

HBR.ORG

# Harvard Business Review



MAY 2013  
REPRINT F1305C

**IDEA WATCH**

## Ending the Wage Gap

*by Sudip Datta, Abhijit Guha,  
and Mai Iskandar-Datta*

**COMPENSATION** by Sudip Datta, Abhijit Guha, and Mai Iskandar-Datta

# Ending the Wage Gap

If you're a female executive who has just been recruited for a high-powered job, you may be asking yourself, "What gender gap?" And with good reason: Despite studies showing a discrepancy between men's and women's wages even in the C-suite, chances are that your starting compensation compares well with what the company would offer a man who has similar skills and experience.

Give it time. Your pay will most likely start to lag that of your male colleagues, and after a while you'll be looking at a big gap. Our research offers an explanation and suggests actions that might help you maintain parity—if you're willing to take them.

We looked at 1,598 newly hired chief financial officers at U.S. public companies from 1994 to 2007. We chose CFOs because their responsibilities tend to be similar from company to company. Controlling for factors such as industry, firm performance, and executives' educational background and years of experience, we found no evidence of a wage gap during the hiring year; in fact, with companies competing for female CFOs, the women's pay packages were typically a bit better than the men's.

Two years in, however, the women's total compensation trailed their male coun-

terparts' by 4.5% to 5%. On the basis of past research, we believe companies may make two assumptions that lead them to give female executives smaller raises: that women will forgo higher compensation for family-friendly factors such as location stability, and that they are less likely than men to jump to other firms (studies do show that women are less geographically mobile in their careers than men).

We suggest four steps that women can take to keep these stereotypes from cutting into potential raises:

**Move—or at least demonstrate that you're willing to.** Cultivate professional networks by, for example, making yourself visible at conferences. Stay in touch with the headhunter who got you your current position, and look for a new job from time to time, to mark yourself to market, so to speak.

**Compete within the firm.** Signal your willingness to move within the organization. Seek opportunities for additional responsibilities, particularly if you're in a company, such as a consulting firm, that operates on a project-by-project basis.

**Get it in writing.** Insist on a contract clause that calibrates your raises to the increases paid to men of comparable rank

and in comparable firms. The pay packages of public companies' C-suite executives are a matter of record, and placement consultants maintain compensation databases.

**Do your homework.** Compile information on the pay of comparable managers and bring it to compensation meetings of HR representatives or the board's compensation committee.

Some women may feel uncomfortable adopting these strategies. But the alternative is to stand by and watch as pay parity erodes.  **HBR Reprint F1305C**



 **Sudip Datta** holds the T. Norris Hitchman Endowed Chair in Finance, **Abhijit Guha** is an assistant professor of marketing, and **Mai Iskandar-Datta** holds the Dean's Research Chair in Finance at Wayne State University's School of Business Administration.