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# What is the Definition of Gender Pay Equity?

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# What is the Definition of Gender Pay Equity?

## **Abstract**

Studies show that the ratio of average female to male pay for full-time workers in U.S. has been reduced since the late 1950s and is hovering around 77 to 79 percent today. (Appendix A) However while only 15.6 percent of HR professionals think a gender pay gap exists within their own organizations, 83.3 percent think a gender pay gap exists in other companies. (Appendix B) Although there is considerable common ground on the reality of gender pay inequity, there is no standard measure for companies to assess its presence. This highlights the complexity of achieving gender pay equity and the associated challenges for those companies attempting to frame policies.<sup>3</sup> That being said, female-friendly companies have an edge in attracting and retaining the best talent, especially as women have increasingly easy access to tools that help them seek out the cultures that best suit them.<sup>4</sup>(Appendix C) This phenomenon, coupled with heightened regulations involving equal pay, encourages companies to ensure their pay practices are equitable.

## **Keywords**

human resources, gender, pay, compensation, gender pay equity, female friendly, equal pay, best practices, pay equity audit, pay transparency, glass ceiling, diversity, inclusion, flexible work culture, work life balance, unconscious bias, perceived wage gap

## **Comments**

### **Suggested Citation**

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## SUMMARY

## RESEARCH QUESTION

What is the definition of gender pay equity? What are other companies doing to close this gap?

## INTRODUCTION

Studies show that the ratio of average female to male pay for full-time workers in U.S. has been reduced since the late 1950s and is hovering around 77 to 79 percent today.<sup>1</sup>(Appendix A) However while only 15.6 percent of HR professionals think a gender pay gap exists within their own organizations, 83.3 percent think a gender pay gap exists in other companies.<sup>2</sup>(Appendix B) Although there is considerable common ground on the reality of gender pay inequity, there is no standard measure for companies to assess its presence. This highlights the complexity of achieving gender pay equity and the associated challenges for those companies attempting to frame policies.<sup>3</sup> That being said, female-friendly companies have an edge in attracting and retaining the best talent, especially as women have increasingly easy access to tools that help them seek out the cultures that best suit them.<sup>4</sup>(Appendix C) This phenomenon, coupled with heightened regulations involving equal pay, encourages companies to ensure their pay practices are equitable.

## UNDERSTANDING GENDER PAY EQUITY

In 1951, the ILO first defined gender pay equity as the recognition that work of equal value should receive equal remuneration. Since this fundamental definition was created, we have seen evidence of a gender pay gap both in the U.S. and around the world.<sup>3</sup>

**HR Practitioner Perspective**

Based on more than 505,000 salaries shared by full-time U.S. employees on Glassdoor, men earn 24.1 percent higher base pay than women on average. However, comparing workers with similar age, education and years of experience, that gap is shrunk to 19.2 percent. Further, comparing workers with the same job title, employer and location, the gender pay gap in the U.S. falls to 5.4 percent (94.6 cents per dollar.)<sup>1</sup>

**Academic Study**

The most commonly cited statistic in the current gender pay gap discussion is the “77 cents” statistic: women earn 77 cents for every \$1 earned by their male counterparts. However, that statistic does not accurately depict the real gender pay gap. It references the raw gender pay disparity and does not consider the impact of legitimate nondiscriminatory factors, such as occupation, industry, and prior work experience, which account for approximately 54% of the gender wage gap, reducing the difference to 9 cents per hour. When personal choices, willingness in compensation negotiation, compensation expectations, hours worked, and the cash versus benefits trade-off etc. are considered, this 9-cents-per hour difference is reduced even more.<sup>5</sup>

## BEST PRACTICES AND CASE STUDY

Just because the gender pay gap is not as wide as it may be perceived, companies need to put processes in place to detect and prevent gender pay inequity.

**Detection**

- Companies should conduct a detailed, firm-wide **pay equity audit**.<sup>3</sup> It should account for factors like performance ratings, seniority, education and other variables that could contribute to the gap.<sup>3</sup>
- Pay audits should consider not only base pay, but also benefits and rewards like how many leadership programs employees are invited to participate in.<sup>6</sup>
- After conducting an audit, a comprehensive plan should be put in place to address any detected pay inequities through manager education, revised staffing practices, and salary/wage adjustments.<sup>2</sup>

**Prevention**

- **Change hiring processes.** Companies should move away from the common practice of requiring job candidates to provide salary history as part of the application process, since

women are more likely to be coming into a new position with lower previous compensation than male applicants.<sup>7</sup> Employers can also help lessen discrimination in recruitment by incorporating blind candidate view in applications and resumes to prevent unintentional name bias and creating more gender-neutral job descriptions.<sup>8</sup>

- **Increase pay transparency.** The idea has been commonly accepted that women are less likely to negotiate salary than men. But when job seekers were told that pay was negotiable, the gender gap disappeared. Recognizing this power of transparency helps companies to eliminate pay gaps.<sup>1</sup> There's a spectrum of pay transparency and a huge amount of value in moving an organization up the transparency spectrum by sharing some of the mechanics and philosophy around compensation<sup>9</sup>
- **Remove the “glass ceiling” in women’s career development.** Globally, the proportion of senior leadership roles held by women – 24 percent – has risen just 3 percent in the past five years, while the percentage of businesses without any women in senior management has remained static over the past five years at around 33 percent.<sup>4</sup> Women are still underrepresented in senior levels, and it is important for companies to look at promotional opportunities to ensure that there is equality across the board.<sup>8</sup>
- **Implement an overwork policy.** The risk of pay discrimination is highest in decisions where there is an element of discretion.<sup>6</sup> Organizations should base compensation on employee performance outcomes, regardless of hours worked.<sup>9</sup> The increasing prevalence of “overwork” (working 50 or more hours per week) and the rising hourly wage returns to overwork have exacerbated the gender wage gap because a greater proportion of men engage in overwork.<sup>10</sup>
- **Create a more flexible work culture,** where employees can determine their own work arrangements and therefore have a better chance of "catching up" to their peers. Leaders must model this behavior to get around the "flexibility stigma" that occurs when people are penalized for taking advantage of flexible arrangements.<sup>11</sup>

### Case Study - Cisco

In January 2016, Cisco came out with its new pay parity framework as an integral part of its new Our People Deal.<sup>12</sup> Based on a holistic approach, Cisco ensures that all employees are paid fairly and equitably utilizing powerful new analytics and targeted strategies to:

- Identify critical factors and root causes influencing pay parity;
- Validate parity through regular testing, using findings to enhance Cisco’s already-existing guidelines on pay parity;
- Proactively monitor, intervene, and minimize disparities over time.<sup>13</sup>

Cisco’s pay parity strategies include regular reviews of its comprehensive data and monitoring of its environment. According to Cisco, its pay parity framework helps build a trusting environment that drives successful teams, allows them to retain talent and positions them as a successful employer.<sup>13</sup>

## CONCLUSION

Whether discrimination is unintentional (disparate impact), or intentional (disparate treatment), it is apparent that a gender pay gap exists globally.<sup>5</sup> However, the gender pay gap is not a single phenomenon. It should be approached holistically and in the context of other factors to assess the magnitude of the gap within the organization. In addition to abovementioned practices for closing this gender pay gap, companies should also review and track internal pay systems periodically and continually so as to track inequities over time and ensure long-term plans are being implemented.<sup>2</sup> Moreover, companies should train both male and female managers on “unconscious bias” and its role in pay decisions.<sup>3,6</sup>

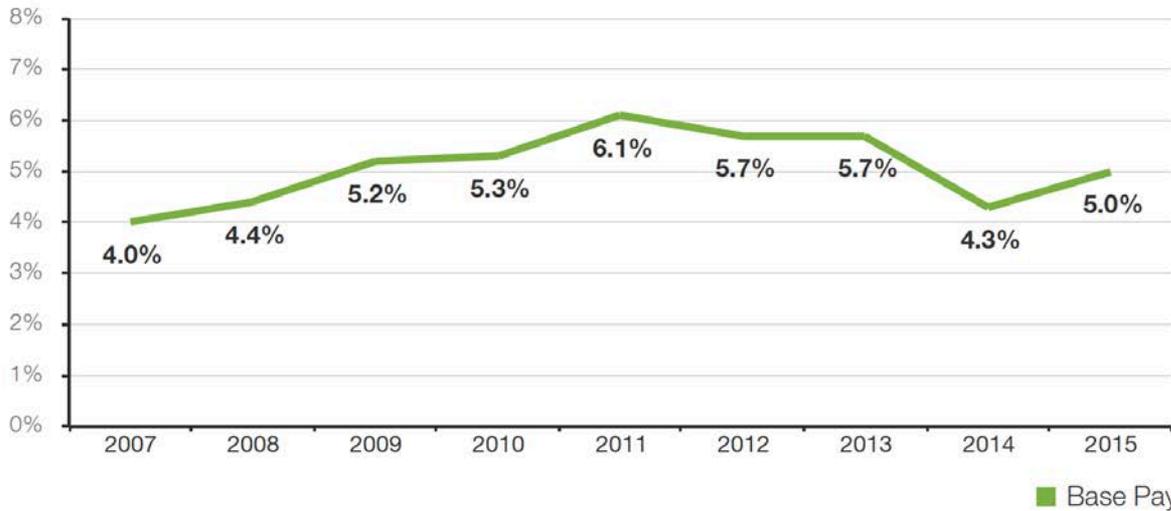
By 2025, most regions of the world can – and will need to – narrow their gender gaps by more than 20 percent in five areas: leadership positions, the perceived wage gap, unpaid care work, legal protection, and political representation. A more gender-equal society can promote a more gender-equal economy and benefit companies in myriad ways.<sup>4</sup>

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Appendix A

**Figure 8.** The U.S. Gender Pay Gap Has Remained Steady Since 2007

“Adjusted” U.S. Gender Pay Gap Unchanged Over Time  
(Percentage Higher Average Male Pay)



Source: Glassdoor Economic Research (Glassdoor.com/research)

Notes: Corresponds to the model in column 5 of Figure 2, which includes our most detailed possible controls for age, education, experience, state, year, job title, and employer name.

Chamberlain, A. (2016). *Demystifying the Gender Pay Gap: Evidence from Glassdoor Salary Data*. Retrieved November 12, 2016, from <https://www.glassdoor.com/research/studies/gender-pay-gap/>

Appendix B

**Table 1**

Do you think any gender based pay gap exists within your company ? By Gender			Do you think it exists in other companies? By Gender		
	Yes	No		Yes	No
Male	5.5%	94.5%	Male	71.4%	28.6%
Female	19.0%	81.0%	Female	87.8%	12.2%
Overall	15.6%	84.4%	Overall	83.3%	16.7%

Source: IOMA A BNA Graphic/RSSb4G01

HR Pros believe Gender Pay Gaps Exist – But What to Do about It? (2011). *IOMA's Report on Salary Surveys*, 18(4), 1-8

Appendix C

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## Who's Doing Well by Women

The website InHerSight allows users to rate companies on how female-friendly they are. Here are the top-rated companies with a minimum of 25 reviews each:



Onley, D. (2016). *HR Key in Helping Employers Achieve Gender Equality*. Retrieved November 12, 2016, from <https://www.shrm.org/hr-today/news/hr-magazine/1116/pages/hr-key-in-helping-organizations-achieve-gender-equality.aspx>