

## Women in Technology: How Tech CEOs Should Address the Pay Equity Gap

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Initiatives: [Business Performance Management for Tech CEOs](#)

Tech CEOs focused on attracting and retaining talent must demonstrate that they value the women in their workforce. They need to identify possible pay equity gaps, course-correct through a series of changes and provide transparency as proof throughout the process.

### Overview

#### Key Findings

- Average disparity in pay based on gender is a broadly accepted issue within large tech providers (where men earn 22% more than women). Meanwhile, it has been found that the gender pay gap is just as common in small tech companies and almost as severe (19% to 20%).
- Compensation has traditionally been treated as a confidential topic. Without visibility into how pay differs across peer groups, women don't know if they are paid equally or not, creating a perception that pay inequity exists across roles and organizations.
- "Correcting" the pay equity in an organization could be a large monetary and time investment to execute properly, which could be a challenge for startup and emerging providers with limited resources.

#### Recommendations

To improve business performance management by resolving pay equity issues in their organization, tech CEOs should take these steps:

- Acknowledge and size the problem. Look at empirical, objective metrics to assess the pervasiveness and severity of your problem.

- Provide transparency to your employees when possible. Strike a balance between total privacy and total access by providing visibility through pay ranges by role, alongside gender. For smaller organizations, this may not be possible when there are too few people in the same role.
- Right the ship. Address systemic change (which can seem prohibitively expensive and overwhelming) in phases so you can make pragmatic, incremental progress on the compensation front, while significantly reducing attrition and productivity loss.

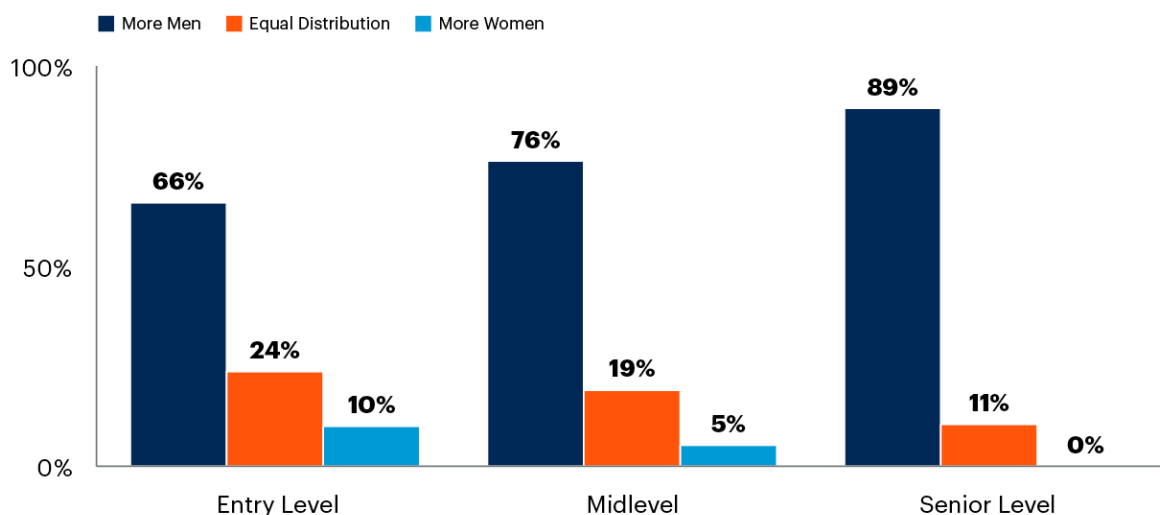
## Introduction

As workforce diversity across industries, functions and roles continues to increase, the occurrences of pay disparity are following suit.

Per Gartner research, women make up nearly half the global workforce yet represent only 26% of IT employees (see [Tactics to Increase the Number of Women in IT – Part 1: Recruitment](#)). The 2021 Gartner State of Diversity in Technology and Service Providers (TSPs) Survey indicates that, for a majority of respondent organizations, the gender split of employees leans toward more men. This is particularly so within midlevel (76% more men) and senior-level (89% more men) roles (see Figure 1).

**Figure 1: Organization Gender Split by Entry Level, Midlevel and Senior Level**

### Organization Gender Split



n = 38; all respondents, excluding "not sure"

Q. At each of the following levels, what best describes the gender split of employees in your organization?

Source: 2021 Gartner State of Diversity in TSPs Survey (Members of Gartner's Research Circle for Tech Leadership Teams and Open Link)

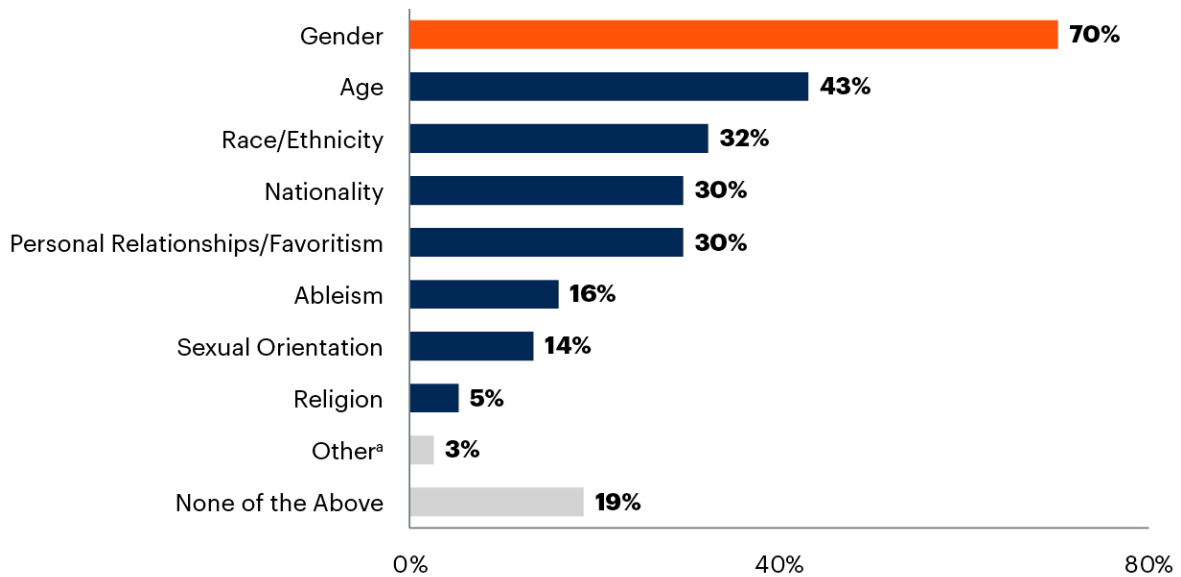
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Per the same survey, the majority (70%) of responding tech provider leaders believe a gender pay gap exists across the tech industry (see Figure 2). Meanwhile, almost half (48%) of responding tech provider leaders feel a gender pay gap exists within their own organization (see Figure 3).

**Figure 2: Pay Gap Perceptions Across Tech Industry**

### Tech Industry Pay Gap Perceptions

Multiple Responses Allowed



n = 37; all respondents, excluding "not sure"

Q. Thinking about the technology industry as a whole, where do you perceive there to be pay gaps between individuals based on their status within the following groups?

Source: 2021 Gartner State of Diversity in TSPs Survey (Members of Gartner's Research Circle for Tech Leadership Teams and Open Link)

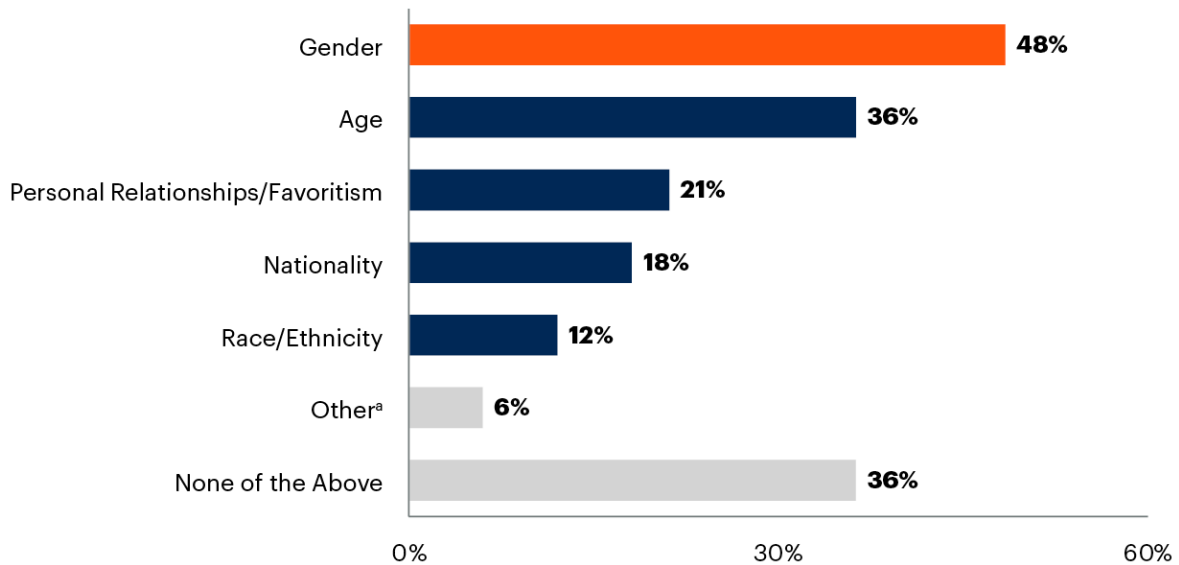
<sup>a</sup> "It comes down to education. If you have the right engineering, it makes a world of difference."

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Figure 3: Pay Gap Perceptions Within Own Organization

**Organization Pay Gap Perceptions**

Multiple Responses



n = 33; all respondents, excluding “not sure”

Q. Thinking about your organization specifically, where do you perceive there to be pay gaps between individuals based on their status within the following groups, if any?

Source: 2021 Gartner State of Diversity in TSPs Survey (Members of Gartner’s Research Circle for Tech Leadership Teams and Open Link)

<sup>a</sup>“Education is the driver. If you have an electrical engineering, computer engineering or computer science degree, you’ll do well in terms of pay. Unfortunately, there are things like gender and race which highly correlate with that type of educational attainment, which creates the perception of gaps based on those factors.”

“Geographic location within same country.”

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There are a number of ways beyond providing equal pay to demonstrate to your women employees that they are valued and you want them to stay. It can be difficult to ascertain how acute the problem is, where it exists and what changes will make substantive progress toward rectifying that problem. This note provides pragmatic steps providers can take to scope the issue and forge a path forward.

**Analysis**

**Acknowledge and Size the Problem**

Tech CEOs should track empirical metrics to understand the existence and severity of their pay equity issues (see Table 1).

**Table 1: Metrics to Analyze the Pay Equity Issue Within Your Organization**

(Enlarged table in Appendix)

Metrics	Description
Compensation by gender	<ul style="list-style-type: none"> <li>■ Total compensation by pay grade, years of experience, tenure, education level and performance.</li> <li>■ Comparing like-for-like data and normalizing it by accounting for cases where men and women perform the same work but may not have the same job level or title.</li> <li>■ Looking at the distribution of women across diversity (e.g., age, ethnicity and socioeconomics), organization levels and divisions, and succession planning.</li> <li>■ Taking into account regional differences such as nonpay benefits considered “table stakes” in other countries that are being presented as “pro-women” policies.</li> </ul>
Attrition by gender	<ul style="list-style-type: none"> <li>■ Understanding the main reasons some employees leave while some of them stay with the current organization. Analyze how the lack of pay transparency impacts retention.</li> <li>■ Examining the data for boomerang employees to know why these employees return to an organization.</li> </ul>
Cost to the organization	<ul style="list-style-type: none"> <li>■ Evaluating the replacement cost due to hiring, retraining and loss of productivity.</li> <li>■ Analyzing the impact of revenue-facing roles (such as sales, customer success and billable roles) on revenue.</li> <li>■ Devising ways to measure the value of back-office roles, the impact of lost institutional knowledge and lack of diversity of thought when women leave.</li> </ul>

Source: Gartner (February 2022)

## Provide Transparency to Your Employees

Employees’ perceptions of pay fairness are just as important as actual pay equity. That’s because employees who perceive their pay as unfair are less likely to perform well and are more likely to leave an organization for another company where their skills and time will be valued.

However, it can be difficult for organizations to assess employee perceptions of pay fairness because “fairness” can mean different things to different employees and in different contexts. Hence, Gartner has developed two indexes to measure the dimensions of pay fairness (see Note 1):

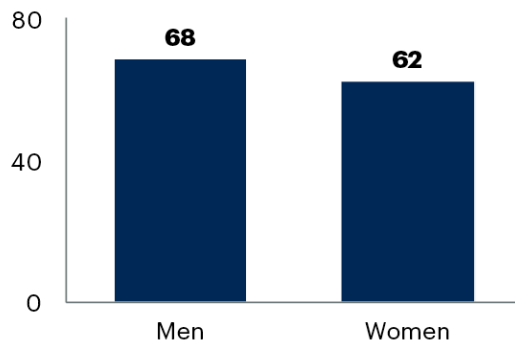
- **Fairness index** – This metric measures perceived fairness in principle.
- **Fairness ratio** – This metric measures perceived fairness as a ratio of current pay to expected pay.

According to the 2020 Gartner Employee Pay Perceptions Survey, men have a higher average fairness index score than women, while women have a higher average fairness ratio than men (see Figure 4). To improve overall engagement and performance, organizations must communicate clearly and honestly to employees about their pay practices and how employee contributions and efforts are valued.

**Figure 4: Perceptions of Pay Fairness for Men and Women**

### Perceptions of Pay Fairness for Men and Women

**Fairness of Pay Practices**  
Average Fairness Index Score



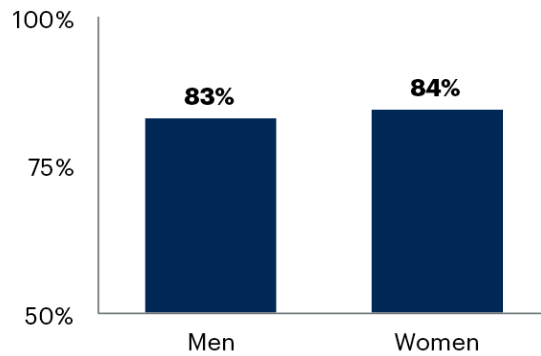
n = 5,000 global employees

Source: 2020 Gartner Employee Pay Perceptions Survey

Note: Sample size varies due to the way the fairness ratio is calculated and mathematically defined.

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**Fairness of Pay**  
Average Fairness Ratio



n = 4,685 global employees

**Gartner.**

Employers can strike a balance between total privacy and total access by providing some semblance of visibility. This can be done by function, years of experience, seniority and performance level, while individual numbers can be presented relative to anonymized data points.

Organizations can focus on providing both external and internal transparency. Standard methods of assessment and the ruthless transparency of those assessments are the lights that will keep the march toward pay equity moving. Organizations should commit to documentation of the status of pay equity by using key performance indicators (KPIs) as the basis of reporting. Further, pay has been veiled in secrecy for so long that it is a long and uncomfortable journey to move to full transparency. However, talking to your HR partner regarding transparency about pay can pave the way for future conversations (see [Gartner's EPIC Program – Call to Action to Achieve Gender Pay Equity](#)).

## Right the Ship

This type of systemic change can seem prohibitively expensive and overwhelming. It is possible to break the effort up into reasonable phases so that you can make incremental progress on the compensation front, while in parallel, demonstrating to your employees that they are all valued. Perhaps this will be enough to significantly reduce attrition and productivity loss.

At the current rate of progress, Gartner estimates that aggregate gender pay equity is at least *50 years away*. Moreover, there is a widespread speculation that the pandemic will continue to wipe out many gains made over the last several years in the area of gender pay equity. Hence, now is the right time to look at a new and better way forward.

Gartner's Equitable Performance-Based Integrity Compensation (EPIC) model (see [Gartner's EPIC Program – Call to Action to Achieve Gender Pay Equity](#)) is the way forward that will allow you to achieve the goal of pay equity in the next five years. This model is aimed at creating a standard, worldwide methodology and set of practices for pay equity analysis and remediation (see Figure 5).

Figure 5: Gartner's EPIC Program

## Gartner's EPIC Program



Source: Gartner  
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Gartner

Organizations must also create a set of specific, measurable, actionable, relevant and time-bound (SMART) KPIs that set aggressive goals to achieve pay equity. They must also assign business unit ownership for those KPIs (see Table 3 for examples of KPIs for pay equity).

Table 2: Example of KPIs for Pay Equity

Categories	Rationale	Example Metrics
Female-to-Male Pay Ratio	The measurement methodology includes counting for differences in experience, job types, tenure and so forth. With all those variables controlled for, a high-level ratio of pay equity can be calculated.	0.85 by YE22 0.90 by YE23 0.95 by YE24 1.00 by YE25
Female-to-Male Pay Gap	The measurement methodology includes counting for differences in experience, job types, tenure and so forth. With all those variables controlled for, a high-level ratio of pay equity can be calculated.	Median = 0 Mean = +/- 1 standard deviation
Female-to-Male Promotion Rates	All roles have pay bands. To increase earning potential, women need to be in successively higher pay bands. Thus, promotion rates become a leading indicator of pay.	Promotion rates +/- 2 standard deviations of the average
Attrition Attributed to Salary Inequities	Women leave IT at a much higher rate than their male counterparts. Attrition occurs at all levels – from new hires (less than two years) to midlevel and senior-level managers.	Turnover due to salary inequities = 0% by 2022

Source: Gartner (February 2022)

## Evidence

**2021 Gartner State of Diversity in TSPs Survey.** This study was conducted online from 4 to 16 August to understand tech leaders' perceptions regarding diversity in the workplace. In total, 39 tech leaders participated in the survey – 36 members of Gartner's Research Circle for Tech Leadership Teams and three from an open link. Respondents included 20 tech CEOs, nine product managers and 10 product marketers.\* Respondents from North America (56%), EMEA (28%), Asia/Pacific (13%) and Latin America (3%) participated in the survey.

\* Gartner's Research Circle for Tech Leadership Teams comprises the following roles:

- Tech CEOs (CEOs/COOs, managing directors or founders/owners of technology organizations – emerging tech CEOs include those from organizations with less than \$250 million in revenue)
- Product managers (director level or higher product managers across enterprise sizes)
- Product marketers (director level or higher product marketing leaders across enterprise sizes)

The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested and administered by Gartner's Research, Data, Analytics and Tools team.

Disclaimer: Results of this study are representative of the respondent base and not necessarily the market as a whole.

**2020 Gartner Employee Pay Perceptions Survey.** This survey was conducted online from 13 through 30 December 2019. We surveyed 5,000 employees from 15 countries and 23 industries on various topics relating to the pay plan design, pay communication and pay-related experiences at their organization.

## Note 1

- **Fairness index** – This index measures the extent to which employees believe their organizations' pay practices are fair in principle. It is based on employee ratings of the extent to which they understand how pay is determined at their organizations, perceive pay decisions to be accurate, and perceive pay practices to be unbiased and consistent. The fairness index is also referred to as a fairness score in other published research.
  - **Fairness ratio** – This ratio measures the extent to which employees think the amount they are paid is fair. It is the amount an employee currently earns expressed as a percentage of what they think they should earn considering the value of their contributions to the organization. For example, the average employee has a fairness index score of 65 (out of 100). For an employee who earns \$50,000 but thinks they should be earning \$59,625, the fairness ratio is 84% (\$50,000 divided by \$59,625)
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## Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

[State of Employee Perceptions of Pay Fairness](#)

[Gartner's EPIC Program – Call to Action to Achieve Gender Pay Equity](#)

[How to Measure Diversity, Equity and Inclusion](#)

[Culture of Value Drives Gender Diversity and Business Performance](#)

[Tech CEOs Should Unleash the Power of the Board by Providing Clear Decision Options](#)

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