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**“Fair” Inequality? Attitudes toward Pay Differentials:
The United States in Comparative Perspective**

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The discussion in Section 2 of the text is fairly straightforward, but some of the potential pitfalls in conceptualizing “inequality” can be represented in Figure S1, in which the line labelled A can be thought of as one particular set of attitudes towards the inequality of individual earnings (which could be the attitudes of a person, or a group of people, or a nation), while the line labelled B represents another set of attitudes.

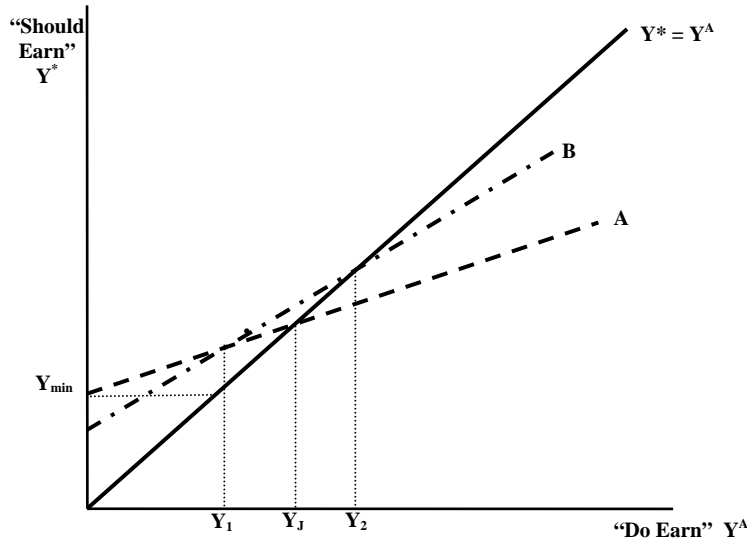


Figure S1. The Ambiguity of “Inequality”

In the set of attitudes labelled B, all incomes less than Y_2 are thought to be “too low” while in the set of attitudes labelled A, all incomes less than Y_j are thought to be “too low” — which implies that more people are potentially deserving of higher income under B than under A. Indeed, those people with earnings in the interval $[Y_j$ to $Y_2]$ are seen in attitude set A as being overpaid but in attitude set B are seen as underpaid, since all incomes less than Y_2 are thought to be “too low” — if the remedy for unfair incomes lies in the tax/transfer system, they potentially shift from taxpaying to transfer receiving status. Those in the income range $[Y_1$ to $Y_j]$ are seen as underpaid under A, but under B are now seen as even more deprived. However, the income gap under belief system B for the least well off is less than under A — for those at the very bottom of the income distribution, $Y^*(B) < Y^*(A)$. One way of summarizing, if one compares these two sets of attitudes, is that the main sympathy in attitude set B is for the “middle class”, but there is less concern for the deprivation of the very poorest.

The *Jasso ratio* (see Jasso:1978, 1980) expresses the “Justice Evaluation (JE)” of an outcome as: $JE = \ln(\text{actual earnings} / \text{just earnings})$. (Jasso 1978:1414) argues that “The justice evaluation score associated with an individual who earns exactly his or her just earnings would be zero, which is the logarithm of the ratio one”. Because this formulation implicitly assumes $b_0 = 0$, discussion of inequality of outcomes within this framework¹ cannot consider the possibility of the sort of value divergence portrayed in the comparison of attitude set A and B in Figure S1. However, it is easy to imagine that individuals might differ in this way, which implies a significant ambiguity in interpreting their responses to summary questions about inequality comparisons.

Would someone with belief set A be more or less likely to report there is “too much” inequality than someone with belief set B? Under belief set B, more people are seen as “under paid”, but the perceived

¹ In a just society, $Y_i^* = Y_i^A$ and $JE = 0$, in Jasso’s terminology. But $JE = \ln(Y_i^* / Y_i^A) = 0$, implies $\ln(Y_i^*) - \ln(Y_i^A) = 0$, which implies $\ln(Y_i^*) = \ln(Y_i^A)$ which can only be true if $b_0 = 0$ and $b_1 = 1$ in Equation 4 above. Note that $b_0 > 0$ can be interpreted as the idea that individuals unable to earn any income should, even if $Y_i^A = 0$, still receive some basic level of subsistence — which can be seen as basic economic “human rights,” such as those codified in Article 25 of the UN Universal Declaration of Human Rights, and elsewhere (see Osberg 2001). The basic guarantee in the “Guaranteed Annual Income” idea also implies $b_0 > 0$.

degree of deprivation for the least well off is greater under belief set A. Is attitude set B more favourable to “redistribution” than attitude set A (because more people, further up the distribution of earnings, are seen as potentially deserving of transfers) or less favourable (because those at the very bottom of the hierarchy are seen as deserving smaller transfers)? In the terms used in this paper, belief system A exhibits greater preferences for “levelling” than belief system B ($b_{1A} < b_{1B}$), but it is not necessarily clear if someone were asked whether they were in favour of “reducing income differences between the rich and the poor” that it would be a person with beliefs A or B who would be more in favour, since each would identify a different set of persons as “the poor”. Further, it is entirely unclear whether a society with attitude set A would want to spend more in equalizing net income transfers than a society with attitude set B, or less, since Figure S1 contains no information about the percentage of the population who are at each level of actual income.

Table 5 in the *ASR* article presents the *average* subjective estimates of CEO and skilled worker earnings by respondents in different countries. Examination of the distribution of subjective estimates produces the same conclusion. Figure S2 presents a kernel density plot of the estimated CEO and skilled worker “do earn” ratio. It is notable that the modal value of Americans’ estimates is clearly lower than those of Britons, Germans or Canadians despite the fact that, as Table 5 indicates, objective Bureau of Labor Statistics data indicate a considerably larger CEO/worker pay ratio.

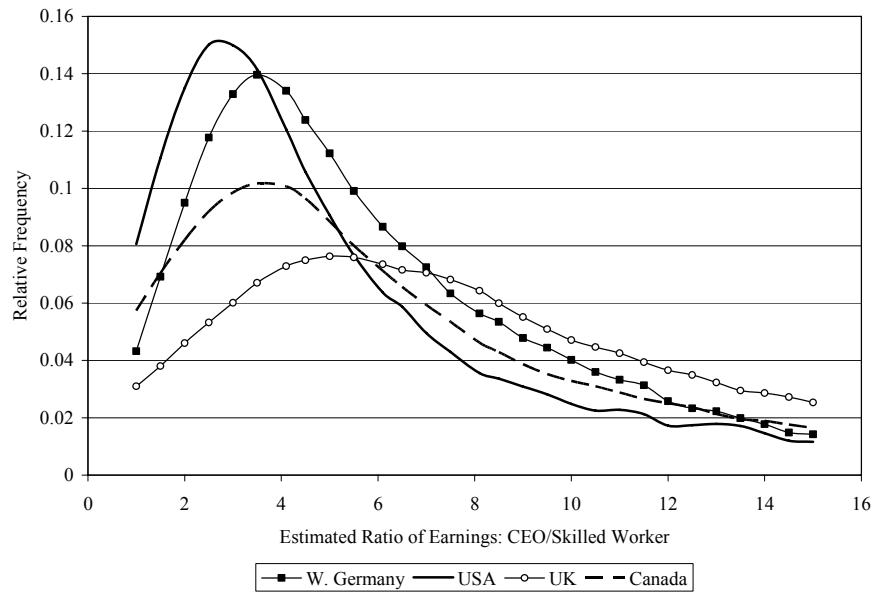


Figure S2. Subjective Perceptions of Objective Reality, 1999

Note: Frequency of ratio of what people think CEOs “do earn” to what skilled workers “do earn.”

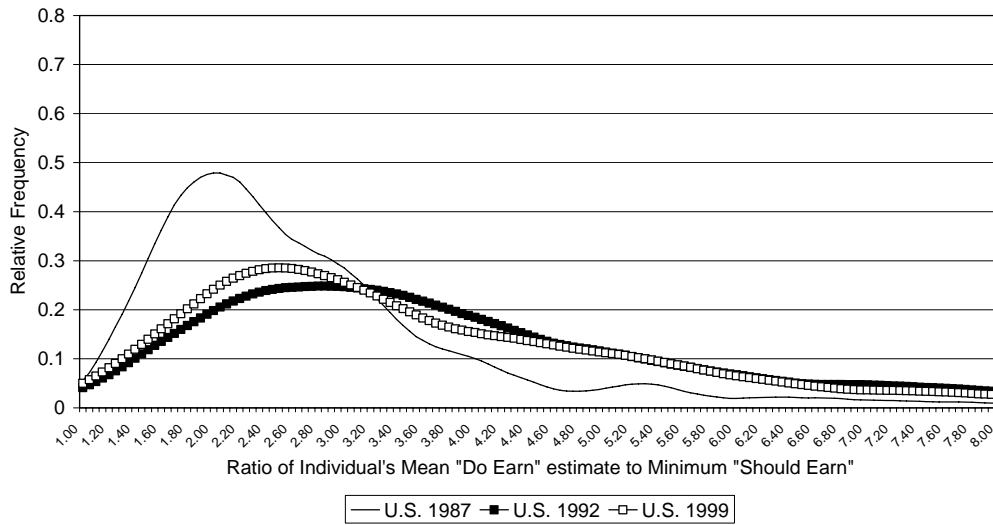


Figure S3. United States Social Inequalities ISSP Years 1987, 1992, 1999: Mean/Minimum Ratio Over Time, Both Sexes

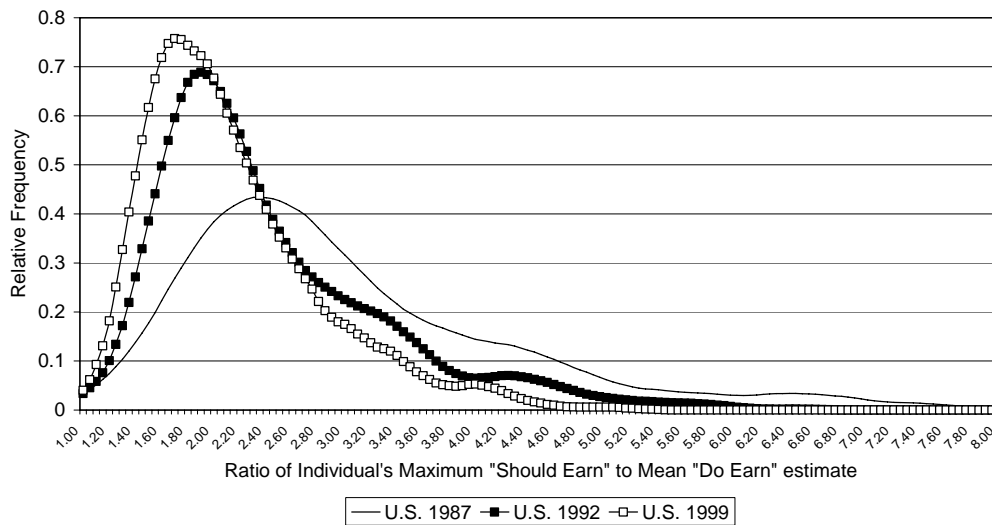


Figure S4. United States Social Inequalities ISSP Years 1987, 1992, 1999: Maximum/Mean Ratio Over Time, Both Sexes

Figures S3 and S4 present the evolution over time of the distribution of American attitudes to “top end” pay differentials (the Max / Mean² “should earn” ratio) and “bottom-end” pay inequality (the Mean / Min “should earn” ratio). Notably, attitudes to inequality at the bottom end have become more diffuse over time. Figure S3 indicates that in 1987 data there was a noticeable community norm of an ethically permissible deviation of minimum earnings from the average, with a clear modal opinion that minimum earnings should be about half the level of actual earnings, but this has eroded, and in 1992 and 1999 many people were willing to accept much more bottom end inequality. In contrast, as Figure A4 shows, there appears to have been a hardening of American attitudes towards excess earnings at the top – the modal value of the Maximum “Should Earn” / Mean “Do Earn” ratio declines over time and becomes significantly more concentrated – at a level that is vastly different from the actual pay ratios reported in Table 5 in the text.

² One gets the same result if attitudes to wage differentials are examined between named occupations such as a CEO and a skilled worker.

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Table S1. Distributions of Should-Earn Ratios Across Countries: 1992 (Means, Medians and Rankings: All Individuals)

	Max/Min Ratio				Max/Mean Ratio				Mean/Min Ratio			
			Country Rank				Country Rank				Country Rank	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
United States	12.65	8.00	1	1	2.43	2.16	3	4	4.58	3.57	1	1
United Kingdom	11.58	7.50	2	2	2.57	2.37	1	1	3.87	3.04	2	2
Canada	4.83	4.57	7	9	1.93	1.87	7	6	2.41	2.24	7	7
Australia	5.51	5.00	5	7	2.07	1.89	5	5	2.48	2.28	6	6
New Zealand	5.48	4.44	6	5	1.96	1.86	6	7	2.56	2.33	5	5
Germany (West)	8.15	6.00	3	4	2.38	2.22	4	3	3.09	2.67	3	3
Italy	7.85	5.53	4	3	2.55	2.29	2	2	2.72	2.39	4	4
Norway	3.14	2.67	8	8	1.63	1.58	8	8	1.86	1.64	8	8
Sweden	2.76	2.14	9	6	1.56	1.50	9	9	1.67	1.44	9	9

Table S2. Distributions of Should-Earn Ratios Across Countries: 1987 (Means, Medians and Rankings: All Individuals)

	Max/Min Ratio				Max/Mean Ratio				Mean/Min Ratio			
			Country Rank				Country Rank				Country Rank	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Australia	3.83	3.75	7	7	2.10	2.11	7	6	1.78	1.69	7	7
United Kingdom	8.02	5.56	2	3	3.03	2.73	1	1	2.27	2.02	4	3
Germany	6.82	4.80	4	4	2.62	2.38	4	4	2.28	1.93	3	4
Austria	7.86	5.83	3	2	2.78	2.63	3	3	2.57	2.17	2	2
Netherlands	5.84	4.37	6	5	2.49	2.24	5	5	2.12	1.90	6	5
Switzerland	6.44	4.00	5	6	2.40	2.12	6	6	2.19	1.80	5	6
United States	11.12	6.67	1	1	2.97	2.66	2	2	3.12	2.43	1	1