

Targeting Inequity: The Gender Gap in U.S. Corporate Leadership

Statement of Ilene H. Lang, President & Chief Executive Officer of Catalyst, before the Joint Economic Committee, U.S. Congress, September 28, 2010

Good morning, Chairman Maloney and members of the Committee. Thank you for inviting me on behalf of Catalyst. Founded in 1962, Catalyst is the leading nonprofit working globally to advance women and business. Our research—widely considered the “gold standard” on women in business leadership—identifies major barriers to women’s advancement and presents the most effective strategies for creating sustainable change.

Today I will share Catalyst’s latest findings on the representation of women in leadership positions and its implications as we look at issues of pay equity. First, the good news: women currently make up 46.7% of the labor force and more than 50% of management, professional, and related occupations¹—and have for a long time.

But despite their sustained participation and economic influence, women have experienced a shockingly slow rate of progress advancing into business leadership—regardless of industry. According to Catalyst research, the percentage of women Executive Officers and board directors in *Fortune* 500 companies is stuck in the teens² and a staggering 97.4% of *Fortune* 500 CEOs are men.³

The Catalyst Census of *Fortune* 500 companies is a precise count of women leaders in our nation’s largest 500 corporations as measured by revenue. We analyze the *Fortune* 500 because the country’s most powerful and influential companies set the standard. Catalyst believes that we will not see systemic change until we see it among the nation’s leading corporations.

So let’s look at the data. While women are 46.4% of the *Fortune* 500 workforce, they are only 25.9% of senior officers and managers, hold only 15.2% of board seats, are only 13.5% of Executive Officers, and just 2.6% of CEOs.⁴ That’s 13 CEOs out of 500. These numbers reflect a deep leadership gap.

The current gender ratio of top earners at *Fortune* 500 companies raises another red flag.⁵ Executive Officer compensation remains a visible indicator of women’s status in corporations. In 2009, women were only 6.3% of top-earning Executive Officers within the *Fortune* 500.⁶

Women are stuck. Despite decades of efforts to create opportunities for advancement, deep inequities persist. Our recently released report, *Pipeline’s Broken Promise*, revealed that talented female M.B.A. graduates still start lower, are paid less, and climb more slowly than equally qualified men.⁷

The report surveyed more than 4,100 women and men M.B.A. alumni from 26 leading business schools around the world. Taking into account time elapsed since earning the M.B.A., years of work experience pre M.B.A., industry, and region, the survey found:

- 1) Women averaged \$4,600 less in their initial jobs, after controlling for their job level.
- 2) Women were outpaced by men in salary throughout their careers. In fact, the gap in pay intensified as time went on and cannot be explained by career aspirations or parenthood status.

3) Even if they both started at entry level, men progressed more quickly than women up the corporate ladder.

If this is happening to our “best and brightest,” one can only imagine the inequities throughout the rest of the system. These inequities must be addressed because it’s the “right thing” *and* the smart thing to do.

Catalyst’s *Bottom Line* research found that *Fortune* 500 companies with more women corporate officers, on average, financially outperformed those with fewer.⁸ The same holds true for *Fortune* 500 companies with more women on their boards of directors. On average, companies with more women board directors significantly outperform those with fewer women by 53% on Return on Equity, 42% on Return on Sales, and a whopping 66% on Return on Invested Capital.⁹

What’s good for women is good for American business. From the perspectives of leadership advancement and pay equity, companies that disadvantage women lose out on half the available talent. That’s like playing cards with half a deck.

Women aspire to success just as much as men do, and they define it similarly.¹⁰ But until women achieve parity in pay and business leadership roles, they will be marginalized in every other arena.

To address inequities, Catalyst advises companies to establish strict accountability regarding promotion and pay. We strongly support legislation that targets inequity. A bold step forward for American business and the economy would be for the Senate to join the House in passing the Paycheck Fairness Act.

Chairman Maloney and members of the Committee, thank you for this opportunity to testify at today’s hearing.

I would like the Committee to know that I have submitted a written testimony that includes further details about relevant Catalyst research and the methodology we employed.

I am now ready to answer your questions.

¹ Bureau of Labor Statistics, Annual averages tables from the 2009 Current Population Survey (2010).

² Rachel Soares, Nancy M. Carter, and Jan Combopiano, *2009 Catalyst Census: Fortune 500 Women Executive Officers and Top Earners* (Catalyst, 2009); Rachel Soares, Nancy M. Carter, and Jan Combopiano, *2009 Catalyst Census: Fortune 500 Women Board Directors* (Catalyst, 2009).

³ Catalyst, *Women CEOs of the Fortune 1000* (2010).

⁴ Fortune 500 workforce and senior officers & managers: Unpublished aggregate EEOC data for 2009 Fortune 500 companies based on 2009 EEO-1 survey; Fortune 500 board seats: Rachel Soares, Nancy M. Carter, and Jan Combopiano, *2009 Catalyst Census: Fortune 500 Women Board Directors* (Catalyst, 2009); Fortune 500 Executive Officer positions: Rachel Soares, Nancy M. Carter, and Jan Combopiano, *2009 Catalyst Census: Fortune 500 Women Executive Officers and Top Earners* (Catalyst, 2009); Fortune 500 CEOs: Catalyst, *Women CEOs of the Fortune 1000* (2010).

⁵ Top earners are reported for Fortune 500 companies that file annual 10-K reports and Proxy statements with the Securities and Exchange Commission (SEC). Catalyst defines top earners as current Executive Officers whose total compensation is disclosed. Thus, a company can have five or fewer top earners. Furthermore, because Catalyst views the representation of women top earners as a proxy for status in the organization rather than a method to measure pay inequity, Catalyst does not track the compensation amounts of top earners.

⁶ Rachel Soares, Nancy M. Carter, and Jan Combopiano, *2009 Catalyst Census: Fortune 500 Women Executive Officers and Top Earners* (Catalyst, 2009).

⁷ Nancy M. Carter and Christine Silva, *Pipeline's Broken Promise* (Catalyst, 2010).

⁸ Catalyst, *The Bottom Line: Connecting Corporate Performance and Gender Diversity* (2004).

⁹ Lois Joy, Nancy M. Carter, Harvey M. Wagner, and Sriram Narayanan, *The Bottom Line: Corporate Performance and Women's Representation on Boards* (Catalyst, 2007).

¹⁰ Catalyst, *Women and Men in U.S. Corporate Leadership: Same Workplace, Different Realities?* (2004).