

Gender Pay Gap: Lessons from Multinational Corporations.

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Abstract: One of the most widely researched issues regarding gender differences in the workplace is pay (Blau and Kahn, 2007). While recent research has largely focused on the gender and labor market discriminations as the main sources of gender pay inequalities, the role of other factors has not been systematically scrutinized in a single research (Rynes and Bono, 2000). Therefore, the current study strives to integrate the analyses of the gender pay gap determinants from several perspectives in an attempt to provide a broader picture that so far has been missing from the literature. The main goal of the study is to investigate how managers in Multinational corporations (MNCs) perceive the existence and the nature of the gender pay gap and to examine the reasons why male and female managers get compensated differently in MNCs.

The following paper presents my preliminary research proposal. It first focuses on the objectives and a brief description of the research area. Secondly, the content of the thesis is discussed. Finally, methodological approach of the study is presented.

1. Objective and brief description of the research

For some time, gender pay inequalities have been one of the more intensively researched topics in social science. A diverse set of literatures, including economy (e.g. Groshen, 1991), sociology (e.g. Hannan, Schomann, & Blossfeld, 1990), psychology (e.g. Stroh, Brett, & Reilly, 1992), human resource management (e.g. Heneman, 1990) have been interested in the topic. Recently this issue has attracted the attention of the general populace and of all branches of government. Discussions have circulated around the gender pay gap, which is also known as the “gender wage gap”, the “gender gap in earnings” or “male-female income disparity”, and which is defined as the difference in average hourly earnings of male and female employees.

That a gender pay gap exists is evident from a brief review of some labour force statistics. The National Women’s Law Center declared that in the USA at the present rate of the gender pay gap the average woman had to work until April 2008 to make what the average man made by the end of 2007 (NWLC, 2008). Similarly, the Evidence suggests a similar tendency of the gender pay gap in the EU. For example, in the UK at the present rate of the gender pay gap the average woman who works full time would miss around £369000 over her working life (BBC News, 14.11.2008).

Although it may appear inconceivable that an economic inequality of this magnitude could be perceived as fair, recently several scholars documented that their sampled respondents did not feel and were not specifically concerned about the gender pay gap, even when this gap was statistically determined (e.g., Jamali, Sidani and Kobeissi, 2008). This suggests that many people are not aware of the gender pay gap even when it statistically persists. The fact that female employees consistently perceive less pay as fair in comparison with male employees suggests that victims of the gender pay gap may be at least likely to be aware that the gap exists. Alternatively, women may recognize pay disparities but accept them by considering other aspects of work as more important than do men. Women may 'restore psychological equity in the face of actual inequalities, which they may view as beyond their power to redress' (Jackson and Grabski, 1988: 623).

From the above-mentioned it is seen that there is no one answer of why different individuals view the gender pay gap differently. Consequently, there should be more studies aiming at explaining how and why individuals' perceptions about the gender pay gap differ. Moreover, the perceived gender pay gap, which refers to the perceptions about the differences in pay of men and women, should be examined because studying the way individuals understand the phenomenon of the gender pay gap, whether it exists at all for them or not, can help to answering the questions: why the gender pay gap persists and how to overcome it.

The current study fills this gap by aiming at three primary objectives:

- Investigate how managers in MNCs perceive the existence and nature of the gender pay gap through their attitudes and behaviour.
- Examine the reasons why male and female managers get compensated differently in MNCs.
- Building on the explanations for the gender pay gap and the perceived gender pay gap, propose some additional recommendations for financial compensation and equal opportunities policies.

In accomplishing these objectives, I hope to conduct research that could possibly lead to theory building within financial compensation from gender perspective. On this behalf, the present research aims at investigating the existing theoretical and conceptual models (e.g. Mincer and Polachek's model, 1974; Becker's model, 1985; Powell and Graves's model, 2003) in an empirical setting. The overall goal of the research is thus to develop a descriptive

framework or theory that will conceptualise the factors that discourage the existence of the gender pay inequalities.

2. Content

Article-based manner is applied for the following research. The first article, which is in the process of a journal review at the moment, is called '*Gender Pay Gap: Lessons from Multinationals*'. It strives to integrate the analyses of the gender pay gap determinants from the perspectives of human capital theoretical model, contingency theory as well as several societal theories into a single study, in an attempt to provide a broader picture that so far has been missing from the literature. The aim of this paper is to clarify to what extent the gender pay gap exists, and to analyze the reasons for the gender pay inequalities in MNCs. By exploring different determinants of the gender pay gap, I propose alternative factors as influencing the differences in the salaries of male and female managers. I also argue for the importance of the additional factors such as market-based contingencies and individual preferences in an effort to broaden a traditional understanding of the gender pay gap.

The name for the second article is '*Power and Gender Equality: A New Look at the Gender Pay Gap*'. It is in the process of a journal review as well. In this article I emphasize the need for a further research to address the underlying explanations for the gender pay gap. The article critically reviews theoretical and empirical literature surrounding the concepts of power and gender equality to formulate a coherent model regarding the influence of power and gender equality on the gender pay gap. The aim of the paper is to explore whether organizational power encourages or discourages gender equality in organizations and to analyze how operation of power influence the elimination of the gender pay gap in practice on the example of examining gender equality policies of a particular MNC.

The name of the third article is '*The Antecedents of the Perceived Gender Pay Gap*'. I have been working on this article for around nine months and it is still a work in progress. It aims at investigating what constitutes the perceptions about the gender pay gap. By developing a conceptual model, I identify specific factors that contribute to explaining why for some people the gender pay gap is an accepted order of things and for others it is a discriminatory practice; why some people fight against gender pay inequalities and others prefer to be silent. This article aims at two objectives. The first objective is to examine the determinants of individuals' perceptions concerning the gender pay gap in society in general. Accordingly, a

series of hypotheses relating the influence of demographic factors, gender role orientation, gender identity, diversity programs, national culture and occupational factors on the perceived gender pay gap will be tested. The second objective is to examine how pay fairness perceptions can interplay with the perceptions of the gender pay gap.

3. Methodological Approach

The research contains a qualitative pilot study consisting of interviews with HR managers as well as other managers of both genders of several MNCs. Further a specifically designed quantitative study consisting of questionnaires with a larger selection of respondents is arranged.

The qualitative part of the study consists of semi-structured interviews in an effort to collect and structure various forms of arguments and verbal expressions for building testable hypotheses. Semi-structured interviews are well suited for a preliminary research in the area of gender studies with functions such as pre-testing and validating of instruments or hypothesis formulation. These interviews are carried out with managers of both genders in order to point out possible differences in their understanding of the gender pay inequalities.

As to the quantitative part, one might expect a similar approach to be applied. This would indicate developing a questionnaire, which is specifically designed to observe the perceptions of managers about the gender pay gap. It contains several parts. The first part contains specific questions in order to determine background of a respondent. Examples are listed:

- 1) In order to determine respondents' pay expectation for others the following questions are asked (taken from Jackson's study 1992):

How much money do you think most people with your level of education earn the first year working full time in this type of job?

What do you think is a 'fair starting salary' for this type of job?

How much do you think the best-paid people with your level of education earn the year they earn the most of this type of job?

What do you think is a 'fair peak salary' for this type of job?

- 2) In order to determine respondents' gender role orientation the following items are evaluated by respondents on the following response rate: 1 = strongly disagree, 2 = disagree, 3 = agree, 4 = strongly agree (taken from Judge's study 2008):
- (a) a woman's place is in the home, not the office or shop;
 - (b) a wife with a family has no time for outside employment;
 - (c) employment of wives leads to more juvenile delinquency (young crime)
 - (d) it is much better if the man is the achiever outside the home and the woman takes care of the home and family;
 - (e) women are much happier if they stay home and take care of children
- 3) In order to determine respondents' gender identity the following items are evaluated by respondents on the following response rate: 1 = strongly disagree, 2 = disagree, 3 = agree, 4 = strongly agree (taken from Ngo's study 2006):
- (a) I identify with other members of my gender group
 - (b) I am like other members of my gender group
 - (c) My gender group is an important reflection of who I am

The second part of the questionnaire contains description of eighteen gender-linked occupations:

Selection of the gender-linked occupations. Eighteen occupations, six male-dominated, six female-dominated, and six gender-neutral with high, moderate, or low status are selected.

Employees' Gender. Rather than providing only the occupational title, and only the information about the employee's gender, respondents are provided with a detailed description of the occupation including job duties and responsibilities. Providing explicit information about every occupation minimizes the influence of stereotypes on evaluations of respondents. Each occupational description is of approximately same length and content. The first name of a male employee, female employee, or Person A is included in the occupational description in order to manipulate Employee's Gender. In order to strengthen the gender manipulation the employee's name is repeated several times.

After reading the occupational description respondents are asked to write down what they believe is fair pay for an employee in an occupation and what they believe is the actual pay for the employee in an occupation. If respondents believe that the gender pay gap exists, then

the discrepancy between fair and actual pay will exist (e.g., actual pay for female employees and female-dominated occupations less than for male employees and male-dominated occupations, respectively).

References

Available under request