



Jeff Doolittle - 4 min read

Understanding Equity in Business



The most commonly used definition for equity in business relates to financial investments, such as the value of shares in a company or the amount of mortgaged property. The word “equity” is starting to be more widely used outside of finance departments, but its meaning is not well understood. This article uses the ethical meaning of equity.

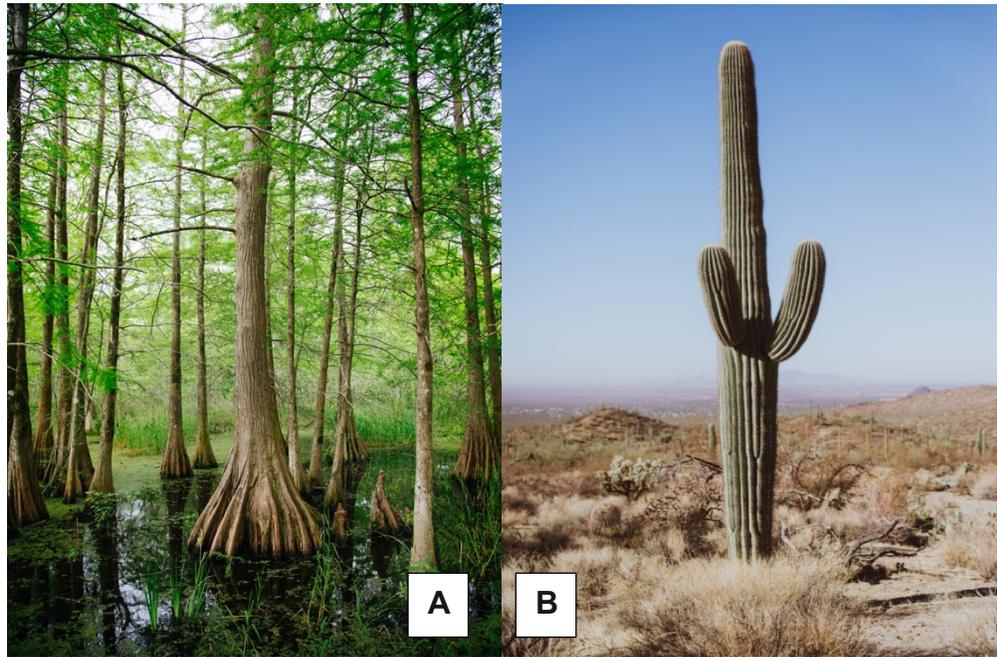
Often equity and equality are confused and used interchangeably in conversations. Part of that confusion can be traced back to both terms originating from the Latin word for fair and even.¹ Equality is defined as a lack of difference. It is often considered the goal for moral, judicial, economic, and political systems. Understanding what is equal in most situations is much more straightforward than understanding what is equitable. However, what is equal is not necessarily fair. Equity is defined as fairness and freedom from bias or favoritism. An equity equation created by Aristotle specifies that the connection between contribution and rewards should be the same for all people. In his writings on *Nicomachean Ethics*, Aristotle suggested that equity is moral behavior that doesn't exist without justice. He continues that equity with justice is better than justice without equity.²

¹ Loeffler, I. (2006). Let's be fair about equity and equality. *BMJ*, 332(7543), 735-735. doi:10.1136/bmj.332.7543.735-a

² Pakaluk, M. (2005). *Aristotle's nicomachean ethics: An introduction*. Cambridge: Cambridge University Press. doi:10.1017/CBO9780511802041

Equity vs. Equality Conceptualized

An easy way to consider fairness versus equality is to think about two different kinds of plants. A desert variety plant (B) will need less water than a wetland plant (A). While both plants need sun, water, and soil to grow, the ideal types and amounts vary across plants' species. Giving equal amounts of sun, water, and dirt can slow growth for both plants and is not equitable.



INEQUITY IN BUSINESS

Inequities in business are more than moral failures, legal risks, or social concerns, they are business value and survival matters. The inequities in business impact employment opportunities, leadership roles, and wages. Business leaders play an instrumental role in creating and ensuring equity in the workplace.

Employment Opportunity Inequity

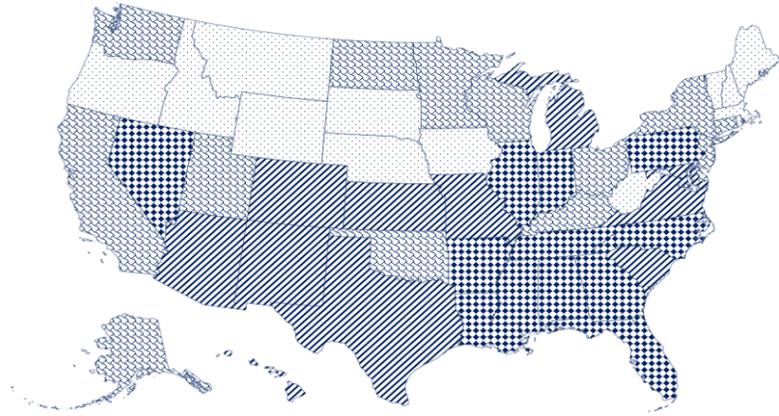
Discrimination based on race, ethnicity, national origin, gender, age, disability, gender orientation, and other characteristics negatively impacts employment opportunities for traditionally omitted groups.³ U.S. federal and state laws define requirements for a highly structured interview process, and training to control the negative impact of bias. Yet businesses still fail to create equity in employment opportunities. In 2019 the U.S. Equal Employment Opportunity Commission received claims that totaled over 72,000.⁴

³ Bendick, M., & Nunes, A. P. (2012). Developing the Research Basis for Controlling Bias in Hiring. *Journal of Social Issues*, 68(2), 238-262.

⁴ Source: eeoc.gov

U.S. Equal Employment Opportunity Commission (EEOC) – All Charge Data

**Charge Receipts per 10,000 Population* by State
FY 2019**



 <= 1.35
  > 1.35 to <= 4.10
  > 4.10 to <= 5.60
  > 5.60

| States | Number of Charges / 10,000 Population | States | Number of Charges / 10,000 Population |
|----------------------|---------------------------------------|----------------|---------------------------------------|
| Alabama | 9.5 | Montana | 0.7 |
| Alaska | 1.6 | Nebraska | 1.1 |
| Arizona | 5.4 | Nevada | 6.1 |
| Arkansas | 8.8 | New Hampshire | 0.7 |
| California | 2.2 | New Jersey | 3.1 |
| Colorado | 4.5 | New Mexico | 4.2 |
| Connecticut | 1.5 | New York | 3.2 |
| Delaware | 4.1 | North Carolina | 6.8 |
| District of Columbia | 14.1 | North Dakota | 1.7 |
| Florida | 6.2 | Ohio | 4.1 |
| Georgia | 9.6 | Oklahoma | 4.1 |
| Hawaii | 4.7 | Oregon | 0.9 |
| Idaho | 0.5 | Pennsylvania | 6.6 |
| Illinois | 5.9 | Rhode Island | 1.2 |
| Indiana | 5.7 | South Carolina | 4.3 |
| Iowa | 1.2 | South Dakota | 1.1 |
| Kansas | 5.2 | Tennessee | 7.5 |
| Kentucky | 3.3 | Texas | 5.5 |
| Louisiana | 6.0 | Utah | 1.5 |
| Maine | 0.5 | Vermont | 1.1 |
| Maryland | 5.4 | Virginia | 5.2 |
| Massachusetts | 1.0 | Washington | 3.0 |
| Michigan | 4.8 | West Virginia | 1.1 |
| Minnesota | 2.3 | Wisconsin | 2.9 |
| Mississippi | 9.5 | Wyoming | 1.2 |
| Missouri | 4.9 | Puerto Rico** | 2.6 |

*2017 American Community Survey (ACS) population estimates by state – 16 Years and Older, Civilian Labor Force used as denominator - https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_5YR_DP03&src=pt

**Puerto Rico – Included in table, but not on map.

***Charge data includes all charges filed by individuals in the private sector and state and local government workplaces; it does not include discrimination complaints in the federal sector.

****For all definitions of terms please go to: <https://www.eeoc.gov/enforcement/definitions-terms>.



Leadership Opportunity Inequity

Part of the business case for equity in leadership opportunity is that diversity is connected to increased profitability. In 2017 S&P 500 companies with gender diversity at the board level outperform rivals by 1.91%, translating to a \$567 billion opportunity cost.⁵ In the United States, almost 47 percent of the workforce is women.⁶ However, few women are in senior executive leadership positions. Also, women fail to advance at the same rate as their male counterparts, often referred to as the discriminatory glass ceiling.⁷ The table below reflects the 2020 corporate leadership pipeline, adapted from a large-scale study of more than 250,000 workers and 600 American companies.⁸ This

⁵ Laberberg, R. (2015). The value of diversity: Women in business. *Grant Thornton*. [https://www.grantthornton.global/en/insights/articles/diverse-boards-in-india-uk-and-us-outperform-male-only-peers-by-us\\$655bn/](https://www.grantthornton.global/en/insights/articles/diverse-boards-in-india-uk-and-us-outperform-male-only-peers-by-us$655bn/)

⁶ DeWolf, M. (2017). 12 stats about working women. *U.S. Department of Labor*. <https://blog.dol.gov/2017/03/01/12-stats-about-working-women>

⁷ Vinkenburg, C. J., van Engen, M. L., Eagly, A. H., & Johannesen-Schmidt, M. C. (2011). An exploration of stereotypical beliefs about leadership styles: Is transformational leadership a route to women's promotion? *The Leadership Quarterly*, 22(1), 10-21. doi:10.1016/j.leaqua.2010.12.003

⁸ Thomas, R., Cooper, M., Cardazone, G., Urban, K., Bohrer, A., Long, M., Yee, L., Krivkovich, A., Huang, J., Prince, S., Kumar, A., & Coury, S. (2020). Women in the workplace [PDF]. *McKinsey & Company and LeanIn.org*. https://wiw-report.s3.amazonaws.com/Women_in_the_Workplace_2020.pdf

table represents the percentage of employees by gender and race at each organizational level.

| Demographic | Entry Level | Manager | Director | VP | SVP | C-Suite |
|-----------------------|-------------|---------|----------|-----|-----|---------|
| White Men | 35% | 44% | 57% | 57% | 59% | 66% |
| Men of Color | 18% | 18% | 15% | 13% | 13% | 12% |
| White Women | 29% | 26% | 25% | 24% | 23% | 19% |
| Women of Color | 18% | 12% | 6% | 6% | 5% | 3% |

Note: Corporate leadership pipeline percentage by gender and race adapted from the Women in Workplace 2020 Report.

Wage Inequity

The American dream is that everyone has the right to pursue prosperity according to their ability and achievement. Controlling for education, experience, metro status, and region of residence in the United States, black men earn 88 percent of what white men make, and black women earn 66 percent of white men.⁹ According to research, up to 38 percent of wage inequity is unexplained by observable data. Researchers attribute much of the difference to discrimination or gender occupation stereotyping.

Changes are needed to improve employment, leadership, and wage equity in business. Although modern companies place a significant emphasis on preventing ethical failures such as those connected to inequity, they still transpire. Business leaders and policymakers need to take a more comprehensive approach to understand equity challenges and make improvements.

U.S. gender wage inequality measured by race and ethnicity

U.S. wage inequality calculations by gender, race, and ethnicity, using hourly, weekly, and annual wage data, 2015

| | Hourly wages | | Weekly wages | | Annual wages | |
|-------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|
| | Compared to white men | Compared to same race/ethnicity | Compared to white men | Compared to same race/ethnicity | Compared to white men | Compared to same race/ethnicity |
| White women | 81.0% | 81.0% | 80.8% | 80.8% | 75.3% | 75.3% |
| Black women | 61.9% | 86.7% | 66.8% | 90.4% | 63.3% | 88.1% |
| Latinas | 57.1% | 85.7% | 61.5% | 89.7% | 54.4% | 87.2% |
| Asian women | 85.7% | 75.0% | 95.3% | 77.7% | 84.5% | 78.3% |

Sources: U.S. Bureau of Labor Statistics, Highlights of women's earnings in 2015 (Department of Labor, 2017), available at <https://www.bls.gov/opub/reports/womens-earnings/2015/home.htm>; Ariane Hegewisch and Asha DuMonthier, "The Gender Wage Gap: 2015 Annual Earnings Differences by Gender, Race, and Ethnicity" (Washington Institute for Women's Policy Research, 2016), available at <https://iwpr.org/wp-content/uploads/wpallexport/files/iwpr-report/publications/C446.pdf>; Eileen Patten, "Racial gender wage gaps persist in U.S. despite some progress" (Washington: Pew Research Group, 2016) available at <http://www.pewresearch.org/fact-tank/2016/07/01/racial-gender-wage-gaps-persist-in-u-s-despite-some-progress/>.



⁹ Glynn, S. (2018). Gender wage inequality [PDF]. *Equitable Growth*. <file:///Users/jeffdoolittle/Downloads/040918-pay-inequality2.pdf>