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The Current State of the Gender Wage Gap

We recently revisited the data about women in the workforce and concluded that the pandemic was not kind to professional women. This is particularly true even as we shift our attention to compensation. The gender wage gap is the widest it's been in years. The most recent data shows that women are paid $0.83 for every dollar a man makes.

It's a complex, nuanced topic that should be top of mind for companies, especially as increasing amounts of legislature require employers to disclose pay statistics. This level of transparency has a huge impact on an organization's ability to attract top talent *and* maintain customer loyalty. There are already proven instances of customers reacting negatively when they learn about wage gaps within a company.

Leaders can't afford to brush this issue under the rug.

The Gender Wage Gap from All Angles

The prevailing argument *against* the legitimacy of the gender wage gap is that women appear to be paid less than men because they're in different types of jobs, often ones that require less experience, less sophisticated skillsets, or less time commitments. Even analysis from the Pew Research Center suggests that education, role, and experience are reasons why the gap still exists.

To some extent, this theory holds water. In areas where education or experience are more equal between men and women, it does appear that the gap narrows. In particular, women between the ages of 25 to 34 earn $0.93 for every dollar a man makes, compared to the $0.84 for women of all ages. The Pew report suggests that women in this age group have stronger ratios of higher education, giving them power to break into traditionally male-dominated positions that pay more.

However, there are enough comparisons within industries, occupations, and education levels that reveal a persistently significant gap. When we zoom in on the C-suite, where women and men hold similar roles at an executive level, the disparity exists even there. In 2020 (the most recent data from Morningstar), female executives earned just $0.75 for every dollar a man made. And even though C-suite compensation increased 24% from 2012 to 2020, that looked like 27% for men and 10% for women.

Unsurprisingly, the data shows that the gender wage gap is more prominent in non-white racial and ethnic groups. It would take an additional three to ten months for these women to earn the same pay as their white male counterparts.

More Than Compensation

An HBR article provides the example of a company where, at an organizational level, women were paid just 67 cents to every dollar their male employees earned. But when they broke it down to an apples-to-apples comparison of similar roles, skills, and tenure, that gap was a more equitable 3%.

The company could have ended their analysis there, concluding that their workplace was decently equal. However, they decided to hire a consultancy to sort through a framework of other factors, including representation, promotion rates, retention, hiring, and job satisfaction. With this approach, they were able to get deeper and discover there was more to

the story than wage discrepancy.

Gender wage gap is just one indicator of gender discrimination. When this company explored other factors, it was clear that while men and women were both treated fairly in their workplace, there was underrepresentation of women at the senior level—which explained the initial discrepancy in wages. Digging further, they found that the gender makeup of new hires was significantly unequal, and their next step was to determine whether this was because of discrimination in the hiring process or a lack of diversity in candidate sourcing.

Ultimately, it's clear that companies should keep the big picture in mind when analyzing gender equity in the workplace. Narrowing the gender wage gap is of critical importance, but it's only one piece of the puzzle.

What Companies Are Doing to Narrow the Gender Wage Gap

The good news is that we're seeing many organizations begin to dedicate time and resources to resolving the gender wage gap—and gender discrimination in general. We look to the CPG, manufacturing, and financial sectors for some examples below.

Gender Wage Gap in CPG

The Hershey Company is a proud supporter of women in the workplace and has been recognized as a Top Female-Friendly Company in 2021. With its multiple partnerships, initiatives, and sponsorships committed to gender equity, Hershey reports a 48% gender diversity across their global employee base *and* a 1:1 gender pay equity in the U.S.

L'Oréal is another company committed to supporting equal pay. They are using a proven methodology to assess gender pay equity across their global workforce. This approach seems to be working; their pay gap in France, for example, has improved from 10% to zero between 2007 and 2019.

Likewise, Estée Lauder has pledged a new "gender equality roadmap." They already have 84% female representation within their workforce, with 50% representation at the leadership level. They aim to achieve pay equity by 2023.

Gender Wage Gap in Manufacturing

The manufacturing industry has long been plagued by male-dominated positions and, consequently, a wide pay gap. Women currently make up just 29% of the manufacturing workforce in the U.S, and with such dismal representation, few

women are attracted to the industry to help improve these numbers.

That's why the Manufacturing Institute has launched its "35x30" initiative, with the goal of increasing representation to 35% by 2030. A number of leaders from various manufacturing organizations are playing key roles in this initiative, including executives from Harley-Davidson Motor Company, BASF, Smithfield Foods, and Arconic Foundation.

Gender Wage Gap in Finance

Pay equity is a "Board-level priority" for Lincoln Financial Group, who reports that their most recent annual review reveals no statistically significant gender wage gap. They conduct regular benchmarking and employee surveys, as well as providing a variety of resources for employees to raise issues of discrimination if it occurs.

KeyBank is another organization in the financial sector that is committed to pay equity in their workforce. Internally and with third-party consultants, they conduct regular reviews of their formal compensation structures and processes and have achieved a 99% pay equity. They have also eliminated the consideration of compensation history in their hiring process, and they base all pay decisions purely on performance.

Closing the Gender Pay Gap

Despite these positive moves from some major companies, the fact remains that women are underpaid and underrepresented in high-paying roles. In an Equileap study of 4,000 public companies around the world, only 5% have a female CEO, 13% have a female CFO, and less than 1% have both a female CEO and CFO. Few of these 4,000 companies actively disclose their pay gaps—just 17% do, but of those only 19 companies have closed that gap and of those that haven't, only 8% have a strategy to resolve the issue. The Equileap report calls out Dow and National Instruments as organizations to look up to in their success to close the gender wage gap, and Nielsen as the best U.S. company for gender equality in general.

How is your organization addressing gender equality?