

2023 PAY EQUITY STUDY

Foreword | February 2024

CITY OF SAN DIEGO



Pay gaps are not unique to the City of San Diego, and neither is the study of them. Most notably, the 2023 Nobel Prize in Economics was awarded to Dr. Claudia Goldin for her work dedicated to understanding of key drivers of gender differences in the labor market.¹ Similarly, there exists a large and growing body of research dedicated to understanding racial and ethnic pay disparities in the labor market. Each of these fields of study serve to underscore the importance of measuring, analyzing, and committing to address systemic barriers that women and people of color face in the workplace and the labor market overall.

What is unique, however, is that the City of San Diego has set a standard for how municipalities can play a leading role in addressing this worldwide issue. To the best of the City's knowledge, San Diego is the only municipality to have conducted and published pay equity research beyond basic differences in average pay. No other municipality has determined how much of the pay gap is attributed to occupational sorting, overtime, education, or parenthood. No other municipality has the knowledge that the City has; which means that no other city has the ability to make impactful change like San Diego.

Pay Equity Study Origin

In 2019, the Office of the San Diego City Auditor released a [Performance Audit of City Employee Pay Equity](#). The findings highlighted substantial employee earning disparities along the lines of both race and gender at the City of San Diego (the City). The audit, which was presented to both the Audit Committee and City Council, recommended the City retain a consultant or use qualified City staff to conduct a comprehensive Pay Equity Study every three years.

In January 2021, the City published the first-ever [Pay Equity Study](#) (conducted by Analytica Consulting). Data in the report covered calendar year 2019, as well as some historical data. The report found that the pay gaps between gender and race/ethnicity could largely be explained by occupational sorting, a reliance on overtime, effects of parenthood, and demographics. About 12 percent of the pay gap between groups was unexplained. In 2022, Analytica Consulting was contracted to conduct a second Pay Equity Study that includes data through calendar year 2022. Both studies were independently researched, with project management and accuracy oversight provided by the City's Performance & Analytics Department.

[1] Press release. NobelPrize.org. Nobel Prize Outreach AB 2023. Wed. 11 Oct 2023 <<https://www.nobelprize.org/prizes/economic-sciences/2023/press-release/>>

Major Themes of the 2023 Study

The 2023 Pay Equity Study builds off the results of the original 2020 Pay Equity Study. The goal of the second report was twofold: (1) re-evaluate pay gaps as compared to 2020 and (2) expand research to better understand the root causes of occupational sorting and other pay gap drivers.

The 2020 Pay Equity Study found that occupational sorting accounted for the majority of the pay gaps for both gender and racial-and-ethnic groups. However, the 2020 study did not include any qualitative research to help the City understand *why* employees were sorting into different occupations. The 2023 study added a qualitative research component - in the form of employee surveys and focus groups - to understand what cultural and societal factors may contribute to occupational sorting, overtime usage, and the effects of parenthood.

The 2023 Pay Equity Study found similar themes to the 2020 study and the new qualitative research has added valuable, first-hand information to our understanding of Citywide pay gaps. While the major themes are highlighted below, we encourage readers to refer to the full 2023 Pay Equity Study report to best understand the research.

1. Pay Gaps are Shrinking

Compared to 2019, both pay gaps have shrunk. If we look back to our earliest (2011) pay gap data, the gap in average, non-overtime pay between male and female employees has been closing each year. From 2011 through 2019, the racial-and-ethnic pay gap grew slightly each year; but it has stayed the same or decreased since 2019.

As the City continues to study pay inequities and make internal changes, we expect to see the pay gap continue to close. These studies demonstrate the positive effects of implementing Special Salary Adjustments, improving training and mentoring, reducing the reliance on overtime (for the gender pay gap), and focusing on recruitment and retention.

Five percent of the gender pay gap and seven percent of the racial-and-ethnic pay gap is driven by demographic differences. One component of demographics is age. Younger employees earn less because they have just started their career—and a large part of the youngest City workforce are people of color and women. As the City supports these employees throughout their career, we expect pay gaps related to age to diminish. This should also have a dampening effect on occupational sorting, as women and people of color promote into higher paying jobs.

2. Cultural & Societal Issues Remain

The 2023 Pay Equity Study includes a robust **qualitative research component** made up of **employee focus groups** and **a Citywide survey** to validate or invalidate themes from those focus groups. The Citywide survey collected more than 3,000 responses, and the results are statistically representative of the City's workforce.

The survey revealed some concerning sentiments from City employees related to diversity efforts and gender-related job competency. Some employees expressed doubts about women’s competence in male-dominated roles. Both power dynamics in male-dominated roles and women’s relative discomfort discussing pay likely impact recruitment and retention of women. The City takes these concerning statements seriously and has no tolerance for gender or racial discrimination among employees.

Even as the City tackles the ‘low hanging fruit’ of pay inequity, larger societal issues will likely continue to persist. These issues include, but are not limited to: gendered societal expectations for certain careers, unequal distribution of parenthood responsibilities, and discrimination and implicit bias. Neither the 2020 nor 2023 Pay Equity Studies found explicit examples of gender or racial discrimination. However, some employees reported feeling that discrimination does exist at the City.

Many employees expressed their appreciation for the focus groups because they provided a space to discuss work-related issues team members experience. By conducting qualitative research, the City is shedding light on challenging, uncomfortable, and important issues. The City is working to ensure that implicit bias and other societal pressures do not influence an employee’s career path or employment choice.

Local Government Comparisons

Among the publicly available research on pay equity, the City continues to stand out as a leader. When compared against the Counties of San Diego and Los Angeles, only the City of San Diego median gender wage gap has shrunk over time. The City also outpaces the national median pay gap.

Median Gender Pay Gaps	2018	2019	2020	2021
US Overall	18.8%	18.4%	NA%	18.5%
San Diego County	12.5%	11.7%	NA%	12.5%
Los Angeles County	8.8%	9.8%	NA%	10.4%
City of San Diego	16.3%	15.8%	16.1%	15.5%

There are very few municipalities that publicly disclose their pay disparities. The City of Sacramento is an exception, and has reported its mean gender pay gap from 2016 through 2021. In this time, both Sacramento and San Diego have reduced their mean gender pay gaps; however, San Diego has closed the gap by a larger amount and has maintained a lower gap overall.

Mean Gender Pay Gaps	2016	2017	2018	2019	2020	2021
City of Sacramento	15.5%	14.9%	14.7%	13.9%	15.8%	14.4%
City of San Diego	10.9%	9.9%	8.5%	8.5%	7.3%	6.2%

These tables demonstrate that the City of San Diego is one of very few state or local governments conducting this type of research, and—even when a comparison exists—the City is among the leaders in closing pay gaps. At this time, **there are no available public or private industry comparisons for the racial-and-ethnic pay gap.**

Action Plan for Pay Inequities

Since the *2019 Performance Audit of City Employee Pay Equity*, the City has focused on taking action to reduce, and eventually eliminate, gaps in pay between employee groups.

1. Actions to Address Occupational Sorting Portion of Pay Gaps

In the City, female employees and employees of color are more likely to be in lower-paying roles, contributing to more than 70 percent of gender and racial pay gaps through what is called “occupational sorting.” The City is making strides in reducing occupational sorting; however, these efforts will take time to materialize as new employees, who are early in their career, progress into higher paying and more tenured positions.

We have made immediate improvements in critical areas that drive occupational sorting. The three job categories that drive occupational sorting the most are already on track to reduce their impact on the pay gap. Here is what these departments have done so far:

- 68-77 percent of Police Recruits hired in 2021 and 2022 are people of color, up from 44 percent (2011-2020).
- Fire Recruits hired in 2021 and 2022 were 20 percent female and 78 percent people of color, up from 7 percent and 44 percent 2011-2020 (respectively).
- In 2022, Fire-Rescue budgeted and hired two dedicated recruiter positions to proactively address recruitment shortcomings.
- Starting in July 2023 and continuing through 2026, the City has negotiated multiple pay increases in Municipal Employees Association’s MOU for Administrative Support roles.
- The Human Resources Department is developing a training and development master plan specifically targeted at helping employees progress their career in the City.

2. Actions to Address the Effects of Parenthood on Pay

Both Pay Equity Studies found differences in pay between employees with and without children, especially for women and parents of color. Supporting all employees with children is a priority for City leadership. Since the reports were published, the City has continued to develop employee benefits that directly target the needs of working parents:

- As of Fall 2023, the Office of Youth and Child Success launched a pilot subsidy program to assist with employee childcare costs.
- In early 2024, the Police Department will open its first on-site childcare center for department employees. This childcare center could serve as a pilot project for future City-provided on-site childcare.
- The Office of Youth and Child Success has partnered with the Parks Department to explore the viability of using recreation center space for childcare centers.
- In July 2023, the City expanded paid parental leave by four weeks, to a total of eight weeks.

3. Actions to Address the Reliance on Overtime

An over-reliance on overtime accounts for a six percent of the gender pay gap. Citywide, vacancies and turnover impact all employees through increased workloads and loss of institutional knowledge. The City has undertaken a review of hiring and retention practices and is working to address vacancies, decrease the amount of overtime, and increase retention rates. There has recently been a 4.5 percent reduction in the City's year-over-year vacancy rate; from 17.8% in January 2023 to 13.3% in January 2024. This should result in decreased reliance on overtime and, therefore, smaller gaps related to overtime pay. However, the relationship between vacancy rates and overtime utilization is not yet proven; going forward, City leadership is committed to closely monitoring overtime utilization and vacancy rates.

The recent *Performance Audit of the City's Classified Employee Hiring Process* (July 2023) has identified some sources of slow hiring at the City -- this contributes to extended vacancies, a reliance on overtime, and burnout/poor retention among staff. The audit recommendations and management response can be found [here](#).

- A consultant-led review of the Classified hiring process kicked off in February 2024. The goal of this review is to identify bottlenecks to efficient hiring and onboarding at the City, and to find ways to modernize the hiring process.
- The first audit recommendation (*The Chief Operating Officer should designate a central point of oversight and coordination for hiring departments' hiring of classified employees.*) has been completed. The Human Resources Department created and filled a Talent Acquisitions Program Manager position that is tasked with these responsibilities.

4. Actions to Address Unexplained Portion of Pay Gap

Eleven percent of the gender pay gap and 16 percent of the race/ethnicity pay gap remains unexplained. Since the 2020 Pay Equity Study, the City has worked to close these data gaps and allow for a clearer picture of pay inequity at the City.

- The Department of IT and Human Resources Department worked together to add an option for employees to report their level of education and veteran status. These important data points were missing from the 2019 Study.
- The Department of Race and Equity will conduct implicit bias training for City employees and has already trained all department management on how to ensure equity is reflected in budget decisions. A Citywide Equity Challenge is launching in April 2024.
- To reduce the chance of bias, Human Resources is exploring the costs and benefits of utilizing an independent third party for the promotion process Citywide.

Conclusion

Being at the forefront is difficult. Much of the available research on pay equity exists in a largely academic space; translating academic recommendations into actual, implemented policy takes creativity, effort, and persistence. Change comes slowly. At the City, leadership is committing to navigating this new space to best support our employees and to pave the way for other municipalities to follow.



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