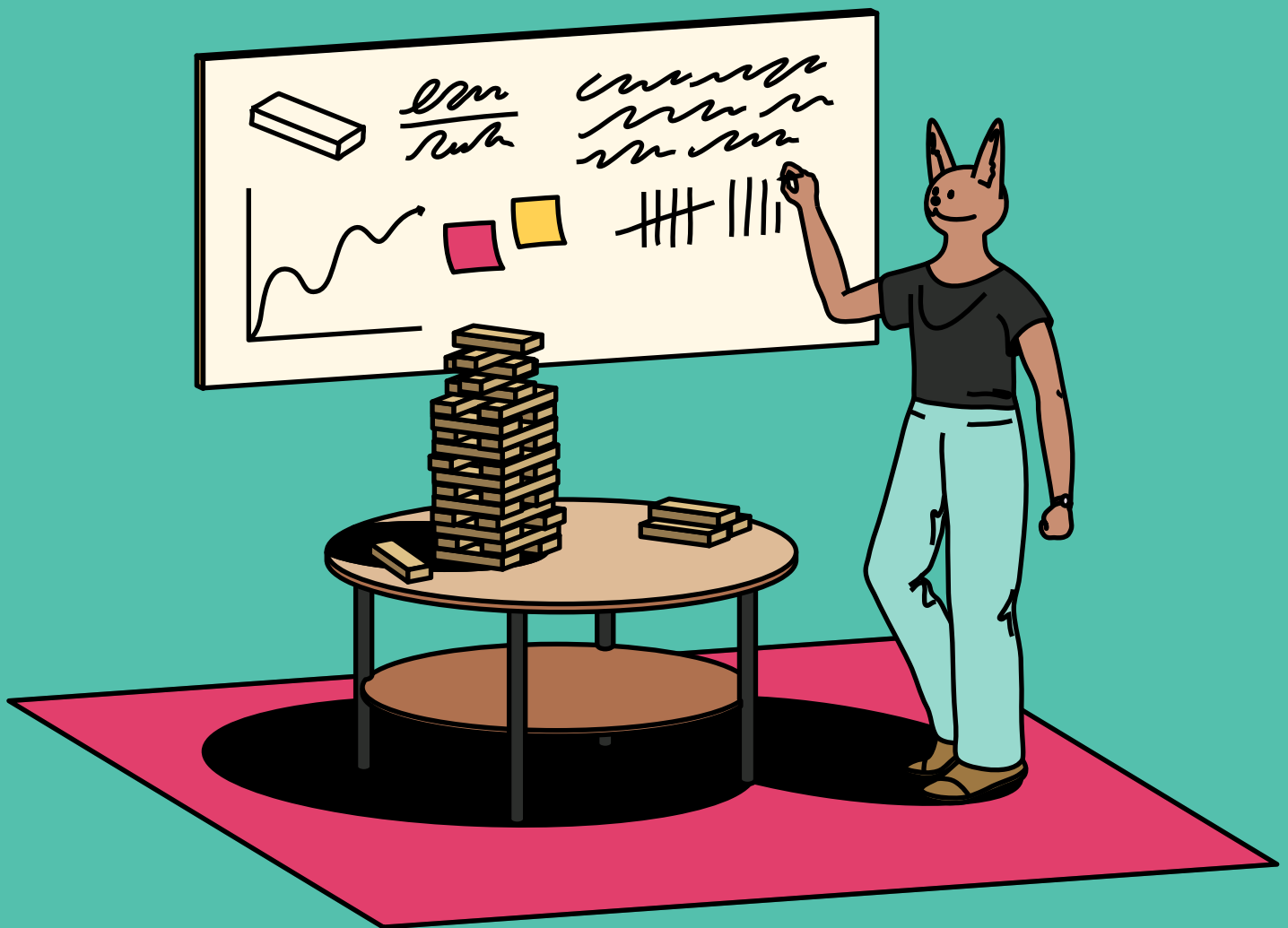


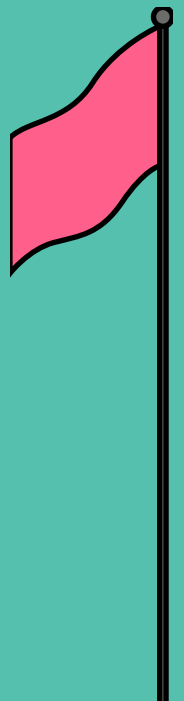
7 Effective Strategies to Close the Gender Pay Gap in Your Organization



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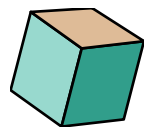
Introduction

Over the past century, we achieved many amazing things– from space travel to the Internet of Things and technological advancements in 3D printing. Yet, we still have not accomplished something we started working towards a very long time ago – gender pay equality!

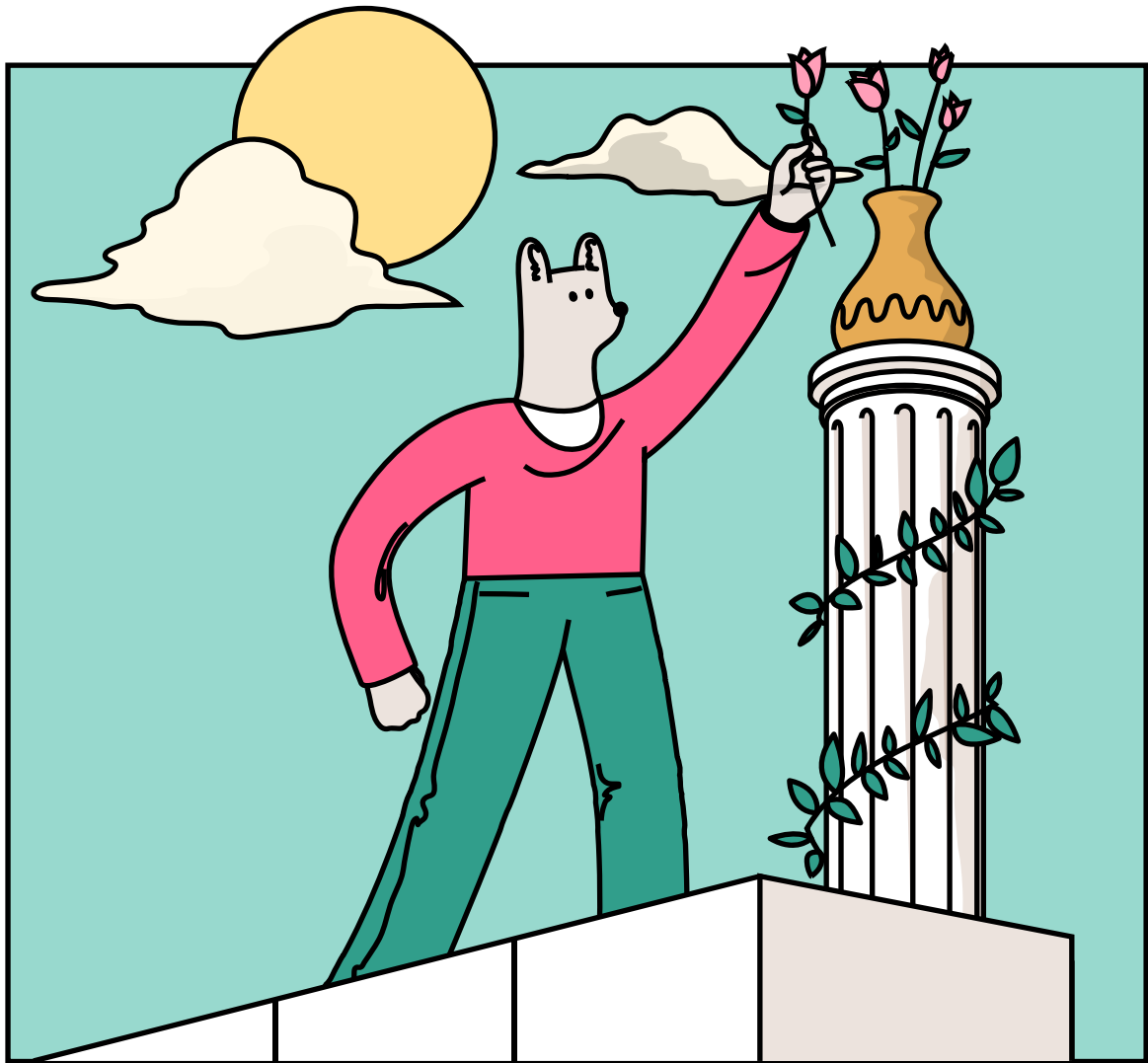


Often, people and organizations understand how unjust gender-based wage discrimination is. For instance, **over 90% of Europeans** consider it unacceptable to pay women less for the same job as men, while 69% of people acknowledge that women receive less pay for the same work they do as men. However, only 26% of Europeans know that their country legally guarantees equal wages for equal work.

We have got bad news and good news for you. The bad news is that, according to the **World Economic Forum**, it will take many, many years to fully close the global gender pay gap. However, the good news is that business organizations and entrepreneurs can accelerate the narrowing of this gap through carefully implemented policies and gender-sensitive actions.



This eBook is all about how companies and entrepreneurs can work towards closing the gender-based discrimination in wages. But before we get into that, let's look at some of the fundamentals - what is the gender pay gap, what causes it, and what consequences it has on women and businesses.



What is the Gender Pay Gap?

The gender pay gap refers to the difference between the median earnings of men and women doing the same work or roles. It is a measurable indicator of inequality.

The International Labor Organization (ILO) estimates that the global gender pay gap is around 22% in terms of median monthly earnings.

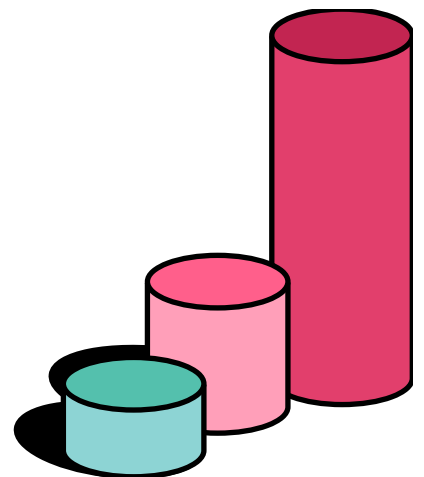
Wage disparity is a universal phenomenon – women in almost all countries and continents suffer from it, albeit to different degrees. We recently created the most transparent picture possible of Gender Equality in European start-ups, and the numbers are breathtaking :



What Causes the Gender Pay Gap?

The first step to narrowing the gender pay gap is to try and understand what causes it. Disparity in wages arises from a combination of factors – from socially and culturally existing gender biases to the predominance of patriarchal values to gendered perceptions to the lack of women-friendly policies in organizations.

Let's understand some of these factors in detail:



○ **Gender Biases and Discrimination**

Though many countries have made gender-based discrimination in workplaces illegal, it still exists in direct and indirect forms. Direct discrimination is when an employer pays an employee less because she is a woman. For example, hiring managers and senior leadership pay men better than women because they think the former is more efficient, hardworking, and result-driven than the latter.

Indirect discrimination and biases are more subtle and, of course, more harmful. It happens when an organization implements a seemingly neutral policy or practice that favors men and puts women at a disadvantage. For instance, imagine that an organization announces a salary hike to employees who work the most hours in a year. Since women are more likely to take time off due to familial, childcare, and other household responsibilities, it negatively impacts them.

○ **Lack of Negotiation Power**

More often than not, women do not negotiate their salaries during hiring, or they do it less than their male counterparts. Wait before you start blaming women and their lack of negotiation skills – it is not a question of women and their skills, but one of social and cultural conditioning and gender-based stereotypes.

For starters, society has long taught women to be submissive and accommodating. When a man vehemently negotiates salaries, people see him as career-oriented and ambitious. However, when a woman does the same, they consider her bossy, irrational, and assertive. Since the existing gender stereotypes condition women to assert less in professional settings, they possess much less negotiation power than their male colleagues.

○ Unequal Sharing of Care and Unpaid Work

It's a known fact that the burden of unpaid work – familial responsibilities, caring for children and the elderly, household chores, and more – is often on the shoulders of women. As per the **Equal Pay Fact Sheet published by the European Commission**, working women spend 22 hours a week on unpaid care and household activities, while working men spend only 4 hours per week. In other words, a working woman spends almost 4 hours more every day on such tasks than a man.

So, how does the unequal sharing of unpaid work contribute to the gender pay gap? In more ways than one! The fact sheet further shows that 1 out of 3 women reduce their paid hours to part-time work, which affects their hourly pay. Moreover, they take time off the labor market to care for children and attend to household demands, leading to career interruptions. As a result, women tend to have less experience and working hours than men, which, in turn, affect their current salary, future salary, pensions, and more.

○ Sectoral Segregation in the Labor Market

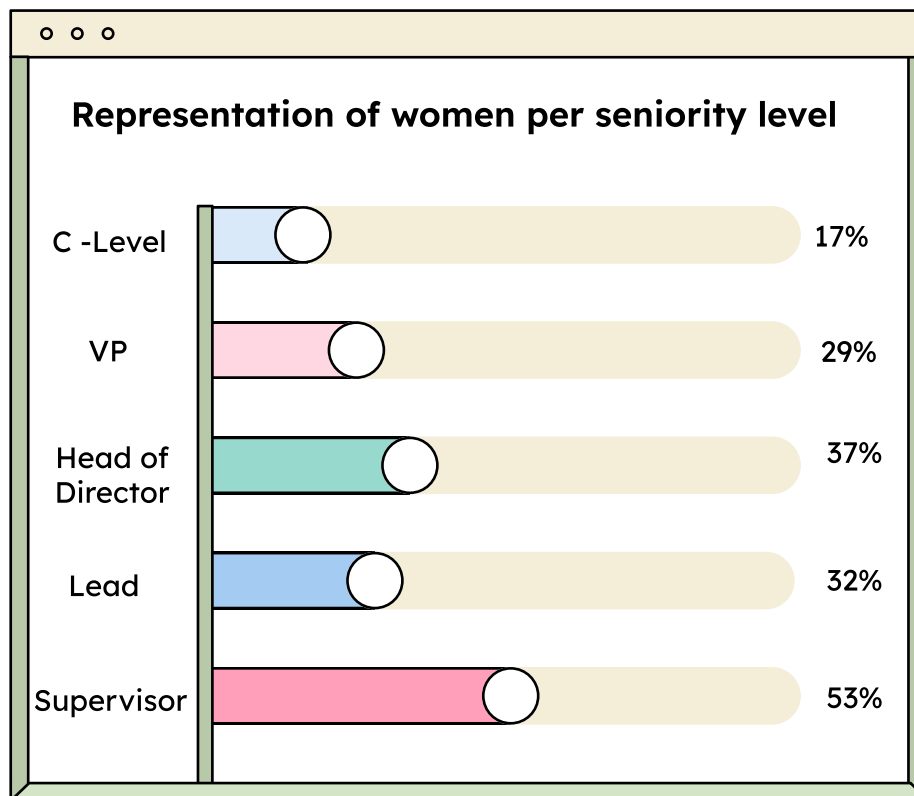
Walk into a hospital or school or social care institution, and you are likely to find lots of women among the staff. Now, look around high-tech science labs, research centers, engineering units, realty firms, or technology institutions, and the case is different. The number of women working in such institutions is relatively less than men.

The point we are trying to make is this – the representation of women and men in different sectors of the labor market is uneven. **Statistics** show that 3 out of 10 employed women in the European Union are in traditionally low-paid sectors like social work, education, or healthcare. However, a third of men work in higher-paid sectors, such as technology, science, and engineering.

Over-representation of women in low-paid sectors and their under-representation in high-paid sectors is a top cause of the gender pay gap. Moreover, when some sectors and jobs are systematically “feminized”, people tend to undervalue such occupations and professions, thus further widening the gap.

○ Lack of Women in Leadership Roles

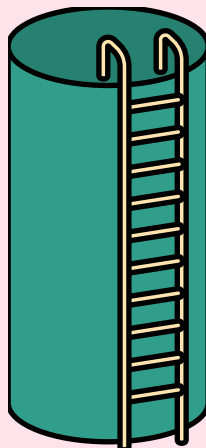
Uneven and under-presentation of women is not limited to sectors and industries alone. It further extends to roles, levels, and positions within organizations. For instance, men often dominate the jobs at the managerial, supervisory, and C-Suite levels. Our **Gender Pay Gap report** show that only 17% of women have a C-level role in European startups. The percentage of women of color who make it to the C-suite level is even less.

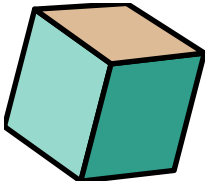


That's not all. Even when women are hired as managers, it is for support functions rather than strategic positions. For instance, many organizations hire women as HR and Administration staff rather than for strategic areas like product development. As a result, even the salaries of women in managerial roles tend to be lower than that of men at the same levels.

○ **Lack of Women-Friendly Policies**

Even though some organizations make deliberate efforts to hire women and ensure diversity, they do not have the right policies to support this effort. Oftentimes, corporate practices inadvertently put women at a disadvantage. For instance, many companies do not have well-defined policies regarding maternity or paternity leave, childcare support, paid medical leave, and the like. It's no secret that the lack of such policies affects women more than it affects men.





How Does the Gender Pay Gap Affect Women and Companies?

Often, people make the mistake of thinking that the gender pay gap is all about compensation – about women receiving less money than men. The truth is, it has far more severe financial, economic, social, and mental consequences. Here are a few of them:

○ **Increased Inequality in Wealth Creation**

One of the most glaring consequences of gender-based pay discrimination is that it leads to inequality in wealth creation. Since most companies consider the previous salary of employees to determine their current salary, the pay gap follows women from one job to another. As a result, they do not get the same opportunity as men to create wealth and other assets and enjoy financial and social security.

○ **Income Gap Leading to Pension Gap**

Here's the ugly truth– the gender pay gap follows a woman through her entire professional life and even further into her post-retirement years. Since women have earned less in their workforce years, it comes in the way of their quality of life after retirement. Most importantly, pensions are calculated based on wage rates. Due to the gender pay gap, the income women receive from social security, pensions, savings, and other sources will also be less when compared to their male colleagues.

○ **Poor Access to Healthcare, Realty, Finance Services, and Other Areas**

A related consequence of gender-based wage imbalance is that it diminishes a woman's access to healthcare, reproductive care, and other services. Moreover, banks and financial institutions consider the earning capacity of the borrower while granting loans. Consequently, the low earning capacity of women poses a challenge when they purchase houses, landed properties, and other physical assets.

○ Ethnic, Racial, and Cultural Imbalances

While women are paid less than men, the situation is even starker for women of color. Report after report indicates that they are paid even lesser than their white female colleagues. As the report titled Systemic Racism and the Gender Pay Gap rightly observes, even when the law finally starts protecting women in workplaces, the protection a white woman gets is not extended to women of color.

The case is no different for individuals living intersectional realities – for instance, LGBTQ and immigrant women. They face wage discrimination due to multiple biases, and it further reinforces the existing social and cultural discrimination based on colour, race, and sexual orientation.

○ Mental Health Issues

The adverse effects of the gender wage gap on women's mental health cannot be stressed enough. To begin with, appreciation at the workplace is a crucial factor that contributes to the self-esteem and self-confidence of individuals. Since wage discrimination is an indication that women employees are not as valued or appreciated at work as male employees, it adversely affects their confidence and self-worth.

Moreover, studies show that wage discrimination leads to depression, frustration, and anxiety in women. Likewise, women who raise their voices against wage discrimination often face criticism at the workplace or are not taken seriously by their employers, further adding to their frustration and affecting their mental health.

○ Employee Performance and Commitment

Gender-based pay discrimination adversely impacts organizations too. Employee experience is essential to the growth and success of companies, both big and small. It is a known fact that when people feel they are fairly compensated, it leads to satisfaction and commitment. Wage discrimination affects the morale of women, which, in turn, impacts their performance and commitment.

○ **Increased Employee Attrition**

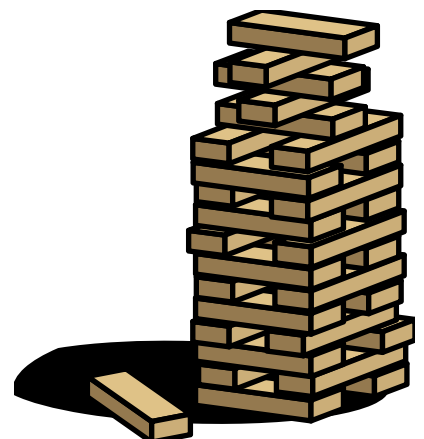
It is hard for a female employee who receives less than her male colleagues to develop positive sentiments towards the organization and management. It prompts her to consider employment opportunities at other companies that offer equal pay. As a result, a company that pays its male and female employees unequally faces the risk of employee attrition. Low rates of employee retention negatively affect the growth, reputation, and revenue of an organization. Ironically, they end up spending more money than they save on managing the damage.

○ **Non-Inclusive Workplaces**

Organizations across the globe are moving towards a work culture based on diversity and inclusion. Wage discrimination based on gender comes in the way of creating a diverse and inclusive workplace. Additionally, it can destroy the reputation and competitiveness of your organization, and in some countries, gender-based wage discrimination might also attract legal and compliance issues.

How to Close the Gender Pay Gap in Startups?

Now comes the million-dollar question – how can a business narrow the gender pay gap and create a salary culture based on equality? Though there is no silver bullet solution to this challenge, there are several things they can do to close the gap. Here are a few solutions:



01.

Create Gender-Balanced Leadership

One of the main reasons the gender pay gap continues to be prevalent is that women are not in any decision-making roles. So, the first step to changing the situation is to change who is in charge of making the change. In other words, when women are in boardrooms, changes happen.

Make sure that your company hires women in leadership and management-level positions so that they can transform your business into a gender-inclusive organization. Likewise, you must recognize and include high-achieving women in your succession planning and create opportunities for women to pursue the higher levels of the corporate ladder.

More importantly, make public commitments and announce your plans. Many companies, including Safaricom and IKEA, have declared their commitment to gender balance, thus setting an example. When you lead by example, others start following the suit.

02.

Introduce Pay Transparency in Your Organization

Women often do not ask for equal salaries because they are unaware of what their male colleagues earn. Many companies keep their salary details a secret, which prevents women from demanding an equitable pay rise. The best way to change this situation is by introducing pay transparency in your organization. When you reveal the salaries for all positions and roles, it levels the playing field and empowers women.

No, this is not as hard as you think – many companies have already embraced the culture of pay transparency, and quite successfully at that. Buffer, a US-based company that offers social media management solutions, is an excellent case in point. Back in 2013, when many companies were still mulling equal pay, Buffer boldly published their salary details online. Alan, the Paris-based digital health insurance platform, is another organization who have made its salaries public.

It does not mean that you publish the salary details of your employees online or make them accessible to the public. Depending on the nature and maturity of your company, you can follow pay transparency within the organization. Gorgias, the US-based multi-channel helpdesk provider, follows this model. They have introduced salary transparency within the company rather than making it public.

03.

Stop Asking Employees about Their Salary History

Asking about the salary history while hiring employees might seem like a standard and harmless practice. But guess what, it only reinforces the existing gender pay gaps. Imagine that a woman who received unequal pay in her previous company joins your organization. If you hire her based on her last-drawn salary, you are perpetuating the very inequality she is trying to break away from.

The wage gap often gets carried forward from one job to another, from one organization to another, without you even noticing it. The best way to put brakes on it is by stopping the practice of determining compensation based on former positions. Instead, you can create a clear and well-defined salary grid or salary formula for all roles and levels in your company. Buffer, Alan, and Gorgias are a few organizations that have created salary formulas to offer fair compensation to their workforce without relying on the salary history.

04.

Offer Paid Maternity and Family Leave

Women are more likely to take time off from their careers to care for children and family, which results in a career break and reduces their years of experience. Having insufficient policies regarding paid maternity, family, and medical leave might force women to quit jobs to attend to caregiving responsibilities, thus further widening the gender-based wage gap.

The best solution to address this issue is to create and implement robust policies around maternity, paternity, and family leave, for both men and women. It enables women to continue and progress in their careers without massive breaks or monetary loss. By expanding the family/childcare leave to male employees, you can further help break the stereotype that women are, and should be, the primary caregivers.

05.

Improve The Work-Life Balance of Female Employees

Women often perform additional familial and childcare responsibilities and other unpaid work by reducing their work hours or suffering pay penalties – both widen the discrimination. Employers can narrow the gender pay gap by creating conditions and policies that boost the work-life balance of their employees.

For instance, startups can leverage technology to create flexible or hybrid work models that help women strike a balance between professional and personal lives. From facilitating working from home to introducing flexible work hours, there are many things you can do to make the workplace more welcoming and less taxing to female employees.

06.

Reevaluate Your Hiring Practices

Even companies that pledge their commitment to equal compensation and implement women-friendly policies might have unconscious biases and contribute to the gender pay gap. The best way to identify and weed out such biases is by reevaluating your hiring practices and policies.

Do you hire the same kind of people again and again? When you announce job opportunities, do you do it in a way that makes it look appealing to men and chase off female candidates? Do you assume that caregiving responsibilities make women less efficient and less focused on their jobs? Do you hire women of color? While hiring, do you naturally assume that men might be better candidates for specific roles and positions? Do you prefer women only in support jobs?

These are some of the questions you can ask yourself to understand your biases and diversify your workforce.

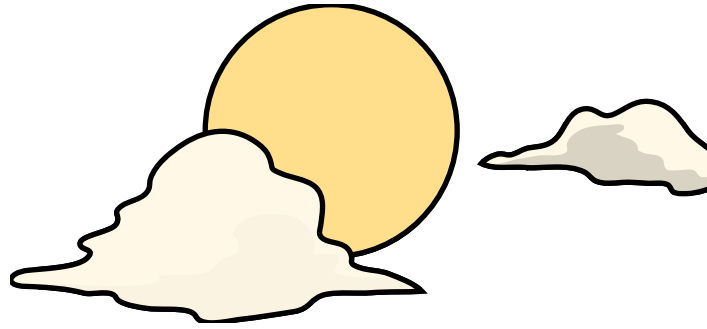
07.

Conduct Periodic Wage Equity Audits

Make it a practice to audit your compensation rates and policies from time to time. It is the best way to identify discrepancies in your business practices and take remedial measures. For companies that offer niche solutions, the roles and positions of employees might not be well-defined. Likewise, employees might be handling multiple roles in small companies and startups with limited staff.

It is crucial to define and get clarity on the roles and levels of all employees in your organization and to pay equal compensation to all people who are doing similar jobs and have the same experience. It is also a great idea to invest in compensation databases that offer access to market data and salary information based on jobs, roles, and levels.

For instance, **Figures** has a Gender Equality Index that gives your actionable insights into your gender equality positioning. It also indicates the gender pay equality of your organization compared to your competitors.



Final Remarks

Closing the gender pay gap might seem like a challenging mission, but it is achievable. The factors contributing to the wage disparity are diverse, and hence you cannot follow a one-size-fits-all method to identify, address, and remedy the issue. It takes a mix of strategies, ranging from policymaking to changing leadership structures to transforming hiring practices, to increase the pay parity and close the gender pay gap.

If you are a startup looking to create and implement policies and practices that reduce the pay gap between men and women, consider leveraging the power of technology. For instance, you can invest in the solutions offered by Figures or get help from dedicated organizations like FairHQ or 50inTech. So, come - let's start taking big steps towards achieving this mammoth goal.

