

## PAY DIFFERENCES OF SAME JOBS LARGEST IN SALES, EDUCATION, AIRLINES, BLS REPORTS

The 10 occupations with the largest wage spread between workers in identical jobs with the same employer include salesperson, airline pilot, and elementary school teacher, according to a Bureau of Labor Statistics (BLS) study. In occupations that employed at least 50,000 people in 2004, the pay difference was largest in motor vehicle and boat sales, with a typical spread of 275 percent between the highest paid and lowest paid workers in the same position and workplace, according to BLS economists Krista Sunday and Jordan Pfuntner.

Other jobs with the largest wage spreads range from 90 percent for hairdresser or cosmetologist to 197 percent in advertising and related sales. "As expected, the most dramatic differences in wage dispersion occurred between time-based and incentive-based workers." Nearly all automobile and advertising salespeople and about two-thirds of hairdressers are paid commissions.

In the private sector as a whole, workers in incentive-paid jobs had a mean wage spread of 62 percent, twice the 31 percent for workers in jobs paid strictly on the basis of the amount of time worked. Other occupations showing big pay differences include elementary school teachers, secondary school teachers, postsecondary teachers, teachers not elsewhere classified, airline pilots or navigators, and public transportation attendants. In both teaching and airline occupations, pay commonly is based on length of service and professional attainment. For example, a public school teacher with a master's degree and 20 years experience might earn \$70,000 per year, while a beginning teacher with a bachelor's degree might earn \$35,000. Similarly, pilots' wages can vary widely according to the type of aircraft they fly and whether they are commercial or private pilots.

The dozen occupations with the smallest wage spreads between workers in the same job and workplace have little in common except that few workers receive incentive pay and almost all are in the private sector. Pay differences in this group range from 5 percent among supervisors of cleaning and building service workers to 14 percent for welfare service aides and laundering and dry-cleaning machine operators. For some occupations, the main factor behind the low wage spread appears to be that most employees are engaged in lower-skilled work. Some professional jobs also are among those with the smallest wage spreads, including pharmacists and dental hygienists, at 11 percent and 12 percent, respectively. The government occupation with the smallest wage spread was police and detective supervisor, at 13 percent.

In the private sector, 64 percent of employees work in jobs with more than one rate of pay, while 13 percent have jobs with one pay rate for all workers, and the remaining 23 percent of workers are in single-incumbent jobs. This contrasts with state and local government, where 83 percent of employees work in jobs with multiple pay rates, 7 percent have jobs with one rate, and the remaining 10 percent of workers are in single-incumbent jobs.

The study finds that pay differences are smaller in low-wage occupations than in those with higher levels of pay, and that wage spreads were slightly higher in state and local government than in private industry. Jobs with average pay of less than \$7 per hour had a typical wage spread of 25 percent, compared with 41 percent for jobs averaging more than \$32 per hour. In 2004, the median wage was about \$14.50 per hour, meaning that half of workers earned less and half more. Private industry workers in unionized occupations had a slightly lower average wage spread than their nonunion counterparts (30 percent versus 32 percent), while the reverse pattern was found in the more highly unionized state and local government sector between unionized and nonunion jobs (64 percent versus 60 percent). Also, private industry wage differences were greater in metropolitan areas than in nonmetropolitan areas, at 33 percent and 27 percent, respectively.

The researchers find that "wage spreads appear to have increased somewhat for white- and blue-collar workers, but remained about the same for service workers. Differences are greatest for skilled-craft and transportation jobs, and smallest for clerical jobs." That finding is consistent with developments in employee compensation over the past decade. In response to competitive pressures, employers increasingly have adopted variable-pay policies, under which compensation varies depending on employee or company performance. At the same time, comparisons are difficult because the duties and responsibilities of many jobs have changed substantially because of advances in technology since the 1980s.

The study, which appears in the February issue of *Monthly Labor Review*, is available at <http://www.bls.gov/opub/mlr/mlrhome.htm>.

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