



Pay Gaps – the Scoop!

MOVING TOWARD EQUAL PAY FOR EQUAL WORK

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The scoop on gender-based pay gaps

(1) They're real and they're hurting all of us

Equal pay for equal work. It's fair. We all want to know that our work is valued based on our performance and contributions.

But women are paid 82 cents on average compared to men, with women of color subject to even larger gaps. That's like women working the last two months of the year (the missing 18%) for free! This issue has been highlighted both in Hollywood studios and professional sports in the past few years – with large, unfair discrepancies in pay between men and women coming to light.

These gaps in salaries, bonuses, and other types of compensation add up to big money over the course of a career, to the tangible detriment to women and their families, not only in income but then in higher debts and lower levels of assets as well. Women who are underpaid lose access to cash flow needed for them and their families to be financial stable. We see an impact on retirement timeframes, savings levels, poverty rates

In the end, possibly the biggest losers in the gender pay gap are the companies that lose out on the bottom-line benefits of gender equality. Gender discrimination negatively impacts morale, engagement, retention and advancement of women, and productivity – all of which hamper companies' performance and bottom line.

The scoop on gender-based pay gaps – where they come from

(2) Problematic pay policies

There are a whole host of factors that create and exacerbate the pay gaps in our modern workforce. Here are two short-sighted policies that create major problems:

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#1 The use of salary history in establishing employees' next pay rates is a policy that unwittingly ensures that the pay gap can never close! When women's salaries are pegged to their old salaries that are even 1% lower than their male colleagues from the get-go, then not only do gaps continue, but they compound! Just as compound interest boosts our 401(k)s rapidly over time, even small deficits in income compound quickly over the course of a career to a huge lifetime earnings loss for women – hundreds of thousands of dollars for the average woman up to a million dollars for women of color.

#2 Unintentional maternity/caregiving penalties ensure that women (who tend to have higher levels of family responsibilities) get the short end of the stick. For example, a woman who shifts to part-time work temporarily often can't access the equivalent pro rata rates as when she was working full-time. She will also often lose access to benefits. Or women who continue full-time may still feel the impacts of their parental leave on raises and bonuses for the year, which also compound over time. Because of these discrepancies and other barriers, many women leave the workforce altogether – at just the time in their careers when companies really need to retain their expertise and experience for key management positions.

These all add up over time in a big way. Studies show that these policies can cause women to miss out on hundreds of thousands of dollars over the course of their career. For the rest of us, these gaps cause our companies to miss out on the gender balance we need to maximize outcomes and profits.

The scoop on gender-based pay gaps – where they come from

(3) Types of pay gaps

National pay gap data actually roll several different types of gaps into one data point. What all is reflected in this 82 cents statistic?

Do you remember when women's primary professions were primarily nursing and teaching? Options for female professionals were limited so those fields didn't have to provide as competitive salaries as other fields. To this day, women are still catching up to equal representation in higher-paid fields.

In addition, some roles have a history of being stereotypically "female" positions or departments (e.g. communication, HR, education) and you'll sometimes see these departments or roles paid lower on average than departments or roles that are stereotypically "male."



So women face barriers to entering higher-paid fields. They face barriers to attaining higher-paid positions. Female-dominated fields and roles have been underpaid historically.

Women also face straight up wage discrimination – lower pay for the same exact work as their male peers. [This study](#) shows how blatant yet unconscious this can be!

For the study, researchers from Yale University asked more than 100 science faculty members at academic institutions across the country to evaluate one of two student résumés. The résumés were identical except for one small part: The candidate's name was either John or Jennifer.

*Despite both candidates having the exact same qualifications and experience, science faculty members were more likely to perceive John as competent and select him for a hypothetical lab manager position. And it didn't stop there. **Female and male science faculty members alike offered John a higher salary than they did Jennifer and were more willing to offer him mentoring opportunities.***

Their resumes were **exactly the same** and yet Jennifer was less likely to be considered competent and deemed worth a \$4,000 lower salary than John!

The scoop on gender-based pay gaps – why they matter

(4) Gaps speak loud and clear – and hurt our bottom line

Pay gaps speak loud and clear about what we value as a company.

What they're paid impacts how your staff perceive themselves and their prospects for advancement. Being paid less than our peers doing the same work is demoralizing and leaves us feeling insecure and undervalued, as well as frustrated and unappreciated. Gender-based pay gaps affect morale, engagement, retention and advancement of women, and productivity – all of which impact the company's performance and bottom line. The gaps hurt everyone.

On the other hand, [research shows that](#) “pay equity is not only good for the individuals impacted, but has also been shown to have a strong positive link to overall engagement, turnover, and customer satisfaction metrics.” The payoffs benefit everyone.



The scoop on gender-based pay gaps – where they come from

(5) Bias burn

Nobody sets out to pay men more. It happens without us realizing it. Remember the [experiment](#) with “Jennifer” and “John” – where the resumes were *exactly* the same but the evaluation was more favorable for “John” such that they offered “him” a \$4,000 higher salary? I imagine that those 100 scientists thought they were evaluating the candidates on their merits. They didn’t realize unconscious bias was affecting their objectivity.

Workplaces are not naturally fair – because human beings are not naturally fair! As human beings, it is proven that we all tend to hire, reward, and promote people who either 1) look like us or who 2) look like our subconscious stereotypes or vision of who succeeds in their respective roles. So if we picture CEOs as tall men, we will tend to replicate that image in our hiring, promotion, and dismissal processes. BOTH men and women are biased against women so women face a tremendous uphill battle in accessing top roles.

We have to put practices in place to minimize the impacts of our biases – practices that minimize subjectivity (where our biases can have an outsized impact) and replace it with objectivity. Objective hiring rubrics and employee evaluation criteria, identical promotion processes for everyone, minimizing “good old boy” network influence ... when these changes happen, our workplaces become more fair and our pay gaps shrink too.

The scoop on gender-based pay gaps – where they come from

(6) Negotiation matters

“The strongest evidence on effectiveness in narrowing gender disparities is found for policies that increase transparency.”

- [NBER report](#), December 2020

Pay gaps thrive when there’s secrecy around money, negotiation, and salaries. It’s hard to negotiate or advocate for yourself when you don’t know the going rate. Often salaries and pay ranges are “insider information” available only through informal networks, which tend to be homogeneous.

Studies have shown that there is a confidence gap between men and women: men tend to be overconfident relative to their abilities and women tend to be underconfident relative to their

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abilities. A lack of transparency around salaries plays into the confidence gap because of the feeling of shooting in the dark.

Recent exposes in Hollywood and professional sports are cutting away at the secrecy around pay gaps and compensation. Last summer on Twitter, the hashtag #publishingpaidme went viral with people publishing the amount they were paid for their book advances. This transparency on social media opened a lot of eyes and empowered stronger negotiations.

Your company needs to decide now: do you want to pay for confidence or do you want to pay for performance? Let your employees know they can negotiate and give them a clear dollar range – you’ll see a difference! And if you’re an employee, start digging and sharing information!

The scoop on gender-based pay gaps – why does gender balance matter?

(7) We all win

Closing pay gaps are an important way to improve gender balance of the teams throughout your company. And why does that matter?

Gender-balanced teams are much more productive than all-male or all-female teams. A gender-balanced team has at least 30% of both men and women. The research of the Gallup organization suggests that gender-balanced teams perform better than single-gender teams for reasons of complementarity. Their [report](#) finds:

- “Men and women have different viewpoints, ideas, and market insights, which enables better problem solving, ultimately leading to superior performance at the business unit level.
- “A gender-diverse workforce provides easier access to resources, such as various sources of credit, multiple sources of information, and wider industry knowledge.
- “A gender-diverse workforce allows the company to serve an increasingly diverse customer base.
- “Gender diversity helps companies attract and retain talented women. This is especially relevant as more women join the labor force around the world. Companies cannot afford to ignore 50% of the potential workforce and expect to be competitive in the global economy.”

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The [Financial Times reports](#) that it is better to have a diverse team of competent people than to have a homogeneous team of the “best and brightest:”

More broadly, diverse teams can outperform even “star” performers from similar backgrounds because of the power of “collective intelligence”, identified by researcher Anita Williams Woolley at Carnegie Mellon University and others. Collective intelligence turns out to trump the average intelligence of individual team members and is enhanced by the presence of more women in a group, whose social sensitivity helps the team cohere.

The scoop on gender-based pay gaps – how to fix it

(8) #1 Run the numbers: A pay equity audit

You’re ready to take action, but where to start? First things first: find out where your company’s gaps are so you can close them.

Annual, ongoing [pay equity audits](#) are standard at companies like PayPal and Salesforce that want to eliminate their pay gaps. PayPal, which operates on a mission to “democratize payments,” evaluates pay three times a year for all of its 20,000 employees. Its efforts are garnering results: as of 2019, PayPal had closed its pay gap by 90%.

The short-term financial interest in keeping salaries low is dwarfed by the long-term financial benefits that companies gain by ensuring they retain women and help women advance to the highest levels.

The scoop on gender-based pay gaps – how to fix it

(9) #2 Salary history is history

Far and away the easiest step toward pay equity is to eliminate salary history considerations. Don’t ask for it. Don’t factor it in. Ban the question! There’s a good reason that requests for salary history are [banned in 21 states](#) with more states banning it every year – it’s irrelevant and unfair!

GoDaddy is one of many companies that have removed a compensation history question from its application so that female candidates could “leave their compensation baggage behind.”



The scoop on gender-based pay gaps – how to fix it

(10) **#3 Transparency**

“The strongest evidence on effectiveness in narrowing gender disparities is found for policies that increase transparency.”

- [NBER report](#), December 2020

Close the information gap to close the pay gap. There are several great ways to increase transparency in compensation and help close the pay gap:

- Include a clear pay range in job descriptions
- Provide clear communication around negotiation practices and expectations
- Be open about discussing staff salaries
- Establish clear compensation “bands” or ranges for positions

As with so many of these efforts, the benefits of transparency extend beyond closing pay gaps. A [2020 Payscale report](#) notes: “As part of a broader compensation plan, pay transparency has been shown to have a positive effect on job satisfaction, employee engagement, and productivity.”

The scoop on gender-based pay gaps – how to fix it

(11) **#4 Boost objectivity in hiring, compensating, evaluating, and promoting**

Implementing practices that minimize bias and [boost objectivity](#) are critical to closing pay gaps. One major contributor to gender-based salary gaps are subjective evaluations that often favor men even when their job performance is equal or worse. Less subjectivity and more focus on performance means less room for bias to creep in.

Here’s what that can look like:

- Clear rubrics for establishing compensation and giving raises
- Clear rubrics for evaluating and rating employee performance with as many objective evaluation criteria as possible
- [Structured interviewing](#) practices
- Training managers to minimize the subjectivity in evaluation processes
- Establishing mixed-gender evaluation and salary committees
- Anonymizing demographic information on resumes and applications

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These changes have the added benefit of focusing your whole company more closely on results and performance – a win for the bottom line!

The scoop on gender-based pay gaps – how to fix it

(12) **#5 Flexibility that pays for everyone**

Today's generation of workers – both men and women – want to work more flexibly. Covid has only increased this demand. Beyond remote work, here are a few other flexibility-related measures that are proven to make a difference.

- Ensure that part-time staff have full-time-equivalent salaries and benefits (including pro-rated access to retirement and healthcare). Make sure that they also have access to the same training and professional development available to full-time employees.
- Ensure that bonuses, promotions, and benefits are not impacted by parental leave. For example, do people who take maternity or paternity leave miss out on any year-end bonuses that are based on attendance?
- Provide extended and equal parental leave for both men and women. This is a game-changer.

These measures allow employees to have the work-life balance that allows our families AND our businesses to thrive. Since women tend to have responsibility for a majority of family caring, these types of measures allow women to continue to grow professionally and advance in their careers while they manage caregiving. But more importantly, they allow your business to retain talented women that you might otherwise lose.

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(13) **What else can we do? (SPRINGBOARD TO GOING DEEPER)**

Joining WAHN efforts – **to discuss: [what action steps can I highlight?](#)**