

But if, instead of paying  $W_1$  to all workers, employers pay each worker the minimum he or she is prepared to work for, the total wage bill falls to equal the shaded area  $OBAL_1$ . Employers thus gain at the expense of workers, which is why firms pay, and trade unions resist, discriminatory wages whenever possible.

### Examiner's voice

You should understand the similarity between wage discrimination in the labour market where a firm hires its labour and price discrimination in the goods market where the firm sells its output.

## Extension material

### Bringing together wage discrimination and price discrimination

In the case of perfect price discrimination (first degree price discrimination), a firm charges different prices to different customers for the same good, with the same marginal cost of production, so that each customer pays the maximum price he or she is prepared to pay. All the consumer surplus customers would otherwise enjoy is transferred to the firm, enlarging the firm's profit.

With perfect wage discrimination, the firm pays each worker the minimum wage the worker is prepared to accept, without transferring his or her employment elsewhere. All of the wage that the workers would otherwise get is transferred to the firm, once again boosting profit.

From an imperfectly competitive firm's point of view, the best possible outcome is simultaneous price discrimination in the goods market in which it sells its output and wage discrimination in the labour markets in which it hires its workers. Profit is boosted from two directions at once.

Can you think of reasons why such simultaneous exploitation seldom takes place?

## Box 12.2 Discrimination against women in labour markets

The Unit 3 specification advises that candidates should be able to discuss the impact of gender, ethnic, age and other forms of discrimination on wages, levels and types of employment. The passage below argues that too little has been done to get rid of gender discrimination and **glass ceilings** that prevent women from rising to occupy top jobs.

### Glass ceiling for women replaced by reinforced concrete as progress stalls

The so-called glass ceiling that prevents women progressing in the workplace is more like 'reinforced concrete', the chief executive of the Equality and Human Rights Commission (EHRC) has warned. Nicola Brewer, the Chief

Executive of the Equality and Human Rights Commission, said:

'We always speak of a glass ceiling. These figures reveal that in some cases it appears to be made of reinforced concrete. We need

radical change to support those who are doing great work and help those who want to work better and release talent.'

Young women's aspiration is in danger of giving way to frustration. Many of them are now excelling at school and are achieving great things in higher education. And they are keen to balance a family with a rewarding career. But workplaces forged in an era of stay-at-home mums and breadwinner dads are putting too many barriers in the way – resulting in an avoidable loss of talent at the top.

There are fewer women MPs in Westminster, where they make up just 19.3% of all MPs. Women's representation among FTSE 100 directors has improved slightly from 10.4 to 11.0%.

The Commission has likened women's progress to a snail's pace. A snail could crawl:

- nine times round the M25 in the 55 years it will take women to achieve equality in the senior judiciary

- from Land's End to John O'Groats and halfway back again in the 73 years it will take for equal numbers of women to become directors of FTSE 100 companies
- the entire length of the Great Wall of China in 212 years, only slightly longer than the 200 years it will take for women to be equally represented in Parliament

The Commission's report argues that its findings are not just a 'women's issue' but are a powerful symptom of a wider failure. The report asks in what other ways are old-fashioned, inflexible ways of working preventing Britain from tapping into talent – whether that of women or other under-represented groups such as disabled people, ethnic minorities or those with caring responsibilities. Britain cannot afford to go on marginalising or rejecting talented people who fail to fit into traditional work patterns.

Source: Equality and Human Rights Commission, September 2008

### Follow-up questions

- 1 What is meant by a 'glass ceiling'?
- 2 Do 'glass ceilings' affect adversely other groups in society, such as ethnic and religious minorities and old people, or does discrimination take different forms against these groups of people?

### Differences in earnings between men and women

In recent years, although women have accounted for an increasing share of total employment in the UK, women's pay often continues to be lower than men's pay, despite the fact that equal pay legislation has been in place since 1972.

According to a poll undertaken by the Equal Opportunities Commission (EOC) in 2004, 88% of women expect to earn the same as a man with the same qualifications, rising to 94% among women under 25. According to the EOC report, however, these women are 'heading for disappointment' because the latest data showed that the difference in average pay between men and women working full time is just over £6,700 a year – about 18%. The poll also found that 29% of women did not know what their colleagues earned, compared with 20% of men. As a result, women were more likely than men to be unaware of pay discrimination. More people in professional and managerial positions than in clerical and manual jobs knew what most of their colleagues earned. The EOC concluded, rather depressingly, that 'discrimination flourishes in this culture of secrecy when people cannot be sure they are rewarded fairly'.



# SEX AND THE CITY

A new breed of female city slickers has smashed through the glass ceiling – and now they're taking on the men at their own game

INTERVIEWS: LYDIA SLATER PORTRAIT: MARK HARRISON

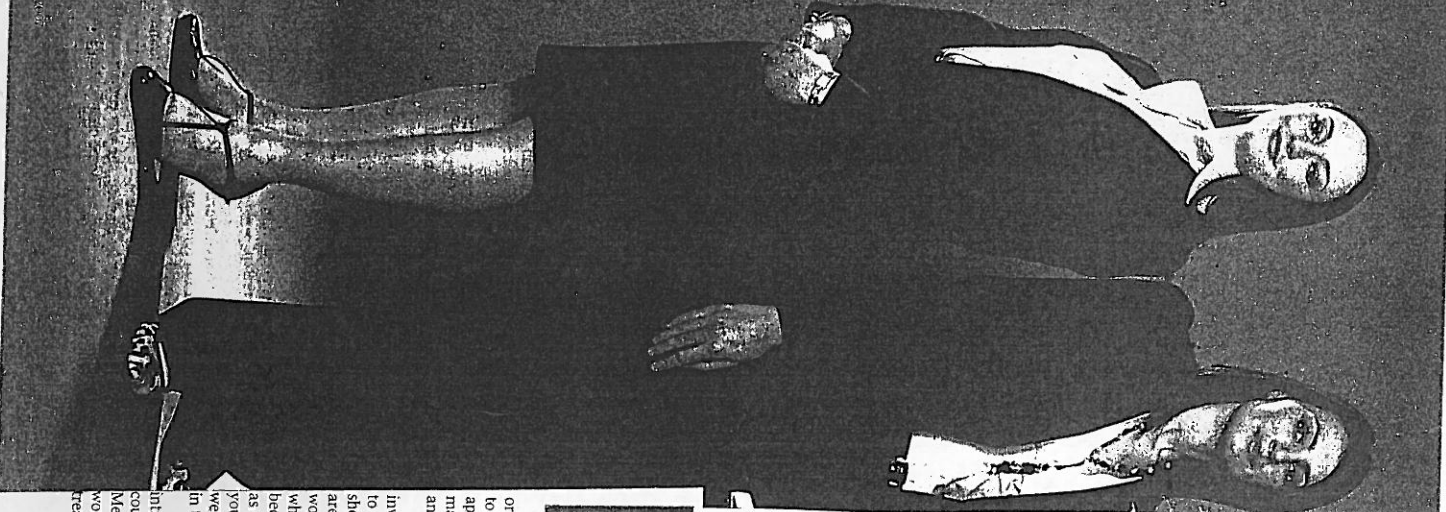
What does it take to succeed as a woman in the male-dominated world of high finance? According to the stereotype, you need the hide of a rhino to survive the routine sexism, the stamina to go days without sleep and the ability to produce offspring without taking maternity leave or shortening your 80-hour working week. In return, you can afford to pay someone else to look after your children and run your home. But for those who aren't Nicola Horlick-style superwomen, what starts as a promising career can end in, at best, giving it up to raise a family and at worst, tears and tribunals.

A rash of high-profile law suits launched by City women have been seized on by all sides of the media to prove either that the big financial institutions are irremediably sexist or, alternatively, that women just aren't tough enough to cope. Well-publicised cases include a senior banker at BNP Paribas, who had her bonus slashed after taking maternity leave, and another who received a £1.4-million payout from Schroder Securities after she claimed to have been ridiculed and given a fraction of the bonuses awarded to her male colleagues.

The image of the City as a boys-only club is so pervasive that for many women it's a no-go zone – despite the vast salaries. >>

From left: Ciara Chivers, Sara Murshed, Sophie Field, Kate Burns, Aukse Jurkute and Charlotte Andrews

PHOTOGRAPH BY  
CHRISTOPHER WOOD



and the efforts of City firms at the university milk rounds. Last year a survey by the recruitment firm Alexander Mann found that just seven per cent of City traders were female, while the Equal Opportunities Commission mourned that true gender equality was 'decades away'. For one thing, there is a major 'brain-drain' when women have children. While some institutions are introducing flexible working in a bid to retain top women, others take an 'only-the-tough-survive' attitude, which excludes any woman not prepared to work 14 hour days, plus weekends.

So how does it feel to be a young woman in the 21st-century City? We spoke to six women aged 30 and under with differing City roles, all of whom have been tipped as future high-flyers by their employers. Their backgrounds differ widely – from the traditional privately-educated Oxbridge candidate to a Lithuanian emigre – but they have certain things in common. For them, the City is the fast track to power. They are all accustomed to giving advice to the CEOs of the world's biggest companies and having it listened to, or seeing their research used as the basis for multimillion-pound takeovers. Unsurprisingly, another common factor among the women is profound self-confidence and inner belief.

So far, none feel discriminated against, despite in most cases being in a minority. Perhaps naively, one said she didn't know why women bothered to sue about the tap-dancing culture. "If you don't want to do something, you should just go home." While they admit their gender makes them more visible than their male colleagues, several felt this would count in their favour. "You have to be good," says one, "but if you are, people will notice." Of course, they're all young still. Right now, they don't anticipate any difficulties combining work with family life; several cite their firm's woman-friendly maternity policies, or point to women higher up the ladder who have managed to 'have it all', without suffering a Kate Reddy-style meltdown. Whether their ambitions to combine a successful career with a family life can be achieved remains to be seen. But this impressive generation of businesswomen sees no reason why they shouldn't. It will be the City's loss if they are proved wrong.



**AUKSE JURKUTE, 30,** is a director of Equity Capital Markets at Merrill Lynch

Jurkute's route into the City was not a conventional one. Born and brought up in Kaunas, Lithuania, when it was still part of the Soviet Union, working in finance was not an option that occurred to her. But at the age of 15, she entered a competition organised by the Soros Foundation and won a year's scholarship to a private school in Massachusetts. After she finished school, she applied to Macalester College in Minnesota (Kofi Annan's alma mater), where she majored in economics, maths and East European and Russian area studies.

Jurkute started at Merrill Lynch in 1998, where her job involves taking companies to the public markets and raising equity to finance buy-outs and major projects. "The hours aren't great," she says, "and the challenge of the job is that the more senior you are, the longer hours you work. What keeps you going is that you work on a lot of deals at the same time and they change very fast, which keeps it interesting. I socialise with a lot of female bankers because they understand the pressure of the job, we party as hard as we work. The adrenalin you get from working stays with you in your personal life. I travel a lot – I like to skip away to Europe at weekends and last year I went hiking on the Tibetan border, diving in the Maldives and spent Christmas in Mexico."

Despite the pressures of her work, she doesn't feel it's intrinsically female-unfriendly. "We have a women's leadership council and there are many successful female role models within Merrill Lynch. It's about how efficient you are and how hard you work. I've never felt there's a difference in the way women are treated. There are no obstacles as long as you're good."



**SARA MURSHED,** Northern accounts manager at BT

move to London to read French and Japanese at Loughborough University. "I deal with senior people on a daily basis," says Murshed. "You do with managing the company so writing press releases, run communications advice to the senior management, my job is of information."

As a result, she is one of the few women who knows what's going on in the company. "I'm not hung up on being a woman to prove myself more because of it."



**CHARLOTTE ANDREWS,** research director at Tesco

Charlotte Andrews, 30, is a research director at Tesco. She has a PhD in marketing from the University of Birmingham and worked for a number of years in the retail sector. "I'm not hung up on being a woman to prove myself more because of it."

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