

#Youtoo: What Boards Need to Know and Do About Gender Pay Equity

Compensation Committee Series Webinar
Presented by Pearl Meyer

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Meet the Presenters



Richard Goeglein is former chair and director of Pinnacle Entertainment Inc., where he served on both the compliance and compensation committees. Over the course of a career spanning 40 years, Goeglein has held numerous senior executive positions and has served on the boards of more than a dozen organizations, including AST Research Inc., Platinum Software Corp., Boomtown Inc., Holiday Corp., and Aladdin Gaming LLC. In addition to his activities as an NACD Fellow and faculty member for NACD education programs, Goeglein is a trustee and director of Volunteers in Medicine of Southern Nevada, where he chairs the executive committee and serves on the finance committee.



Beth Florin is a managing director with Pearl Meyer and leads the Survey and Employee Compensation Practice. She has specialized experience in the design, development, and implementation of broad-based compensation programs and total remuneration compensation surveys. Ms. Florin was a co-founder of Executive Alliance, a technology industry compensation consultancy. She is a member of Cornell's Advisory Council and serves on the board of the Cornell ILR Alumni Association.



Jim Hudner is a managing director in Pearl Meyer's Boston office. He consults in the areas of total compensation strategy, executive compensation, compensation planning, base salary management, incentive plan design, and performance management. Mr. Hudner brings 30 years of consulting experience to his position and has consulted to organizations in a wide range of industries including technology, higher education, research organizations, financial services, and manufacturing.

Submit a question and receive your answer directly from Pearl Meyer, either during today's webinar or as a follow-up. You will also be opted-in to receive future executive compensation thought leadership from Pearl Meyer.

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- Presentation slides are available today at www.pearlmeyer.com/gender-pay-equity and within the webinar console.
- The replay will be available early next week at www.NACDOnline.org and www.pearlmeyer.com/gender-pay-equity.

- Why Should Boards be Discussing This?
- How Are Gender Pay Issues Defined?
- What is Gender Pay Gap and Gender Pay Equity?
- What Should Boards and Management be Doing?

Poll Question #1



Has your board (s) discussed the topic of gender pay gap or gender pay equity in a meaningful way?

- A. Yes, and we've taken action
- B. Yes, we've discussed in-depth but we haven't taken action yet
- C. Yes, we've discussed but only to a limited extent
- D. No

Why Should Boards be Discussing This?



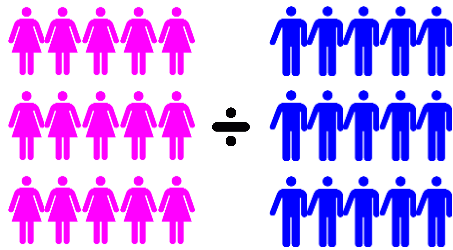
- Regulatory / Shareholder Impact
 - Proxy advisory firms such as ISS and Glass Lewis are including policies on gender pay in their 2018 proxy voting guidelines
 - Activist / institutional investors are putting forth gender pay resolutions at annual shareholder meetings for publicly traded companies
 - Recent state legislative actions
 - The UK's recent mandatory gender pay gap disclosure
- Some Firms Taking a Proactive Approach
 - A few of the largest U.S. technology companies (Amazon, Apple, Facebook, and Microsoft) are voluntarily disclosing gender pay statistics
- Risks of Inaction
 - PR issues / brand damage, litigation, talent management shortages

There is a gender pay gap that has persisted for years

How Are Gender Pay Issues Defined?

Clarity on the Nomenclature is Critical

Pay Gap



Median pay of all women divided by median pay of all men, regardless of position

UK Legislation
Popular in Press

Pay Equity

Equal Pay for
Equal Work

Teacher = Teacher
Engineer = Engineer
Accountant = Accountant

Federal Legislation
(Equal Pay Act 1963; Title VII of Civil Rights Act 1964, Lily Ledbetter Fair Pay Act 2009)

Equal Pay for
Comparable Work

No specialized Training = No specialized training
Janitor = Cafeteria worker

State Legislation
(MA, NJ, and CA as examples)

How Are Gender Pay Issues Defined?



The press regularly confuses “Pay Gap” and “Pay Equity”

Gender Pay Gap? Maybe Not in the Corner Office, a Study Shows
The New York Times

The gender pay gap in the US is still 20 percent—but millennial women are closing in on men



Salesforce Is Focused on Erasing the Gender Pay Gap
FORTUNE

Starbucks achieves pay equity in the United States



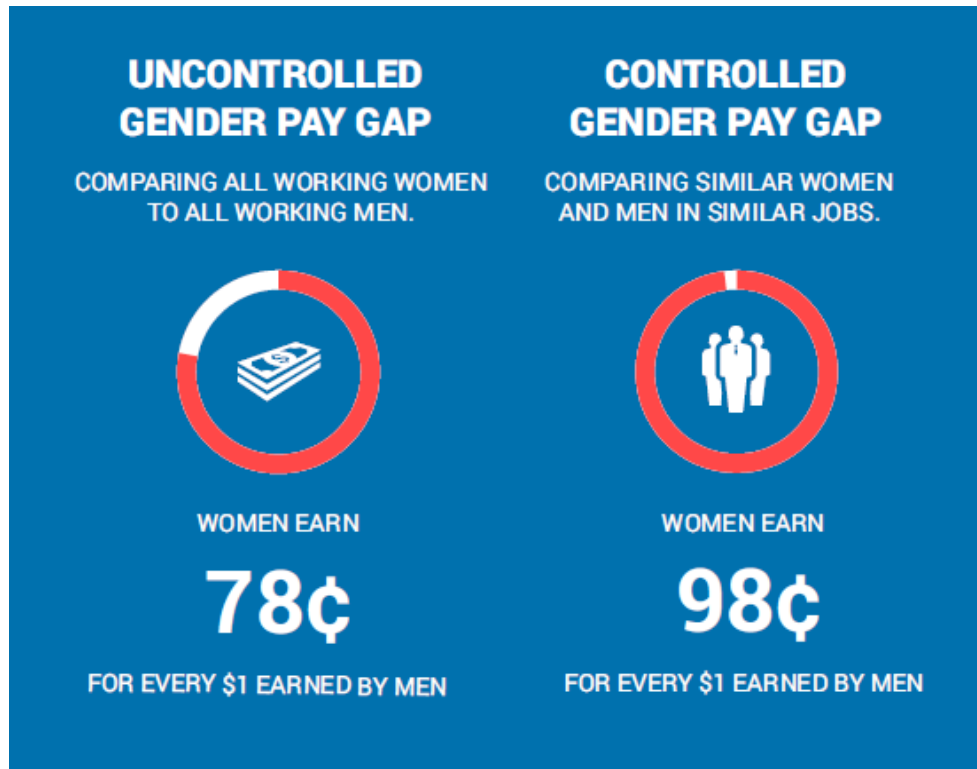
Amazon says there’s no gender or ethnic pay gap in its ranks

The Seattle Times

Gender pay gap figures reveal eight in 10 UK firms pay men more

The Guardian

Pay Gap vs Pay Equity: Does it Matter?



Source: PayScale

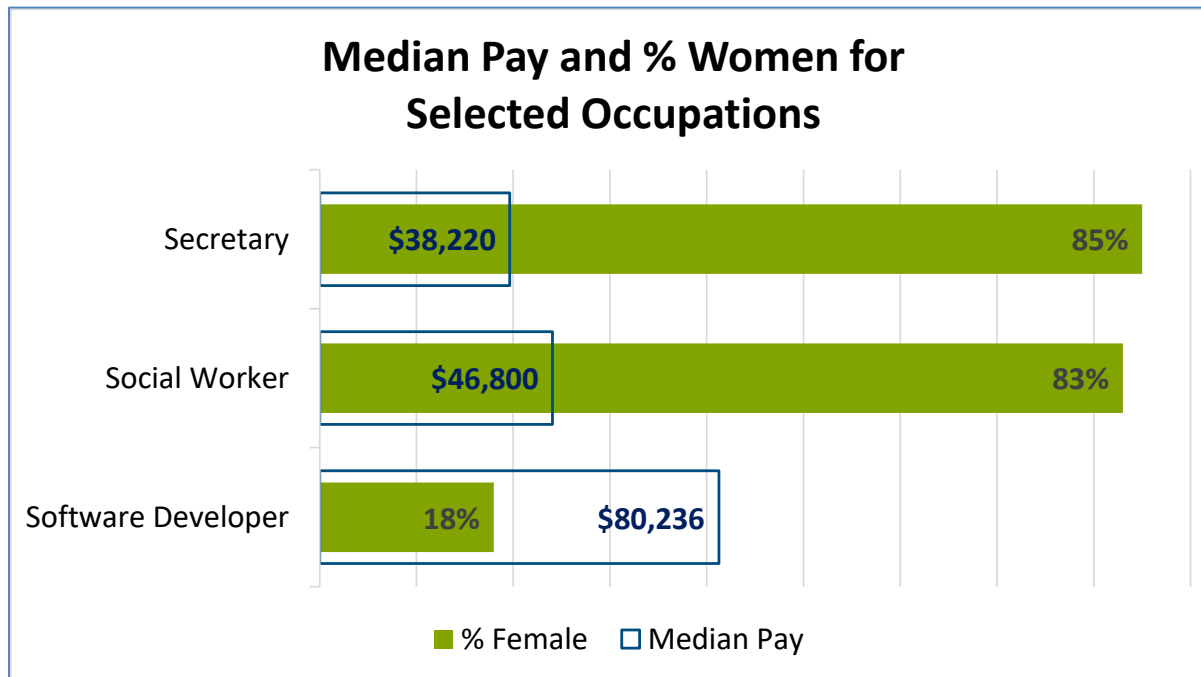
Comparing **aggregate** male vs female pay (pay gap) will almost always show a **meaningful difference**

Comparing pay for **similar jobs**, taking into account experience, performance, and level (pay equity) will almost always show a **very limited difference**

What Factors Contribute to the Gender Pay Gap?

Occupational Segregation

- Proportion of females in “lower-paying jobs” vs “higher-paying jobs”



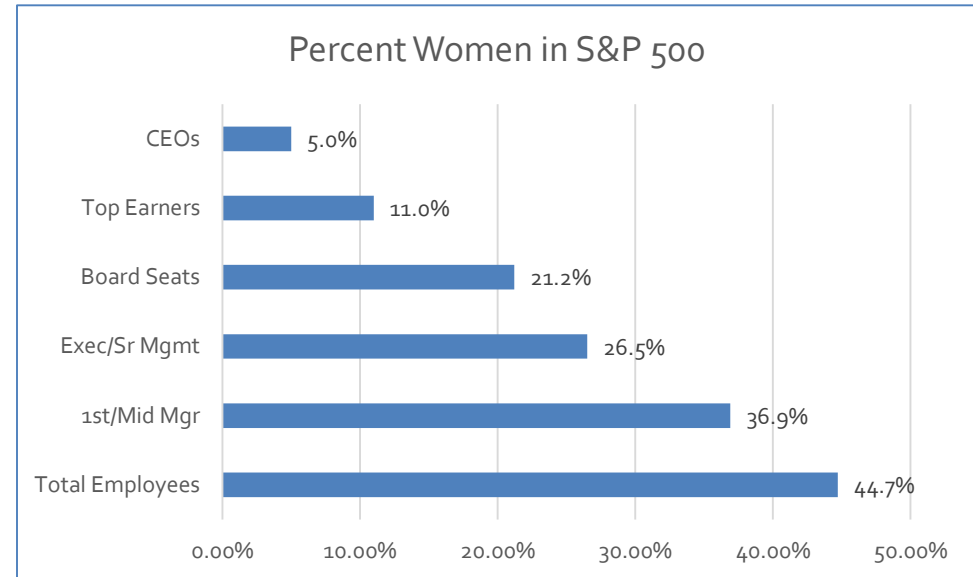
Source: Bureau of Labor Statistics

To what extent does market simply reflect supply and demand OR does gender play a role?

What Factors Contribute to the Gender Pay Gap?

Equality of Opportunity

- Societal norms create “career disruptions” for women
 - Short-term maternity leave(s)
 - Longer-term child-rearing leave / employment gaps
 - Workforce re-entry
 - Part-time hours
- Career advancement opportunities are hindered
 - Fewer women in management roles
 - Typical promotional policies may not work for women
- Leads to a playing field that is not “level”



These factors may have the greatest impact on the gender pay gap

How Pay Gap Can Be Effectively Used



- Represents a global measure of gender neutrality
- Will be influenced by:
 - Hiring practices (diversity at all organizational levels)
 - Career advancement and succession planning practices
 - Remove any unintended biases in current programs
 - Consider approaches to develop a more even “playing field”
 - Pay practices (at hire, at promotion)
- Calculate annually to assess progress
- Closing the gap is not the short term goal (it will take many years to fully close the gap); showing progress is the goal

Complying with Pay Equity Legislation



- The language of the legislation leaves many questions
 - What exactly is comparable work?
 - What are allowable factors to pay differently?
 - Can I consider market pay levels to explain why I pay differently?
 - How do I conduct a meaningful assessment
 - Should we have legal counsel involved?
- The media attention is creating greater visibility on the topic
 - What should we communicate to our employees?

- **62% are or expect to be fielding questions from their employees about gender pay equity**
- **Most (78%) have or are in the process of developing responses**

Source: ["Pearl Meyer On Point: Communicating Compensation in 2018"](#)

How to Conduct a Pay Equity Audit

- Engage with legal counsel to ensure attorney-client privilege
- Develop database for analysis
 - Collect information on each employee
 - Performance ratings, experience, gender
 - Collect information on positions
 - Level of supervisory responsibility, degree of autonomy / decision making
 - Market pay levels for a given position are not deemed an allowable factor
- Complete statistical assessment to determine gender neutrality
 - Multiple regression

**APPROACH TO AVOID:
Grouping jobs together and calculating Pay Gap**

Poll Question #2



Do you believe management is taking steps to understand if there are issues – and – is prepared to take corrective action?

A. Yes.

B. Yes, but I have concerns as to how seriously the issue is being addressed.

C. No.

What Should Boards and Management be Doing?



- Getting with or ahead of the curve on compliance
 - Conduct both pay gap analysis and pay equity audit
- Immediately address any identified gender pay equity issues
- Assess practices / policies for career advancement / succession planning
 - Ensure no unintended biases
 - Consider approaches to develop a more even “playing field”
 - Assess relationship to diversity goals
- Develop comprehensive communications strategy
 - Mitigate PR risks (externally and internally)

Focus is on Education

Why do/should we **care** about the gender pay gap and pay equity?

- Make sure people **know** why these are important issues and the differences between them

How we **assess** whether we have and/or can correct any issues?

- Make sure people **feel** that the organization is actively and appropriately assessing the situation to identify any issues

What **actions** are we taking to close the pay gap and ensure on-going pay equity?

- Make sure people know that the organization is **doing** the right things to make both short and long term change

- Action steps to develop the strategy:
 - Define your stakeholder audiences
 - Outline key messages for each audience
 - Determine your methods of delivery (e.g., print, face-to-face discussions, online info)
 - Establish a timeline for delivering communication

- This issue has momentum and will eventually require action
- Gender pay is a complex issue and clarity on definitions will be critical
 - Ensuring pay equity is generally easily attainable within a firm
 - Closing the gender pay gap requires more systemic changes in broader HR practices (promotion, career development) and will likely require many years
- While the impetus may be driven by legislative action and the media, longer-term benefits are possible (e.g., enhanced talent pool, better retention)
- Boards and management have an opportunity to make a positive impact on an important issue

Questions

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