

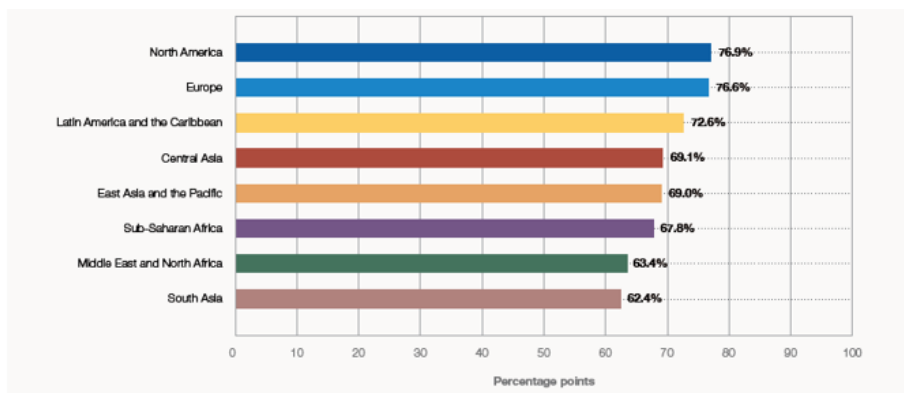
Global Gender Gap Slowly Narrowing, Pay Parity Remains Key

By: Yijia Chen, CFA | August 26, 2022

Washington - As August 26 marks "Women's Equality Day," and the 102nd anniversary of U.S. women's right to vote, it seems a fitting time to look at progress being made toward gender equity worldwide. In its 16th Global Gender Gap Report, the World Economic Forum (WEF) said overall gender disparity across politics, work, health and education has improved globally —with distinct regional differences — but it will take 132 years to close the gender gap.¹ Key to closing the gender gap is women's economic progress, including wealth accumulation, pay parity and advancement to leadership roles in corporations, politics and elsewhere.

On the positive side, the share of women hired into leadership roles has modestly increased from 33.3% in 2016 to 36.9% in 2022, according to the WEF report. On the other hand, female labor force participation dropped in 2020 following the onset of the COVID-19 pandemic and now stands at the lowest level since the report was created in 2006. About 33% of working women have taken a career break of at least six months for childcare reasons during the pandemic, compared with just 1% of men.

Overview of Gender Gap Closed to Date, by Region

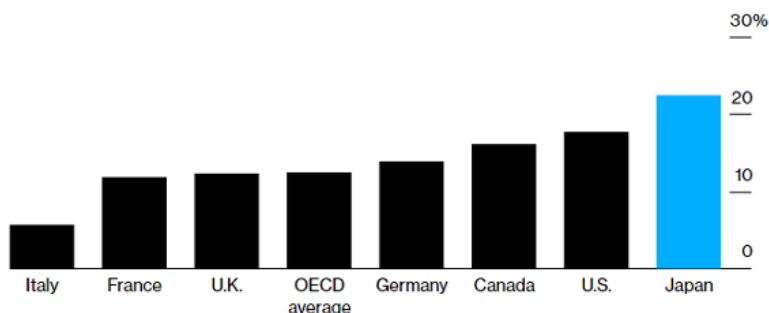


Source: World Economic Forum, Global Gender Gap Index, 2022. Reflects population-weighted averages for the 146 economies featured in the Global Gender Gap Index 2022.

A Look at Pay Parity

To close the gender gap, pay parity is an important global issue we need to tackle. In the U.S., in 2020, women made 83 cents for every dollar earned by men, according to the U.S. Census Bureau.² That's clear progress from 1960, when women's pay stood at 61% of men's. In recent years, however, progress has stalled, reflecting pay gaps for specific positions as well as systemic pay discrepancies across companies. Among the Group of Seven (G7) nations, Japan has the largest gender pay gap (the difference in median earnings between women and men), at 22.5% (in other words, Japanese women only earn 77.5% of what men earn). The U.S. is not far behind, at a 17.7% gender pay gap, while Italy has the smallest gap, at 5.7%.³

Average Gender Pay Gap Among G7 Countries



Source: Bloomberg, OECD. OECD data as of May 31, 2022.

Gender Pay Bias

In the U.S. and many other developed markets, equal pay for equal work is protected under the law. In the U.S., the Equal Pay Act requires that men and women in the same workplace be given equal pay for work that is "substantially equal," as determined by job content (rather than title). The Lilly Ledbetter Fair Pay Act in 2009 further enabled workers to sue over pay discrimination. The U.K. has a similar law, The Equality Act 2010, which says women and men should receive the same pay for "like work, work rated as equivalent, and work of equal value."

In recent years, numerous U.S. class action suits pertaining to discriminatory wage practices, particularly for gender bias, have been filed. In 2021, according to Forbes, class action settlements set a record of \$3.62 billion, up from \$1.58 billion in 2020 and \$1.34 billion in 2019.⁴ Among all types of workplace law-related cases, workers scored the most success in securing certification of wages and hours in 2021.⁵

Aside from pay discrimination, systemic pay gaps reflect an unconscious bias that impacts female workers at a larger scale. Systemic gender pay gaps typically result from a firm's corporate structure, where more males occupy the more highly compensated positions, such as sales, senior management and executive positions. This results in a company's overall compensation statistics skewing higher for male employees compared to their female colleagues.

Data Challenge of Pay Gap Information

Data on companies' pay policies are not routinely reported or publicly available, and therefore, are challenging to obtain. Although almost half of OECD countries require private sector companies to report pay, penalties for noncompliance are infrequent, and some countries do not closely monitor compliance. Furthermore, most companies are not required to disclose their gender pay information to the public following standardized and specific formats. Of the 2,897 securities in the MSCI All Country World Index, only about 10% publicly disclose this information, which are mostly companies based in the U.K. The good news is that more and more countries, including Canada, Israel, and Japan, have just mandated that companies disclose their pay gaps between male and female workers.

How Calvert Assesses a Company's Equal Pay Policies

In light of these trends, we believe it is critical for responsible investors to hold companies accountable for their diversity, equity and inclusion (DEI) policies, including pay equity. We typically find evidence of pay discrimination when we look at corporate controversies, which include negative media coverage as well as legal actions.

To assess potential systemic pay gaps at corporations, Calvert evaluates companies based on their reported pay gap data if publicly available. For companies that do not disclose pay gap data, Calvert examines any available disclosure around employee compensation and whether a company has specific strategies and policies to close its pay gap. Addressing gender pay gaps is a growing issue in shareholder proposals and an engagement priority for Calvert.

Bottom line: Although the global gender gap is narrowing, according to the 2022 WEF report, the pandemic has slowed progress. In advancing women's economic empowerment, Calvert sees pay parity as essential. We evaluate a company's reported pay gap data, as well as its transparency and policies around gender pay gaps, as part of our DEI research.

1. World Economic Forum, "Global Gender Gap Report 2022." Published July 13, 2022.
2. United States Census Bureau, "What is the Gender Wage Gap in Your State," by Megan Wisniewski, March 1, 2022.
3. Bloomberg, "Japan Set to Make Companies Disclose Gender Pay Gap This Year," by Yuko Takeo, May 31, 2022.
4. Forbes, "Workplace Class Action Settlement Sets New Record in 2021: Report," by Edward Segal, January 4, 2022.
5. Ibid.



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"Women's economic progress, including wealth accumulation, pay parity and advancement to leadership roles in corporations, politics and elsewhere is key to closing the global gender gap."

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