

Advancing Gender Equality by Closing the Pay Gap

by Heather Smith, Lead Sustainability Research Analyst, Pax World Management

Many investors have long recognized the benefits associated with gender diversity—including superior financial performance, improved decision-making and oversight—and have engaged in a variety of initiatives aimed at increasing the representation of women across all professional levels, from entry level positions to the C-suite and boardroom.

We've seen some progress: Following a series of board diversity campaigns coordinated by the Thirty Percent Coalition since 2012, over 100 companies have added women to their boards. That said, progress remains painfully slow. Recent research from Mercer indicates that current female hiring, promotion and retention rates are inadequate to create gender equality over the next decade.¹ In addition, a stubborn gender pay gap persists.

While shareholder engagement efforts have traditionally focused on increasing women on boards and in management, measuring and publicly reporting on pay equity has emerged as another tool in advancing gender diversity. Pay equity is a crucial part of a successful diversity strategy, helping companies to attract and retain talented and motivated employees—yet only 35% of organizations have a pay equity analysis built on a robust statistical approach.²

Investors recognize that transparency can help eliminate gender pay gaps and that pay discrimination presents litigation, regulatory and reputational risk. That's why they are urging companies to disclose policies around pay equity, the results of their pay analyses and strategies to close any identified pay gaps.

KEY TAKEAWAYS

- » Pay equity is a crucial part of a successful diversity strategy, helping companies to attract and retain talented and motivated employees.
- » Measuring and publicly reporting on pay equity is an important tool in advancing gender diversity and in closing the overall gender gap in the workforce.
- » The role of business has never been more critical in advancing gender equality, and it will require the combined efforts of many to close the gap.

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¹ Mercer, "Turning Disruption into Opportunity for Women and Business," 2017.

² Stefan Gaertner, Gail Greenfield, Brian Levine, "Pay Equity: New Pressures, new strategies," Mercer.



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Prior to 2016, very few publicly traded U.S. companies, namely The Gap, Inc., Salesforce and GoDaddy Inc., provided any disclosure around pay equity. But, with the topic dominating headlines in 2016, meaningful strides were made. A series of successful shareholder resolutions were directed at some of the largest technology companies, including Apple, which disclosed the results of its pay assessment and closed the pay gaps it identified. Over 100 companies endorsed the Obama Administration's White House Equal Pay Pledge and committed to conducting an annual gender pay analysis. In addition, California, Massachusetts, New York and Maryland enacted significant changes to their state-level equal pay laws. In the spring of 2016, a group of nearly 40 investors wrote to S&P 100 companies asking them to commit to collecting, calculating and publicly disclosing pay data by gender, race and ethnicity. Finally, Pax Ellevest Management petitioned the SEC, urging the agency to require public companies to disclose gender pay ratios on an annual basis.

In 2017, investors are planning several engagements and shareholder resolutions to build on this momentum. Targets include companies in financial services, an industry that has among the highest gender pay gap and where women are more likely to leave at midcareer, in addition to technology and retail companies.³ At Pax World, we've filed or co-filed six shareholder resolutions on pay equity, requesting the disclosure of the results of pay equity assessments.

The role of business has never been more critical in advancing gender equality, and all companies would be well served by proactively analyzing their pay structures by gender, race and ethnicity. Pay parity represents one step towards closing the overall gender gap in the workforce and helps position companies to take advantage of the *entire* workforce. It will require the combined efforts of many to disrupt the business as usual scenario of waiting another 170 years to achieve gender equality.⁴

³ Dr. Andrew Chamberlain, "Demystifying the Gender Pay Gap," Glassdoor, 2016.

⁴ World Economic Forum, "The Global Gender Gap Report 2016," 2016.

Pax World Management LLC

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As of 12/31/16, The Gap, Inc. was 0.1% of the Pax ESG Beta Quality Fund, 0.4% of the Pax ESG Beta Dividend Fund, 0.0% of the Pax Balanced Fund and 0.0% of the Pax Ellevest Global Women's Index Fund. Apple, Inc. was 2.9% of the Pax ESG Beta Quality Fund, 4.4% of the Pax Large Cap Fund, 2.0% of the Pax Balanced Fund and 0.4% of the Pax Core Bond Fund. Salesforce was 0.3% of the Pax ESG Beta Dividend Fund, 0.4% of the Pax ESG Beta Quality Fund, 0.0% of the Pax Balanced Fund and 1.8% of the Pax Ellevest Global Women's Index Fund. GoDaddy Inc. was not held by any Pax World Fund. Holdings subject to change.



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