COLORADO SCHOOL OF MINES
EARTH • ENERGY • ENVIRONMENT

DIVERSITY, INCLUSION & ACCESS

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Inclusion Icebreakers: Performance & Evaluation

Compensation

How to use this Inclusion Solution card in a group setting:

- Review the questions on the front of the card to help anchor the topic
- Extend a few minutes of personal reflection
- Ask individuals to relate the topic to the current work environment and/or campus climate and what a future state might look like
- Create a dialogue on how the topic might create innovative thoughts, new direction for programs/classroom instruction/services, or ways to address challenges in the work environment and the campus climate

DIVERSITY IN ENGINEERING

HOW CAN WE AS LEADERS CREATE GREATER TRANSPARENCY AROUND PERFORMANCE AND COMPENSATION?

WHAT CAN WE DO TO HELP MANAGERS ELIMINATE UNINTENDED BIAS AROUND HIGH PERFORMERS ON THEIR TEAM?

WHAT PRACTICES CAN WE PUT IN PLACE TO HELP REDUCE WORKPLACE INEQUALITY?

Diversity & Inclusion

Best Practices

Paradox of Meritocracy

A professor at Massachusetts Institute of Technology (MIT) Sloan School of Management, Emilio J. Castilla wanted to explore how practices like pay-for-performance and rewarding high performers for their work, plays out in organizations. Castilla conducted his research at a service-sector company, surveying 9,000 employees in support staff roles and their managers. The company surveyed strongly prioritized a merit-driven compensation system as a way to embed equity by compensating all workers based on their performance. The research revealed that despite the organizations commitment to a merit-driven compensation process, women, ethnic minorities and non-U.S.-born employees received smaller increases in compensation as compared to their white, male counterparts. The employees evaluated held the same jobs, worked in the same units, had the same supervisors and most importantly, received the same performance score.

How could a strong value for meritocracy trigger bias?

Emilio J. Castilla teamed up with Stephen Bernard, sociology professor at Indiana University, to design a series of lab experiments to find out if the pursuit of meritocracy somehow triggered unintended bias. Each experiment had the same outcome. Their experiments concluded that managers awarded a larger monetary reward to the male employee than to an equally performing female employee, even if the companies prioritized meritocratic values as a core value. Castilla and Bernard termed their counter intuitive result "the paradox of meritocracy."

How organizations can reduce the gap

The company asked Castilla to recommend practices to help the organization close the pay gap. Castilla recommended introducing transparency and accountability as a way to reduce bias. The company adopted those recommendations and created performance-reward committees to monitor compensation increases and posted average performance rating and pay raise by gender, race, and foreign nationality for each unit. Castilla revisited the organization five years later to see if introducing organizational accountability reduces the gap in rewards by gender, race, and country of origin. Turns out creating transparency and holding managers accountable did indeed eliminate the pay gap and other disparities in key career outcomes for that organization.

Highlights

Despite stating that "performance is the primary basis" for all salary increases, the study found that women, minorities, and those born outside the U.S. needed to "work harder and obtain higher performance scores in order to receive similar salary increases to white male counterparts."

"When organizational decision makers know they will be held accountable for making fair decisions, less bias is likely to occur."

"The introduction of organizational accountability procedures reduced this pay gap and other disparities in key career outcomes such as promotions and terminations in the organization."

SOURCE: Emilio Castilla, "Gender, Race, and Meritocracy in Organizational Careers", Organization Science 26(2):311-333 · April 2015, Emilio Castilla, "Accounting for the Gap: A Firm Study Manipulating Organizational Accountability and Transparency in Pay Decisions."

Reference:

"Inclusion Solutions: Discussing a Diverse Culture is in the Cards," *Lessons Learned Consulting, Inc.*, 2016.