



# Focus on Transparency and Accountability to Fix Racial Pay Inequities

*A guide for equity advocates to understand the root causes of racial pay disparities and how to create lasting change*

# INTRODUCTION

Systemic racism in the workplace has created devastating pay inequities. People of color have unequal access to opportunity for high-paying work and get paid less than their peers doing similar work.

## This is the pay gap and it's not getting better— this pay gap creates more of a divide between races over time.

- The median gap in Black and white earnings in the U.S. is the same today as it was in the 1950s<sup>1</sup>
- The Hispanic-white pay gap has been steady since 1979<sup>2</sup>
- Over time, the differences in wealth accumulate, exacerbating the divide: white families in the U.S. have a median net worth of \$171,000 compared to \$17,150 for Black families and \$20,720 for Hispanic families<sup>3</sup>

While all states have some form of pay equity law covering gender, and most have pay equity laws covering race, **the laws are weak**. They put the responsibility on the employee—not the organization—to find and resolve disparities in pay. Ramifications for non-compliance are few and far between, and the burden of proving that non-compliance rests with employees.

To fix racial pay disparities, **the U.S. needs stronger pay equity laws that emphasize transparency and accountability**. It's the path to a more equitable workplace—and a more equitable society.

## This guide offers a starting point to understanding and addressing pay equity issues, including:

- The root causes of today's pay gap and opportunity gap;
- One company's story of finding racial pay inequity and how they fixed it; and
- Solutions for small legislative changes that will have a major impact on resolving pay inequities—for good.

*“The most tangible action that companies can take to undo the negative impacts of systemic racism in the workplace is **to create pay equity**—fair compensation for employees doing substantially similar work.”*

## PART 1: THE RACIAL PAY GAP

One of the most important metrics indicating workplace fairness is the **pay gap**, which compares the average pay between two groups, such as *all* white workers and *all* non-white workers.

A look at the average U.S. weekly earnings by race and gender illustrates the pay gap.

U.S. WEEKLY EARNINGS BY RACE AND GENDER				
RACIAL/ETHNIC BACKGROUND	MEN'S WEEKLY EARNINGS	WOMEN'S WEEKLY EARNINGS	MEN'S EARNINGS AS A % OF WHITE MEN'S EARNINGS	WOMEN'S EARNINGS AS A % OF WHITE MEN'S EARNINGS
WHITE	\$1,002	\$817	N/A	81.5%
ASIAN	\$1,241	\$937	123.8%	93.5%
BLACK	\$735	\$654	73.4%	65.3%
HISPANIC	\$720	<b>\$617</b>	71.9%	61.6%

**Figure 1:** U.S. Weekly Earnings by Race and Gender (Source: *Institute for Women's Policy Research*)<sup>4</sup>

- White and Asian employees have the highest weekly earnings in the U.S.
- Intersectionality of race and gender results in greater pay disparities—**Hispanic women have the lowest weekly earnings.**
- According to the U.S. Census Bureau's American Community Survey (ACS) data, more than 90% of Native American workers<sup>5</sup> make less than the national median income of \$61,937.<sup>6</sup> However, pay gaps for Native American workers are underreported due to lack of available data—21.5% of Native Americans were missing income data in the ACS.

## PART 2: THE OPPORTUNITY GAP—LACK OF REPRESENTATION

The overall average pay for non-white Americans is due in large part to the **opportunity gap**—non-white Americans have not been given the same opportunities to advance, and are therefore under-represented in higher-paying industries and higher-paying leadership roles.

### REPRESENTATION IN HIGH-PAYING FIELDS

Non-white workers more frequently work in jobs with lower pay potential.

For example, Black employees are most represented in lower-paying industries:

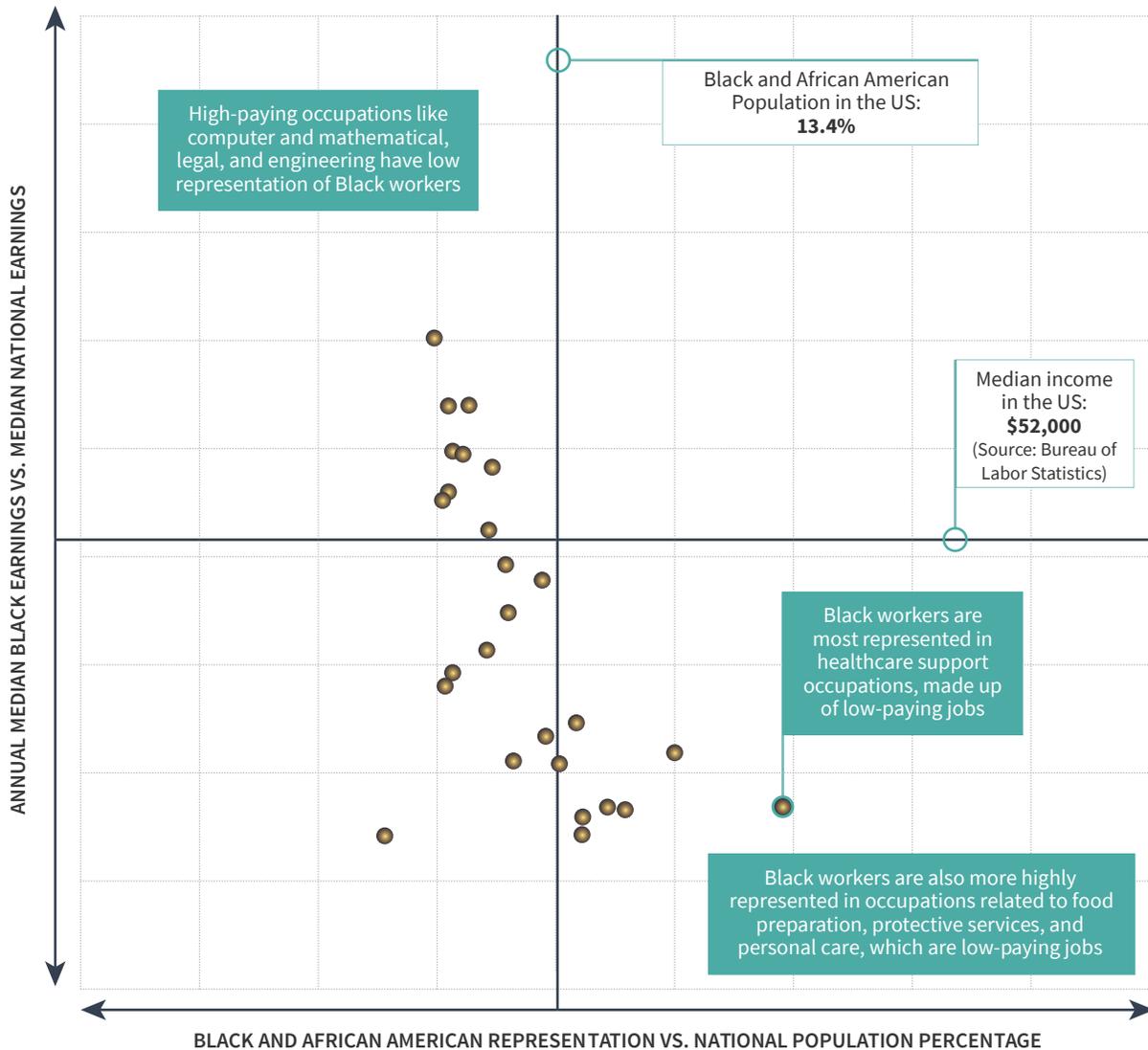
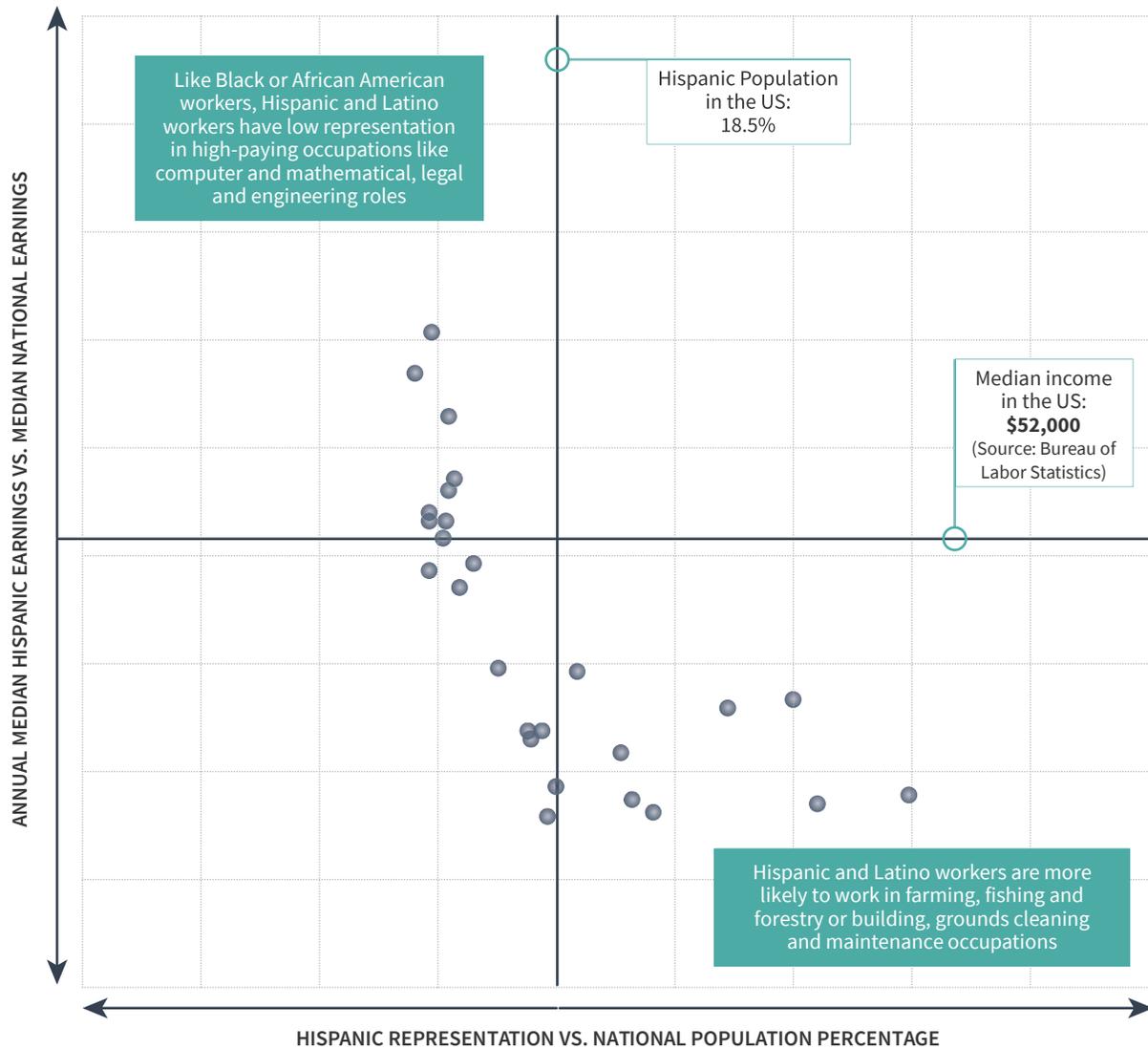


Figure 2: Representation of Black workers in U.S. occupations by average earnings (Source: Bureau of Labor Statistics)

Hispanic workers follow a similar pattern:



**Figure 3:** Representation of Hispanic/Latino workers in U.S. occupations by average earnings (Source: *Bureau of Labor Statistics*)

Asian workers are most represented in both high-paying tech roles and low-paying personal care roles:

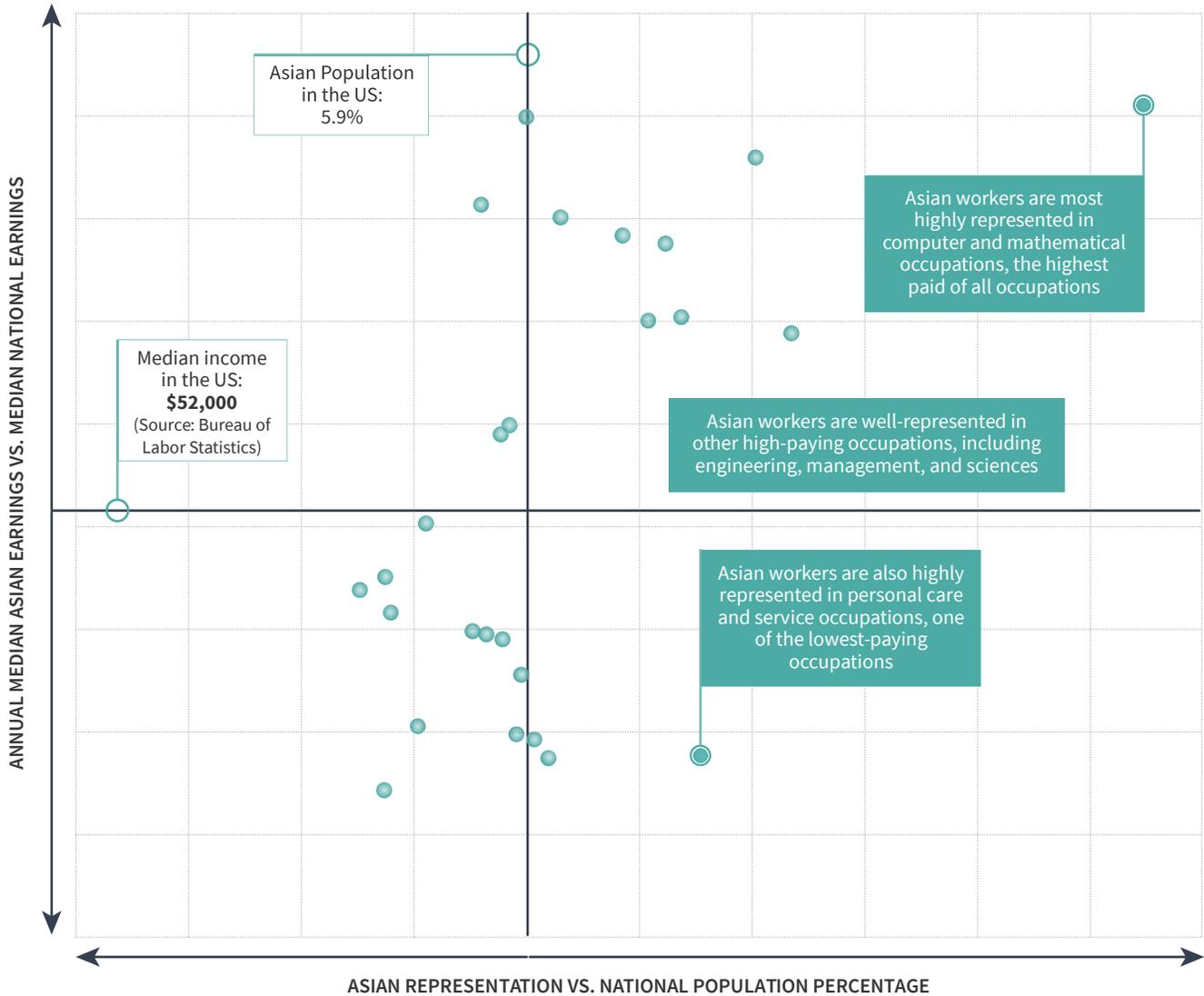


Figure 4: Representation of Asian workers in U.S. occupations by average earnings (Source: Bureau of Labor Statistics)

## REPRESENTATION IN LEADERSHIP ROLES

### Fewer non-white employees hold senior leadership and executive roles:

A study of representation in Fortune 100 C-Suites found that 84% of CEOs, 96% of CFOs, and 80% of CTOs are white.<sup>7</sup>

People of color, especially women of color, are also less likely to be promoted.

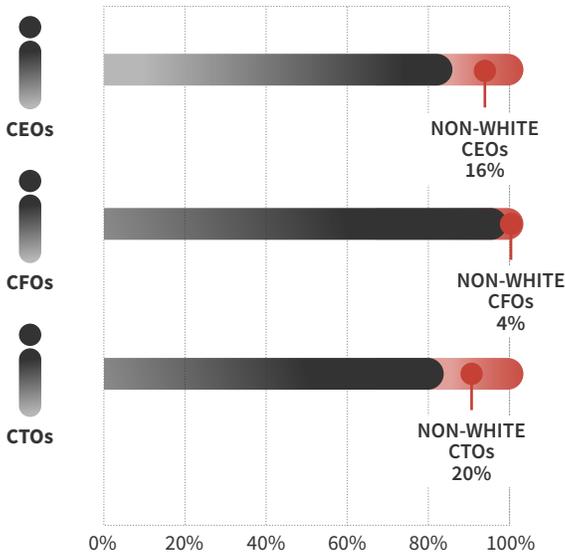


Figure 5: Representation by race in Fortune 100 C-Suites (Source: Stanford Graduate School of Business)

For every 100 men promoted to manager, 85 women received a similar promotion—but only 71 Hispanic women and 58 Black women were promoted.<sup>8</sup>

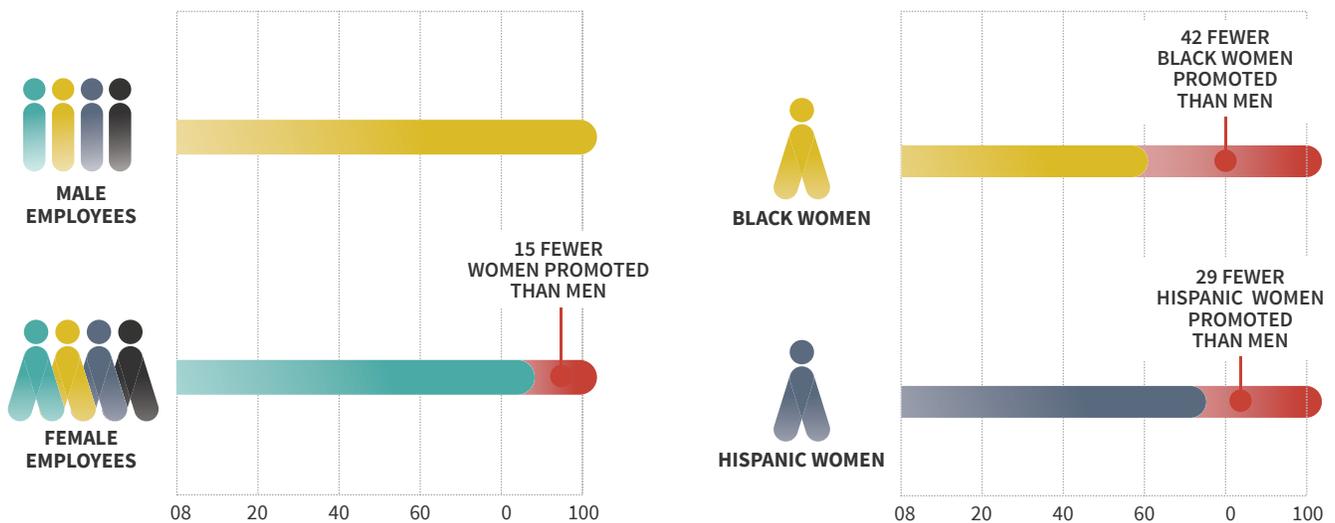


Figure 6: Promotion rates by race and gender (Source: Lean In and McKinsey & Company)

For organizations serious about workplace fairness, increasing the number of people of color in leadership roles not only raises the overall average compensation for non-white employees, but it also gives under-represented groups a long overdue seat at the table to influence company decision-making, such as fair compensation practices.

## Lack of representation stifles innovation

The lack of representation and lifetime wage discrepancy have ramifications on both the individual employee and society at large.

For some individuals, the discrepancy may mean retiring five years later, or not at all. For others, it may prevent them from taking a year off and trying something new, which stifles entrepreneurship for people of color and we end up with fewer businesses owned and led by people of color. According to BLCK VC, [only 3% of venture capitalists are Black, with even fewer controlling the \\$100B+ invested annually in the U.S.](#)

It's a vicious cycle that can be transformed into a virtuous cycle: with more entrepreneurs and leaders of color, there will be more opportunity for people of color to advance to leadership roles and be in a position to take risks, innovate, and start their own company.

## Why aren't people of color represented in high-paying industries and roles?

Systemic racism in the U.S. has created and exacerbated the racial pay gap and opportunity gap. A number of factors contribute to the inequities:

- **Systemic societal challenges**—Broader social issues, like educational opportunities,<sup>9</sup> incarceration,<sup>10</sup> and housing segregation<sup>11</sup> result in a lack of access to higher-paying roles for people of color.
- **Hiring discrimination**—Discrimination during the hiring process perpetuates the lack of representation within industries and in leadership positions. Fifty-six percent of Black people interviewed reported discrimination while applying for jobs.<sup>12</sup>
- **Closed referral networks**—When employees reach out to their networks, they'll generally reach out to people like them. If an organization is largely white, their referrals will be too. Compared to white men, men of color were 26% less likely and women of color were 35% less likely to receive a referral for a role.<sup>13</sup>

## CASE STUDY: UNFAIR MOVEMENT

### Let's compare two Senior Logistics Coordinators on the same team:

A 47-year-old white woman who made \$66,260 and a 61-year-old Black woman who made \$65,730. They shared all other key characteristics (education, department, location, etc.) that their employer says factors into how employees are paid and promoted. The fact that the white woman was promoted into this role at a younger age will have huge impacts on her lifelong earnings.



#### EMPLOYEE A

Sr. Logistics Coordinator  
47 Years Old  
White Woman  
Current Salary: \$66,260  
Est. Lifetime Earnings  
\$2,806,200



#### EMPLOYEE B

Sr. Logistics Coordinator  
61 Years Old  
Black Woman  
Current Salary: \$65,730  
Est. Lifetime Earnings  
\$1,826,333



EMPLOYEE A



EMPLOYEE B

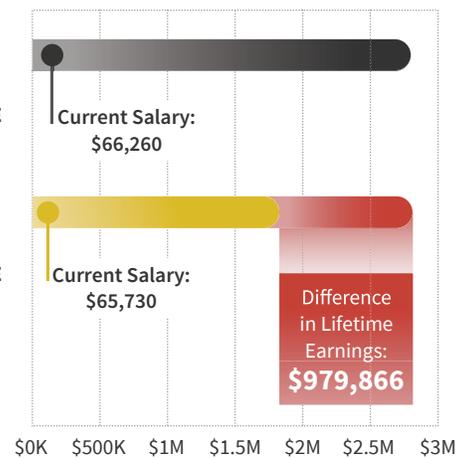


Figure 7: Lifetime earnings of two employees promoted at different rates (Source: Syndio)

Such vast differences in compensation drive America's racial wealth gap, which only compounds across generations of inequality.

## PART 3: WORKPLACE FAIRNESS STARTS WITH PAY EQUITY

Not only do people of color frequently work in lower-paying roles, but they're often paid less than white employees doing the same work. This is a pay equity problem.

The most tangible action that companies can take to undo the negative impacts of systemic racism in the workplace is to create **pay equity**—fair compensation for employees doing substantially similar work, particularly a traditionally advantaged group like white employees to a minority group like Black employees.

### HOW SYNDIO CONDUCTS PAY EQUITY ANALYSES

When we conduct pay equity analyses for companies, we typically look at white employees vs. non-white employees (underrepresented minorities) doing substantially similar work. We control for neutral job-related factors, like years of experience, education, and location to explain differences in pay, and then we use statistical analysis to find racial pay gaps that remain.

In technology companies, we also analyze pay data based on white/Asian employees vs. non-white/non-Asian employees doing substantially similar work—the reason being that Asian employees have historically been well paid in the tech industry.

Workers in the same occupation don't necessarily do substantially similar work—for example, data on healthcare professional occupations combines doctors and nurses, who would be separated out for a pay equity analysis because their work differs in skill, effort, and responsibility—but it can offer a sense of racial wage disparities among workers in the same general field.

Although examining differences among workers within the same occupation is important, it doesn't offer a comprehensive view of pay disparities. Comparing the median earnings of workers of different races in the same industry can help to get a sense of racial wage disparities even among workers in similar jobs.

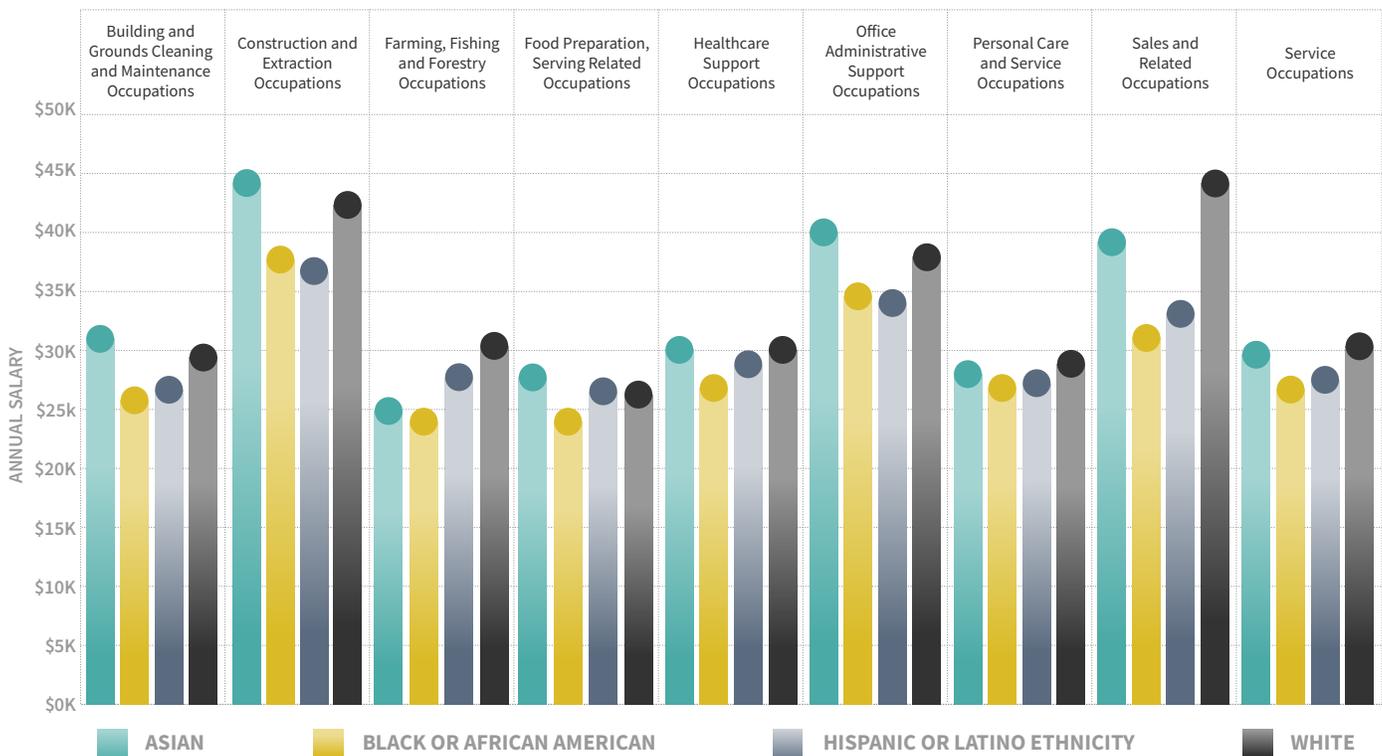


Figure 8: Average earnings in low-paying occupations by race (Source: Bureau of Labor Statistics)

In higher-paying occupations like engineering, finance, healthcare, and legal, racial pay gaps widen, with white and Asian workers making substantially more than Black and Hispanic workers.

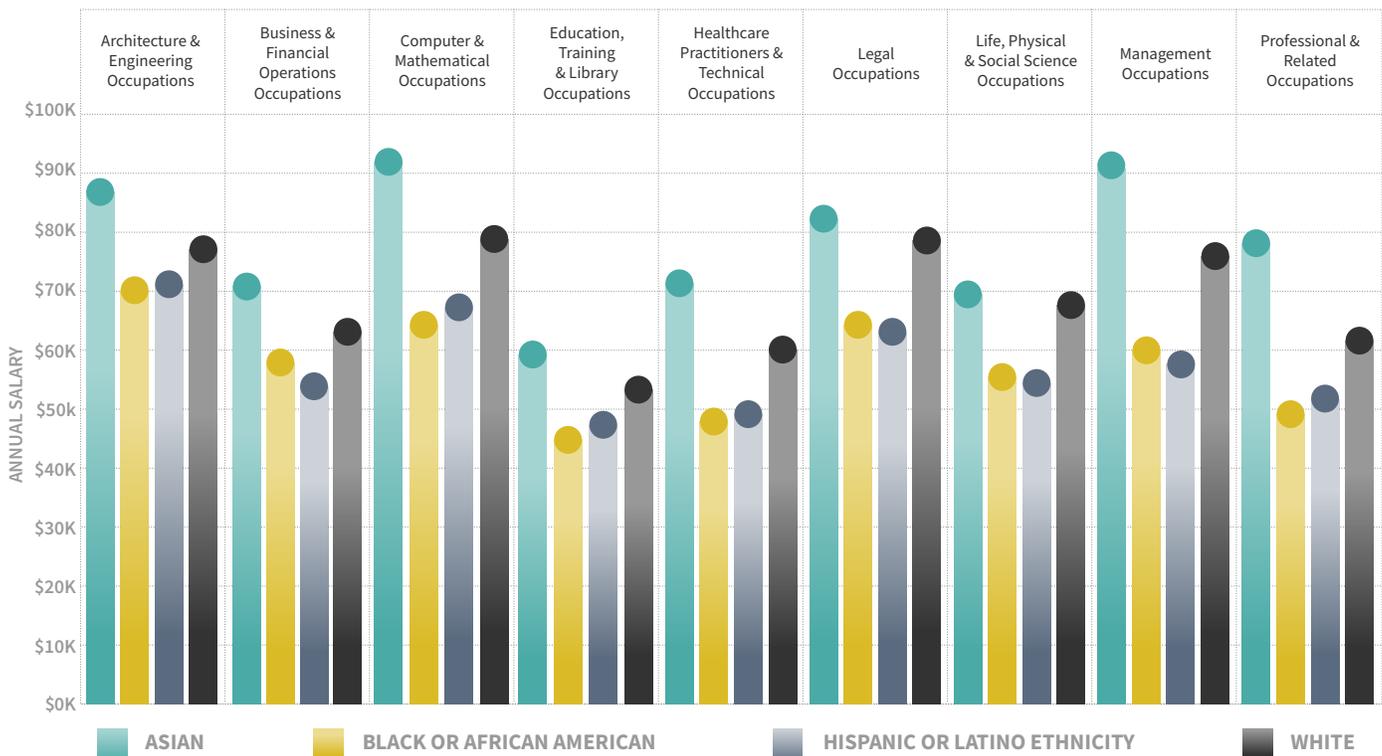


Figure 9: Average earnings in high-paying occupations by race (Source: Bureau of Labor Statistics)

### What's causing these pay inequities?

There are several factors contributing to the issue of employees doing the same work, yet not getting paid the same, including:

- **Companies undervalue employees of color**—One study found that employers perceived Black candidates as deserving lower starting salaries and penalized them more for negotiating than white candidates.<sup>14</sup>
- **Companies use salary history to determine starting pay**—Since employees of color were more likely to have been underpaid in a previous role, they end up getting hired with lower salaries than their white peers.<sup>15</sup> This practice perpetuates underpayment for people of color.
- **Bias impacts decisions about pay raises**—Research shows that women of color are 19% less likely than white men to get a raise when they ask for one, and men of color are 25% less likely.<sup>16</sup>

## Best Practices to Achieve Workplace Fairness

A survey from Boston Consulting Group found initiatives that appeal most to employees of color include:

- antidiscrimination policies
- removing bias from evaluation and promotion decisions
- formal sponsorship of individuals and individual action plans

These programs can support more equitable movement through an organization, increasing representation of people of color at higher levels within the organization.

Many of the drivers of pay inequities are under the control of employers. Take steps to pay equity by:

- Conducting a pay equity analysis to identify employees who are underpaid and need compensation adjustments to be paid comparably to their peers.
- Using a combination of market data and pay equity analysis results to identify the root causes at play—lack of representation in leadership, different starting salaries, bias in performance reviews, etc.—to break the cycle and mitigate future inequities.

For more information on how to conduct a pay equity analysis, visit [syndio.com](https://syndio.com)

## CASE STUDY: PAY INEQUITY FOR SUBSTANTIALLY SIMILAR WORK

Our pay equity analysis uncovered racial inequities in a commonly held role and revealed compounding pay disparities over time.

### We identified two substantially similar employees with the job title **Logistics Coordinator**:

**Coordinator:** A 35-year-old Black woman and a 38-year-old white woman. All other key characteristics of their jobs were the same (location, department, etc.)



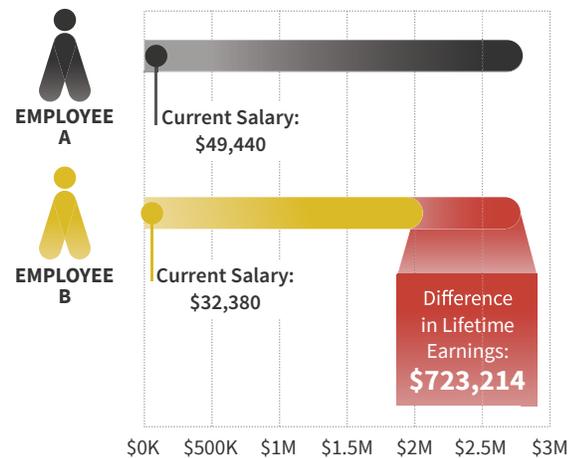
#### EMPLOYEE A

Logistics Coordinator  
38 Years Old  
White Woman  
Current Salary: \$49,440  
Est. Lifetime Earnings  
\$2,739,143



#### EMPLOYEE B

Logistics Coordinator  
35 Years Old  
Black Woman  
Current Salary: \$32,280  
Est. Lifetime Earnings  
\$2,015,929



**Figure 10:** Lifetime earnings of two employees with unequal pay (Source: Syndio)

Employers that find pay inequities among employees doing substantially similar work should remediate underpaid employees' compensation right away, and then dig into root causes to figure out what caused the inequity to begin with.

## PART 4: SMALL STEPS CAN FUNDAMENTALLY CHANGE PAY EQUITY LAWS

Despite state and federal rules, the U.S. has persistent pay gaps based on both race and gender. For the most part, the onus is on the employee to file a suit and employers self-police. There are no rules requiring public reporting, transparency, or accountability.

### Federal Laws Are Weak

When it comes to pay equity based on gender, the **Equal Pay Act (EPA)** is well known, but not a hotbed for litigation. The law protects men and women doing equal work, in the same place, and paid differently because of sex. However, if an employee is going to succeed in winning a case, they need “comparator evidence”—proof that their salary is lower than another employee doing substantially similar work.

**Title VII, or The Civil Rights Act**, is different from the EPA because it doesn’t require comparator evidence. However, it does require discriminatory intent—e.g. the employee is being paid less “because of” their gender—but intent is tremendously difficult to prove.

There are other federal regulations enforced by the U.S. Department of Labor’s Office of Federal Contracting Compliance Programs (OFCCP), which require pay audits. However, the audits are based on location rather than, say, job function, and the result is a great deal of paperwork that doesn’t inform executive decision making. And while the underlying regulations can be the basis for positive programs, a company has to want to do it; there’s zero requirement.

### State Laws Also Fall Short

On a state level, nearly all states have some form of gender pay equity law (North Carolina and Mississippi are the lone holdouts.) And eight states—Alabama, California, Iowa, Illinois, New Jersey, New York, Ohio, and Oregon—have laws on the books to protect against racial pay inequities. Colorado will be the ninth state to ban racial pay disparities with a law that will go into effect in 2021.

However, these states still fall short, since enforcement comes in the form of lawsuits from underpaid employees, not required action from employers. And a weak law is just as bad as no law at all.

For example, Iowa, which instituted its law in 2009, has the largest pay gap among states with a race pay law. People of color make 65 cents for every dollar earned by white people, the eighth worst in the nation.



Legislation alone isn't enough to change behavior. **There needs to be transparency on pay disparities and consequences for non-compliance.**

## PUBLIC REPORTING LEADS TO LOWER PAY GAP IN AUSTRALIA

After passing the Fair Work Act requiring equal pay for men and women in 2009, the pay gap didn't improve—in fact, the pay gap widened (!), fluctuating from 17.0% to 18.5% (in 2014, when it peaked.)<sup>17</sup>

Only when Australia started requiring public reporting did change happen.

The Workplace Gender Equality Act of 2012 required that companies report workplace gender equality metrics (including pay discrepancies) to the Workplace Gender Equality Agency, which would share the data publicly starting in 2014.

Since then, the gender pay gap has decreased every year. In 2019, the pay gap was down to 13.9%.

## What Will Drive Change?

A little more can go a long way to fundamentally change how organizations handle pay equity in the U.S. We need transparency and accountability.

### Transparency

First, legislation should require transparency around pay equity. Employees need visibility into their organization's pay information in order to confidently answer "Are you paid without regard to gender or race?" This requires:

- **Visibility into your own pay metrics**—employees know what they are paid, but they typically don't know their grade / band / level. And even when they do, they may not know where within that level they stand, how they're paid relative to others in that level, and what impacts movement within that level.
- **Visibility into other's pay**—an employee can't know whether they are paid fairly or gather comparator evidence if they don't know what others are paid.

### Accountability

We also need legislation that requires public reporting—of pay equity analysis results and plans to remediate compensation for underpaid employees.

Much of pay equity can live in the shadows, hidden from view—"under privilege," in legal terms. Public reporting breaks this open. When an employer is held accountable and forced to disclose and explain pay disparities to its employees, that's when they'll be motivated to change the underlying processes that lead to inequities.

Legislation must also require public certification that an employer has reviewed its pay equity. Requiring companies to affirm that they've analyzed pay also forces accountability and action. An employer can have a huge pay gap, but if no employee sues (and how can they, when they have zero visibility to pay practices?), then nothing requires that employer to look under the hood.

# PAY EQUITY HOLDS POWER

Pay equity is a lever that both policy leaders and organizations can pull to fight systemic racism and create equitable workplaces. And now is the time to put this conversation front and center and reset the bar for fair pay.

While some companies take steps to achieve racial and gender pay equity because it's the right thing to do, the majority are investing in fixing inequities due to legal requirements. Imagine the progress we could make as a country around pay equity if the existing (and any forthcoming) laws had teeth to them? If they mandated transparency, reporting, and accountability? If they rewarded equity?

For equity advocates and policymakers, especially those working with state and local governments, it is critical to go beyond legislation and consider all opportunities to institute smart policies that encourage accountability and transparency in both the private and public sectors. What if each state and local government modeled pay equity best practices for its employees? If our government institutions can close the pay gap following accepted best practices, workplace fairness can become all the more achievable for the private sector.

*Syndio is pioneering Equity Tech as a new category of technology solutions that contribute to social equality. Syndio's suite of solutions enable global organizations to analyze and resolve pay issues based on race and gender, and stay in compliance over time. To date, Syndio's pay equity software has helped level the playing field for 1.3M employees, totaling more than \$85M in remediation paid by employers.*

*Syndio believes the inequalities facing society cannot fully be resolved without a foundation of fair pay. With the right tools and a commitment to transparency and accountability, issues with pay equity are 100% solvable, today.*

## For more resources on creating sustained fair pay in the workplace visit [Fair Pay Workplace](#).

### ENDNOTES

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<sup>10</sup> The Brookings Institution, Work and Opportunity Before and After Incarceration (March 2018) Available at: [https://www.brookings.edu/wp-content/uploads/2018/03/es\\_20180314\\_looneyincarceration\\_final.pdf](https://www.brookings.edu/wp-content/uploads/2018/03/es_20180314_looneyincarceration_final.pdf) and Prison Policy Initiative, U.S. Incarceration Rates By Race and Ethnicity, 2010 (March 2019) Available at: <https://www.prisonpolicy.org/graphs/raceinc.html>

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