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Christopher I. Rider
Elizabeth Choi
Yena Kim

The Quest for Gender Pay Equity at Elemental Systems

"The numbers seem off," thought Dani Perez, chief equity analyst at Better Analytics,[i] after reviewing Elemental Systems' most recent Binary Gender Pay Report. In 2022, Elemental's men employees were paid $220,497 on average while women employees received an average of $217,559. The difference in pay was not statistically significant, so it appeared that the enterprise software company did not have a gender pay gap. Perez, however, was not feeling "mission accomplished" for Elemental Systems.

Perez labored to reconcile the pay report with their personal observations of the company. After being retained by Elemental Systems at the beginning of 2023, Perez embarked on an employee engagement tour of Elemental's four divisions: Air, Earth, Fire, and Water. During the tour, employees voiced numerous concerns about gender pay disparities. Why, Perez thought, were those disparities not evident in the pay gap report? There was surely more to this story.

As with other startups that scaled quickly, Elemental's diversity, equity, inclusion, and accessibility (DEIA) strategy and its people analytics capabilities were still works in progress. The people operations team consisted of just two people: Vice President of People Analytics Eman Khan and equity analyst Sadiq Okafor. Elemental's general counsel had advised Khan to outsource the analysis to Better Analytics, to protect the company from any unintended disclosures or other legal liabilities associated with the results. Khan and Perez, therefore, worked closely with Elemental Systems' law firm to conduct the pay equity audit. Khan provided Perez with pay data for all of Elemental's 5,000 employees. Okafor provided employee demographic data in a separate file. Only Perez and their staff handled the full data set.

Perez again reviewed Elemental's data (see **Exhibit 1** for a description; the actual data is available in a supplemental Excel file that accompanies this case), as well as the transcripts from the employee interviews. As Perez highlighted employee quotes that might inform the analysis, they wondered: Did the company-wide average pay comparison mask gender pay inequities across Elemental's four divisions?

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[i] Both Better Analytics and Elemental Systems are fictional companies.