

Evaluation of Compensation Data Collected Through the EEO-1 Form

Using EEO-1 Pay Data to Assist Employers' Self-Assessment

The U.S. Equal Employment Opportunity Commission (EEOC) has statutory authority to enforce pay equity. Employers are important partners in this endeavor, and self-assessments can play a key role. Through employer self-assessments, EEOC and employers can work cooperatively to identify pay discrepancies, address inequities, reduce enforcement burdens, and improve timely resolution of identified problems. Employer self-assessments can also assist employers to act proactively to improve their compliance and general ethical business practices.

This issue brief focuses on how newly collected pay data through the EEO-1 annual survey of private employers (known as Component 2) could be used to support employers' self-assessment and thereby pay equity. It is one of several issue briefs resulting from a study by a panel of the National Academies of Sciences, Engineering, and Medicine to examine the quality of EEOC-1 pay data and provide recommendations for future data collection efforts.

FINDINGS

The panel's examination of the quality of Component 2 data for employers' self-assessment found important deficiencies in the data collected:

- Pay is measured as W-2 Box 1 in EEO-1; as a recent court ruling found, this is not as complete a measure of pay as total compensation (W-2 Box 5).

- Occupation categories do not reflect the current workforce.
- Both occupational categories and pay bands are very wide, and so only permit very broad analysis of raw pay gaps. Employers indicated to the panel they want to conduct pay gap analysis using more detailed measures of both.
- Key employee characteristics, such as education, job tenure, and other measures of skills and knowledge are not included in the EEO-1. These measures are often the source of legitimate differences in pay. Employers indicated they want to take these factors into account when conducting their analyses. Because these data are not collected, employers cannot make meaningful comparisons to their peers within an industry and a geographic area.

The issues identified in first three bullets could be partially addressed by refining existing measures in the Component 2 questionnaire, though it would be difficult to address the full diversity of occupations using the current tabular format.

Addressing the issue described in the fourth bullet would require data not previously collected in the EEO-1. Additionally, collecting data that allows for so many combinations of employee characteristics in the tabular

format used to date would become excessively long, and therefore would require a different data structure. Collecting the data at the individual employee level would result in a much simpler questionnaire format, while also making the data more useful to EEOC and employers. The data could be anonymized to protect confidentiality.

The panel concluded that the lack of detail and relevant measures limit the utility of EEO-1 pay data for employer self-assessment.

RECOMMENDATIONS

The panel's report offers several recommendations to EEOC to improve the usefulness of EEO-1 pay data for employers' self-assessments. Implementation of these recommendations, as well as others detailed in the panel's full report, will also improve the quality of EEOC data for other purposes. The panel notes that some of these measures, such as age, education, and job tenure, are commonly included in human resource systems. Still, all new data collection efforts require testing, both to enhance accuracy and minimize burden, and the panel recommends testing all new measures before adoption for future pay data collections.

EEOC should collect W-2 Box 5 data to measure total compensation, instead of W-2 Box 1 data.
[Recommendation 3-3]

If EEOC continues to collect pay data in bands, narrower pay bands should be adopted, and the number of bands should be expanded for top earners to better capture variation in pay. [Recommendation 3-4]

EEOC should develop, test, and (if found acceptable) implement modifications to the Component 2 instrument to collect individual-level employee pay data, which reflects employers' current reporting practice to state and federal agencies. EEOC's transition

to individual-level pay data should be informed by the Occupational Employment and Wage Survey instrument and protocol. Field testing should estimate respondent burden relative to alternative methods and assess confidentiality protections to be applied.
[Recommendation 3-7]

EEOC should adopt the Standard Occupational Classification system for classifying occupations to provide greater precision for comparisons of similarly situated employees. To limit respondent burden, EEOC should explore established, improved data systems for occupational coding of individual-level job titles, such as those used by the Bureau of Labor Statistics' Occupational Employment Wages Statistics collection.
[Recommendation 3-8]

EEOC should work with employer groups and federal data collection agencies to explore ways to collect individual-level data, such as education, job experience, and tenure, which will support detailed pay-disparity analyses and employer self-assessments.
[Recommendation 3-11]

EEOC should strengthen consultation and data sharing with the public, and with federal and state employment data collection agencies. To do so, EEOC could consider joining the Federal Committee on Statistical Methodology's Committee on Data Access and Confidentiality, to discuss modern methods to improve data access while protecting against disclosure. EEOC could consider designating its Office of Enterprise Data and Analytics as a federal statistical unit to collect, report, and protect data in anonymized format for research purposes (including employer self-assessment), while targeted investigations for enforcement purposes proceed as a separate data activity. [Recommendation 8-2]

PANEL ON THE EVALUATE THE QUALITY OF COMPENSATION DATA COLLECTED FROM U.S. EMPLOYERS BY THE U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION THROUGH THE EEO-1 FORM **William M. Rodgers III** (*Chair*), Federal Reserve Bank of St. Louis; **Paul P. Biemer**, RTI International; **Lisa Catanzarite**, UNITE-LA and Associate of Chamber of Commerce Executives; **Siwei Cheng**, New York University; **Rebecca Dixon**, National Employment Law Project; **Lisette Garcia**, The Pennsylvania State University; **Claudia Goldin**, Harvard University; **Judith K. Hellerstein**, University of Maryland; **Elizabeth Hirsh**, University of British Columbia; **M.V. Lee Badgett**, University of Massachusetts; **Kristen M. Olson**, University of Nebraska-Lincoln; **Donald Tomaskovic-Devey**, University of Massachusetts; **Valerie Rawlston Wilson**, Economic Policy Institute

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FOR MORE INFORMATION

The Issue Brief was prepared based on the Consensus Study Report *Evaluation of Compensation Data Collected Through the EEO-1 Form* (2022). Copies of the Consensus Study Report are available from the National Academies Press at www.nap.edu. Recordings of the workshops organized by the committee are available on the National Academies website at <https://www.nationalacademies.org/our-work/panel-to-evaluate-the-quality-of-compensation-data-collected-from-us-employers-by-the-equal-employment-opportunity-commission-through-the-eeo-1-form>.

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