Race-based Shifting Standards and Financial Compensation in the Workplace

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Research Question

Does the shifting standards model propose an explanation for the pay gap between white and black employees? More specifically, does employee race effect how much of a raise they will be given, along with the perception of that raise?

Shifting Standards Model

- Shifting Standards Model (SSM) – Shifting judgments of members of a group based on stereotypes of that group[1]
- SSM predicts an assimilation of a stereotype on objective measures, but a contrast to the stereotype on subjective measures, where the stereotype influences the judgment the most
- Example: Participants judged both men and women as subjectively "very tall," but as different objective heights (e.g. inches)[2,] indicating that the woman was seen as "very tall, *for a woman*" [3]

Wage Gap

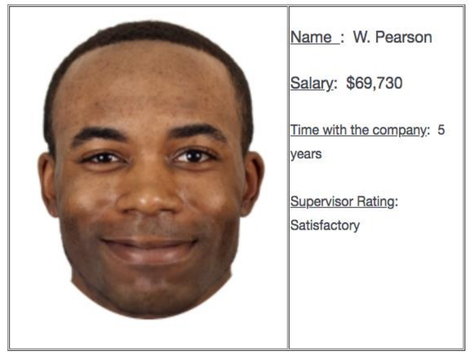
- Race, gender, and class often influence discriminatory practices in the workplace, especially when it comes to compensation[4]
- Black employees are consistently paid less than white employees, even after controlling for different factors like education, age, job type, and geography [5]
- Pay differentials can result when managers hold biases
- In one study, participants gave similar percentage raises to both lower and middle class white employees, but gave lower class black employees a larger percentage raise than black middle class employees[6]
- The shifting standards model could propose an explanation for how black employees are being paid less, or given a smaller raise, than a comparable white employee

Hypotheses

Participants will give the black employee a smaller objective raise, but they will rate that raise as subjectively equal or better than the raise given to the comparable white employee.

Methods

- 2 (Target Race) x 2 (Judgment Type) mixed factors design, with judgment type as a within-subjects factor
- Participants (n = 101)
    - 85% white, 56% male, 57% working (paid employee), 27.9% working (self-employed), 14.5% not working
- Participants saw one employee (either black or white) and descriptive characteristics (name, salary, time with the company, supervisor rating)
    - The employee race was randomly assigned between participants
- Participant was told to imagine they were a Human Resources payroll administration at a medium-size accounting firm, and they were tasked with giving the employee a raise from $0-5000 on a sliding scale (o*bjective question*)
- They then rated the raise they gave the target on an 8-point scale from "No Raise" to "A Very Large Raise" (*subjective question*)
- Participants then selected the characteristics (e.g., salary, supervisor rating, race) that they considered most when giving the employee the raise
- Participants completed the study by answering demographic questions



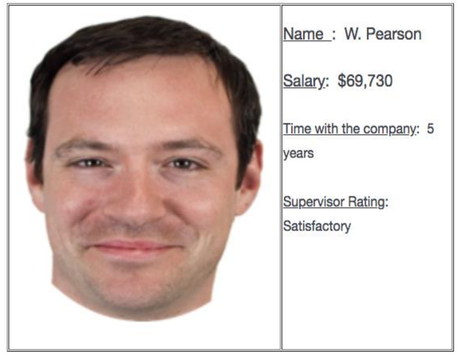
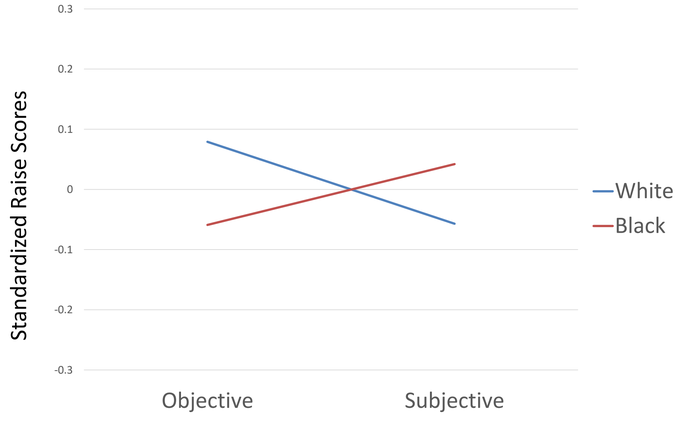


Figure 1: 2 (Target Race) x 2 (Judgment Type) Interaction



Results

- Standardized scores for the objective and subjective responses
- SSM is demonstrated when responses to white and black targets differ on the objective and subjective measures. In this case, white targets should be assigned a larger raise than the black target, even as the subjective evaluations of these raise amounts do not differ or are reversed, with the black target's raise rated subjectively higher than the white target's raise. The 2 (Target Race) x 2 (Judgment Type) interaction was statistically significant, F (1, 89) = 4.650, p = .017 (see Figure 1).
- Statistical analyses show it was also important to consider the information that participants used to make their judgments. Specifically, those participants who reported primarily using the Supervisor Rating to make their judgment (85% of respondents), reported a weaker effect than those not using the rating.

Discussion

- Results showed that when participants were asking to rate two equal employees (one black and one white) on an objective scale, they showed stereotype consistent results, giving the white employee a higher raise amount than the black employee
- When asked to rate those raises on a subjective scale, they were more likely to rate a lower raise amount as subjectively better for the black employee
- These results follow the expectations of the shifting standards model and could help explain the wage gap between black and white employees
- Limitations
    - Modestly-powered study
    - Had only one black and one white employee
- Future directions – have more than one measure for the dependent variable
- Recommendations for businesses

References

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[3] Socioeconomic status is not judged equally: Target race shifts standards in interpersonal judgments of SES
[4] Renzulli et al. (2006). Race, Gender, and the Wage Gap: Comparing Faculty Salaries in Predominately White and Historically Black Colleges and Universities. *Gender and Society, 20*(4), 491-510. doi: 10.1177/0891243206287130
[5] Daly, M., Hobijn, B., & Pedtke, J. (September 2017). Disappointing facts about the Black-White Wage Gap. *Research From the Federal Reserve Bank of San Francisco, 26.*
[6] Weeks, et al. (2007). The role of race and social class in compensation decisions. *Journal of Managerial Psychology, 22*(7), 701-718.