

**Eliminating the Pay Gap:
An Exploration of Gender Equality, Equal Pay, and A Company that Is
Leading the Way**

January 2017

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Acknowledgments

A research team led by Kellie McElhaney and Genevieve Smith, including Nitisha Baronia and Krupa Adusumilli, developed this paper. It benefited from the contributions of many individuals. We would like to give special thanks to the following individuals who provided critical insights at Gap Inc.: Art Peck, Michelle Banks, Debbie Edwards, Nancy Green, Julie Gruber, Dan Henkle, Danielle Katz, Erin Nolan, Andi Owens, Peter Pawlick, Sheila Peters, Lauri Shanahan, Bobbi Silten, Sabrina Simmons and Amy Solliday.

Disclaimer: Gap Inc. commissioned this paper. Gap provided data, company policy information and facilitated interviews with staff members; however, the paper and its conclusions were developed by the research team independently. The views expressed in the paper do not necessarily reflect the views of Gap Inc.

Executive Summary

Today, women make up nearly half of the workforce in the United States; however, women continue to earn less than men. In 2014, the US Census Bureau reported that the female-to-male earnings ratio (based on the median earnings of men and women in 2014) is 0.79.¹ Even when women do the same jobs as men, and controlling for observable variables, a gap persists: women earn between 93-95% of their male counterparts' salaries.² The wage gap, which is due to a variety of variables including social and cultural norms as well as unconscious bias, results in significant lost wages that continue to add up over a woman's lifetime and contribute towards persistent gender inequality, which further impedes human development and economic growth.

In 2014, Gap Inc. became the first Fortune 500 company to announce that it pays female and male employees equally for equal work on average across their global organizations (controlling for observable variables). Furthermore, when comparing pay of the median male and median female full-time employee, the female to male ratio was at parity, signifying that there is similar representation of women and men at all levels of leadership and in managerial positions.

A variety of factors have contributed to Gap having a high representation of women and achieving equal pay for full-time women and men employees at the organizational level. First, Gap has a company culture that enables women to rise in the ranks: one that diminishes psychological barriers through role models, mentorship and sponsorship. This culture – based on gender equality and inclusion with feminine traits of collaboration, inclusion, and relationships – has built on itself over time and creates a cyclical structure for women's advancement and equal pay. This company further has a robust system in place to analyze pay data annually, and provide information to managers in order to empower them.

Gap is a company from which others can look to for lessons in furthering their own efforts for equal pay and supporting women to rise in the ranks. While Gap has demonstrated itself as a leader in this space, there remains additional space to grow, as is true for all companies along the spectrum. Indeed, achieving gender pay equity is not a final destination, but an ongoing, fluid process and journey requiring steadfast commitment.

Introduction

In 2014, Gap Inc. (Gap) became the first Fortune 500 company to announce that it pays female and male employees equally for equal work, across all its locations (controlling for observable variables). Furthermore, when comparing pay of the median male and median female full-time employee, the female to male ratio was at parity³, signifying the high representation of women at all levels of leadership and in managerial positions. Gap's leadership in equal pay and gender equality has been recognized – such as through winning the 2016 Catalyst Award.⁴

Since Gap made this announcement, other companies have followed suit in claiming equal pay, and the attention towards equal pay by companies and governments continues to grow. On June 15th, 2016, thousands of men and women gathered at the White House for the first United States of Women Summit, discussing pressing issues such as leadership, educational opportunity, and equal pay for women. Leaders and change-makers from around the world – from celebrities such

as Oprah Winfrey to political leaders including President Barack Obama – gathered to advance the state of women and the US economy.⁵ At the conference, 28 companies signed the Equal Pay Pledge⁶ to take concrete actions, such as conducting annual pay analyses, to lower the national gender wage gap. Gap took the pledge as well, humbly noting that despite having an exemplary track record for equal pay, there is always more work to be done.⁷

This paper unpacks the oft-oversimplified term “equal pay,” explores the state of pay with a focus on the US, delves into Gap’s pay data, and highlights factors – particularly related to company culture and policies – behind Gap’s feat of arriving at equal pay. The purpose of this paper is to (1) clarify the ambiguous term of “equal pay” and outline the state of pay, (2) provide lessons gleaned from Gap’s experiences to inform other companies interested in providing equal pay, (3) highlight opportunities for Gap’s continued leadership in gender equality, and (4) provide recommendations for standardizing equal pay efforts throughout the private sector.

Methodology

This paper was developed through an extensive literature review, analysis of Gap pay data, and interviews with Gap employees, including members of its executive team. The first section of the report outlines definitions and complexities of equal pay and explores important key concepts. This first section also delves into the state of pay, particularly in the US, and explores factors that perpetuate unequal pay.

The second section of the paper explores gender wage equality at Gap specifically, illustrating existing data to highlight where Gap stands in the various definitions of equal pay, and includes an analysis of factors that have led to equal pay at Gap.

The final section highlights key lessons learned through the literature review, interviews, and data analysis for other companies seeking to achieve equal pay; outlines recommendations for Gap in continuing to support female employees and gender equality; and provides overall recommendations for standardizing equal pay in the corporate world.

Background

What does “Equal Pay” mean?

There are multiple ways to explore “equal pay” and measure the gender wage gap within an organization. A helpful way to begin is by deciding what levels of work at which to look.⁸

The first – and most broad option – is to compare the average salaries that women and men earn across an organization, at all levels (“**organizational-level**” pay gap analysis). This high-level analysis tends to result in a larger wage gap, as many companies have a disproportionate number of men in higher paying managerial and leadership positions. As a result, women may seem to be earning a lower average salary than men in the company, not necessarily because each woman is being offered a lower salary than her male counterpart, but because of a less quantifiable but critical leadership gap illustrating that she is not moving up to the higher paying roles in the company.

Second, one can compare average male and female pay at each level in the organizational hierarchy (analyst, manager, etc.) across all functional verticals, looking at pay gaps within each management tier regardless of their functional division (“**by level**” pay gap analysis). This mediates for some of the leadership representation gap; however, it does not take into account how jobs within different functional divisions may be assigned different market values. Further, it may fail to account for the disproportionately high number of women in back-end or support positions.

Third, one can compare equal pay for work of “equal or comparable value” (“**like for like**” pay gap analysis). This is perhaps the most detailed pay gap analysis and it is at this level of analysis that the gender wage gap often *seems* most narrow. This illustrates the direct difference in the salary that men and women earn in similar occupations, which is much smaller once the leadership gap is accounted for. Defining work that is of “equal or comparable value” can be difficult and requires a deep level of analysis and understanding of comparable work.

Beyond looking at level of work, the gender pay gap can be further decomposed into explained (measurable) and unexplained (often difficult to measure) components. Measurable factors (other than one’s level of work) can include, for example, age, tenure in position, number of subordinates, and geography. Even when all measurable factors are taken into account, an unexplained gender pay gap persists. This unexplained component reflects discrimination, implicit biases, social norms and other factors that are difficult to measure – including possible gender differences in risk-taking, mobility, and ambition. These concepts are discussed further in the section, “Unpacking unequal pay.”

Figure 1. Pay Gap Analysis: An Overview

Pay Gap Analysis	About	Why conduct this type of analysis?	Additional factors to control for
Organizational-level	Compares the average salaries that women and men earn across an organization <i>at all levels</i> .	Provides an overall understanding of how women are doing relative to men; incorporates representation of women at all levels.	No factors or levels controlled for.
By Level	Compares average male and female pay <i>at each level in the organizational hierarchy</i> (analyst, manager, etc.) across all functional verticals.	Provides an understanding of how women are doing relative to men looking at levels. This will not tell the story as well as like for like because it fails to take into account that jobs are worth different values, such as in different departments (e.g., manager in HR and manager in Tech has different market value).	Age, tenure in position, number of subordinates, geography, educational background, etc.
Like for like	Compares average male and female pay at jobs that are deemed of “equal or comparable value.”	Looks beyond the names of positions and incorporates other information to deem the value of a job.	

Two forms of pay gap analysis reveal equal pay at Gap

Gap has conducted two forms of pay gap analysis: (1) ratio of pay for full-time male versus female employees, not controlling for any variables or levels in the organization (the “organizational-level” pay gap analysis); and (2) ratio of pay for all male and female employees, controlling for work of equal value (“like for like”) and other measurable factors. Initially, Gap found that there was limited research and a lack of existing methodologies to create a model in examining equal pay. Its team first looked at pay data through a US census bureau model,

examining median pay rate of full time male versus female employees regardless of their position (analysis 1). They then explored disparities by level while controlling for measurable factors (analysis 2).

1) Median pay of men and women full-time employees, not controlling for any variables or levels in the organization: Gap conducted an analysis of both their median pay and average pay for all of their 34,114 female versus male full-time employees in 2014. The median female to male pay ratio was at parity. The average female to male ratio was slightly lower for women. However, this is representative of the fact that Gap has a higher percentage of women at entry-level positions. Moving into more senior positions in headquarters, the percentage of women and men even out (see figure 5).

2) Pay ratio between male and female employees when controlling for levels and measurable factors⁹: This analysis was conducted for all 129,387 employees (excluding Senior Vice Presidents and above), including part-time workers. In the case of part-time workers, hourly rates were annualized at 40 hours per week and monthly rates were annualized. Gap Inc. used a geographically sensitive method of comparing employee pay rates in like jobs across the entire organization. Pay ratios for male versus female employees were developed for each like job by controlling for select variables, including region (as the cost of labor varies by location). Those jobs were then grouped within defined job levels based on the employee's contribution level¹⁰, job responsibilities and skill / experience required. Other variables including age, prior experience, tenure, and number of subordinates were not controlled for in the analysis but provided additional context.

The findings were statistically validated by an external management firm, which found that no significant or meaningful gender wage difference at Gap Inc. globally or within any of their major regions.

Men may earn more than women in some jobs and women may earn more than men in other jobs. On average, however, gender pay rate differences across all jobs at Gap Inc. were not found to be meaningful or statistically significant.

With some minor variation, 2014 data revealed a ratio centered around 100% between men and women at the various levels. For example, the pay ratio for female versus male managers was .99, whereas the pay ratio of female versus male directors was 1.01. While there have been minor fluctuations by level over the past 3 years, the results are consistent.

State of Pay

As discussed, it is estimated female-to-male earnings ratio (based on the median earnings of men and women in 2014) is 0.79.¹¹ At the current rate at which the pay gap persists, women will not see equal pay in the US until 2059.¹² While this paper does not delve deeply into racial pay gaps, it is important to acknowledge that female minorities experience gender *and* racial pay gaps, with Pew research estimating that Hispanic women experience the largest pay gaps, earning only 58% of the average white male wage, while African American women earn 65%.¹³

Despite the current gap, the fight to mitigate the gender pay gap has been occurring for several decades and the gender wage gap has diminished. From 1970 to 2010, the female/male earnings

ratio in developed countries increased by approximately 0.4 percentage points per year.¹⁴ Two important factors in decreasing the wage gap are the increase of females in the job market and reducing occupational segregation.

An increase in women entering the job market is a pattern that can be traced back to the 1950s when women working during the interwar and World War II periods continued working into the postwar period. Indeed, between 1947 and 2008, female employment among working-age women increased by approximately 0.6 percentage points per year. This growth has been due to several reasons, including medical advances (e.g., improved contraception and better maternal care) and technological advances that have made childcare and household work easier and more accessible to working women.¹⁵ This increased labor participation influenced wage convergence, and legislation for equal pay further pulled women into labor markets.

In addition to increasing labor participation, starting in 1970, there has been considerable progress in reducing the extent of occupational segregation. Since 1970, women have reduced their over-representation into administrative support and service jobs and have made significant inroads into management and male professions.¹⁶ However, trends have differed across educational groups: substantial progress has been made by highly educated women (who have moved into formerly male managerial and professional occupations), while gains have been smaller for less-educated women, reflecting the lack of progress in integrating into traditional male blue-collar occupations.¹⁷ Finally and more broadly, evolving social norms have naturally eased the gender pay gap as well.¹⁸

Unpacking unequal pay

Despite positive trends, there clearly remains work to be done: Various factors inhibit women from entering the workforce – particularly full time jobs – and impact women’s ability to advance in the workforce.

Cultural and societal barriers

Many women who participate in the job market tend to self-select for lower paying, part-time, and/or flexible jobs or stay out of the job market due to unpaid care, household work, and other responsibilities. Part-time work enables flexibility but often at the cost of lower hourly pay, reduced access to social protection, and weakened long term career prospects.¹⁹

Many women face a “motherhood penalty,” or difference in earnings between women with and without children, that can be quantified. This penalty results from attempts to balance work and family responsibilities that may entail part-time employment and/or career breaks. For the OECD countries, the gender pay gap increases steeply during childbearing and childrearing years.²⁰ A business poll of the Department for International Development, United Kingdom (DFID) revealed that the three most commonly cited barriers preventing women from advancing in the workplace were all related to difficulties associated with balancing domestic and professional responsibilities.²¹ There is also some evidence of a premium for men, highlighting a positive relationship between a man’s wage and his number of children.²²

Occupational segregation

Academic sorting and choices in education lead to “occupational segregation” when girls become older.²³ Although women comprise a majority of those in tertiary education globally,

female university graduates remain less likely to receive degrees in scientific, technical, engineering and mathematical (STEM) disciplines associated with careers in higher paying fields. Women are more likely to work in sectors that have lower average pay. Importantly, occupational choice is affected by social norms (tracing back to academic sorting), stereotypes, lack of role models, and lack of information about opportunities and pay differentials.²⁴

Within all industries, a gender pay gap exists, although with significant variation. Interestingly, female-dominated industries – such as healthcare, social assistance, and insurance services – have particularly high gender pay gaps, likely because a fundamental issue remains that women are clustered in comparatively lower positions even in these industries (see following on employment in lower-level positions).²⁵

Furthermore, a study of US census data from 1950 to 2000 found that when women moved into industries in large numbers, jobs that women entered in the respective industries began paying less even after controlling for education, work experience, skills, race and geography. This research demonstrates that when women take over a male-dominated field, pay for an industry drops by up to 57% (such as the case in the field of recreation). On the flipside, female-dominated industries that become dominated by men (e.g., computer programming) see an increase in pay.²⁶ Research thus highlights that employers placed a lower value on work done by women.²⁷

Employment in lower-level positions

Regardless of the sector, women tend to be employed in lower-level positions. There is a persistent gender gap at higher ranks of management and leadership. Data of Fortune 500 companies from 2011 reveal that while women are nearly half of managers, they are only 14.3% of executive officers, 3.8% of CEOs, and hold 16.6% of board seats.²⁸ Occupation is the largest single factor accounting for the gender pay gap, with the second being industry – together they contribute to over 50% of the gender wage gap (see figure 3). Research reveals that the largest gender pay gap is in higher-paying white collar jobs.²⁹

Lower representation of women at higher levels could be due to limited female talent in the pipeline or barriers that prevent women's advancement (e.g., the "glass ceiling"). These advancement barriers might include discrimination, barriers of work-family conflicts, and/or reduced interest in high-level positions. Oftentimes higher-paying white-collar jobs demand longer and less flexible hours resulting in work-family conflicts.³⁰ In addition, a number of studies find that women are less likely to be promoted, all else equal, while other studies highlight that women instead exit at higher rates by choice.³¹

Lower proportions of women in managerial and leadership roles further perpetuate pay and promotion gaps, because managers often promote based on those who meet their own characteristics. This trend, known as "ingroup favoritism," prevents women from climbing up the career ladder in companies where there are not many women in leadership.³²

Personal and psychological traits

There are also various psychological traits that can contribute to the gender pay gap. Research finds that men place a higher value on money, have higher self-esteem, believe that they control their own fate, and are less risk averse, more competitive, more self-confident, and more

disagreeable than women. These traits can contribute towards the pay gap. For example, women are slightly less likely to opt for jobs that include performance pay, as they are less attracted to competitive environments than men, which may decrease their ability to overcome the wage structures that they are already within.³³ In addition, women are less likely than men to negotiate for themselves.³⁴ When they do choose to negotiate, one study found that women ask for an average of \$7,000 less than the men,³⁵ and more, their managers are less likely to want to work with them due to violating gender norms about appropriate female negotiating behavior.³⁶

Discrimination & unconscious bias

In addition to the aforementioned factors, discrimination and unconscious bias also play a role, accounting for an estimated 38% of the gender pay gap overall (see figure 3).³⁷

Figure 3. Explanatory Variables for the Gender Wage Gap³⁸

Variables	2010 Effect of Gender Gap in Explanatory Variables (% of Gender Gap Explained)
Education	-5.9%
Experience	14.1%
Region	.3%
Race	4.3%
Unionization	-1.3%
Industry	17.6%
Occupation	32.9%
Total explained	62%
Total unexplained	38%
Total pay gap	100%

Why should companies care?

Achieving equal pay at the organizational level, signals more equal female representation at higher levels of the company. Evidence is becoming clearer and clearer that gender diverse teams and women in leadership make business sense. Diverse teams are smarter, more effective³⁹, and more creative⁴⁰. Indeed, gender diverse workforces perform better financially: a 2015 McKinsey study finds that companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry means.⁴¹

Research continues to pile regarding the business benefits for women in leadership positions. Companies with more women in executive management have been shown to financially outperform companies that have no women in senior roles: According to a US study, Fortune 500 companies with the highest representation of women on their top management teams experienced better financial performance on measures of ROE (35.1% higher) and Total Return to Shareholders (34% higher) than companies with the lowest women’s representation.⁴² Recent data from the IMF (2016) reveals that the more women in senior managerial positions and in corporate boards, the more profitable firms are.⁴³ Further, firms with a larger share of women in senior roles have a significantly higher return on assets (ROAs), even within narrowly defined industries.⁴⁴ At the very top, the correlation between women at the C-suite level and firm profitability is demonstrated repeatedly, and magnitude of the estimated effects is not small: A profitable firm at which 30% of C-suite leaders are women could expect to add more than 1 percentage point to its net margin (which represents a 15% boost to profitability) compared to otherwise similar firms with no female leaders.⁴⁵

Put more simply by Art Peck, CEO of Gap, “*What’s good for women is good for business.*”

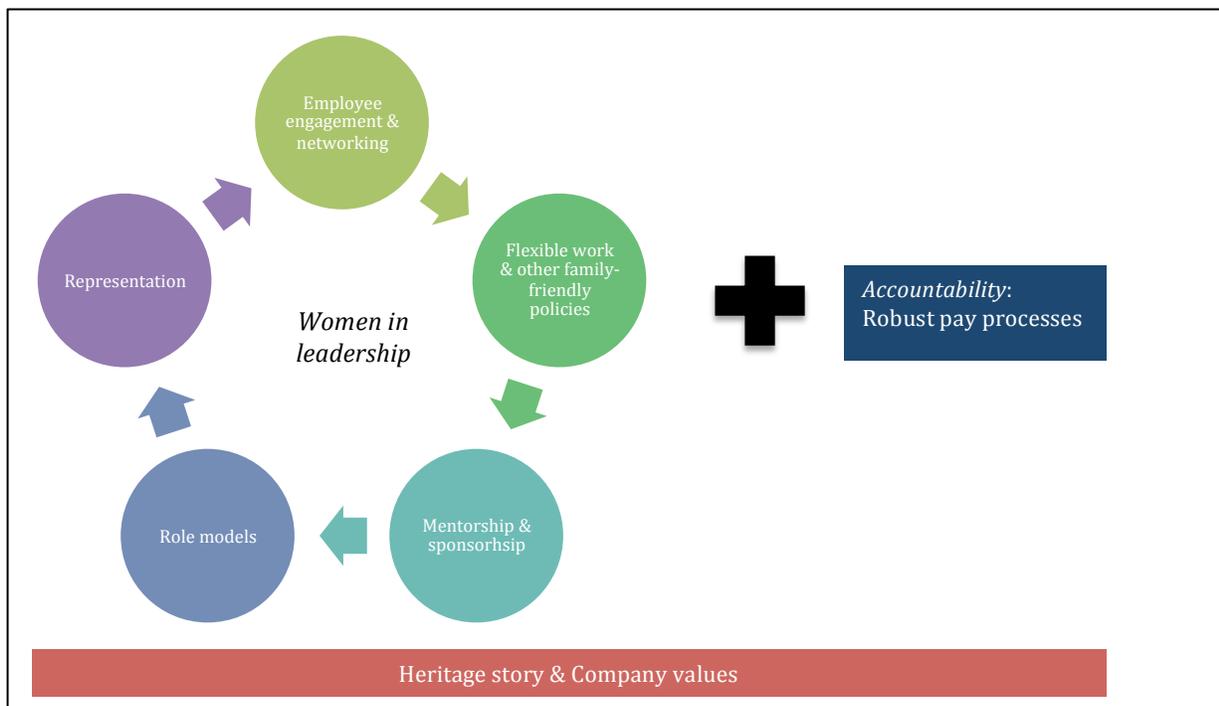
Taking a Closer Look at Gap Inc.

Diving deeper into Gap’s culture, practices and policies reveals learnings and recommendations for how companies can achieve equal pay: at the organizational level through supporting women in management and leadership positions, and at the like for like level, notably through minimizing unconscious bias.

Factors Supporting Equal Pay

A variety of factors have contributed to Gap having a high representation of women and achieving equal pay for full-time women and men employees at the organizational level. Factors will be explored one by one: the heritage story, role model impact, female representation, mentorship and sponsorship, employee networking and engagement, and flexible schedules and other family-friendly policies. The final factor promotes accountability and combats unconscious bias in pay decisions through a robust pay process that empowers managers with data and market information.

Figure 4: Factors supporting equal pay at Gap – A visual



Gender equality is part of the company’s “Heritage Story”

Since it was founded in 1969, Gap was formed on the principles of equality. Founders Don and Doris Fisher created the company by each investing an equal amount of money to open a store in San Francisco.⁴⁶ Both were heavily involved in the development of Gap and laid the groundwork for a culture of inclusivity and equality. As Dan Henkle, President of Gap Foundation & Senior

Vice President of Global Sustainability, notes, “[Gap] has had senior women around the table from the beginning, including Doris... Both [Doris and Don] made decisions and set the tone that all employees have a voice, and that no matter where one sits in the organization he or she can influence where the company is going.” Amy Solliday, Vice President of Old Navy Store Operations, further remarks that “the moral compass as a company has absolutely come from the Fishers... Don and Doris had an equal partnership.” The founders cemented gender equality and inclusion as core to the company’s culture and principles.

In describing Gap culture today, interviews with Gap leadership highlighted a culture with traditionally feminized leadership characteristics. The most common words describing the culture are: *collaborative, team/relationship-driven, and nice/friendly*. The company was also consistently described as *values-driven*.

This heritage story has stuck with the company and influenced principles and accompanying practices over time and geography. Sheila Peters, Senior Vice President of Human Resources at Banana Republic, shared an illustrative example: “When working with Bill Fisher (son of Don and Doris) to expand the company to Japan, where there are immense gender inequalities in the world of work, Gap had the opportunity to hire female talent at a lower price than male counterparts. In response to being encouraged to do so, Bill Fisher responded, “Why would we do that?”

Role models of women in leadership help recruit and retain women

In conjunction with the heritage story is the importance of role models. At Gap, 53% of the CEO’s leadership team (8 of 15) are women, and 80% of brand presidents (4 of 5) are women (as of October 2016)⁴⁷ – compared to 13% of the average number of women executives in the retail sector.⁴⁸ In recruiting and retaining women, representation of women in leadership proves critical. A 2016 study by Rockefeller Foundation finds that 66% of Americans believe it is especially important for women starting their careers to have women in leadership positions as role models. The desire is especially immense among millennial women (82%). The same study found that the presence of women in leadership positions is an important consideration in choosing where to work – with 76% of women saying it is somewhat important to them.⁴⁹ Sheila Peters puts it simply, noting that there have “*always been strong women in leadership who attracted other women.*” Simply, more women in leadership roles provide more motivation for women to succeed. A Catalyst survey found that 64% of women see the absence of role models as a barrier to their career development.⁵⁰

Research on role model effects highlights the importance of being directly exposed to role models. In India the Panchayati Raj Act mandated an increase in women’s representation as village leaders, which resulted in men being more accepting of women as leaders, while women gained confidence that they could run for public office and compete in male dominated domains.⁵¹ In Norway a requirement was introduced in 2006 that public companies fill their boards with 40% women. While the median percent of women on boards increased significantly, the improvement at the top did not trickle down to affect women in society: It was not accompanied by any change in female enrolment in business education programs, for example.⁵² Compared to the Indian example, the role model effects in Norway seem to be limited to those with direct exposure.

Following this same logic, women as managers and in leadership positions at a company provide direct exposure to other female employees at the company and may have some similar effects as was seen in the India example. Overall, having women at all levels may contribute towards a culture in which men are accepting of women as leaders and women are confident that they can rise in the ranks. This may create a cyclical effect of gender equality and inclusion. Supporting this hypothesis, many male and female executives who were interviewed think that gender inequality at Gap is simply “a non-issue.”

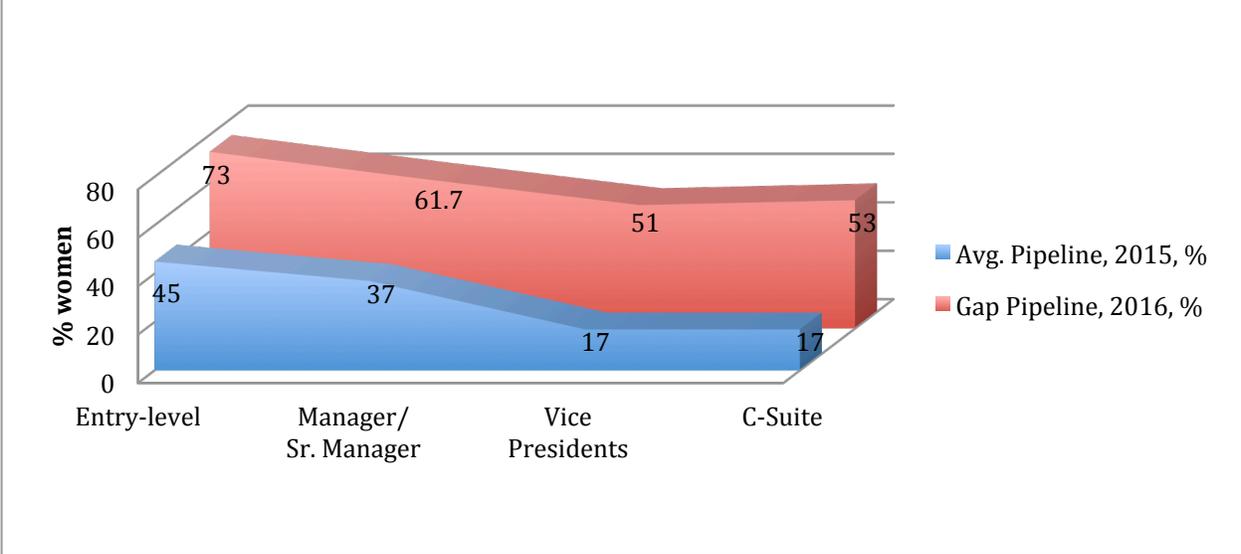
Representation of women in leadership has been impacted by and is related to the CEO and CEO’s priorities. Art Peck reiterates that gender inequality is a “non-issue”, while expressing a deep value for collaboration and the leadership styles he has observed in many women that “bring groups together.” While the representation of women in leadership has varied over time at Gap, Peck has promoted and hired more women than men to the leadership team, and 80% of brand presidents are currently women. Peck says, “It’s about core values and the best talent, which was built in by Doris and Don.”

The benefits of high female representation

In addition to the role model effects from having women in leadership, research shows that when women are more highly represented at higher ranks, women at the lower ranks fare better in terms of representation and wages.⁵³

Women make up 75% of employees at Gap globally, ensuring a strong female pipeline. Indeed, over 80% of current female and 74% of current male executives were promoted internally (or rehired) (see Figure 4). This representation does not extend to the board of directors, where women comprise 27% (or 3 of 11) members (2016); however, this is still above the average of 16.6% women on Fortune 500 boards. While gender equality and representation through the ranks has not been a specific effort or targeted initiative, bringing women on the board has been.

Figure 5. Average corporate talent pipeline vs. Gap’s talent pipeline



Source for 2015 pipeline data is from Women in the Workplace, in which LeanIn.org and McKinsey examined the employee pipeline of 118 corporations.

Mentorship & sponsorship supports women to rise through the ranks

Among those who have had mentors that supported them in the workplace in the US, the majority of men and women had a mentor that was the same gender as them – further highlighting the need for more women in top positions. A 2016 study by Rockefeller Foundation finds that among women who had mentors in the workplace, 63% say their mentor was another woman; this number rises to 72% for millennial women.⁵⁴ At Gap, mentorship and sponsorship of young women has been a trend over time. Amy Solliday recalled a mentor of hers from the past who, *"Saw something in me that she believed in... And she gave me a sense of confidence that I might not have had."*

In addition to mentorship, the importance of sponsorship cannot be underestimated in the promotion of women and the development of a strong pipeline of female talent. Sponsors are frequently managers who believe in the personal value and potential of their protégés.⁵⁵ They have the ability to decide on the promotion of their protégés and allow them to act independently and to take risks. Female executives interviewed consistently referenced mentors and sponsors they had when younger who supported their climbing through the ranks. An executive at Gap was quick to acknowledge a male sponsor who has been supportive of her growth at the company and clear that he wanted her working side by side with him.

Women in leadership have the ability to mentor and sponsor other women, as well as the ability to affect policy and cultural change within the company. Nancy Green, President of Athleta, recalls having fewer female role models earlier in her career that were working mothers, which she notes has changed over time. The company realized that *"they needed to adapt and be a company that could support women having children."* Green was one of the trailblazers who helped adapt the company to be more accommodating for women with children. After having her first child and upon deciding to resign, a mentor of hers told her, *"You have so much potential... If we can't figure it out then shame on us. Come back and give it a try."* Green stayed and has since climbed through the ranks, now serving as President of Athleta. Overall, women in leadership at Gap have historically asked about, observed, and understood what other women need – and acted on this information. We heard several stories of women trying to leave, and their managers asking the simple question: what would it take for you to stay? What do you need?

Green considers it important to *"pay it forward"* and does so through mentoring and sponsoring other women. She has also made sure that when women on her team start to have kids, she creates a supportive environment including the same conditions that were created for her, such as flexible working schedules. Green is not alone. Andi Owen, Global President of Banana Republic, describes it as a *"huge responsibility to pave the way for those behind you"* through giving advice and mentoring people informally and formally. Owen notes that at any one time, she has four to 10 mentees that she supports.

Bobbi Silten encourages women to *"fight for their worth"* and respects women asking for higher salaries. This open encouragement is important: studies reveal that when it is explicitly stated that wages are negotiable, the gender difference in negotiation disappears and even reverses; suggesting that, for women, the gender difference in negotiation can be overcome if negotiating is signaled to be appropriate.⁵⁶

At Gap, managers are provided with pay data for their overall team as well as salary ranges that reflect the external market at minimum once each year during a pay review process. Sabrina Simmons, CFO of Gap, looks at the entire group as a whole to see where people are ranked and paid when a request for higher pay comes in. Through this she examines and corrects for any disparities. However, from her own experience, Simmons says she “*never asked for a raise, it has risen purely based on outperformance.*” Several other female executives noted the same trend.

One female executive shared that she has never asked for promotions, but has consistently received them. She confesses that she is “*always feeling like I am barely balancing work and family*”. She remains simultaneously grateful for and concerned about getting promotions, but has enough confidence and has had the support of other role models to “*figure it out*”.

Leadership has continued to shape culture over time in an organic fashion and has influenced HR policies to provide support systems for women, specifically mothers. One specific example of leadership influencing policies and culture is demonstrated by Lauri Shanahan, a past Chief Administrator Officer and Chief Legal Officer at Gap. She took advantage of “*what [she] created [her]self...Phase in/phase out maternity leave.*” The phase in/phase out program provides flexible work arrangements for women just before and/or during a maternity or family leave of absence.

What are other companies doing? In order to make the transition from childbirth to working more accessible to new parents, Salesforce introduced a gradual return program that offers new parents the flexibility to work reduced hours – still at full pay – for the first four consecutive weeks of returning to work. Accenture, through its Maternity Returners Program, provides career guidance to newly returning mothers to help them transition back into their roles.

Sources: (1) “Equality at Salesforce: The Equal Pay Assessment Update,” *Salesforce Blog*, accessed October 12, 2016, <https://www.salesforce.com/blog/2016/03/equality-at-salesforce-equal-pay.html>. (2) Accenture, “Accenture Careers for Women,” accessed October 12, 2016, <https://www.accenture.com/us-en/careers/team-culture-diversity-women#block-empowering-women>.

Flexible working schedules are available and taken – even by leadership

Family-friendly policies, such as phase in/phase out maternity leave, have a critical role to play in enhancing female representation at higher levels of a company. Of particular importance, as noted by female and male executives at Gap and expressed in existing research, is flexible working opportunities. A 2016 survey of 1,030 individuals in Australian business, government and not-for-profit organizations by Bain & Company found that: “*An organization with flexible arrangements as the norm signals a workplace with progressive policies and actions, and more engaged employees.*” Further, women working flexibly were stronger advocates for their organizations than women who were not working flexibly, and are equally, if not more, committed to reaching their full career potential.⁵⁷ While flexibility can be important for women in particular, research highlights that choosing flexibility can traditionally result in wage penalties because it comes at the cost of choosing part-time work or lower paying sectors and occupations.⁵⁸

In 2009, Gap Outlet (under the leadership of Art Peck, currently CEO of Gap) implemented a pilot program offering flexible scheduling called the Results-Only Work Environment (ROWE). ROWE is a results-driven model that allows employees to work when and where they would like,

given they achieve expected business results. Following the positive results of the pilot, which included higher job and life satisfaction levels, in 2010-2011 the company expanded ROWE and encouraged individual business leaders to adopt their own flexible work arrangements based on their own business needs. In the US, departments that elected to participate in ROWE appointed a ROWE lead who attended training through HR and then introduced ROWE to interested team members. The concept of ROWE is also introduced during new employee orientation for non-retail employees⁵⁹ and these employees are encouraged to raise the subject directly with their managers. The company has also made efforts to improve scheduling stability and flexibility for store employees by providing advance notice of work schedules and eliminating unpredictable on-call shifts.

Critically, flexible work has become the norm in many departments of Gap. If *“you have to drop off your kids in the morning, it’s fine,”* says Solliday. She further notes, *“It’s no one’s business what you are doing, as long as you are getting your work done... Whether you are male or female, you have a life and have obligations that don’t fit on the weekends.”* Bobbi Silten, Executive Vice President of Global Talent and Sustainability, uses an *“escalation policy”* which entails emailing people if something is not urgent, texting them if it is somewhat urgent, and calling if it is urgent. In that way, staff can enjoy being at a child’s soccer game, or whatever it might be, without feeling the need to check email constantly in case something urgent has arisen. This approach is not ubiquitous, however, and Silten admits that working styles regarding flexible time depend on the manager. From her perspective, she tells employees: *“I’m not interested if you’re at your desk at 9. Get your work done, that’s what matters.”*

Flexible schedules aren’t just important for women, but for all employees and for leadership. Keith White, father of three and Senior Vice President of Loss Prevention at Gap, notes that being able to have a *“flexible work schedule was invaluable.... I remember taking half the calls from the truck in the parking lot while my son was playing baseball. My boss was OK with that... Gap really promotes the flexible schedule and is able to leverage technology to allow people to manage their lives with more balance and freedom.”* The fact that employees in leadership positions are also taking advantage of flexible work signals and affirms this as an appropriate behavior for all employees.

However, it is not all roses. Some executives noted that while they had flexibility in where to work, the flip side of this was to be available constantly: *“With cell phones and smart phones you are always on. Whether or not you are home cooking dinner, you are looking at emails.”*

Supporting new parents and providing care

The range of Gap’s available family-friendly policies varies by country, based on local policies and requirements. For example, in the UK, Gap Inc. is currently one of only a few retail organizations offering to match enhanced maternity pay to both parents under the local Shared Parenting Leave policy. Gap Japan offers flexible working options and summer hours, including half-day Fridays during the summer, that give employees more autonomy.

Tackling maternity/paternity leave bias through training

In addition to maternity and paternity leave, companies need to be aware of and work to combat maternity/paternity leave bias, which is often an unconscious byproduct on part of managers and peers. Employees who take maternity/paternity leave tend to suffer disproportionately lower ratings when it comes time for promotions or performance evaluations primarily because they are compared with their peers who did not take any time off. In a Mercer (2016) survey, only 29% of organizations said they give their managers training to counter unconscious bias and support employees through the maternity/paternity leave and return-to-work processes. Companies should thus include training for managers on unconscious bias related to maternity/paternity leave, and how to support employees in the return to work.

Overall, Gap leadership emphasizes that the culture celebrates new parents. Sheila Peters notes, *“When someone has a baby, there is no bias about it... It is [seen as] an opportunity for another person to get an opportunity.”* This “glass-half full perspective” of other employees being able to get an opportunity to take on greater roles and “prove themselves” may be a further reflection of Gap’s relationship-oriented culture.

Finally, Gap has several support mechanisms in regards to child and elderly care.⁶⁰ First, US employees, including part time and seasonal workers, can register for free on Care.com, which is a resource and referral service for child and elder care, as well as other support services such as pet care and personal care. Second, for full-time US employees, Gap offers 10 subsidized back-up childcare visits per employee per calendar year when an employee’s regular care is unavailable. Third, full-time US employees have preferred and priority access to day care: if employees enroll in one of the many Gap partner centers, registration fees are credited upon enrollment and certain centers offer a tuition discount.⁶¹ Gap executives who are mothers have emphasized the value of a childcare center near headquarters that is a partner of Gap.

What are other companies doing? Various companies have instituted childcare support structures that span over the course of parenthood for many women and men. Child care options can range anywhere between cash bonuses as seen with Facebook where couples who give birth or adopt get \$4,000 in “baby cash”, to “on-campus child care and “mother’s rooms,” as seen at Google.

Patagonia, a leader in the “on-campus child care” space has found that 100% of moms have returned to work at Patagonia over the past 5 years after they instituted an on-site child care center.¹ Patagonia has demonstrated a business case for on-site childcare through tax benefits, increased employee engagement, and employee retention.

Sources: (1) *Fortune*, 2013: <http://fortune.com/2013/10/14/which-tech-company-offers-the-best-child-care/>. (2) *Fast Company*, 2016: https://www.fastcompany.com/3062792/second-shift/patagonias-ceo-explains-how-to-make-onsite-child-care-pay-for-itself_.

Groups support employee engagement, networking and reflection

Gap has a Diversity and Inclusion (D&I) Council that guides the company’s D&I strategy and serves as an advisory group, comprising of executives throughout the company that work closely with human resources (HR) and corporate and store leaders. The D&I Council connects D&I activities with business outcomes, and supports employee activities such as business resources groups (BRGs), which provide opportunities for learning, mentoring and networking.

Keith White, who leads the D&I Council, notes that the Council isn’t afraid to *“take on the scary, hard stuff... [such as] the shootings and massacre in Orlando”* (referring to the attack on a gay nightclub in Florida in May 2016). After Mario Woods, a 26-year old African American male, was shot and killed in San Francisco by policemen, White brought in the San Francisco police chief to talk about the facts and lead a conversation. White explains that this is *“not your father’s diversity program... People are leaning in on big issues”*. In 2013, the D&I Council

encouraged a policy for transgender individuals to choose which restroom to use and partnered with the Transgender Law Center to prepare a training to HR on guidance and support to ensure transgender employee and customer rights are protected.

There are six BRGs, one of which is focused specifically on women: Women in Leadership (WIL). WIL, which started in 2013, is the largest BRG today with more than 800 male and female members, including from headquarters, field and global offices. WIL was first envisioned to help women in the organization who wished to progress to senior leadership, but this “*quickly became just one component and they needed to look more broadly at other things that employees were bringing up, particularly flexibility, pay, mobility, etc.*” For example, WIL allows women to network while learning about personality types and tendencies in the workplace. Amy Solliday notes, gender equality and diversity is “*definitely a topic that is on their population’s mind... [Particularly] how [women] grow their careers. They want to discuss: how do I continue to grow my career? How do I talk to my boss about compensation?*” WIL was a method of “*upping the game,*” says Dan Henkle.

Conduct regular pay equity reviews and empower managers

Unconscious bias in decisions around pay and promotions is challenging, yet critical, to tackle. Gap has minimized unconscious bias impacting pay through several mechanisms. First and as aforementioned, Gap provides leaders with pay data for their teams at least once per year, and includes market-relevant pay ranges for each role, taking into account geography. They also provide managers with criteria and filters in making pay decisions. Not only does this practice reduce unconscious bias in pay, but according to Mercer (2016), organizations with a robust pay equity process and a dedicated team also have greater female representation. Mercer highlights that only 35% of organizations report a pay equity analysis process built on a robust statistical approach.⁶²

The pay team also shares with managers (and HR partners) where Gap stands in terms of target pay ranges. Managers are provided with a distribution of employee pay in the target range and are then free to make decisions in terms of paying talent appropriately. The data does not necessitate action from managers, but rather provides managers with information to make informed decisions. A promotion/equity budget is a part of the overall annual pay increase budget and can be used to address equity issues. In discussing the pay data provided to managers, Keith White says: “*When operating eyes wide open and not just treating people as if they are in a vacuum, [gender inequality in pay] becomes a non-issue.*”

Gap has also eliminated performance ratings (except in stores), which can have gender biases baked into them. A team from Stanford recently analyzed the language of hundreds of performance reviews from technology and professional-service firms and found that managers are significantly more likely to critique female employees for coming on too strong. In addition, women’s accomplishments are more likely to be seen as the result of team – rather than individual – efforts.⁶³

Additional best practices

Related specifically to pay, Gap does not require that applicants provide previous salary information during the hiring process, although it is optional. By not providing prior salaries, an employee’s salary may not be anchored to his/her prior salaries. Applicants who have been

unfairly compensated for their skill and experience in past positions tend to have relatively depressed incomes throughout their career. While all job applicants may be at risk of new salary offers being anchored to past salaries, the impact has been most pronounced among women and minorities.⁶⁴ Typically at Gap, however, applicants provide this information and it is discussed during the hiring process, potentially being used as a factor in salary negotiations.

Gap also publishes the company's compensation practices on GapWeb (the Company's intranet site), which employees can access if they wish to understand the company's pay practices. However, while managers receive pay data for employees on their team, employees are not able to access or see specific pay range information unless their managers choose to provide them with that information.

Discussion

Lessons learned

Gap's story highlights important factors in leading to equal pay. First and foremost, it has been successful in supporting women through the ranks, which is critical to equal pay at the organizational-level. From Gap's founding, gender equality and women in leadership has been the norm. Critically, women in leadership serve as role models serving to inspire and help retain women at all levels of the company, as well as provide support in recruiting, mentoring and sponsoring women. Female pioneers at Gap have influenced culture and policies at Gap to be more conducive to women rising in the ranks and staying in the ranks. They have also had impact on the development of maternity policies. There continues to be opportunities for Gap leaders to influence gender equality, particularly in relation to paternity leave (see recommendation section below). Finally, women and men at Gap have made flexible work not only an option, but the norm.

Such a culture based on collaboration, equality/inclusion, and relationships oftentimes results in women (and men) receiving promotions and raises when they didn't ask for them. Thus employees may not need to depend on traits or skills that men prove to be better at – such as willingness and ability to negotiate, being risk loving, or being confident – in order to rise in the ranks. This doesn't make it easy to rise in the ranks by any means, however, and many women still have to deal with balancing the responsibilities of work and family.

Ultimately, Gap presents itself to its employees as a company that is not afraid to take on tough issues; Gap sticks to – and is driven by – the values its founders embedded in it. Through the WIL group, employees are provided with a platform to gather, learn and discuss tough gender issues in the work place and employees and leadership are encouraged to practice ongoing reflection and recognize that there is still much progress to be made and challenges to overcome.

Conducting robust pay equity analysis and providing managers with pay data related to their internal team and the external market is critical. This practice not only ensures that the company and its managers are aware of where their employees sit in terms of pay, but it empowers its managers in making decisions.

Figure 5. Challenges to equal pay, how Gap has overcome them & lessons for other companies

Barrier	How Gap overcome or tackles the barrier	Lessons for other companies
Unpaid care and work / Balancing domestic responsibilities (related to culture and society)	<ul style="list-style-type: none"> • Flexible work as part of the norm • Culture that values parents and supports mothers • Family friendly policies: Care support; maternity leave and phase in/phase out programs for parents 	<ul style="list-style-type: none"> • Explore offering flexible work options (in terms of time and location) • Provide supportive family-friendly policies (including maternity leave, phase in/phase out programs and care support)
Occupational segregation	Not applicable	Not applicable
Employment in lower level positions <ul style="list-style-type: none"> • Limited female pipeline • Discrimination • Work-life conflicts • Reduced interest in higher level positions • In-group favoritism 	<ul style="list-style-type: none"> • Strong pipeline that is cultivated • Culture that promotes flexibility in support of work-life balance • Culture that promotes women and men based on talent not gender • Female role models inspire, mentor and sponsor women 	<ul style="list-style-type: none"> • Encourage and incentivize women in leadership to be role models • Engage women in leadership to ask how policies can be adapted to better support other women in rising in the ranks • Ask female employees what support they need in terms of balancing family and work responsibilities, especially high-potential women when they try to leave.
Psychological differences (e.g., lower self esteem, more risk averse, less likely to negotiate)	<ul style="list-style-type: none"> • Female leaders inspire other women • Mentorship and sponsorship of women • Groups support employee networking, learning, engagement 	<ul style="list-style-type: none"> • Encourage mentorship and sponsorship both formally and informally • Create employee programs such as the “Women in Leadership” group that allows a forum for women (and men) to discuss and learn about gender-specific issues in the workplace
Discrimination and unconscious bias	<ul style="list-style-type: none"> • Culture with feminine characteristics that values gender equality and inclusion • Accountability through robust pay equity processes • Empowering managers with information and resources to correct for pay differences • Providing previous salaries is optional for applicants 	<ul style="list-style-type: none"> • Promote gender equality and inclusion as a core value of the company • Create robust pay equity processes grounded in statistical analysis with annual reviews • Provide managers with this data, where they stand in terms of pay for men and women, as well as market information • Do not require job applicants to provide previous salary history (at least during initial applicant screening)

While Gap represents an industry with strong female representation, it would be inaccurate and unfair to attribute their success as simply a factor of its industry. Although the industry’s customer base is primarily female, not many women have risen from the 5 million US retail sales workers to lead companies.⁶⁵ Indeed, women only comprise 12% of executives in the retail industry.⁶⁶

Admittedly, one challenge that Gap has not had to deal with due to its industry is a lack of female talent in the pipeline. In sectors that do not already have strong female representation and/or a strong female talent pipeline, providing targeted educational training to girls can impact cultural and societal norms related to occupational segregation and enhance the pipeline for sectors that are traditionally male dominant. There has been particular attention paid to this in the STEM sectors and companies have created or financially supported programs that benefit girls starting from K-12 education. While this paper does not delve further into the topic, it is important to acknowledge that increasing exposure to STEM education for girls and women

while challenging gender norms regarding STEM occupations has immense opportunity to impact occupational segregation and decrease the wage gap.

Recommendations for Gap

While Gap has been successful in achieving equal pay, there are areas where the company can continue to improve, as well as lead. Notably, Gap can enhance its maternity policy and offer paid, non-transferable paternity leave, as there is currently no paid paternity leave policy. Gap offers paid maternity through a Short Term Disability (STD) program at 60% of pay for full time employees, with employees having the option to buy the STD plus plan for 65% tax-free wage replacement.⁶⁷ Gap also offers 12 weeks of unpaid baby bonding leave to all full time employees nationwide.⁶⁸ Gap could also build out training for managers on unconscious bias related to maternity/paternity leave and how to support employees in their return to work.

Providing paid paternity leave helps distribute childcare more evenly between parents, tackles gender stereotyping, and increases a mother's productivity.⁶⁹ Offering paid paternity leave is not a novel concept: over half of OECD countries offer fathers paid paternity leave.⁷⁰ Benefits are illustrated through the following data:⁷¹

- UK: Compared to fathers who did not take leave after a child's birth, fathers who took leave were 19% more likely to participate in feedings and to get up with the baby during the night one year later.
- Norway: When fathers took longer leave, mothers' sickness-related work absences decreased 5–10%.
- Sweden: Each additional month a father remained on parental leave increased mother's earnings by almost 7%.
- Across the board, fathers who engage more with their children generally report greater life satisfaction and better physical and mental health than those who interact less with their children.⁷²

Nontransferable leave for fathers can increase take-up of paternal leave. In Iceland, the introduction of three-month parent-specific [paid, non-transferable] parental leave in 2001 was associated with a 31-percentage-point increase in the share of paid leave days taken by fathers in 2008.⁷³

What are other companies doing?

Google guarantees birth moms receive 18 weeks of paid maternity leave, up from 12 weeks in 2007. Google's increase in paid maternity has led to "new mothers at Google being no more likely to quit than the average employee". Google also offers primary caregivers, regardless of gender, up to 12 weeks of paid baby-bonding leave. This includes adoptive and surrogate caregivers. Microsoft offers 12 weeks of full paid maternity and paternity leave, with an additional eight weeks of paid leave for mothers. Outside of the tech sector, Bank of America, for example, offers 16 weeks of paid maternity, paternity and adoption leave.

Sources: 1)Bohnet, I., 2016, "What Works: Gender Equality by Design." 2) <https://www.entrepreneur.com/slideshow/249467>

In addition, while flexibility is critical to keeping a strong pipeline of female staff through the leadership ranks, it can also be valuable to provide some boundaries. The "escalation policy" of Bobbi Silten, for example, may be one method to encourage managers to practice (particularly outside of 9-6 pm office hours and on weekends). Providing flexible work while also supporting

employees to have space from work is a balancing act with blurred boundaries that will continue to be a challenge to navigate, due to technological advances that enable and encourage consistent connection. Furthermore, given the societal and cultural norms that place higher expectations on women to care for children, elderly and the household, women in leadership ranks will continue to face challenges in balancing work and life responsibilities until these norms change.

The high female representation at Gap has created a “highly female culture,” and interviews revealed that there have been circumstances in which men feel left out. Efforts should thus ensure that micro-inequities do not disadvantage or ostracize male employees, but rather include them in the discussions and strategies, and offer them equal access. For example, while starting a meeting to discuss a topic that is traditionally male, such as football, could come at the risk of leaving women out (as was an example from a Gap leadership member), starting a meeting to discuss something that is traditionally female could leave men out. Integrating how micro-inequities can disadvantage men in addition to women into managerial trainings could thus be valuable. Gap does, but can always do better in engaging men in daily conversations about gender equality.

There are several ways that Gap can improve its pay equity processes. First, Gap could move further away from encouraging applicants to provide prior salaries. Secondly, research emphasizes implementing transparent compensation programs so that all employees understand why they are paid a certain amount and what others are paid. This results in employees being less likely to leave due to uncertainty.⁷⁴ Gap should consider making pay ranges available for their employees so that they have an understanding of the low, median and high pay ranges for their particular role. Managers could then discuss with employees why they are at a certain pay range level, and employees could be empowered to ask for raises when they feel they are deserving of them given the pay range information. Of course, if Gap chose to make pay range information available they will also need to have a plan and protocol in place initially for employees that are not satisfied in their current pay.

Third, while Gap empowers its managers to make decisions through pay data, it could further build on this through formal remediation protocols. Mercer (2016) finds that pay equity processes with the greatest impact have such protocols.

Standardizing equal pay language and efforts

As articulated earlier, “equal pay” can be explored in a variety of ways: from looking at the organizational or societal level more broadly, to looking specifically at the same job or similar jobs. Within equal pay analyses, companies and organizations can choose which observable or measurable factors to control for (e.g., age, education level, time in position) and there is not a standard set of factors to control for in analyses. Not controlling for certain factors may skew data. Furthermore, controlling for some factors – such as performance ratings – may have gender biases baked into them. Similarly, the definition of “work of equal or comparable value” is unclear and companies may have different ways to standardize positions. Providing some guidance on factors that determine equal or comparable work would add value to analyses.

Various companies have reported that they have “equal pay”, yet how they define equal pay and what factors they control for in their analyses is unclear and likely differs. While the fact that

companies may use different factors in analyses is partly related to the fact that companies will have different compensation philosophies (and thus different variables to control for)⁷⁵, more guidance on these variables is required. Both additional research and an open-source, standard methodology for conducting pay analysis are needed.

Conclusion

Our analysis looks specifically at a sector that has high female participation and explores a company culture that enabled women to rise in the ranks: one that diminishes psychological barriers through role models, mentorship and sponsorship that overcome traditional risk aversion and lower confidence that women have which may impact pay and moving into leadership ranks. We explored how a culture based on gender equality and inclusion with feminine traits of collaboration, inclusion, and relationships has built on itself over time creates a cyclical structure for women's advancement and equal pay. Gap further has a robust system in place to analyze pay data annually, and provide information to managers in order to empower them.

While one may shrug off their achievement of equal pay to attribute it to the sector, recall that female-dominated sectors have higher wage disparities. Gap is a company from which others can look to for lessons in furthering their own efforts for equal pay and supporting women to rise in the ranks.

Understandably, equal pay and gender equality will never be perfectly achieved, but rather both require ongoing effort and consistent monitoring. While Gap has demonstrated itself as a leader in this space, there remains additional space to grow, as is true for all companies along the spectrum. Gender equality after all, is not a final destination that can be won, but an ongoing, fluid process and journey requiring steadfast commitment.

ENDNOTES

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³ Peter Pawlick. Personal Communication, October 31, 2016.

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⁶ The pledge, which can be taken online, requires that companies "...commit to conducting an annual company-wide gender pay analysis across occupations; reviewing hiring and promotion processes and procedures to reduce unconscious bias and structural barriers; and embedding equal pay efforts into broader enterprise-wide equity initiatives." Signing companies must also "...identify and promote other best practices that will close the national wage gap to ensure fundamental fairness for all workers." Businesses that have taken the pledge have noted their specific commitments [here](#).

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¹⁰ To determine contribution level, Gap has a methodology to level jobs looking at characteristics such as leadership, functional knowledge, area of impact, interpersonal skills, etc. These characteristics are then scored and ranked to drive the contribution level. There is inherently some subjectivity in this process.

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