

Closing the Gender Pay Gap

How can the gender pay gap for executives be reduced in organizations?

Although the gender pay gap has been shrinking in the past decade, it still exists in all levels of organizations, including at the executive level. This is a problem not only from an equality standpoint but because it may impact firms' culture and performance.

Through their research, Solon Moreira and his colleagues explored ways to reduce the gender pay gap at the executive level. Their data showed that an increase in analyst firm coverage helped to reduce the gender pay gap among the top executives of S&P 1500 firms between 1992 and 2016.

Moreira and colleagues suggest two mechanisms linking analysts' coverage and the reduction of the gender pay gap. First, coverage from financial analysts, who are independent external actors, increased other stakeholders' attention to discriminatory pay setting practices. Second, the financial analysts' reports helped to reduce the information asymmetry between what happens inside a company and what the public and investors can see.

This is important because investors and the public may not want to invest in or support a company if a gender pay gap exists. The more openness there is about the internal workings of organizations, the better stakeholders can monitor pay practices and the more pressure they can put on companies to live up to social values of gender pay equality.

MAJOR TAKEAWAYS:

- The gender pay gap continues to exist despite progress in the last few decades.
- Gender inequality in general can lead to poor organizational outcomes, such as a toxic work environment that might harm a company's productivity.
- Financial analysts are one channel to push companies to reduce the gap because they create public reports as independent external actors, allowing for increased public scrutiny.

WHO NEEDS TO KNOW:

- Business leaders, especially of public firms
- Business analysts
- Investors

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- Closing the Gender Pay Gap: Analyst Coverage, Stakeholder Attention, and Gender Differences in Executive Compensation. *Organization Studies*.
<https://doi.org/10.1177/01708406231200725>