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ASK THE EXPERT INTERVIEW | MAR 2019

Setting the Proper Context for Gender Pay Issues



Jim Hudner

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Jim Hudner, managing director in the Boston office of Pearl Meyer, talks about important distinctions between the gender pay gap and gender pay equity.

Q. There are multiple concerns within the larger subject of gender pay. How can directors frame all of the various nuances in their boardroom discussions?

A: As we have been talking with clients, we've uncovered a lot of confusion. It's important to start as broadly as possible and understand that there are two primary concerns. One is gender pay equity, which has gained greater visibility with recent state legislation that is more aggressive in ensuring equal pay for comparable work, while allowing for differences based on factors such as experience and performance.

A more complicated issue is that of the gender pay gap, which looks at the median or average pay of women as compared to men. This is where you hear the frequently quoted "80 cents on the dollar" reference. This is a macro perspective on pay parity that is likely influenced by such factors as type of occupation, the degree to which women hold management and executive positions, or taking extended time away from work for family matters. We find that the terms are often used interchangeably, particularly in the press, and this furthers confusion on an already complex subject.

Q. Are there clear responsibilities for the board?

A: I would say yes, absolutely. Both gender pay equity and the gender pay gap can represent significant risk for an organization—one that is compliance-related and the other that could impact an organization's ability to successfully recruit and retain a more diverse set of managers, senior leaders, and directors. Of course, the reputational risk from both issues cannot be ignored.

Boards should ensure management has plans to comply with relevant pay equity legislation and that there are plans in place to address any findings. They should also hold management accountable for conducting an assessment of the gender pay gap, but more importantly, the development of plans to address the longstanding challenges faced by women in the workplace. A board's leadership in this area can better ensure a gender-neutral culture of talent development, work/life balance for all employees, and increasing

diversity for the board itself.

About the Author

Jim has 30+ years advising on total compensation strategy, including base pay, incentives, and performance management, with deep experience designing and communicating broad-based programs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.