Are Widening Labour Market Earnings Differentials Entirely/ Partly/Not At All Economically Rational/Justified/Inevitable?

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Abstract

Discussion of changes to income distribution and inequality 1984/1998 have focused more on tax/transfer/ social policies than rewards in the labour market. Yet the tax/transfer system is comparatively minor in effects relative to the wide market income distribution from the labour market and other sources (inherited wealth, dividends, rents etc). Hence this paper asks whether labour market differentials need to be as wide as they are, why they are widening, and whether the economic justifications are real or resemble an emperor with no clothes.

It discusses the standard neoclassical analyses of wage determination and differentials in the labour market and their limitations. Issues include whether marginal productivity theory is simply a circular trick, whether imperfections are inevitable in labour markets, and whether skills/productivity can be objectively measured. Consideration is given to institutional and feminist analyses. The paper concludes that earnings differentials within the standard economy are inequitably wide, counterproductive, and only tenuously related to productivity issues.

Keywords: *wage determination, wage differentials*

The jury is still out on the fourteen years of economic 'reforms' in New Zealand and the deregulation/more market/ structural reforms internationally, with different verdicts dependent on the writer's philosophies/the criteria adopted and the weightings of various economic and social indicators. Those dismayed about social exclusion, increasing inequality, and victim blaming have tended to concentrate heavily on the tax/transfer/social policy areas, with social exclusion and work/welfare interface important themes for this conference. I have been concerned with these themes, arguing strongly elsewhere (Hyman 1998) for a universal basic income. Debates in these areas bring up fundamental issues about definitions of work and the arbitrary nature of what work is paid in dollars, what is paid or recognised in other ways and what is totally unpaid.

In the labour market, though, the emphases of those opposed to current policies has largely focused on job creation and better sharing of paid work through shorter full time weeks and family friendly workplaces, rather than on earnings differentials. The latter may seem even harder to tackle and/or be regarded as a matter for the impersonal market. Yet inequality in market income, from labour earnings and other sources (inherited wealth, dividends, rents etc), totally dominates the effects of the tax/transfer system, even though transfer payments are vital to those reliant on them. Hence this paper examines the principles underlying labour market differentials and asks why they need to be as wide as they are, why they are widening, and whether the economic justifications are real or resemble an emperor with no clothes.

For reasons of space, this paper takes as read the facts for New Zealand and elsewhere on the increase in differentials in total incomes and earnings over the last 20 years. For New Zealand, Podder and Chaterjee (1998) and others present evidence on widening total household incomes, Martin (1997) on individual and family incomes, and Dixon (1996 and at this conference) on earnings. In addition, comparisons of contract increases in the public sector and in the Industrial Relations Centre database with publicised increases for top management speak for themselves. For example the State Service Commissioner's report for 1997/ 8 outlines increased packages averaging 7 to 8% for chief executives for the year to June 1998, while wage increases for that year averaged about 2%. The lowest chief executive package was in the $140/150,000 range and the highest $310/320,000. This is of course far below the packages of many private sector and crown corporation top managers. Some, sadly even the Privacy Commissioner, argue that top salaries should be kept secret, an increasing trend for earnings in many areas under labour market deregulation and one that makes economic and political analysis even harder. I argue that accountability in the public sector and to both shareholders and customers in the private sector requires disclosure.

A number of commentators who are concerned with inequality and with the trends of government policy to individualism nevertheless regard as reasonable the widening of differentials implicit in large wage increases for top management. For example, Jonathan Boston argued (radio interview) with respect to the salary increases just mentioned that they were necessary, on the basis of relativity with the private sector, to attract sufficiently skilled people. By contrast, Angela Foulkes of the CTU argued that the responsibilities of public servants such as social workers in CYPS should be compared with those of management, and that the large differences in the percentage increases were unjustified. Is labour market inequality, then, too hard to tackle - or totally justified? This paper will present standard and alternative accounts of wage determination, discussing whether imperfections are inevitable in labour markets and whether skills/productivity differences are objectively measurable. It will then look at debates round the widening of differentials in recent years.

Price as the only measure of value?

Neoclassical economics sees 'objective' valuation through price settled by supply and demand on the market as the standard concept of value. In what circumstances is it meaningful to judge these as over or under valuations? Economists do talk of over and undervaluation. Even the strongest free market advocates sometimes do so, for example stock market commentators discussing volatile share prices as against underlying value in the real performance of an enterprise. However, market price as the measure of value has also long been challenged on deeper levels. "The price of wisdom is above rubies" (Job, 28,18), and "A cynic is a man who knows the price of everything and the value of nothing" (Oscar Wilde, Lady Windemere's Fan) - for cynic, read neoclassical economist? The more philosophical challenges and discussions of value lie outside the scope of this paper. Economic and social issues are, however, intermixed. Some would argue that low paid child care is of greater social value than some high paid work, such as manipulating futures markets.

Neo-classical wage determination

The key demand side concepts are the marginal physical and revenue products of labour (MPP and MRP), showing the extra output and revenue, respectively, generated at the enterprise level by an extra unit of labour with all other inputs into production held constant. Diminishing MPP as the labour input increases in the short-term, with other inputs held constant, is the key to the downward sloping demand curve as all firms' needs for this type of labour are aggregated. In perfect competition in buying and selling the labour, the wage will be set on the market where this aggregate demand curve meets the (usually) upward sloping supply curve generated by aggregating the labour supply at each wage rate of individuals through indifference curve analysis of the labour leisure choice.

This neoclassical world is a tidy one, containing units of homogeneous labour, perfect competition, clear distinctions between short/ long term and what factors are fixed and variable in each, and with defined and measurable production functions and demand and supply curves of the usual shape yielding stable equilibrium. The analysis implies a wage-employment tradeoff, with wage cuts needed to eliminate unemployment. Union action or minimum wage legislation which leads to above equilibrium wages in any market will cost jobs. Monopoly supply or monopsony demand for labour complicates the situation. With a bilateral monopoly, the outcome is indeterminate. Modern labour economics now blurs the distinctions between neoclassical and some institutional analyses, recognising the reality that markets do not clear (unlike that of New Zealand in the 1960s) to eliminate unemployment and incorporating some of the complexities of real labour markets. More complex models have been developed, involving transaction costs, principal-agent theory, insider outsider behaviour, efficiency wage theory, bargaining strategies and so on. However, the core element of individualistic constained optimisation remains crucial, applied where relevant to institutions.

What of differentials? In neoclassical analysis wage differentials between occupations and industries arise from variation in supply and demand curves. On the demand side, higher levels of skill, training, experience and responsibility are the 'human capital' factors which increase the productivity of labour and hence increase its demand and wage rate. Further, the firm's efficiency and output market conditions affect its ability to pay, so that the product of similarly qualified labour (MPP) may have different value to different employers (MRP). On the supply side, there is a need to recoup the costs of training through increased wages. As one standard text book puts it: "The most important basic component of occupational wage differentials is the return on investment in acquiring skills. If a skilled occupation is to attract new entrants, the private costs of the training needed to enter it must be recouped over the recruit's working life with a rate of return equal to the return on other equally risky investments, or equal to the subjective rate of discount used by entrants in making their decision" (Rees, 1979, 155-6). Attributes of jobs other than salaries are also relevant to the labour supply at any level. "The advantages of employment include not only the pay and any perquisites or amenities that go with it, but the prestige in which it is held and the satisfactions of working in it. If an occupation is disagreeable or held in low esteem, its pay must be higher to compensate for this" (ibid, 155).

Are earnings differences in reality mainly due to productivity/skill differences?

Is labour different from other commodities? Strong arguments can be made that labour markets will always be different in some significant ways, even though the New Zealand Business Round Table (NZBRT) and those of similar views disagree, consider exploitation by employers to be a myth, and wish to abolish separate labour law and courts. However, even textbook accounts give credence to the special nature of the labour contract. The employment of labour involves a continuing personal relationship between an employer and an employee, whereas transactions in most other markets are by comparison brief and impersonal." (Rees, 1979: ix). Labour services are inseparable from the person offering them, the transaction is of key importance to the seller, and the transactions and information costs are high. Labour markets are rarely auction markets, and they are slow to clear. The non-homogeneity of labour even within the same occupation and industry also makes the tidy markets of the textbook unrealistic.

Nor can the issue of power in employer/employee relationships be swept away by NZBRT fiat. The theoretical symmetry of the explanatory note to the 1991 Employment Contracts Act (ECA) on the increased choices it would give employers and employees on representation and on using individual or collective employment contracts is seductive, but spurious. In practice, there is an inherent power difference between employers and individual employees, with those selling their labour, unless it is particularly scarce, in the less powerful position. While some of these characteristics apply to a number of other markets, I argue that their conjunction makes the 'labour is different' case convincing and the standard account of wage determination and differentials in need of careful scrutiny.

How, then, are wages set according to other accounts? Industrial relations texts take a more multidisciplinary approach than that seen in labour economics books. For example, one New Zealand text lists six major determinants of wages, namely the nature of the work, scarcity, status and social esteem, collective bargaining, government action, and individual and group performance (Deeks and Boxall, 1989). Of course all of these can be fitted into a supply and demand analysis, but they show a change of emphasis over the purity of that framework. Industrial relations theoreticians and practitioners acknowledge the role of institutions and key actors in wage determination. Whether centralised bargaining systems and wage rounds or individualised systems and contract negotiations are involved, the results rest very heavily on relative power, and differentials change only slowly, with historical and social determinants as important as supply and demand. Using an adverse change in differentials as an argument for a wage increase may be less telling now than under the award system, but such differentials are still hard to change rapidly.

Also important are concerns about the whole basis of the orthodox analysis of the demand for labour. Whether, except in economists' graphs, marginal productivity can be measured is unclear, while the argument that the market reflects the concept even if it is numerically unmeasurable is specious. "Individual productivity is unknown and variable" (Thurow, 1975). Teamwork, the dependence of every type of worker on the work of others, the other inputs that are held constant in the analysis, and the quality of management are among factors which blur the picture. Homogeneous labour markets gloss over the distinction between the job itself and the person in the job. Further, marginal productivity can be seen as an economist's circular trick. Analytically, the wage rate must reflect the value to the employer of the extra amount produced (in perfect competition at least). However, only the wage is observed, so it is simply presumed to reflect marginal product. This can persuade people that there is a false objectivity to the wage determination process. Marxist theory, too, has asserted the incoherence of the marginal productivity theory of labour demand.

There is, of course, increasing recognition of the fact that jobs are not homogenous. Performance assessment and review is common in many jobs, with part of the pay package often dependent on this. The success of an organisation and the major role of senior executives in such success is often given as the reason for the substantial management increases discussed earlier. This emphasises individual performance and responsibility, yet in a post-Fordist world, teamwork is receiving more and more emphasis. This is sometimes acknowleged in rewards for group or total enterprise performance rather than that of individuals, but basic wage structures and emphasis on top management do not reflect this.

The service sector now employs over two thirds of the workforce. It is not coincidence that the test book examples of marginal productivity are usually in agriculture or manufacturing. The extra apples picked or widgets made by one extra labour hour with the same other inputs is easy to grasp: though even then the conditions may not be the same: some trees have apples at different heights from others. However in service occupations, the value of output is often much harder to measure, which is demonstrated by the fact that in national accounts, some value added is in fact estimated from the input side. Much attention is now paid to the principal agent problem, which essentially recognises this issue. Employers need to find ways of ensuring they receive the work input for which they are paying. Hence the attempts to assess individual and team performance, but they are often crude and subjective, with many of the output measures open to question particularly in evaluation of quality.

A neoclassical reply to the challenges to orthodoxy discussed above would argue that most problems are a result of distortions preventing a perfect competitive market from operating, so that gender, bargaining power, and historical biases will disappear (or even have already disappeared) in a deregulated market where competition operates untramelled. Certainly, deregulation has reduced the power of unions and of professional associations over entry limitations, wages, and maintenance of differentials, which could in theory inhibit the perpetuation of gender discriminating relativities between occupations. However, the more basic critiques, involving power imbalances and the limitations of the basic theory, imply that perfect competition in labour markets is not a logically coherent option.

Turning specifically to differentials, it was noted that in the orthodox story outlined above, quality of conditions will be inversely related to pay level, ceteris paribus. Does this reflect realities? Do high prestige, secure occupations, with recruits easily attracted, pay less than those involving comparable training but lower prestige, particularly when numbers entering many professions are controlled by professional associations, universities and/or governments? Are there many accountants or doctors who would switch to manual work if they could increase their pay by so doing? Professional and management jobs often appear to be able to charge almost what they like, within some limits. Feminists and other critics of orthodoxy have many doubts about these 'stories', with a fairly recent trend among even some neoclassically inclined economists being to acknowledge that much of the theory is rhetoric or story telling, attempting to persuade rather than reveal an objective truth (see McCloskey, 1985 and also Strassman, 1993, for a feminist interpretation).

The basic story told above is that provision of sufficient skilled labour through adequate human capital acquisition requires incentives to cover the costs of training, including foregone earnings. While there may be some truth in this (see also section on widening differentials below) up to certain pay levels, it hardly applies to top earnings. Here, one must appeal to alternative opportunities elsewhere in New Zealand and overseas - which does not account for how the general level of top salaries comes to be so high. For an area where beliefs are so strong, it is suprising how little real evidence there is on the role of financial incentives in the ability to recruit and retain top staff. At that level, and indeed at lower levels too, according to a number of surveys, it is likely that the job itself, its conditions, prospects and influence, are considerably more important than the exact dollar amount of the package.

It is interesting that the literature has plenty of material on aggregate wage movements, their cause and impact, on institutional wage setting in practice, on rates of return to education and on individual labour markets. By contrast there is curiously little written on the historical evolution of overall pay structures and relativities, and whether they are reasonable. Perhaps this is because current structures largely benefit those who make the key decisions. In the standard analysis of occupational differentials, it is assumed that the relationships of skills to productivity are clear, whereas there is a growing literature arguing that skill evaluation is largely socially determined. With skill definition and assessment very much a social construct, the skills involved in many jobs can be undervalued or ignored. (Cockburn, 1983, Hill and Novitz, 1985, Hyman, 1994, Kusterer, 1978, Wood, 1985).

One aspect of this possible undervaluation which has received much attention is in female dominated occupations. If skills needed in such work are undervalued for historical, institutional, and social reasons, such as the emphasis on a male family wage, if maintenance of differentials perpetuate this over time, and if training acquired in unpaid work at home is seen as needing no economic return, then pay in such occupations may be lower than productivity factors would justify. For example, dexterity and the ability to undertake repetitive accurate work may be seen as natural to women and rewarded less than demands of some male dominated jobs, such as heavy lifting. Statistical fitting of earnings functions, to attempt to decide what proportion of the gender earnings gap is due to differences in human capital endowments and what proportion to difference in coefficients or returns to those endowments, have yielded ambiguous results.

While I have argued that earnings levels qua se, beyond very low levels, can be overestimated in their importance to employees, the perceived fairness or otherwise of those earnings have been shown to have a key role in job satisfaction and working productively. Comparisons may be made both fairly narrowly, within the same type of work in the same firm, and more broadly, at the level of the whole labour market. Tim Hazledine argues that low unemployment and low differentials observed in New Zealand in the 1950's and 1960's arose from the macro level equivalent of micro level/family economic sharing, based on a shared understanding about reasonable behaviour and a "willingness to share reasonably the fruits of cooperative endeavour" (Hazledine, 1998 p 171). The social cohesiveness and cooperation produced by feelings of fairness, collective wage settlements, and low, slow-changing differentials implied a social contract and codes of behaviour under which a high-wage, high-employment situation was sustainable. But all this was torn apart by the individualistic philosophy embodied in the 1991 ECA.

Why are differentials widening?

Differentials generally and between CEO's pay rates and others are certainly widening throughout the capitalist world. According to the Economic Policy Institute's 1996 State of Working America, a sample of CEO salaries show a widening of the gap between CEO's and the average worker from 60 to 1 in 1978, through 122 to 1 in 1989, to 173 to 1 in 1995. New Zealand would be somewhat less extreme, though we do not have comparable data. However, Alan Bollard's salary is some 25 times the minimum wage, while million dollar annual packages, no longer uncommon, are around 70 times the minimum. Of course the extremes are greater than that, with some much higher salaries, while some employees are paid below the legal minimum rate, which itself was not increased in 1998 despite a coalition promise to raise it to $7.50 per hour.

The neoclassical reply to why differentials are widening would be that this reflects higher returns to scarce skills, with top salaries reflecting high productivity, responsibility, and performance in an increasingly complex and technologically advanced environment. The high salaries are needed as incentives to retain top management and professionals, who would otherwise move to higher paid jobs locally and overseas in a free market. Low pay, by contrast, is for low skilled work which is plentiful with comparatively high unemployment. It also sends signals to those with few skills and qualifications that they need to undertake education and training. The differentials are now, this position argues, closer than in earlier years to where they should be, as they were previously artificially narrow due largely to over egalitarian attitudes and outmoded industrial relations/collective bargaining systems with centralised award systems in New Zealand. All will benefit from the faster growth, increases in employment, and higher productivity which the incentives for those at the top bring about.

Hence resistance to very high salaries for CEO's, consultants, and public relations experts employed to 'sell' health sector policies of uncertain merit is labelled by politicians and adherents to current orthodoxy as misguided or simply the politics of envy. CEO's are worth that much due to their overwhelming responsibilities, and ability to go elsewhere if not paid a competitive salary. Further, they may argue, the number of people involved is fairly low and so the overall proportion of national income involved insignificant. Can there then be any question of top earnings being too high and bottom ones too low, even though they have widened considerably?

Counters to the productivity and skill arguments have been advanced earlier. Top salaries may largely reflect decision makers able to set for each other their own prices. Further, the impact of high management salaries is greater than may appear, spreading the whole pay structure. For example Fletcher Challenge's 1996 annual report showed 2,301 employees earning over $100,000 per year for a total of $292 million (Hazledine, 1998). Overall, the ratio of managers to 'transformation workers' (omitting most of those providing services) has risen from about 1 in 20 in 1960 to almost 1 in 4 in 1996, which can be seen as "apparently, a massive decline in managerial productivity" and a result of increased complexity in a more open market economy with such an economy "more costly to operate than one based on centralised rules and customs" (ibid p 124). Commercialisation and contestability requires "inexorably more managers and associated support staff, to call tenders, to draw up contracts, and to monitor the efforts of workers who previously, in the cooperative setting, could be relied on to monitor themselves" (ibid p 125). Ironically, a post Fordist shift to teamwork, multiskilling, and other forms of labour market flexibility, with less job demarcation, was supposed to cut down management numbers and levels and avoid some transactions costs.

Theoretically, the ECA was aimed at encouraging labour market flexibility and higher productivity through encouraging cooperation rather than conflict between labour and management, although Hazledine's arguments mentioned earlier imply that the reverse was more likely. In reality, the legislation was also intended to shift the balance of power sharply towards employers and away from unions. The main reasons for the widening of differentials are the shift in economic conditions and policies which make it a buyer's market for jobs defined as lower skilled, and the industrial relations framework changes embodied in the Act designed precisely to achieve this. It was intended to keep real average wages down as well as widen differentials, both in line with the individualistic philosophy of government and to lower wages at the bottom to reduce labour costs. The results in terms of lowering of some base wages, removal of overtime and penal rates, and work intensification is well documented elsewhere (for example, Dannin 1997).

There is, of course, some truth in the incentive arguments when the labour market, here and overseas, runs this way. High priced labour is indeed mobile, even though it can be argued that it is more a matter of what the market will bear, how decision makers reward themselves and each other, rather than real productivity differences. And the incentive of probable high earnings may be more necessary than in earlier years, when education has become more costly with high fees, sharply targetted living allowances, high real interest loans, and decreased access to paid work/benefit assistance in vacations. Rates of return to higher education are still reasonable in most areas, but only because the widening differentials match the increased costs. This illustrates the linked nature of the policy and system changes which make it harder to reverse them in any individual area. However, many of the other points above are open to strong challenge. Even the general need for more education and training needs careful examination. Many shades of political and economic opinion call for this, and yet some of the inflation in demands for qualifications is credentialism, while many graduates have difficulty in finding employment, particularly in their areas of expertise.

As a university teacher, I certainly do not oppose a greater proportion of each cohort having access to higher education, but it must be recognised that this is as much for wider mind-opening reasons as its direct usage in paid work, with much general education being only indirectly applicable in the labour market. It is also ironic that the call for more trained people comes at a time when free market philosophy means eschewing any planning of what types of labour and skills are required. Of course, it might be highly desirable for New Zealand to become a high skilled, high employment, high productivity, high wage economy, exporting technologically advanced products and services to niche markets. However, we are in fact moving ever faster toward a dual economy, of full time, well paid jobs with good conditions contrasting with part time, casualised, insecure jobs defined as low skilled, with low pay and poor conditions.

Further, the argument that all are benefitting ("trickle down") from the faster growth, increases in employment, and higher productivity which the economic "reforms" including improved incentives for those at the top bring about, does not stand up to scrutiny. New Zealand's growth over the total period from the 1984 start of the "reforms" has been lamentable, while neither export nor productivity performance is at all impressive. On exports, Singapore, Norway, and Ireland, all of similar population size to New Zealand, currently each have higher GDP per capita and they export, respectively, goods and services worth about 117%, 39%, and 70% of GDP, against New Zealand's 21%. Ireland has increased its exports by 11 times as much as New Zealand since 1984. And despite NZBRT attempts to choose the best time periods to establish rising productivity, in fact aggregate labour productivity has grown even more slowly since the passage of the ECA than the rather poor performance earlier - with 2% per year overall from 1979 to 1992, according to Victoria University PEP figures, being unimpressive. NZIER estimates show only a 3.1% rise in labour productivity from 1991 to 1996, as against 10.6% in the previous five years, with even the small post-1991 gains at least partly due to labour shedding which results in "intensifying the exploitation of labour, ie. by using the threat of redundancy and closure to make people work harder" (Harris and Twiname, p 137).

Conclusion

I have discussed whether labour market differentials need to be as wide as they are, why they are widening, and whether the economic justifications are real or resemble an emperor with no clothes. Clearly supply and demand analysis, skill level differences and the role of relative scarcity in valuing them, and the need for incentives are not totally a matter of myth, but they are often exaggerated to widen differentials and benefit powerful groups. So overall, I argue that the economic justifications for very wide differentials are largely spurious, but self reinforcing, so that the current economic wisdom and capitalist/more market wisdom operating world wide makes it extremely difficult to reverse the trends in the near future. Differentials are widening due to deliberate policy, and this serves the interests of those in power positions of all types.

More radically, how reasonable is the notion of the value of an honest hour of labour being the same, whatever the type of work? Probably more people would have sympathy with the idea, if it is put that way, than if it was proposed that all hourly earnings should be the same, whatever the type of work. This illustrates that a distinction between value and price may certainly exist in people's minds, irrespective of economic theory. But of course many Time Dollars schemes do use the principle of strict equality for the value of time in earnings equivalents. "1 hour, 1 credit, whether the task is doing laundry or helping someone with his (sic) taxes. Every resident's time is considered just as valuable as anyone else's" (Cahn and Rowe, 1992, p 6). And some types of enterprises which pay in real dollars, including among their aims social justice elements, have also adopted equal hourly rates for all types of paid work. One example is the New Zealand feminist magazine, Broadsheet, over all of its 25 year history. Almost all local economic trading schemes (LETS, Time Dollars, Green Dollars etc.), even where allowing people to put varying values on their time, produce lesser differentials between different types of work than in the market economy. The value systems of participants, including those of professionals who may be able to command high hourly rates elsewhere, support this.

Identical hourly earnings for all is obviously "out of the ballpark" in practical terms, but hopefully is food for thought and allows less radical views which still deplore recent changes to seem moderate. Hence I finish with Tim Hazledine's such thoughts: "Of course economic forces will play their role in the way earnings relativities evolve - with some premium paid for investments in human capital (training) and with some (though temporary) reward for skills in short supply - but in a civilised society these forces are quite tightly constrained by moral and social considerations... It is in fact very sensible to have people earning good wages in good jobs, for all those social, psychological, moral reasons the economic importance of which (in building and sustaining social capital) I have stressed... There are plenty of good reasons why some people doing some jobs will be paid more than others. But if we don't get a tolerable income distribution at source - in the pay packets - we will never get it. So if not equal pay, we must insist on fair shares. This means reversing the past decade's trend towards a hollowing out of the income distribution in the name of 'international competitiveness': top people paying themselves more and paying those at the bottom less (Hazledine, 1998, p 113, 163 and 172).

Future research

Since this is more of a 'think piece' than a piece of empirical research, the directions for future research will depend largely on the perspective of the reader. My own suggestions are firstly that we need far better information than we have now on the actual earnings/rewards structures in the labour market as a starting point for analysis - one impact of the ECA has been increased secrecy and less information in this area. The Household Labour Force Survey extra questions on earnings may be a useful beginning. Relating hourly, weekly and annual earnings, basic and extras, such as performance pay, by type of job, to human capital variables, is desirable, but probably beyond available data. Analyses need to be carried out at various levels, from the individual firm to the total labour market. Individual firms could benefit from thorough statistical analyses of their own remuneration structures to investigate how their explicit policies and values compare with the actual outcomes. However, being allowed to do this in such a way that important results with implications elsewhere could be made public is a problem. Some United States state government pay system 'policy capturing' studies for comparable worth/gender equity purposes were highly revealing about what was valued (see Hyman, 1994, p 104/6). More openness in this whole area and discussion of the issues is important to a restoration of a greater degress of social cohesion in New Zealand.

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