

## LABOR STANDARDS AND EMPLOYMENT POLICIES

### **Sub-topic:** *Report on Gender-, Race-, and/or Ethnicity-based Pay Disparities*

Description: Resolutions that ask companies to report on gender-, race-, and/or ethnicity-based pay inequities and on policies and goals to reduce such pay gaps.

#### Topic background

The “pay gap” refers to documented differences – not only on average across the board, but also in comparable positions within specific industries – between the wages and salaries earned by men and women, in the case of a gender-based gap, or between wages and salaries earned by individuals of different race or ethnicity, in the case of a race- or ethnicity-based gap. Such gaps are found in many industries; particular attention has been focused in recent years on pay disparities in the technology and financial sectors.

Looking beyond the fundamental inequity inherent in such pay gaps, the pay gap has significant implications on social well-being for women, for minorities, and for families. For example, families of women whose earnings are the major or sole source of financial support – over 40 percent of all families in the United States – are less financially secure than families principally supported by men. Analysts see not only social harm from pay gaps, but also significant potential benefits for individuals and economies were the gaps to be reduced or eliminated. Few companies currently publish data on earnings by gender or by race/ethnicity. Some major firms in the financial sector and beyond have articulated commitments to ensuring earnings equity for men and women and/or across different racial/ethnic groups and have launched programs, typically under the diversity, equity, and inclusion umbrella, to address equity issues, including earnings disparities. These firms are in the minority, however.

#### Considerations for voting

- Given the widely prevalent and well-documented phenomenon of gender-, race-, and ethnicity-based pay gaps, well-constructed proposals requesting companies to report on their understanding of pay equity (and inequity) among their employees and on their policies and goals for addressing any gaps merit careful consideration.
- Although companies may face possible reputational or competitive risks when reporting on such gaps, on balance it seems reasonable to assume that a company’s reputation – and attractiveness as an employer – will be enhanced through the demonstration of careful attention to pay equity.
- Reasonable, well-constructed proposals requesting reports on pay equity and on policies and goals to reduce pay gaps are seen as unlikely to impose an undue reporting burden, given that companies already possess the relevant data.
- Proposals in a form that specifically request a demonstration of the *absence* of a pay gap should prompt questions about their appropriateness and feasibility. In advancing such proposals to companies in industries with well-documented pay gaps, proponents likely know their targeted companies cannot demonstrate the absence of a pay gap. It is more appropriate, and more useful to shareholders, to request information on the current status of pay equity for women and minorities than to ask for a demonstration of something the proponent knows is not the case.

## Illustrative examples of votes

1. Vote in support of resolutions requesting that a company analyze and prepare a report on gender-based, race-based, and/or ethnicity-based pay gaps.
2. Vote in support of resolutions requesting that a company prepare a report on the company's policies and goals to reduce such pay gaps.
3. Vote to abstain on resolutions that request company reports indicating an absence of pay gaps.

For purposes of these recommendations, the “gender pay gap” is defined as the difference between male and female earnings expressed as a percentage of male earnings according to the Organization for Economic Cooperation and Development.