An Open Letter to The Wall Street Journal

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Don't Blame CEOs for Pay Disparities

Carol Hymowitz's February 25 column, "On Diversity, America Isn't Putting Its Money Where Its Mouth Is," is misleading and assigns responsibility for gender and minority pay disparities to the wrong source. As a consultant who has studied pay equity issues for 22 years, I continually see these same accusations and they are almost always based on broad, general, bottom-line numbers. Ms. Hymowitz should question rather than reproduce such statistics. Her readers would be better served if she first looked at the jobs and professions to which women and minorities are employed and only then apply the pay disparity component. For instance, she cites a Bureau of Labor Statistics' survey that "Young women earned 20% to 25% less than young men at the same education level." Yet, while chemical engineering and sociology graduates have the same level of education, the chemical engineering graduate's starting pay will exceed the sociology graduate's by almost 100%. Market forces on one's choice of profession or job — not race or gender — determine pay differences.

Unfortunately, this same flawed thinking about race and gender influences on pay has made its way into the Department of Labor (DOL), and is now causing those businesses with federal government contracts to perform laborious and expensive pay analyses that produce mostly meaningless results. Companies build formal compensation programs and structures that make them both competitive in their respective marketplaces and fair and equitable to employees. When designing these programs, almost universally, position or job title is used as the basis for determining a job's worth to the organization and therefore its range of pay. Consequently, when analyzing a compensation program for pay equity — a DOL requirement for federal government contractors — it usually makes good sense to group employees by their position or job title and then conduct the analysis. But not to the DOL's Office of Federal Contract Compliance Programs (OFCCP), the agency that establishes affirmative action regulations and then audits company performance against those regulations.

In the OFCCP's quest to seek systemic pay discrimination settlements, it realized that looking at pay by job title was not going to get them there because job title data sets are usually too small to meet the necessary size requirement for the agency's statistical model. Sadly for all concerned, the OFCCP simply published "guidelines" requiring companies to combine job titles into larger groups and then run the analysis. If a company chooses not to follow the new guidelines, in an eventual audit the OFCCP will ask for the company's entire employee database to form the larger groups and do the analysis on the company's behalf — and, perhaps even hand over a bill to settle the systemic pay discrimination claim. Today, unknowing CEOs and their human resource managers are being coerced into either running the pseudo-analysis or giving up their confidential employee databases so the OFCCP can run its own pseudo-analysis. With all these employee databases in the hands of the DOL, let us not be too surprised to learn about even more pay equity "problems" — and all presumptively caused by America's CEOs since as Ms. Hymowitz claims they will have failed "to link their managers' compensation to achieving more diversity..." There are many like myself who find this suggested compensation practice to be itself illegally discriminatory.

As the newspaper of choice for most business people, the *Wall Street Journal* should help put an end to the false premise that America's CEOs are to blame for pay disparities. Instead, it would please this reader in particular to see the Journal question, investigate, and report more of the insidious ways that government overreaches its boundaries and wastes a company's internal resources on burdensome and useless data collection and analysis regulations.

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