“Gender, Race, and Meritocracy in Organizational Careers”

Emilio J. Castilla, MIT

Abstract:

This study helps to fill an important gap in the literature on organizations and inequality by investigating the central role of merit-based reward systems in shaping gender and racial disparities in wages and promotions. I develop and test a set of propositions isolating processes of performance-reward bias, whereby merit is constructed in the performance evaluation stage, and yet women and minorities receive less compensation for the same performance score. Using personnel data from a large service organization in the United States, I empirically establish the existence of this bias and show that gender, race, and nationality differences continue to affect salary growth after performance ratings are taken into account, ceteris paribus. This finding is important because it demonstrates a critical challenge faced by the many contemporary employers who adopt merit-based practices and policies. Although these policies are often adopted in the hope of motivating employees and ensuring meritocracy in the distribution of rewards, this study shows that organizational policies with limited transparency and accountability can actually increase ascriptive bias and reduce equity in the workplace. I conclude by discussing the implications of my research for the future study of inequality and meritocracy in organizations.