the EXCHANGE

George Wilbanks

Managing Partner, Wilbanks Partners

WP

Wilbanks Partners

The Gender Pay Gap Dilemma

- The gender pay gap is part of broader pattern of continuing discrimination that is being perpetuated mainly through unconscious biases, even if the origin of this discrimination 20-30 years ago was more methodical. Retraining managers to recognize these biases, and measuring and reporting on changes and improvements is a significant challenge that most firms are just starting to undertake.

- Gender-based pay gaps are part of broader pattern of pay disparities, some of the most meaningful of which include consistency bias (employees who stay with a firm a long time are significantly underpaid relative to those who join the firm under competitive circumstances) and age discrimination, among others.

- Even among well-meaning hiring managers of almost every possible cohort, there is a significant motivation to find “value” in recruiting initiatives, i.e., seeking to hire the highest skilled professional at the lowest cost. Breaking this tradition in the interest of eliminating discriminatory pay gaps between cohorts will require a training initiative and the commitment of significant financial resources.

The Gender Pay Gap Dilemma

- In executive roles that have significant incentive compensation tied to performance (alpha generation, sales success, profitability, revenue sharing, etc.), there is generally greater transparency of compensation. Based on my anecdotal experience, there is also, therefore, significantly less pay disparity among cohorts. However, as a result, the top wage earners in the investment business (often including firm leaders) are less informed about pay disparities that may be occurring in the infrastructure or administrative sides of their firms. This lack of awareness highlights the importance of data transparency on compensation across cohorts as part of good firm governance.

.