Debating Equal Pay for All
Economy, Practicability and Ethics

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Income inequality in democratic societies with market economies is sizeable and growing. One reason for this growth can be traced to unequal forms of compensation that employers pay their workers. The most common form is wages per hour or salary per annum, but increasingly bonuses, profit sharing, and stock options are common forms of compensation as well. The gap between top and bottom earners has widened over the last three decades as a result. The top 10% earners have on average 10 times more income than the bottom 90%, the top 1% make 39 times more, and the top 0.01% earn a stunning 188 times more (Saez 2019). Looking strictly at wage inequality, the paychecks of top earners grew exponentially from 1979 to 2017, while the bottom 90% saw a rather meager growth of 22% despite an increase in productivity of 138% in the same period (Mishel and Kassa 2019). A key driver of this growing inequality has been executive compensation. For example, the
CEO-to-worker pay gap was nine times larger in 2017 than 1980, while the average CEO was paid $13.94 million compared to just $38,613 for average workers (Anderson and Pizzigati 2019). Based on these data, it appears the labor power of a small minority of top earners is increasingly more valuable than everyone else combined.

One way that democratic societies have tackled this problem is to enforce a standard for wages that all workers are paid regardless of education, skills, or contribution. The aim of this policy is to regulate labor markets so that workers receive a minimum amount of compensation. There is also a growing movement to establish a “living wage” that is sufficient for workers to cover basic needs such as food, housing, and health care. Even with this standard in place, however, wage inequality would still exist because it places no caps on the wages of more educated and skilled workers. Perhaps this standard might constrain the growth of inequality, but it will not by itself reduce inequality. This raises a novel question: Should there be equal pay for all workers? To answer this question, we need to investigate some of the factors that are relevant to the conditions in which wage offers are made. By clarifying these factors, we can determine whether wage inequality is morally permissible. If it is not, then a case might be made to pay all workers the same wages regardless of their education, skills, or contribution. Even if we conclude it is permissible, another question worth considering here is whether there are limits to how much inequality is acceptable.

The argument proceeds along the following lines. To begin, I summarize the economic and non-economic factors that determine the value of wages in labor markets. This will help us understand the causes of wage inequality and why it tends to be an inevitable outcome of market transactions between employers and workers. Next, I examine a particular moral problem that concerns labor markets and the unequal conditions of power and authority in which wage offers are made. The issue is whether offers made under these conditions are coercive because they restrict alternatives or otherwise include threats to the welfare of workers. If there are doubts about whether these unequal conditions can ensure that offers are voluntary all things considered, then we have good reasons to establish a wage standard that improves them so they are more voluntary. Finally, I claim that establishing this standard will require increasing
the value of low-wage work. Doing so will not only expand the alternatives that are available to these workers, it will also diminish the potential threat to their welfare. There are two arguments for improving the conditions of employment along these lines. The first entails a critical inspection of the “compensatory” value of low-wage work. Paying workers lower wages tends to be justified by claiming their labor contributes less in terms of output, but there are many features of such work that are unsatisfactory and unhealthy. Since these features are endemic and adversely affect the welfare of workers, there are reasonable grounds for increasing the compensatory value of wages for these kinds of jobs. The second argument is that some wage inequality is permissible, but there are moral limits to how much we ought to accept. These limits can be established by a living wage that aims to ensure all workers, especially those in low-wage jobs, can achieve a sufficient standard of living that is consistent with democratic values.

**Wage Inequality in Labor Markets**

In market economies the price of a commodity is determined by three factors: the cost of materials to produce it, supply, and relative demand for its consumption. Given that labor is also a commodity, economists measure the value of wages according to supply and demand, skills and education, and marginal contribution to the product of labor. So skilled workers who are in short supply and high demand will be able to claim higher wages than less skilled workers in great supply and low demand. Since wage inequality is measured by the difference in size of paychecks, wages and salaries will be treated here as equivalents.

First, the price of wages is determined by intersecting curves of supply and demand where the quantity of labor demanded is equal to the quantity of labor supplied. There are many factors that affect the supply and demand of labor of course, but all such changes merely shift the direction of the curve one way or the other depending on the circumstances of change. When there is little demand for roofing contractors in a region with severe winters, there will be a low supply of workers looking for roofing jobs in those months. Once the weather improves, the curve will
shift as demand for roofing jobs rises. In addition, there are “contribu-
tory” and “compensatory” factors that determine the value of wages. The
former is the value that workers contribute to the production of goods and
services with the performance of their skills, while the latter is just com-
pensation that includes costs they incur from this performance. For these
reasons, skilled workers command higher wages because the contribution
of their performance significantly adds to the value of products or ser-
vices that requires the use of such skills. Moreover, acquisition of these
skills typically requires more education and training, as well as a signifi-
cant amount of time that it takes to pursue a degree or become proficient
with advanced skills, so the compensatory part of their wages tends to be
greater as well. Less skilled workers supposedly add less value and incur
lower costs with their performance, so the value of their wages tends to be
lower for both parts as well. Finally, the development of social capital in
terms of education and specialized skills also determines the value of
wages because acquiring these can be time consuming and costly. So
wages tend to rise with the level of education and training workers bring
with them to labor markets or they acquire from job experience.

In addition, the value of wages is determined by other factors that are
not relevant to the performance of the skills required for the job. Such
non-economic, or non-wage, factors as they are sometimes called, may
include benefits, prestige and geography, all of which effect changes in
the curve of supply and demand. Consider so-called “dirty work” such as
sanitation regarding these non-economic factors. Jobs that have working
conditions considered debasing or hazardous tend to compensate work-
ers more than would be necessary in the absence of such conditions.
Working in sanitation is not only “dirty”, it is also dangerous, so wages
for these jobs are greater than the performance of those skills contributes
to output (Walzer 1983, pp. 175–176). There are other non-wage factors
that are more insidious and have an impact on the value of wages as well.
For example, irrational preferences may cause changes in the price of
wages, ranging from benign reactions concerning a potential employee’s
character during an interview to unjust forms of discrimination based on
gender or race. We shall return to examine this part of wage valuation
more critically in the third section.
Given that the value of wages is determined by all these factors (and more), it is apparent why wage inequality is an inevitable outcome of markets in labor. Economists for the most part do not claim that such inequality is wrong, though they do claim there is a benefit. The price of wages acts as a signal to coordinate both individual behavior and social cooperation. So good-paying jobs that require special skills can provide individuals with incentives to acquire those skills through education or training in order to demand higher wages for their labor. In this respect, wage inequality is supposed to act as an incentive for individuals to develop their social capital. This is beneficial to individuals because it helps them realize their preferred skills and improves their welfare, and it can benefit the economy as a whole by spurring innovation and promoting growth.

**Freedom, Coercion, and Wage Offers**

There is currently no consensus among philosophers whether there is any single objective standard for determining what is right or good. There is significant disagreement whether acting according to self-interest, virtue, duty, or consequences offers the appropriate standard for evaluating our intentions and actions. Nevertheless, it is worth noting that the purpose of ethical theory in general is to guide our actions on the basis of rational principles. So different normative claims can be made about work in this regard. By way of example, consider *ethical egoism*. As a theory, it purports to show that individuals should act on their self-interest because doing so is mutually advantageous and encourages the efficient allocation of resources (Rachels 2003, p. 83). Based on this principle, wage inequality would be especially permissible because it is beneficial to market economies. A different line of argument might be taken by *virtue theory*, however. Living a “good life” requires having the traits of a good character that are acquired through reflection and habit (Rachels 2003, p. 173). On this view, gainful employment can promote a variety of such traits. The slogan “an honest day’s wage for an honest day’s work” reflects the idea that working diligently promotes self-sufficiency and cultivates honesty, reliability, and punctuality.
The point here is not that any particular theory is the right one for answering the question whether wage inequality should be permitted. Although most economists claim that markets are morally “neutral” in some sense of the term, there are many places where morality and markets do intersect. Even though the models found in positive economics aim to describe and predict what happens in market economies under various conditions, the reality is that markets are actually determined by human behavior and decision-making. For this reason, there are always concerns about the ways in which human behavior and choices in real market conditions can affect our morally relevant interests. In the case of wage inequality, these interests are directly implicated because the satisfaction of welfare depends on having sufficient wages. In addition, the welfare of individuals is interdependent in markets, such that enforcing wage standards can improve the welfare of all. Conversely, the failure to enforce standards can diminish welfare. “Allowing some people to work for whatever salary (e.g. having no minimum wage) affects the wages that other people are able to command” (Hausman et al. 2017, p. 100). Since wages do have a direct effect on the satisfaction of welfare, we have compelling reasons to consider whether there are moral problems with this form of compensation and how these ought to be addressed.

One longstanding concern about modern work focuses on its relationship to freedom. Most of us take for granted that employment is voluntary, so questions about whether there is a moral problem with it rarely, if ever, arise. Given that sellers of their own labor-power are free to accept or reject the terms of employment, it appears that this relationship respects the value of freedom. The voluntariness of this relationship, however, depends on a variety of conditions that may include factors that limit or subvert freedom. First, there are vastly unequal relations of power and authority within the relationship between employers and workers. These inequities weaken the bargaining power of the latter from the outset. Workers are at a disadvantage because they need work to satisfy their welfare (and that of their dependents), while employers are free to choose from many candidates for the job. Second, there are social and political forces beyond the scope of this relationship proper that also have on outside influence on hiring, promotions, and compensation. Consider the legacy of racism and its effects on hiring in employment. Research shows
that racial biases can determine whether job candidates are selected for interviews on the basis of stereotyping about their names during the application process (Levitt and Dubner 2005, p. 188). The fact that such factors do influence the conditions of the employment relationship does raise doubts that it is *exclusively* voluntary, at least in the sense that the value of freedom is realized equally and effectively for all parties concerned.

We can begin by asking whether the conditions in which wage offers take place are sufficiently equalized, so that no one is disadvantaged or limited in their freedom. Many philosophers claim this cannot be the case with wage labor because there are unequal relations of power and authority between employers and workers from the start. For example, part of Marx’s critique of capitalism is that wage labor “is not voluntary, but coerced, *forced labor*” (Marx 1994, p. 62). He claims there are significant political differences between the modes of production found in slavery, serfdom and wage labor, but coercion still remains in what otherwise appear to be voluntary transactions in labor markets. This is due to the structure of property relations found in capitalism where a small class of owners maintains control over the means of production, while a large class of producers must sell their labor to them in order to satisfy their welfare. In the employment relationship, the latter start out from the disadvantage of *necessity*. They are compelled to work for the former since the alternative of unemployment remains a perpetual threat to their welfare. Marx’s claim is that workers are forced to accept the wages that employers offer, or risk an alternative that makes them worse off. Therefore, unequal relations of power and authority confer an obvious advantage on employers that undermine the conditions of voluntariness for workers.

The concern that various kinds of inequalities can lead to coercion is also the topic of a recent debate. In a classic paper, Robert Nozick claims that “coercion” must meet certain conditions in order to be accurately described as such (Nozick 1969). He claims that a proposal between *P* and *Q* is coercive if and only if it includes a *threat* so that accepting other alternatives will make *Q* worse off than if the latter were to accept the proposal. Nozick’s conception is narrow in the sense that the threat must be effective and the proposal accepted in order for a transaction to be coercive. There can be no potential coercion in his view, because it only
takes place when the threat is sufficient to compel the desired outcome. Q would be free to accept or reject P’s offer in the absence of a threat. There is no such thing as coercive offers, then, because there are usually no threats involved in making offers.

Nozick’s definition of coercion here is too restrictive. It seems at odds with our ordinary judgment that proposals can be coercive without necessarily achieving the outcome that is demanded by a threat. Let us consider the possibility of coercion in employment relations without dehumanizing the respective parties as variables in an equation. Instead of P and Q, suppose Sherri makes a proposal to Terri that relies on a threat to compel the latter to do her bidding. Sherri claims that either Terri does her work for her, or she will tell their supervisor that she is not doing her own work. In this situation, we do not normally conclude that Sherri’s attempt to coerce Terri is unproblematic as long as it is does not work. The former’s actions are plainly wrong because it is pernicious to use coercion as a method to get the latter to do her bidding. What this example shows is that threats are morally impermissible whether they are successful or not.

Now let us return to the question whether wage offers are coercive because they depend on threats. We typically think of offers and threats as entirely different sorts of proposals. Offers are accepted or rejected without consequences, while a threat aims to compel a particular choice with the force of its consequences. So what, if any, threat is there in making a wage offer? The political philosopher Hillel Steiner first used the notion of a “throffer” to talk about the ways in which offers may include threats that are implicit or indirect (Steiner 1974–1975). With respect to wage labor, the implicit threat appears to be that workers will be worse off if they do not accept an offer. In response to Nozick’s conclusion, David Zimmerman claims that wage offers in capitalism are coercive because: “(1) an alternative pre-proposal situation workers would strongly prefer to the actual one is technologically and economically feasible when the offer is made, and (2) workers are prevented from having at least one of these feasible alternative pre-proposal situations” (Zimmerman 1981, pp. 144–145). In this way, wage offers restrict the freedom of workers when there are feasible alternatives and they are prevented from opting for at least one of these. There can be no doubt that all workers prefer a
pre-proposal situation where they enjoy better wages and working conditions. Yet they are prevented from these by the limited choice they are faced with whether to accept an offer or reject it. Where is the threat here?

Suppose Rod offers Todd a low-wage and menial job. On Zimmerman’s view, the offer will be coercive if there are alternatives that Todd would prefer that are feasible at the time and he is prevented from opting for at least one of these. Clearly, he prefers a meaningful job that pays more. The fact that this alternative is not available to him is determined, in part, by the structure of property relations found in capitalism and the contingency of labor markets entailed by it. If Todd is prevented from opting for better employment conditions in this respect, it does not necessarily arise from a threat. Perhaps there is “social forcing” happening here insofar as he is prevented from selecting that alternative or it is altogether suppressed from consideration (Ezorsky 2007, pp. 16–17). There is also a threat that he will be worse off, however, if he does not accept Rod’s offer. What makes Todd “worse off” precisely? Without having gainful employment, he cannot satisfy his own welfare (or that of his dependents), so the threat lies in rejecting the offer. The choice Todd has to accept or reject it entails very different outcomes. The difference is between not having an option one might prefer to begin with, versus facing an option that is not preferable at all. For example, Todd may not have the option of joining a union that will ensure higher wages because he lives in a “right-to-work” state. While that certainly limits his freedom to choose a preferred alternative, it is not on the basis of what we typically call a threat. If Todd rejects the offer though, he will almost certainly be worse off for not having a job. So there is a “threat” implicit in the conditions in which this offer is made. While he may be formally free to reject the offer, it will likely come at a cost to Todd’s welfare (and also that of his dependents). The threat need not be made explicit by Rod because it is, in effect, always already part of the conditions in which wage offers are made to workers.

There is a standard objection to the argument here that wage offers can be coercive, which appeals to a formal conception of freedom. The claim is made that workers are always free to make a choice whether they are made worse off by one or more of the alternatives. Consider an offer that Crazy makes to Lazy for little compensation in an unrewarding job (Van...
Parijs 1991). As an employer, the former estimates the value of this work based on the marginal product of labor whereby adding the latter as an additional unit of labor will increase output. So Crazy makes an offer that is determined on the basis that Lazy’s contribution is likely to be consistent with his namesake. In short, limited contribution justifies meager wages. Lazy accepts the offer despite the pay and unattractive qualities of the job. Surely, he will be better off than he would be without the job (assuming he is unemployed, or has a job that pays even less). Since Lazy is just as free either to reject or to accept the offer, his choice appears to be entirely voluntary. This conception of freedom holds the view that all choices may present limits, but none of these limits compel Lazy to make any particular choice one way or the other. Therefore, Crazy’s wage offer cannot be coercive in any meaningful sense of that term. Whether Lazy has at least one other opportunity here, or whether he can get better wages for it, is irrelevant to his ability to make a choice based on the options before him.

Nevertheless, what this formal conception of freedom fails to appreciate is that unequal relations of power and authority do have significant influence over the employment choices that we make (Anderson 2017, pp. 41–42). The claim that all wage offers are voluntary ignores considerations about whether the right conditions are in place for freedom to be realized equitably. Todd’s dilemma reveals that the choices and welfare of workers are restricted or threatened, especially in less regulated labor markets where wage offers are made. Like everyone, he prefers higher wages and more satisfying work. To the extent his preferred alternatives are restricted by such conditions, he is less free than he might otherwise be. There is also an implicit threat hovering in the background of Rod’s offer as well. If Todd rejects the offer, the alternative of unemployment surely poses a real risk to his welfare. Perhaps the choice confronting him is a choice, but he is still compelled to take the job in order to satisfy his needs. In effect, he is forced to accept the offer because he is threatened with a reduction of his welfare.
Moral Limits to Wage Inequality

If we accept that freedom is valuable to everyone, then democratic societies have an obligation to create and ensure conditions that practically realize it for all workers, no matter their education, skills, or contribution. In practice, this means that they should have the option of rejecting employment that is excessively restrictive without threats to their welfare looming over their choices. Are there any means available for improving these conditions in democratic societies? Consideration of this question must begin with the recognition that unequal relations of power and authority in employment are not inevitable. They can be altered to improve the choices of workers while diminishing the coercive aspects of wage offers. Whether we find Rod’s offer morally permissible, therefore, depends on whether those factors that restrict Todd’s options or threaten him with a worse alternative can be changed for the better.

One radical approach was suggested at the outset: to pay everyone the same regardless of education, skills, or contribution. This would certainly have the effect of immediately equalizing power and authority in employment relations by eliminating wage inequality altogether. However, the effects of this approach would appear to be mixed at best. While a policy of “equal pay for all” could expand alternatives and diminish threats to welfare for less skilled workers, it might also diminish opportunities for skilled workers and reduce demand for improving social capital in terms of education and training. Perhaps there is a less disruptive way of expanding choices, minimizing threats to welfare, and realizing freedom more equitably. Does the achievement of these goals require paying all workers the same wages? Or can employment conditions be improved for all without enforcing equal compensation?

I shall now consider two arguments for improving the conditions of work by establishing a standard that is sufficient for all workers to achieve a decent level of welfare. First, a critical inspection of the compensatory value of wages reveals there are some factors associated with low-wage work that justify increasing its value on this basis. There are many non-economic factors that can affect the value of wages, and these range widely from weather to occupational safety. As discussed earlier, weather
affects the price of wages for roofing contractors because the supply and demand curve shifts significantly in regions with extreme seasons. One might claim that weather is a material fact that we cannot control. While that may be true, there are other relevant factors of compensation affecting wages that can be altered. We can look to the example of sanitation work again, which has higher rates of compensation in order to attract and keep workers. These jobs are inherently debasing and dangerous, even though they can be made safer by establishing rules, investing in training, and cultivating workplace culture. Dangerous workplaces that take safety and training seriously, then, can be more productive and have less down time due to injuries. Since making these kinds of changes can positively affect the value of wages, a case can be made for altering other such factors as well.

Consider several of the negative factors endemic to low-wage work. These jobs are typically unsatisfactory because of meager compensation, restricted autonomy, limited opportunities for advancement, and insecure employment. They also tend to lead to unhealthy outcomes for workers who are trapped in them. For example, a growing body of research shows that individuals in low-wage work suffer serious health effects including higher rates of disease and even decreased life expectancy (Chetty et al. 2016). None of these factors are immutable and therefore can be changed for the better. So we have reasonable grounds for improving them by increasing the compensation value of low-wage work, despite the limited contribution that workers in such jobs supposedly make.

Second, a living wage can ensure that all workers have an income that is sufficient to attain a decent standard of living consistent with democratic values. Enforcing this standard also establishes limits for how much wage inequality is acceptable. From the moral point of view, all persons have an equal worth that obligates others to respect and fulfill their relevant interests. These interests include access to subsistence, security, self-respect, and community. In principle, a minimum wage standard should aim to secure and protect these interests as well. Yet the concept of “minimum” has historically been disconnected from the actual costs associated with a decent standard of living in many democratic societies with market economies. By emphasizing the concept of “living” in establishing a
wage standard, advocates have rightly drawn attention to the fact that there is a baseline that must be respected. This baseline is determined by the cost of basic needs for clean water, nutrition, housing, and health care. No one can survive, let alone flourish, without having their needs satisfied at this level, so everyone has a morally relevant interest in ensuring they have access to resources for fulfilling them. Since paid employment in labor markets is the fulcrum on which this access pivots, the value of wages for all workers should be determined by what it costs to ensure that a decent standard of living is equitably distributed. The purpose of a living wage is to set this standard high enough so that workers can satisfy their needs, but also have more choices with respect to employment and less worry that rejecting any job offer is a risk to their welfare.

As a practical matter, recognizing that many jobs are unsatisfactory, unhealthy or both, and establishing a wage standard to improve these factors, can strengthen the relative position of all workers. The effect of this policy will not only expand choices but also reduce the coercive aspects of wage offers. The question whether wage inequality is morally permissible, then, turns out to be one that is not based on an “either/or” binary, but on a spectrum wherein those relevant conditions can be altered to enhance the prospects of freedom for all. If wage offers are acceptable insofar as we set a standard to improve the conditions under which they are made, then some wage inequality will be permissible as long as those standards are met for everyone. So paying workers differently for different kinds of work is not intrinsically wrong.

In this respect, the proposal of “equal pay for all” shoots past the mark so to speak. The problem it aims to correct is that many workers are worse off in labor markets where they are forced to accept offers under conditions of seriously unequal relations of power and authority. As a result, their choices are restricted and welfare threatened given the choices that they do have. While enforcing a standard of equal compensation might appear to resolve this problem, its effects would likely undermine it as a solution. These effects include limiting the capacity of markets in labor to allocate resources efficiently, as well as eroding incentives for workers to improve social capital. Although such a policy might be incompatible with market economies, its intention to correct the problem of inequality is appropriate. There is an intermediary step that can be made, however,
to constrain the problem of unequal relations of power and authority between employers and workers. By establishing a living wage standard instead, the unrestricted conditions of wage inequality can be improved in ways that expand choices for workers and minimize the coercive aspects of wage offers. Thus, freedom can be practically realized not just for the increasingly well-off few, but also for the growing many who are less well off.

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References


