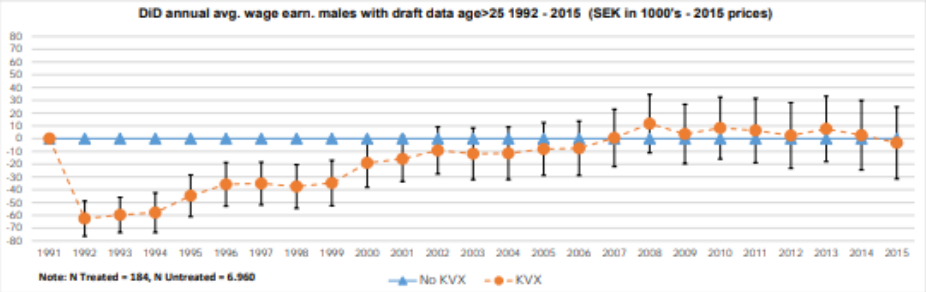

Figure 8: Result males age > 25

The results show that for females under 26 (figure 5) the effect of enrollment follow a wave pattern where there are significant negative effects in the first two years, but after that, it oscillates around zero, and the point estimates never become significantly positive until the last 2 years. For older females (figure 6), the pattern is on the whole very similar to the results found when all females were included. For younger males (figure 7), the initial dip is lower than for the older, but it has a somewhat downward sloping trend until 1996 where it takes an upward trend. Despite this positive turn, there results only become significantly positive for 2 years (2011 and 2013). For the older males (figure 8) the initial dip is large, but the rest of the period has, in general, an upward sloping trend, albeit without any significant positive effects.

CONCLUSION

The long-term estimate (1992-2015) of the ATT on average yearly wage earnings for KVX members after being involuntarily separated from his or her employment is the primary contribution that this thesis makes. The majority of the estimates suggest that participation in KVX is related with a detrimental influence on the persons' long-term earnings potential in the labour market. These findings have thrown fresh light on the long-term economic impact of enrolment in adult education programmes for people who have been displaced from their jobs. According to the findings of this research, it is difficult to identify a direct benefit associated

with enrolling in KVX after being involuntarily terminated from one's place of employment for adult adults who have completed two years or more of high school education in the past. This does not imply that KVX is inherently harmful, nor does it suggest that adults should be prevented from having the opportunity to further their education later in life. The issues that are posed to those in charge of formulating public policy include what shape KVX should take and who it should principally be made available to. There is a need for further research to be carried out in order to address the issues that have been raised about the outcomes and benefits of KVX for both people and society. This study examined the history of pay structures and wage strategies in market economies from the point of view of the implications for labour market transitions in countries that formerly participated in the Common Market for European Economic Area.

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