Self-managed teams lead to much lower pay for women

July 9 2019, by Jill Young Miller

Credit: AI-generated image (disclaimer)

As companies trim their hierarchies and form teams of employees to manage themselves, researchers from Olin Business School at Washington University in St. Louis are sounding warning bells.

Inequity "is likely to be a significant problem"—especially for women, who made one-fourth less than their male counterparts in a new study of self-managed teams. The study found that women "consistently receive bargaining outcomes below their productivity level, while men are consistently overcompensated."

The study, "Peer Bargaining and Productivity in Teams: Gender and the Inequitable Division of Pay" is forthcoming in the journal Manufacturing & Service Operations Management. It was written by Lamar Pierce, professor of organization and strategy and associate dean of the Olin-Brookings Partnership; Dennis J. Zhang, professor of operations and manufacturing management; and Laura W. Wang of the University of Illinois at Urbana-Champaign.

Zappos, Google, Facebook and others have adopted self-managed teams, which are designed to boost productivity, offer flexibility, attract young people and foster creativity. Ideally, they allocate tasks based on employees' strengths and then assign rewards—equitably—based on their contributions.

But how well do the teams actually work?

"Inherently, they aren't as awesome as people think," Pierce said.

For 50 months, Pierce, Zhang and Wang studied productivity and bargaining traits in a service operation setting: a chain of 32 large beauty salons with 932 workers in China. About half (54 percent) of the workers were men.

They found that the men consistently extracted "advantageous bargaining values from their female coworkers, despite having no observable productivity advantage."

In fact, women in the sample earned at least 24 percent less than their equally productive male counterparts.

That gender pay gap is larger than the pay gaps found in places with hierarchical management structures. A 2005 study found a gap of 10 percent in Asia and larger inequities in the United States and Europe.

The new evidence on self-managed teams has implications for U.S. organizations.

"You see these dynamics playing out in Silicon Valley all the time. You see them playing out in academia," Pierce said.

"Social interactions between men and women have consistencies across culture, across economic class, across age," he said. "Show me the culture where women don't tend to get worse negotiation or bargaining outcomes."

"'Stuck with a bunch of overpaid men'

A combination of higher "prosociality" and lower bargaining power in women most likely explains the 24 percent wage disparity, the researchers reported. Prosocial behavior includes feeling concern for others and acting to benefit them.

When the workers divided their own team-based compensation, women were severely underpaid for their productivity. Consider this: Women were the top salespeople in the beauty salons, and those women took home only the median wage.

"This is really bad because they're going to leave, and when they leave then the company is going to be stuck with a bunch of overpaid men," Pierce said.

The researchers compiled data from three sources between April 2009 and May 2013: Point-of-sale from each salon, which included every service and card-for-service transaction; the internal human resource system that included the commission paid to each worker for each transaction; and detailed demographic information of each worker in those transactions.

They found that gender "strongly predicts" under- or overcompensation relative to productivity. Men made up a disproportionate number of highly paid yet unproductive workers. Women overrepresented "star employees" with poor bargaining outcomes.

The researchers used a previously proven algorithm to confirm gender as the strongest predictor of bargaining outcomes.

Out of sight, out of mind

Pierce emphasized that self-managed teams can work well—with clear guidelines in place. The study highlights how important it is to monitor and enforce pay equity in self-managed teams. After all, those teams assign tasks, responsibilities and rewards for teammates.

"Because this design decision effectively puts inequity 'out of sight for the manager,' it may also put this inequity 'out of mind,'" the researchers wrote. But that doesn't abdicate a manager's responsibility to stem bias and discrimination. One solution is to set up formal rules for the assignments of tasks and rewards, the findings suggest.

"Do you have safeguards in place to ensure that the person who gets all the credit, who gets the rewards, who gets the best task is not simply the one who bargains the best or bargains the most aggressively?" Pierce asked.

The research findings also imply that firms could cut costs by replacing overpaid workers. And the findings show that good workers who are underpaid lose motivation—and often leave.

"Managers must anticipate and mitigate this gender-based inequity," the researchers wrote. That's because it is an operational performance issue. And "because of the myriad of productivity, retention and ethical implications that can result from peer-based bargaining."

More information: papers.ssrn.com/sol3/papers.cf … ?abstract_id=3123915

Provided by Washington University in St. Louis