

Econ 217 — Handout for use in discussion on 11/5/08

Consider the following comparable worth (equal pay for work of equal value) plan:

- all firms with 100 or more employees must set up a job valuation system, consisting of an index by which all the jobs in the firm will be ranked
 - factors to be considered in assigning points must include knowledge and skills required to perform the job, the mental demands of the job, the accountability associated with the job, and the work conditions of the job (cf. Table III.P.1)
 - other factors may also be included, so long as they do not make direct reference to gender, race, ethnicity, religion, or age
 - firms may develop their own weighting schemes in creating an overall index incorporating these various factors (e.g., Table III.P.1 weights points associated with each factor equally)
- jobs that have equal index values must pay the same wage rate; however,
 - no employee's wage can be reduced in order to achieve this goal
 - the number of years an employee has been doing a job is still allowed to affect pay, but the system linking seniority to pay must be the same across jobs with equal index values

Consider the potential benefits and costs of this plan to society. Consider also how firms and individuals would react to implementation of this policy in both the short run and the long run. Would you vote for or against it? What types of amendments might you want to make, if any?