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Closing the Gender Pay Gap: The Long and Winding Road

Organizations are increasingly under pressure to pay attention to and fix gender pay issues. In a recent Pearl Meyer survey of more than 250 public, private, and not-for-profit organizations, more than half indicate that diversity and inclusion (66%), gender pay equity (62%), and closing the gender pay gap (53%) are important priorities. All are important, but pay equity, which is legally mandated and requires equal pay for comparable work, is relatively straightforward. Diversity and inclusion and the gender pay gap, which are inexorably linked, are multi-faceted, complex issues without a single, near-term solution.

Understanding what the gender pay gap represents is the first step in understanding how to close it. Unfortunately, many media stories present the gender pay gap as a discrimination issue (i.e., women aren't paid the same as men for the same job). The often-reported statistic that a woman earns 80 cents for every dollar that a man earns has not generally come about due to pay equity issues, but more due to representation in leadership positions, career sorting, career disruption, and unconscious bias.

While the percent of women in management positions has increased dramatically over the past 20 years, there is still a significant representation gap. Consider this: females make up 47 percent of the overall US workforce (according to the Department of Labor), yet just 29 percent are in executive and senior leader roles[1]. That's a whopping gap of over 16 percentage points. It's this difference in representation that contributes significantly to the overall gender pay gap.

Research has shown that career sorting represents almost half of the overall gender pay gap. In many cases, it begins early on with the careers that men and women have historically gravitated toward—a concept we'll refer to as gender sorting. One very illustrative example of gender sorting in our survey shows that women are much more highly represented in lower-paying, service-oriented fields (financial services 60.6%, healthcare 57.5%) as compared to higher paying STEM fields such as is in the industrials/materials (26.2%), energy/utilities (26.2%) and technology (36.2%) industries. And, the pipeline for these skills is not changing: only 32% of college graduates in the STEM fields are women[2].

As careers progress, women's compensation begins to lag due to career interruption. A greater proportion of women versus men take time off to deal with family matters (both child-care and elder-care). This can result in taking extended time away from work or

reduced work hours.

Finally, compounding all these challenges, we continue to find unconscious bias (versus overt discrimination) in hiring practices, such as adjectives used on job advertisements, differences in developmental and promotional opportunities, differences in size and scope of roles, bias in role expectations (e.g., women often asked to be the note-taker, plan work gatherings), and the list goes on.

So, where does this complexity, combined with the fact that organizations say this is an important priority, lead us? We do see mixed messages. It is acknowledged as important, and our survey data shows that importance increases with firm size; however, organizations are generally not doing a great deal to address the gap. While some are creating policies, programs, and/or processes to address the issues, for many the non-action simply prolongs and possibly exacerbates the problem.

What are the levers companies can use to impact the pay gap? Fortunately, opportunity exists at every point in HR's engagement with employees.

1. Hire and Retain a More Diverse Workforce: In our survey, only 34% of firms are taking action to increase diversity when recruiting (although this number jumps to 60% at organizations with revenue of $10b and higher) and training hiring managers to remove unconscious bias and create an inclusive environment is only being utilized at 33% of organizations. Being mindful of diversity in recruitment and creating level playing fields at the hiring stage are fundamental areas for change. Ensure that hiring and promotional processes use assessments that do not have built-in bias, for example eliminating job descriptions/postings that use "male" oriented terms such as aggressive, competitive, and dominate, which tend to attract and reward more males than females. Once onboard, ensure the culture of the organization welcomes and embraces diversity, creating a sense of inclusion and belonging.
2. Provide Developmental Opportunities: We found the gap in overall workforce representation for females and the percentage of women in executive/senior level roles to be over 16 percentage points, with the gap getting bigger as you move up the organizational levels. We also found that only 14% of organizations said that they had a formal process in place to increase female representation in management and/or executive positions and 15% have internal training and development programs that are specifically gender oriented.
3. Maximize Promotional Opportunities: Even with such a large representation gap at executive and senior level management positions, our survey found few firms that were taking actions to increase diversity when promoting employees—only 23% responded affirmatively. When asked what approaches they are taking to increase diversity when promoting employees, only 13% of organizations responded that they require a diverse candidate on the slate for all positions. This is a clear area for impactful change. Organizations can and should focus on generating a more diversified slate of candidates for leadership hires and promotions with at least half the slate being female. With lower percentages in the slate of candidates, the probability of selecting a female is low.

4. Examine HR Policies: Leave of absence policies can have a dramatically negative effect on women as they take maternity leave and then contemplate return to the workforce. Skipping performance reviews and merit increases due to being on leave during this phase of the performance/increase cycle can put pay behind and returning to part-time roles that tend to be less highly valued can also have a chilling effect on career and future promotions. Putting practices in place to keep women connected during their maternity leave can facilitate a positive decision to return to work and not take an “off ramp” or pause in their career. Countries that have more generous leave and flexible work policies tend to have a lower pay gap percentage. For example, Denmark and Norway have reported gender pay gaps of 6% and 7% respectively[3] and are among the Nordic countries that have adopted more family-friendly and flexible work policies. While no one company is likely to approach these numbers quickly, companies should at a minimum closely examine their current policies that affect working families and attempt to uncover any overt issues that may exist.

Getting to single digit pay gap numbers is a longer-term fix and in many cases beyond the efforts of a single company, requiring a broader societal change to truly make headway. A few of the many potential solutions for the closing the leadership representation gap include actions such as:

- Lead from The Top: Increasing gender diversity on corporate boards will diversify and expand the boards’ thinking around gender opportunity gap issues.
- Help Build the Pipeline of the Future: Partner with schools, universities, and organizations that focus on bringing females into traditionally male-dominated fields of work such as STEM and coding. Provide internships and/or shadow opportunities.
- Root Out Unconscious Bias: Avoid unconscious stereotyping around women’s roles in the workplace, such as:
    - Making behavioral assumptions—using masculine-gendered words in job descriptions such as competitive, assertive, and aggressive;
    - Unequally assigning “workplace housework”—setting up meetings, taking notes, planning office parties, and restocking printer paper;
    - Avoiding gender-segregated social events outside of work—women are often not included in opportunities to play sports, watch games, or get together for a drink; and
    - Demonstrating interpersonal etiquette—research has shown that when speaking, women are interrupted far more often than men; allow women to voice thoughts and ideas without interruption.

The first step to fixing the gender pay gap is to recognize that it is a problem and set goals for improvement. What gets measured gets attention. Our survey found that only 32% measure D&I program outcomes and just a small portion include these outcomes in incentive plans for the CEO (13.7%) or CHRO (17.8%). Measuring and holding leadership accountable for improvements signals to the organization at large that these issues are a priority.

Closing the gender pay gap will require long-term, well thought-out strategies and changes in cultural thinking about women in the workplace. This is not for the faint of heart;

however, the payoffs can be huge in terms of a company's bottom line. Does your organization have the desire, stamina, and mindset to solve the pay gap? Are you prepared for the long and winding road? The opportunity is there—go after this strategic imperative!

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[1] https://www.grantthornton.global/globalassets/global-insights---do-not-edit/2019/women-in-business/gtil-wib-report_grant-thornton-spreads-low-res.pdf

[2] https://nces.ed.gov/programs/digest/d18/tables/dt18_301.10.asp

[3] https://www.oecd.org/els/emp/last-mile-longest-gender-nordic-countries-brief.pdf

About Pearl Meyer

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