



## **Explaining Income Inequality in San Diego's City Workforce Myths and Inconvenient Truths Regarding the First Major U.S. City Developing a Pay Equity Study**

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### **Summary:**

On March 1<sup>st</sup>, 2021, City of San Diego publicized its first-ever comprehensive [pay equity study](#), documenting gender, racial and ethnic pay gaps among City employees between 2011 and 2019. This groundbreaking study was conducted by an independent data analytics firm, Analytica Consulting after the City under Mayor Faulconer's leadership contracted it in [April 2019](#) for \$250,000. After briefly observing the city gender pay gap at 17.6% in 2019 (18.8% in 2011) and the racial/ethnic pay gap at 20.8% in 2019 (17% in 2011), the study identifies at length four societal factors in explaining the gaps and prescribes action plans tackling each factor. Overall, while income inequalities along racial and gender lines are documented, **the report concludes that factors other than intentional bias or discrimination are at play and thus invalidates the "unequal pay for equal work" hypothesis.**

The 165-page report, lauded as "the most scientifically robust and thorough internal pay equity study any municipality in the United States has conducted to date", has the following major findings:

**1. Occupational sorting (different jobs people hold) is the No. 1 factor behind pay gaps, explain 82% of the racial discrepancy and 67% of the gender discrepancy.**

In other words, "personal choices, societal forces, and differing barriers to entry" largely account for pay gaps. Men and whites are overrepresented in high-paying and high-risk occupations in the city's workforce including police officers and firefighters. On the other hand, women held 83% of lower paying job positions including clerical assistants and administrative aides in San Diego because women were more likely to apply to these jobs, had more relevant experience and were more likely to learn about such job openings. If the city were to eliminate gender and race imbalances in these three categories that skew the statistical findings, it must look beyond factors under the city's control to revamp recruiting processes and diversify the applicant pool.

**2. A "Parenthood penalty" exists to account for 10% of the gender gap and 5% of the racial-and-ethnic gap.**

Specifically, parenthood has a larger effect on women than men among the city's workforce in general: 7.4% (\$6,200) of the non-overtime pay gap for women of color and 4.7% (\$4,100) for white women. To remedy these gaps, the report recommends that the City increase employee benefits and options for mothers and parents of color.



**3. The likelihood of working overtime explains 5% of the gender pay gap and 2% of the racial-and-ethnic pay gap.**

After controlling for “differences in job, tenure, and parenthood status”, the report finds that “the average female employee in 2019 worked 48 fewer overtime hours than the average male employee” and “the average employee of color in 2019 worked 22 **more**

overtime hours than the average White employee”. Before recommending any concrete action plan, the report suggests that the City investigate further into reasons why women “might be volunteering for less overtime than men”.

**4. Different demographics of men and women and demographics of different racial categories explain 5% of the gender gap and 3% of the racial-and-ethnic gap.**

Among these consequential factors, the report finds that “women were 1.51 times more likely to have the first child before 22”, and “men were 1.18 times more likely to be 40-49 years old than women (earning a higher pay than younger age groups)”. In addition, “people of color were 3.74 times more likely to have their first child before age 22 than Whites” and they were generally younger than whites within the entire workforce.

**5. 12% of the pay gaps remain unexplained, unmeasured or unmeasurable.**

While contending that “in the research community, this part of the pay gap is attributed to discrimination”, the report cautions against drawing this conclusion in San Diego before data on all employees’ level of education and performance can be systematically collected.

**Media Portrayals & Public Reception:**

Despite the fact that the Pay Equity Study specifically cautions against generalized solutions and against attributing the pay gaps to “bias” or “discrimination”, various media platforms rushed to generate sensational titles that mystified and perpetuated the “disparity caused by inequity” hypothesis upon the report’s release.

The San Diego Union Tribune published [an article](#) titled “San Diego pays women, workers of color significantly less than white men, study shows”, in which the reporter argues that “discrimination or intentional bias could be responsible for roughly one-eighth of the gender and ethnicity pay gaps that can’t be explained by other factors”. Instead of reporting on the dominant explanatory factor--- “occupational sorting”, SDUT resorted to highlighting the insignificant and inconclusive generalization of discrimination. KPBS used a similar title--- “Study Of San Diego City Employees Finds Women, People Of Color Receive Lower Pay” in its [reporting](#) of the pay equity study, while Fox 5 [reports](#) “City pays women, people of color less, study finds”. KUSI News [reported](#) on the study with a similar title--- “Study of SD City employees finds women, people of color receive lower pay”. While having not stomped to spread falsehoods, media outlets all engaged in selective, click-baiting reporting on the pay equity study, which prioritized half-truths and promoted circumstantial data as foregone conclusions.



On March 3<sup>rd</sup>, San Diego Mayor Todd Gloria [took it to Twitter](#), calling “disparities in compensation for City employees based on gender and race” “unacceptable” and vowing to “ensure fairness for all”. Mayor Gloria’s inflammatory tweet disregards the fact that the report doesn’t identify any direct evidence of unfairness or “deliberate gender or racial bias”. Instead, the study argues that “societal factors that lead to these observed group disparities are largely not in the City’s control.” This false accusation of “unacceptable” unfairness not only conceals the basic truth that **City employees generally receive equal pay for equal work**, but also perpetuates the counterproductive myth that observed discrepancies must be caused by inequity or discrimination.

#### **Insights & Lessons:**

San Diego’s landmark pay equity study concludes with 11 areas of further research, most of which involve practical suggestions for more data collection and more rigorous causal process tracing and none of which advocates for sweeping government resolutions in the direction of “equity” or “fairness”. Unfortunately, these recommendations are not reflected in either media coverage or the City’s official reaction. This attitude to deduce precipitous policy directions from a rigorous yet self-identified preliminary study is reckless.

Currently, California has one of the country’s most robust Fair Pay laws, meaning that the Golden State takes extra care to ensure Californian employers are not paying workers differently based on race, gender or ethnicity. To accommodate the growing pay equity movement, California in 2016 passed [Senate Bill 1063](#) to extend Fair Pay Act protections to prevent race-and-ethnicity pay gap and [Assembly Bill 1676](#) to prohibit employers from using “prior salary” to justify pay disparities. The California Constitution (Article I Section 31 (a)) explicitly bans preferential treatment in public employment on the basis of race, sex, color, ethnicity or national origin.

The San Diego Pay Equity Study also argues:

“(I)f the gender and race imbalances in these roles (police officer, fire fighter, and administrative support) were eliminated, the City’s gender pay gap would disappear, and the racial-and-ethnic pay gap would be almost cut in half.”

But to reduce imbalances in occupational sorting as a result of factors beyond the City’s control, we also need to look beyond the government to identify meaningful solutions to income inequality, a nationwide issue. Educational attainment for different racial groups must be improved: tackling the racial achievement gap should start in K-12 education and at the family and community levels. Encouraging women to take on unconventional and more financially rewarding jobs requires a cultural shift in institutionalizing new gender roles and a societal change to equally support fathers and mothers in early parenthood. The market, educational institutions and our communities should



work to combat these imbalances by fostering competitiveness, innovation and hard work among all individuals.

In short, slow and steady social changes, rather than forceful public mandates, are needed. In all seriousness, past experience and common sense demonstrate what we **SHALL NOT** evoke with a good intention to improve pay equity, namely, government-sanctioned preferences, unmeritocratic group favors, or government overreach. Let us not forget Thomas Jefferson's sound advice on liberty, benevolence, and limited government:

“(A) wise and frugal Government, which shall restrain men from injuring one another, [but] shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.”