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What are Large Companies Really Doing About Pay Equity, If Anything?

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Abstract
[Excerpt] Women are now earning 98 cents for every dollar earned by men when controlling for position. Despite being small, the difference is still grating, and many people and institutions have decided that now is the time to close the gender pay gap once and for all. This executive summary will outline what steps, if any, large companies are taking to erase the wage gap and highlight the reasons companies are—or are not—taking these steps.

Keywords
human resources, HR, pay equity, gender pay gap, wage gap, compensation, equal pay, bias, recruitment, pay analysis

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EXECUTIVE SUMMARY

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Research Question

What are large companies really doing about pay equity, if anything? Why are they choosing to do those things? If they are not doing anything, why not?

Introduction

Women are now earning 98 cents for every dollar earned by men when controlling for position.[1] Despite being small, the difference is still grating, and many people and institutions have decided that now is the time to close the gender pay gap once and for all. This executive summary will outline what steps, if any, large companies are taking to erase the wage gap and highlight the reasons companies are—or are not—taking these steps.

The Cases of Large Companies

The following are case studies of some of the companies that have reportedly achieved pay equity:

(Apple)[2] In 2016, Apple announced that it had finally closed its gender pay gap, and that all male and female employees in the United States are being compensated equally. Every year, they examine compensation and adjust where necessary to ensure that they maintain pay equity. As part of a commitment to pay equity, they have stopped asking candidates about their salary history in the United States and are in the process of implementing this practice globally.

(Starbucks)[3] In March 2018, Starbucks announced that it has achieved pay equity for women and men and employees of all races in the United States. Starbucks has conducted a company-wide compensation study to identify and address pay disparities since 2008. Since then, the company has implemented a few practices to ensure equal pay, including a calculator that objectively determines an employee's pay range based on experience and a tool that analyzes bonuses before they are finalized to ensure that there is no bias in the compensation process. In addition to checking pay, hiring managers have also stopped asking candidates about what they were paid at previous jobs.

(Adobe)[4] In 2017, Adobe announced that all of its male and female employees in the U.S. are now receiving equal pay for equal work. They are now exciting extend that same commitment to their global employee base in the upcoming year. For instance, in January 2018, Adobe announced that it has also achieved pay equity in India, helping to close the gap between its male and female employees in 80 percent of its global workforce.

(Salesforce)[5] In 2015, Salesforce took a public stance on pay equality. Since then, they have conducted two equal pay assessments and have spent $6 million to ensure equal pay for equal work. Last year, they expanded the scope of their assessment to evaluate salaries, as well as bonuses, globally.

Why Companies Are Achieving Pay Equity

As evidenced in the cases, many large companies have achieved pay equity in the United States in the past two years or have, at least, made huge, public strides to achieving pay equity. While the specific steps differ between companies based on the structure of their compensation systems, the general steps our case companies take to achieve pay equity are the following:

- Initial analysis of pay equity by an internal or external team
- Monetary adjustment to achieve initial pay equity
- Continuous or annual re-evaluation and adjustment to maintain pay equity

While seemingly a simple process, the fact that Salesforce has spent upwards of $6 million dollars to achieve pay equity and that Starbucks has developed its own tools to help ensure pay equity demonstrate that this simple process can tie up a lot of a company's resources. So why do companies do it? The following reasons explain the general rationale:

- **It is the law.** There are laws regarding pay discrimination at the federal, state, and local levels. The Equal Pay Act of 1963 is a federal law that requires "similarly situated" employees receive the same pay, regardless of sex.[6] Basically every state and local government has a similar law. Many states are also beginning to ban pre-employment questions that allow companies to discriminate against an employee based on their previous wage.[7]
- **It helps companies recruit talent and maintain a good public image.**[8] No one wants work somewhere where they may be paid less than someone else doing the exact same job. By being public with their efforts and successes, these companies are going to be able to recruit more women who like the assurance of pay equity. The positive publicity certainly does not hurt these companies' relationships with their customer bases, either.
- **It helps companies retain and motivate talent.**[9] Studies investigating equity theory have found that inequitable treatment directly impacts employee behavior and performance. Assuring employees they are being paid fairly from an internal perspective ensures the company is minimizing the risk of turnover and may actually motivate *all* employees. For example, anger is often caused by being paid less for the same work and guilt is often caused by being paid more for the same work—and neither emotion leads to the most productive employees.
- **It is the right thing to do.** The most commonly cited reason that companies strive to achieve pay equity is because it is the right thing to do. It is hard to divorce this reason from any of the other reasons, making it hard to tell whether this rhetoric is just a public relations ploy.

Why Companies Are Not Achieving Pay Equity

While many companies are making very vocal strides towards pay equity, many companies are also remaining tight-lipped about the issue. Here are a few reasons why this could be:

- **The companies don't know that there is a problem…** The first step in achieving pay equity is determining the gap you have to fill. Companies that don't perform a compensation analysis might not be aware they have a problem.
- **…and they might not want to know that there is a problem.** Once a problem has been identified, the company usually has to take action quickly or risk legal action against them for discriminatory pay practices. Admittedly, companies with genuine pay discrimination are at risk even without knowing of the disparity themselves, but it is much harder for employees to prove pay discrepancies based on gender without some sort of formal analysis. If a company is afraid that the difference may be so severe that a correction would be a serious hardship for the company, they may decide that ignorance is bliss.
- **The analysis itself is intensive…** Once a company decides it wants to determine if there is a pay discrepancy, the analysis must be performed. This ties up a lot of internal resources for an intensive project or costs the company money when they hire an auditor to perform that analysis for them.
- **…and it needs to happen once a year, at least.** While achieving pay equity is laudable, it needs constant vigilance to ensure that it stays in place. This means an intensive project once a year, like Salesforce, or a continuous method of analysis that is just as intensive to maintain in the long run, like Starbucks. Either one is a huge commitment companies might fear they are not ready for.

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