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How Banks Can Do More to Address the Gender Pay Gap

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It is time for financial institutions to realize that focusing on pay equity is not enough. Organizations must broaden their perspectives on diversity and inclusion (D&I) to focus on the more complex issue of pay gap. To date, the industry has shown variable—and for the most part lackluster—interest in this strategic imperative.

In a recent survey of more than 70 financial institutions, over 50% reported that diversity and inclusion (54%) and gender pay equity (59%) were important priorities, while just under 50% reported closing the gender pay gap (46%) as an important priority. This is troubling when you consider that 70% of respondents in other industries in the same survey had these issues listed as a high or important priority. In an industry where 60% of the workforce is female and only 36.5% of executive/senior level positions are occupied by women, banks should be asking "Why this is happening and how can we fix it?"

Pay equity is straightforward. It's the law and demands equal pay for comparable work. Statistical studies can be conducted, resulting in determinations and actions to be taken. Financial institutions are actively engaged in addressing pay equity. More than 60% of financial institutions responding to the survey formally assess their gender pay equity internally. Diversity and inclusion and the gender pay gap are much more complex issues and are not easily addressed. Fewer than 20% of financial institutions surveyed have a formal diversity and inclusion program and only about one quarter have a view of the gender pay gap. It may be due in part to the complexity of these issues that most financial institutions have limited policies, processes, and structures in place that support D&I. Here are some additional alarming results from the financial industry in our survey:

- Just 7% have a process in place to increase female representation in management and/or executive positions;
- Less than 20% take action to increase diversity when recruiting (4% for institutions under $1B and 27% over $1B);
- Only 10% indicate they are taking action to increase diversity when promoting employees; and
- Only about 16% indicate that they measure D&I outcomes.

Financial institutions need to begin their journey to close the pay gap by first understanding the basic concept and then explore the underlying causes. For the most part, the pay gap is not an intentional discrimination issue. While it's the median of women's pay compared to the median of men's pay (often described as women earning 80% of what men earn), the causes are subtle and have their roots in societal expectations around women's roles in the workplace. The issue is less about pay equity and more due to representation in leadership positions, career sorting, career disruption, and unconscious bias.

Here are some concrete steps that financial institutions can take to get at the systemic causes contributing to the pay gap:

- **Have the Board Set the Tone**: With greater gender diversity on boards, there are more voices of experience around the opportunity gap and potential solutions.
- **Focus on Hiring and Retention:** Analyze hiring and promotional processes and ensure your assessments do not have built-in bias (e.g., job descriptions/postings that use “male” oriented terms such as aggressive, competitive, and dominate). Make diversity in recruitment a priority, which can help create a level playing field at the hiring stage.
- **Offer Specific Developmental Opportunities:** A formal process to increase female representation in management and executive positions sends a strong signal that the issue is taken seriously, as do internal training and development programs that are specifically gender oriented.
- **Leverage Promotion Cycles:** Presenting a more diversified slate of candidates for leadership hires and promotions with at least half the slate being female will increase the probability that a women or minority will be selected.
- **Audit HR Policies:** There are numerous opportunities to improve family leave. Keeping women connected during their maternity leave to facilitate a positive decision to return to work and developing performance review policies that allow for those who take any type of family leave to stay on same cycle as their colleagues can have positive effect on the gap. At a minimum, ensure policies that affect working families do not have any unintended consequences and address any overt issues that may exist currently.

Measuring the change you seek—greater gender diversity—will signal priority for this issue. When it comes to measuring what is said to matter, our survey found that only 16% of financial institutions measure D&I program outcomes. Measuring and holding leadership accountable for improvements sends clear signals to the organization at large that diversity and gender pay issues are priorities.

The hurdles for closing the gender pay gap in financial institutions appear large and daunting. Given our survey responses and broader research on this issue, it may seem impossible. Do not let that hinder you! The solutions are out there for financial institutions and the workforce has just the right mix—over 60% of the workforce is female—that allows you to look at the problem through a lens of opportunity. Think creatively and strategically about how to increase the representation of women in higher level leadership roles and into functions that historically paid a premium for talent. Now you know—go forth and fix!

About the Authors

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