Differences in gender as well as race differences, in pay are beginning to get a great deal more attention in terms of the law and public policy.

Despite years of research by many different scholars, gender discrimination in pay is only partially understood. In one fascinating study, for example, researchers found that men who used an external market career strategy (i.e., changed the company they worked for) made significantly greater gains than men who used an internal market career strategy (i.e., remained in the same company). Women did not experience this difference. Thus, men may gain bigger pay increases when they change employers than do women. One topic which has generated considerable discussion in the last 20 years is why women appear to earn less money than men, even when factors such as job level, education, and seniority are taken into account. A recent explanation for the lower base pay of women is that they typically begin at a lower starting pay rate than men and essentially never recover from this. However, only one study has empirically tested that fact and this study only used managerial and professional employees.

A second explanation, the structural features explanation, is that women receive higher raises because many organizations base a raise on two factors: performance and point in grade. This latter factor means that all things being equal (e.g., job grade, performance rating), the employee who makes less money will get a higher percentage raise than an employee who makes more money. Because women on average earn lower pay, they receive on average higher raises.

Using data from a single organization in the Southwestern U.S., it was found that while starting pay helps explain quite a lot of variance in gender differences, even when taking into account job grade, education, and seniority, men are still paid significantly more than women. Second, the structural features
LIVABLE communities don’t just happen. They are created by the people who live in them.

A spate of recent lawsuits (e.g., against Microsoft) has focused on race differences in pay. One of the challenges in studying pay discrimination is to completely measure and test all plausible explanations for compensation differences. For example, failing to include work experience in one’s analyses may account for gender differences in pay, which may be mistaken for discrimination. Such differences may become a major bone of contention in a lawsuit.

Finally, the U.S. Equal Employment Opportunity Commission (EEOC) has recently introduced new compliance guidelines to investigate pay discrimination. These trends suggest that in the future, more attention will be paid to the law and compensation issues.

Policy makers, managers, and legal experts should recognize that statistics play, and will continue to play, an important role in determining whether gender or race bias in pay and pay raises has occurred. What is particularly noteworthy about this is that simply "eyeballing" or qualitatively reviewing pay policies and practices is not enough; organizations need to use sophisticated multivariate techniques to understand whether discrimination may be occurring in their compensation systems.

In the U.S. Congress, a bill called the Fair Pay Act of 1999 has been introduced to attempt to rectify gender differences in pay.

REFERENCES AND MATERIAL FOR FURTHER READING

http://www.eeoc.gov/press/12-7-00.html
http://209.207.163.32/issues/economic/alerts/03-03-00.html