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Pay Equity Legislation In the 107th Congress

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Summary

The term “pay equity” originates from the fact that women as a group are paid less than men. In 2000, for example, women with a strong commitment to the work force earned 76 cents for every dollar earned by men. As women’s earnings as a percentage of men’s earnings have narrowed by just 12 percentage points over the past four decades (from about 60% in the 1960s and 1970s to more than 70% in the 1990s), some members of the public policy community have argued that current anti-discrimination laws should be strengthened and that additional measures should be enacted. Others, in contrast, believe that further government intervention is unnecessary because the gender wage gap will narrow on its own as women’s labor market qualifications continue to more closely resemble those of men.

The Equal Pay Act (EPA), which amends the Fair Labor Standards Act (FLSA), prohibits covered employers from paying lower wages to female than male employees for “equal work” on jobs requiring “equal skill, effort, and responsibility” and performed “under similar working conditions” at the same location. The FLSA exempts some jobs (e.g., hotel service workers) from EPA coverage, and the EPA makes exceptions for wage differentials based on merit or seniority systems, systems that measure earnings by “quality or quantity” of production, or “any factor other than sex.” The “equal work” standard embodies a middle ground between demanding that two jobs be either exactly alike or that they be merely comparable. The test applied by the courts focuses on job similarity and whether, given all the circumstances, they require substantially the same skill, effort, and responsibility. The EPA may be enforced by the government, or individual complainants, in civil actions for wages unlawfully withheld and liquidated damages for willful violations. And, Title VII of the 1964 Civil Rights Act provides for the award of compensatory and punitive damages to victims of “intentional” wage discrimination, subject to caps on the employer’s monetary liability.

The issue of pay equity attracted more attention during the 106th Congress than it has in a number of years. The Senate Committee on Health, Education, Labor, and Pensions held a hearing on gender-based wage discrimination June 2000. The following month, during floor debate on marriage tax penalty legislation, an amendment was offered allowing wage discrimination victims suing under the EPA – who may presently collect only backpay and liquidated damages – full recovery of compensatory and punitive damages for their injury, including emotional suffering and distress. The defeated amendment was based on S. 74 (the Paycheck Fairness Act) in the 106th Congress. The Paycheck Fairness Act (H.R. 781/S. 77) was introduced in a similar form in the 107th Congress.

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Pay Equity Legislation In the 107th Congress

The persistence of gender-based wage disparities – commonly referred to as the pay or wage gap – has been the subject of extensive debate and commentary. Congress first addressed the issue nearly four decades ago in the Equal Pay Act of 1963,¹ mandating an “equal pay for equal work” standard, and again the following year in Title VII of the 1964 Civil Rights Act.² Collection of compensation data, and elimination of male/female pay disparities, are also integral to Labor Department enforcement of Executive Order 11246, mandating nondiscrimination and affirmative action by federal contractors. During the 1980's, some members of the public policy community sought to advance the earnings of women relative to men by pressing a “comparable worth” theory before state legislatures and in federal court litigation. During the last decade of the 20th century and the initial years of the 21st century, initiatives to strengthen and expand current federal remedies available to victims of unlawful sex-based wage discrimination have been taken up in Congress.

This report begins by showing the trend in the male-female wage gap and by examining the explanations that have been offered for its enduring presence. It next discusses the major laws directed at eliminating sex-based wage discrimination as well as the relevant federal court suits. The report closes with a description of bills introduced thus far in the 107th Congress that would amend the Equal Pay Act.

The Gender Wage Gap

The Male-Female Pay Differential Over Time

The term “pay equity” originates from the fact that women as a group are paid less than men. In 1960, half of all women employed year-round full-time (i.e., 50-52 weeks and at least 35 hours per week) earned more than \$3,257 and half earned less than that amount. In the same year, the median annual earnings of men employed year-round full-time were \$5,368. Some four decades later, according to U.S. Bureau of the Census data, the median earnings of women with a strong commitment to the labor force were \$26,324 while those of men were a substantially higher \$36,476. Thus, over the 40-year period, women went from earning 60.7% as much as men to earning 72.2% as much as men.

¹ 29 U.S.C. § 206(d).

² 42 U.S.C. §§ 2000e et seq.

It often is noted that even when comparisons are made between similar groups, women still are paid less than men. Women with a bachelor's degree earned \$32,546 in 1999, for example, while similarly educated men earned an average of \$57,706. Male high school graduates were paid \$30,414 on average, well above the \$18,092 paid to female high school graduates. Women typically earn less than men of the same age, as well. The wage gap is narrowest among young adults, and then it generally widens: according to Census Bureau data for 1999, female 18-24 year olds were paid 80% as much as male 18-24 year olds; female 25-34 year olds earned 68% as much as males in the same age group; female 35-44 year olds, 58%; female 45-54 year olds, 54%; and, female 55-64 year olds were paid 52% as much as male 55-64 year olds. Although these disparities between seemingly comparable men and women sometimes are taken as proof of sex-based wage inequities, the data have not been adjusted to reflect gender differences in *all* characteristics that can legitimately affect relative wages (e.g., college major or uninterrupted years of employment).

The size of the male-female wage gap has shrunk at a slow and uneven pace over time. As shown in **Table 1**, the pay differential narrowed steadily during the 1980s so that by the end of the decade women were being paid about 70 cents on the dollar. The trend for the 1990s is less clear: according to both data series shown in the table, the ratio of female-to-male wages fluctuated erratically over the decade; and ratios derived from the two series moved in different directions, with one showing a worsening of the pay gap while the other was showing an improvement.

Despite women's greatly increased commitment to the labor force over the past few decades,³ the observed or unadjusted wage gap has narrowed by just 12 percentage points. Consequently, women with a strong attachment to the job market typically earned 76 cents for every dollar earned by men in 2000.

Explanations of and Remedies for the Gender Pay Differential

The existence and persistence of the gender wage gap has led to a search for explanations. Basically, two schools of thought have developed. The human capital explanation has a supply-side focus, that is, it looks at the personal characteristics of working women and men. The sex-segregation-in-the-workplace or discrimination explanation has a demand-side focus, that is, it looks at the characteristics of the jobs in which women and men typically work.

Some researchers have tried to justify the pay gap by examining differences in the average amounts of human capital (e.g., educational attainment) accumulated by women and men. Other researchers have looked to job-related factors for an explanation of the wage gap, with some particularly focusing on the relationship between sex segregation in the workplace and women's comparatively low wages. (In this instance, segregation refers to the clustering of women and men in different occupational groups, in different occupations within these groups, in different jobs

³ The percentage of all women who were in the labor force rose from 38% in 1960 to 60% in 2000. Women today account for almost one-half of those in the labor force compared to 33% four decades earlier. The heightened commitment to paid employment of married women with children under age 18 at home is particularly noteworthy.

within these occupations, and in different industries or firms performing the same jobs.) Still others have attributed the wage gap to a combination of personal characteristics (e.g., number of hours worked per week or year) and job characteristics (e.g., extent of unionization or size of firm). Although adjusting women's and men's wages for human capital and job-related differences considerably narrows the pay gap, it does not entirely eliminate the wage differential.⁴

Table 1. Ratio of Female-to-Male Median Earnings

Year	Year-round full-time workers ^a	Full-time workers ^b	Year	Year-round full-time workers ^a	Full-time workers ^b
2000	–	76.0	1989	68.7	70.1
1999	72.2	76.5	1988	66.0	70.2
1998	73.2	76.3	1987	65.2	70.0
1997	74.2	74.4	1986	64.3	69.2
1996	73.8	75.0	1985	64.6	68.2
1995	71.4	75.5	1984	63.7	67.8
1994	72.0	76.4	1983	63.6	66.7
1993	71.5	77.1	1982	61.7	65.4
1992	70.8	75.8	1981	59.2	64.6
1991	69.9	74.2	1980	60.2	64.4
1990	71.6	71.9	1979	59.7	62.5

Source: Series on year-round full-time workers are from the U.S. Bureau of the Census. Series on full-time workers are from the U.S. Bureau of Labor Statistics.

Note: The wage ratio based on annual data (columns 2 and 5) is wider than the wage ratio based on weekly data (columns 3 and 6) because women generally work fewer weeks and fewer hours per week than men. In addition, the annual series covers self-employed workers who have larger earnings differences than the wage and salary workers covered by the weekly series. Regardless of the data series, the ratio of female-to-male earnings would be lower if all workers were included because relatively more women than men work part-time or part-year schedules.

^a Based on based on median annual earnings for all workers age 15 or older who worked 50-52 weeks in a year and at least 35 hours in a week, including the self-employed; before 1989, earnings covered civilian workers only.

^b Based on median weekly earnings for wage and salary workers age 16 or older who worked at least 35 hours in a week.

⁴ For more information see CRS Report 98-278, *The Gender Wage Gap and Pay Equity: Is Comparable Worth the Next Step?*, by Linda Levine. (Hereafter cited as CRS Report 98-278, *The Gender Wage Gap and Pay Equity: Is Comparable Worth the Next Step?*)

Those who ascribe to the human capital explanation of the gender wage disparity argue that as women increasingly become like men in terms of their participation in the workforce, women's earnings will further approach those of men. They thus believe that no government intervention is warranted to achieve pay equity beyond current anti-discrimination measures. Others believe that sex-based wage discrimination is responsible for the pay gap that remains after accounting for gender differences in labor market qualifications. They support strengthened government enforcement of anti-discrimination laws and regulations, enhanced government dissemination of information about and provision of training in comparatively high-paying nontraditional jobs for women,⁵ or employers paying female and male employees in comparable jobs the same wages. In the 1980s, the latter perspective led to largely unsuccessful lawsuits that brought "comparable worth" claims under Title VII of the Civil Rights Act. (These lawsuits are discussed in the next section of this report.)

The idea motivating comparable worth is that the size of a worker's paycheck should be related to job content rather than to the predominant sex of employees in an occupation. Comparable worth proponents argue that some jobs are undervalued – that is, pay relatively low wages – *because* they are largely held by women. Instead of continuing to largely rely on supply-demand conditions in the labor market to set wages and instead of waiting for further lessening of sex segregation in the workplace, comparable worth advocates often propose that a single job evaluation study of positions within a firm be conducted so they can be compared with each other in terms of such attributes as skill, effort, responsibility, and working conditions. Employers would then raise the wages of workers in all jobs or in female-dominated jobs deemed to be underpaid on the basis of the evaluation (i.e., jobs with wages below other jobs with the same total scores on the attributes included in the evaluation would be raised).⁶

Legal and Legislative Background

Laws that Combat Sex-Based Wage Discrimination

The Equal Pay Act (EPA) is a 1963 amendment to the Fair Labor Standards Act that makes it illegal to pay different wages to employees of the opposite sex for equal work on jobs the performance of which requires "equal skill, effort, and

⁵ Congress has attempted to reduce occupational segregation. Through FY1995, the Nontraditional Employment for Women Act (P.L. 102-235) authorized the use of the Job Training Partnership Act's discretionary funds to develop demonstration programs to help women enter high-paying jobs where they were underrepresented. The Women in Apprenticeship and Nontraditional Occupations Act (WANTO, P.L. 102-530) provides technical assistance to employers and unions to promote women's employment in apprenticeable and other nontraditional jobs.

⁶ See CRS Report 98-278, *The Gender Wage Gap and Pay Equity: Is Comparable Worth the Next Step?* for information on job evaluation as a wage-setting mechanism and the potential labor market effects of implementing the comparable worth approach to remedying gender wage differentials.

responsibility,” and which are “performed under similar working conditions.”⁷ The Act also prohibits labor organizations and their agents from causing or attempting to cause sex-based wage discrimination by employers. Specifically permitted by the EPA, however, are wage differentials based on seniority systems, merit systems, systems that measure earnings by quality or quantity of production, or “any factor other than sex.”⁸ The “equal work” standard embodies a middle ground between demanding that two jobs be either exactly alike or that they merely be comparable. The test applied by the courts focuses on job similarity and whether, in light of all the circumstances, they require substantially the same skill, effort, and responsibility.⁹ An employer may not attempt to equalize wages to comply with the EPA by lowering the rate of pay for any employee.¹⁰

A year after the EPA, Congress enacted the comprehensive code of anti-discrimination rules based on race, color, national origin, religion and sex found in Title VII of the Civil Rights Act. The EPA and Title VII provide overlapping coverage for claims of sex-based wage discrimination, but differ in important substantive, procedural and remedial aspects. A crucial difference is that the “equal work” standard of the EPA – requiring “substantial” identity between compared male and female jobs – does not limit an employer’s liability for intentional wage discrimination under Title VII. For example, in *Miranda v. B & B Cash Grocery Store, Inc.*,¹¹ the plaintiff’s inability to demonstrate that she performed the same work as higher paid males did not preclude a Title VII claim based on evidence male employees who performed fewer duties were paid more than she, or that the employer would have paid her more had she been a male. Thus, a violation of the EPA will always violate Title VII, but the converse is not true.¹² Additionally, the remedies for violation of the two laws differ. Under the EPA, a prevailing plaintiff may obtain backpay for any wages unlawfully withheld as the result of pay inequality and twice that amount in liquidated damages for a willful violation. By contrast, the Civil Rights Act of 1991 added to the back pay remedy authorized by Title VII a provision for jury trials and compensatory and punitive damages for victims of “intentional” sex discrimination, in wage cases and otherwise.¹³ Such damages may only be recovered, however, in cases of intentional discrimination, not in so-called “disparate impact” cases alleging the adverse effect of a facially neutral employment practice on a

⁷ Id.

⁸ Id.

⁹ E.g. *EEOC v. Madison Community United School District*, 818 F.2d 577 (7th Cir. 1987)(“equal work” requires a substantial identity rather than an absolute identity).

¹⁰ 29 U.S.C. § 206(d)(1).

¹¹ 975 F.2d 1518 (11th Cir. 1992).

¹² 29 C.F.R. § 1620.27(a).

¹³ 42 U.S.C. § 1981A.. Compensatory damages include “future pecuniary losses, emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life and other nonpecuniary losses.” Punitive damages may be recovered where the employer acted “with malice or with reckless indifference” to the complaining employee’s federally protected rights.

protected group member. In addition, the Title VII damages remedy is limited by dollar “caps,” which vary depending on the size of the employer.¹⁴

“Comparable Worth” Litigation

During the 1980s, some tried to substitute job equivalency for the “equal work standard” in the EPA through so-called comparable worth Title VII cases. As previously mentioned, whole classes of jobs are undervalued according to comparable worth theory because they traditionally have been predominately held by women. Because of labor market bias against female-dominated jobs, Title VII plaintiffs contended that pay discrimination claims should not be limited by the EPA standard, requiring that jobs be substantially “equal” or similar for different pay rates to be considered discriminatory. Instead, Title VII wage-based discrimination actions against employers could be predicated on job evaluation studies, they argued, which compared the value of women’s jobs to those of men who perform work that is dissimilar, but of equivalent or comparable worth to the employer.

Although not a comparable worth case, *County of Washington v. Gunther*,¹⁵ held that the EPA’s equal work standard was not a restriction on Title VII relief for intentional sex-based discrimination in pay between dissimilar male and female jobs. But the Supreme Court did not speak specifically to the Title VII standard of proof for wage discrimination, since in *Gunther* the county’s intention was clearly demonstrated by its failure to redress underpayment of wages to female employees revealed by its own pay evaluation study. Outside of such “refusal to pay” cases, however, where no market surveys or pay evaluations were done, the courts have been reluctant to second-guess the wage rate dictated by the local labor market for dissimilar jobs. In a pair of decisions, the Ninth Circuit firmly rejected Title VII liability for a public employer’s failure to pay equal wages to male and female employees allegedly performing comparable duties. *AFSCME v. State of Washington*¹⁶ ruled that the state lawfully paid employees in predominantly male job classifications more than it paid employees in predominantly female classifications, even though a state-commissioned study concluded that the male and female classifications were “comparable.” Reliance on market forces of supply and demand to set compensation for dissimilar male and female jobs was not *per se* illegal since “[n]either law nor logic deems the free market system a suspect enterprise.” The state “may” have discretion to enact a comparable worth plan, the court held, but “Title VII does not obligate it to eliminate an economic inequality which it did not create.” Earlier, in *Spaulding v. University of Washington*¹⁷ the same court denied a comparable worth claim by members of the female nursing faculty of the University

¹⁴ The sum total of compensatory and punitive damages awarded may not exceed \$50,000 in the case of an employer with more than 14 and fewer than 101 employees; \$100,000 in the case of an employer with more than 100 and fewer than 201 employees; \$200,000 in the case of an employer with more than 200 and fewer than 500 employees; and \$300,000 in the case of an employer with more than 500 employees.

¹⁵ 452 U.S. 161 (1981).

¹⁶ 770 F. 2d 1401, 1407 (9th Cir. 1985).

¹⁷ 740 F. 2d 686 (9th Cir. 1984).

of Washington who alleged that they were underpaid by comparison to other faculty departments.¹⁸

Legislation in the 107th Congress

The issue of pay equity attracted more attention during the 106th Congress than it has in a number of years. The Senate Committee on Health, Education, Labor, and Pensions held a hearing on gender-based wage discrimination in June 2000.¹⁹ The following month, during floor debate on marriage tax penalty legislation (H.R. 4810), Senator Harkin offered an amendment for the Democratic Leadership allowing wage discrimination victims suing under the EPA – who may presently collect only backpay and liquidated damages – full recovery of compensatory and punitive damages for their injury, including emotional suffering and distress. The defeated amendment (3847) was based on S. 74 (the Paycheck Fairness Act) in the 106th Congress.²⁰ Another measure, the “Fair Pay Act of 1999” (H.R. 1271 and S. 702) promised to resurrect the comparable worth legal debate by redefining the basic statutory standard of the EPA to require that employers pay equal wages for work in jobs determined to be “equivalent” in some largely undefined manner.

The “Paycheck Fairness Act,” was reintroduced in the 107th Congress as H.R. 781/S. 77, and is also included in Title II of S. 8, the “Enhancing Economic Security for America’s Working Families Act.” The companion bills propose to increase penalties for employers who pay different wages to men and women for “equal work,” and add programs for training, research, technical assistance and pay equity employer recognition awards. The proposals also would make it more difficult for employers to avoid EPA liability by invoking the Act’s affirmative defense for differential wage payments “based on a bona fide factor other than sex.” More specifically, the bills adhere to current equal work standards of the EPA, but would reform the procedures and remedies for enforcing the law. Under the EPA, as noted, prevailing plaintiffs may recover backpay in an amount equal to the total difference between wages actually received and those to which they are lawfully entitled and an additional amount equal to the backpay award as liquidated damages.²¹ Compensatory damages are not authorized, and consequently, awards do not include sums for physical or mental distress, medical expenses, or other costs.²² But new provisions proposed by these companion House and Senate measures authorize EPA class actions and “such

¹⁸ See also *American Nurses Ass’n v. State of Illinois*, 606 F. Supp. 1313 (N.D.Ill. 1985)(Congress never intended to incorporate a comparable worth standard in Title VII and such a concept is neither sound nor workable).

¹⁹ See “Hearing on Examining Gender-Based Wage Discrimination,” before the. Senate Comm. On Health, Education, Labor, and Pensions, 106th Cong. 2d Session (June 8, 2000).

²⁰ 146 Cong. Rec. S7047 (daily ed. 7-17-2000).

²¹ 29 U.S.C. §§ 216-17.

²² E.g. *Hybki v. Alexander & Alexander, Inc.*, 536 F. Supp. 483 (W.D.Mo. 1982)(emphasizing damages for pain and suffering are not available under the EPA).

compensatory and punitive damages as may be appropriate.”²³ In addition, the bills propose more restrictive standards for proof by employers of an affirmative defense to EPA liability based on any “bona fide factor other than sex.” Thus, for a pay factor to be “bona fide,” the employer has to prove that it was “job related” or furthered a “legitimate business purpose,” that it was “actually applied and used reasonably in light of the asserted justification,” and that the employer’s purpose could not be accomplished by less discriminatory alternative means.²⁴ The measures propose new safeguards to protect employees from retaliation for making inquiries or disclosures concerning employee wages and for filing a charge or participating in any manner in EPA proceedings.²⁵

The “Fair Pay Act of 2001,” proposed by H.R. 1362 and S. 684, would fundamentally expand the scope of the EPA, which is presently confined to sex-based wage differentials, by adding racial and ethnic minorities as classes protected from discrimination by that law. Intentional wage discrimination against these groups is already prohibited by Title VII. But the two laws have different standards of proof, and because proof of intent to discriminate is not required by the “equal pay for equal work” standard of the EPA,²⁶ it may provide greater protection to minority groups than Title VII in many cases. The EPA’s catchall exception, affording employers broad immunity for pay differentials attributable to “factors other than sex,” was eliminated by the Fair Pay Act. A compensatory and punitive damages remedy, without statutory limit, would replace the present EPA backpay and liquidated damages scheme, based on the Fair Labor Standards Act.

Significantly, the companion House and Senate measures, would also redefine the basic statutory standard of the EPA by requiring employers to pay equal wages for work “in equivalent jobs.” Unlike the current law, such amendment would permit Equal Pay Act claims to be based on wage disparities between dissimilar jobs, e.g. a janitor and a clerk, which are determined to be “equivalent” in some largely undefined manner. According to the bills, “equivalent jobs” are those “whose requirements are equivalent, when viewed as a composite of skills, effort, responsibility, and working conditions.”²⁷ By substituting job equivalency for the “equal work standard” in the EPA, the Fair Pay Act could resurrect legal issues similar to those confronted by the federal courts during the 1980’s in so-called “comparable worth” Title VII cases.

Another aspect of EPA enforcement addressed by the bills concerns employer recordkeeping and the conduct of technical assistance, research and educational programs by federal agencies. The Fair Pay Act of 2001 would require all covered employers to maintain comprehensive records of “the method, system, calculations, and other bases used” to set employee wages and to file annual reports with the Equal

²³ S. 77, H.R. 781, § 3(b).

²⁴ Id. at §3(a).

²⁵ Id. at §3(d).

²⁶ See *Fallon v. State of Illinois*, 882 F.2d 1206 (7th Cir. 1989).

²⁷ H.R. 1362, § 3(a); S 684, § 3(a).

Employment Opportunity Commission (EEOC) detailing the racial, ethnic, and gender composition of the employer's workforce broken down by job classification and wage or salary level. Such reports would be available for "reasonable" inspection and examination upon request of any person, pursuant to EEOC regulations, and could be used by the Commission for such "statistical and research purposes . . . as it may deem appropriate."²⁸ The EEOC would also be required to "carry on a continuing program of research, education, and technical assistance" to implement the proposed ban on racial, ethnic, or gender discrimination between employees working "in equivalent jobs."²⁹

The Paycheck Fairness Act also is concerned with record-keeping and data collection for better enforcement of the law. The measure directs the Equal Employment Opportunity Commission (EEOC) to survey data currently available to the government and, in consultation with sister agencies, to identify additional sources of pay information that may be marshaled to support federal anti-discrimination efforts. The EEOC also is mandated to issue regulations for the collection of pay data from employers based on sex, race, and ethnicity, taking into consideration the burden placed on employers and the need to protect the confidentiality of required reports.³⁰ In addition, the Secretary of Labor is directed to develop job evaluation guidelines based on objective factors of education, skill, independence, and decision-making responsibility for *voluntary* use by employers in eliminating unfair pay disparities between traditionally male- and female-dominated occupations.³¹ Technical assistance and a recognition program would reward employers who voluntarily adjust their wage scales pursuant to such a job evaluation.³² Finally, a "National Award for Pay Equity in the Workplace" is to be established by these bills to recognize employers who demonstrate "substantial effort to eliminate pay disparities between men and women."³³

²⁸ Id at § 6(e).

²⁹ Id. at § 7.

³⁰ S. 77, H.R. 781, § 8.

³¹ Id. at § 6.

³² Id.

³³ Id.