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# Vigilant Eye on Gender Pay Gap

NOV. 14, 2014

Your Money

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The first step is admitting you have a problem, but it's another thing to actually address it.

Take the gender wage gap, for example. Women continue to make less than men for the same work, but a growing number of companies are quietly acknowledging that resolving the issue will require more effort than they've put forth so far. That means enlisting special teams to analyze whether their women are paid on par with equivalent men, job by job, then devising plans to fill in any gaps.

A majority of large companies in North America say they have dedicated teams running these pay equity analyses, but only 46 percent of them think their approach is statistically robust. Even fewer say they have a formal process to fix any inequities, according to a recent report by Mercer, the consultant, which examined 164 (mostly large) companies in 28 countries, employing more than 680,000 women.

Employers need to keep several data points on their workers to run the sophisticated assessments needed to tease out gender bias, academics said, and the depth of employers' human resources systems vary. But several companies — from diaper purveyors to military contractors who have them in place — said these systems had also helped them begin to tackle another related challenge: Why are so few women at the top of the organizations (or even the top of the middle)?

Flexible work schedules and generous leave policies aren't enough to solve that issue, and, in fact, can hurt women who use them if they aren't managed properly, research has found. But employers who actively manage pay equity tend to have positive ripple effects, consultants said, including more women in their senior ranks.

"You used to run these analyses only when risk and compliance had a concern," said Pat Milligan, president of Mercer's North American region. "Now, you are seeing companies — technology, consumer products, health care — do it to stay competitive, and they are doing it as part of an integrated strategy."

For some employers, a big motivation for running pay analyses is still to avoid lawsuits. Federal contractors must have the information on hand for potential audits. And soon, as part of the Obama administration's efforts to close the pay gap, contractors with 100 or more employees may need to file annual equal pay reports with the federal government, detailing salaries across job categories.

"They are doing it proactively, but it is a proactive response to risk," said Brian Levine of Mercer's work force strategy and analytics group, who said more companies had become interested in the reporting over the last five years.

Gap, the retailer, made a big splash this year when it said it had "equal pay for equal work," after validating its own findings with an independent external review.

Kimberly-Clark, maker of Kotex and Huggies diapers, built an analytics team over the last few years, which includes regular pay equity reporting. But the team also identified points where women were hitting a glass ceiling — two rungs up from entry level, and just before being promoted to a director. Since then, they've shepherded more women to the upper ranks: Now, women hold about 30 percent of director-level jobs or higher, she said, up from 17 percent in 2010.

"They have a developmental plan and we try to make sure we stick to it," said Sue Dodsworth, the company's global diversity officer.

Raytheon, a military and aerospace contractor, has been running pay equity analyses for 14 years, and said it had absolute pay parity across genders, something it says the government has verified through audits. Keith Peden, senior vice president for human resources and security, said all senior managers had real-time comparison tools on their desktops when making pay decisions. "These tools that we use help shape the behavior," he said. The company has 63,000 employees.

But one woman who works Raytheon's engineering department, who did not want to be identified because she feared reprisals, said she felt the performance rating system was opaque. In her unit, she said the male-dominated culture made it difficult for women to move ahead. Mr. Peden acknowledged that as a male-dominated industry, the company had to work twice as hard to recruit and retain female engineers.

The city of Boston, through its Women's Workforce Council created last year, may have one of the more interesting strategies, bringing together the public and private sectors. So far, the council has persuaded 54 employers in the area to sign its "compact." Employers agree to take steps to close the pay gap and share pay data by gender and race — anonymously, for now — so the council can track the city's progress, said Christina M. Knowles, the group's executive director. The companies — Raytheon, State Street, MassMutual, BJ's Wholesale among them — will report base salaries and bonuses by job category, in addition to job-related data that many larger companies must already report to the federal Equal Employment Opportunity Commission.

"There isn't a desire here to embarrass any organization or to get them into hot water," said Alison Quirk, chief human resources officer at State Street, and a council member. "It's more that we all know we need to focus on these gender issues, so let's get a framework to do that."

At State Street, Ms. Quirk said her own company analyzed pay equity annually, but her larger struggle was filling the highest-paying positions with women and other minority groups. While 40 percent of all assistant vice presidents are women, only 30 percent of vice presidents are women.

Dr. Levine of Mercer said pay gaps generally ranged from 2 to 6 percent, in aggregate and after controlling for legitimate factors, though certain pockets within organizations had greater disparities. Their analysis shows that the imbalance often traces back to women being hired at a lower salary than their male peers. Other times, the lower pay is tied to a leave of absence, or reduced work schedules.

Naturally, paying women and other minorities what they're worth will cost employers more money. The amount varies, but often runs about 0.5 to 0.8 percent of total payroll, according to Dr. Levine, in addition to any budget for merit increases. But what looks like a rounding error for big companies can translate into hundreds of thousands, perhaps millions, of dollars for women over their careers.

Other factors contributing to pay inequity, academics have found, is that women are less inclined to ask for raises, and perhaps for valid reasons: When they do, they are perceived as less likable and may be penalized as a result. Then there's the motherhood penalty, while other researchers found that women are often paid less than men in similar jobs because women are less likely to work the longest hours or specific hours — and those who do get disproportionate increases in pay.

That was the problem at Ryan, a private global tax services firm in Dallas, which had gained a reputation for draconian work conditions. It reached a tipping point when a valued female consultant gave notice, explaining that she had to leave because she was ready to start a family — and that wasn't possible at Ryan.

Shortly thereafter, in 2008, the company radically overhauled how all employees approached work and allowed them to work from the bathtub as long as they delivered results. All of the metrics feed into a calculator that suggests raises, which a compensation review committee also checks.

"It has really turned out to be a leveler in many ways," said Delta Emerson, Ryan's president of global shared services, referring to the results-focused approach. "In the old days, people could get by with having good relationships or the hours they put in. If you worked a lot of hours, you were a hero."

But even well-intentioned fixes need to be carried out thoughtfully, otherwise companies risk reintroducing gender biases elsewhere. Emilio Castilla, a professor at the M.I.T. Sloan School of Management, found that employers that view themselves as meritocracies, rewarding performance, may pay men more than equally qualified women.

"The paradox of these merit-based practices," he said, "is that if they are not introduced properly, they can introduce or contribute to the pay gap we see in markets today."

In a coming study in which he examined nearly 9,000 employees' career histories at a United States company over many years, Professor Castilla found that white men born in the United States were given higher pay increases than women and minorities with the same performance evaluation scores, working in the same job with the same managers.

But the gap was no longer significant after the company created a series of new procedures, including a compensation committee that monitored pay decisions with written reports, for instance, and more formalized merit reward systems that hold people accountable. Managers could also see how their decisions compared with others, over all, at other units.

Without thoughtful fixes, the pay gap is likely to become like a game of Whac-a-Mole, and rear its head elsewhere.

A version of this article appears in print on November 15, 2014, on page B1 of the New York edition with the headline: Vigilant Eye on Gender Pay Gap.