

Gender pay gaps in nonprofits are even greater when there is room for salary negotiations

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With increased media attention and political campaigns focusing on the gender pay gap, the fact that women—on average—are paid less than men, has become an important public discussion. While much of the focus has been on the corporate sector, a new study that looked at executive compensation at nonprofit organizations found that women earn 8.9% less than men with the gap becoming greater when there is room for salary negotiations.

The study co-authored by Curtis Hall, Ph.D., an associate professor in Drexel University's LeBow College of Business; Andrew R. Finley,

assistant professor at the Robert Day School of Economics and Finance at Claremont McKenna College; and LeBow College of Business doctoral student Amanda R. Marino, analyzed data from IRS form 990 filings—where salaries of executives in nonprofits are publicly disclosed—for four years across various industries.

The researchers first looked at whether or not a gap in pay does exist among executives in the [nonprofit sector](#) and then, the extent to which [negotiation](#) opportunities—either real or perceived—contribute to this difference.

"For various reasons we may not expect to observe a [gender pay gap](#) among the nonprofit sector even though recent research has found gaps in pay among for-profit executives," said Hall. "First, there is more female participation in the nonprofit workforce compared to the for-profit sector. Second, one may expect stakeholders, like donors or boards of directors to curtail [gender](#) pay gaps, but we didn't find this to be enough of a factor to prevent gender pay gaps."

To better understand the role of negotiation in contributing to the pay gap, the researchers examined settings with an expected variation in opportunities and willingness to negotiate. They looked at external employment options for the nonprofit executives, the organization's constraints in paying executives, the gender composition of its leadership and the pay variability within its [executive](#) ranks. Each of these factors uniquely influences the negotiation environment, according to the authors.

They found that executives' external employment options and competition lead to greater gender pay gaps with male executives more likely to capitalize on a broader external labor market or other opportunities to negotiate additional compensation.

However, in organizations with higher female board representation, and/or the presence of a female CEO, the pay gap is reduced. This may be because female leadership increases the willingness of female employees to negotiate, according to the authors.

"This study documents the contexts that influence negotiation on the gender pay gap, which is part of a larger societal issue," said Hall.

"Employers should be cognizant of how the environment for negotiating compensation within their organizations can lead to gender-based pay disparities. Perhaps more importantly, [business leaders](#) and educators should think about ways to empower female workers to get more out of salary negotiations, which would hopefully help to close gender pay gaps in the future."

The paper, "Negotiation and Executive Gender Pay Gaps in Nonprofit Organizations," was accepted for publication in the *Review of Accounting Studies*.

More information: Andrew Finley et al. Executive Gender Pay Gaps in Nonprofit Organizations, *SSRN Electronic Journal* (2019). [DOI: 10.2139/ssrn.3385848](https://doi.org/10.2139/ssrn.3385848)

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