



Overview on Global ExecuNet (GEN) survey 2019 results

Innovative gender pay gap analyses in selected countries world-wide

For the ninth year in a row, hkp/// group has examined top executive compensation in a global context. This article gives insights on the methodology for gender pay gap analyses as well as on the results of this year's special analysis: compensation differences between female and male managers in selected countries world-wide.

The gender pay gap – as well as the methodology behind its calculation – has been widely discussed in the media. But questions have been raised about the reliability, quality and accessibility of the data, as well as the validity of the corresponding results. Indeed, it is very difficult to obtain a comprehensive data set – a data set that includes information on compensation, job value, degree of part-time employment, education level, number of children or duration of parental leave. That lack of comprehensive data makes analysis of the gender pay gap rather challenging and may, in fact, lead to contradictory results and misleading conclusions.



Our unique approach to collecting and matching survey data provides extremely high consistency and comparability across data points in different companies and countries, which in turn allows for precise evaluation of compensation differences attributable to gender or other factors.



Petra Knab-Hägele, Senior Partner hkp/// group



This is a challenge companies face even when it comes to analyzing their own internal data. Because the availability of quality data is so limited, it becomes even more important to apply a robust analytical framework to the information that is available in order to draw robust conclusions.

The unique hkp/// group approach of collecting and matching compensation data for its compensation surveys provides for an extremely high level of consistency and comparability

of data across companies and countries. This enables us to conduct differentiated fair pay analyses, especially regarding compensation differentials attributable to gender.

hkp/// group Gender Pay Gap Methodology

This paper analyzes pay differentials between male and female incumbents in top and middle management roles in selected countries. hkp/// group employs a regression analysis, often used in scientific applications and especially effective in analyzing differences in compensation.

Accordingly, target direct compensation¹ is expressed as a linear function of explanatory variables, such as *gender*, *age*, *job family*, *job value* and *company* and their corresponding coefficients. If the coefficient for the variable *gender* is positive and statistically significant, indicating that random effects can most probably be excluded, there is statistically valid evidence of a *gender pay gap*.

Using this regression analysis, hkp/// group is able not only to calculate differences in reported compensation between female and male managers, but also to deliver deeper explanations on several factors which might drive these differences. In order to examine possible reasons behind the gender pay gap, a stepwise regression analysis is conducted, considering additional variables in each step of the analysis.

An example for the stepwise calculation of the gender pay gap is shown in Fig. 1. Focusing on German data², the difference in target direct compensation between males and females appears to be 15% when accounting for gender as the sole explanatory variable (*unadjusted gender pay gap*).

The **Global ExecuNet (GEN) survey** has been carried out annually by hkp/// RemuNet since 2011. The survey mainly focuses on European headquartered multinational corporations whose executives are located in a variety of countries. Since 2015, the results of the GEN survey have also been made available to German survey participants of the DAX Top Executive and Top Management surveys as part of the International Module. The compensation survey covers data from more than 105,000 top executives in 60 countries world-wide.

¹ Base salary + target annual variable compensation + fair value of multi-year variable compensation

² hkp/// All Industry Germany Survey 2019, hkp/// Executive Level 5-11

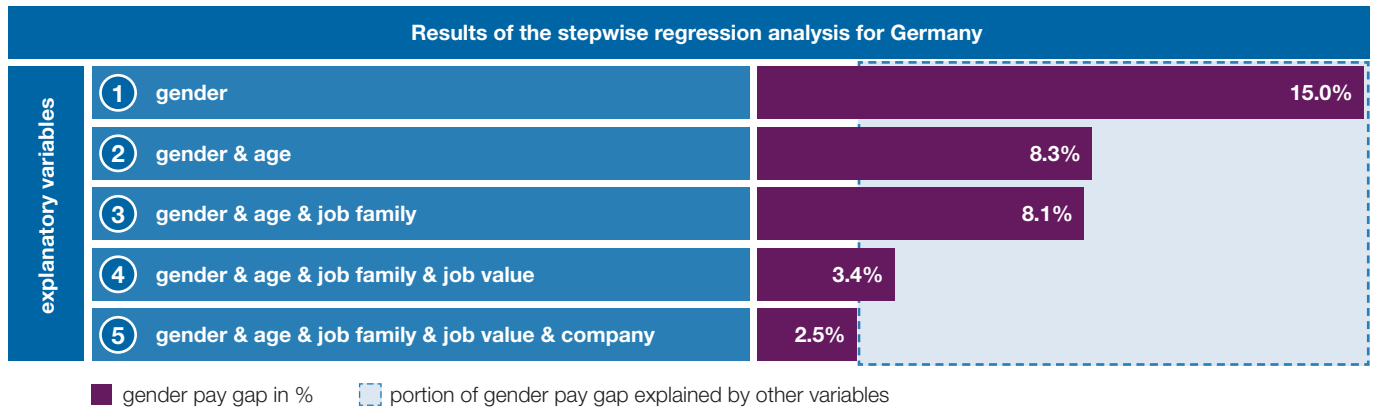


Fig. 1: Gender pay gap five step analysis – each step adds a new explanatory variable

In this scenario, we do not consider any other influencing factors such as age or job content between male and female incumbents. However, one must assume that there is more behind this 15% difference in compensation in favor of males than gender alone. So, other explanatory variables are added to the model to isolate potential additional causes of the “gender pay gap”. For example, when considering age as an additional driver of pay differentials (males are on average older than females in the dataset) the difference in compensation between male and female managers attributable to gender alone is reduced by almost half to 8.3%. Of course, age might be interpreted as a proxy for length of service. So, one might conclude that experience brought to the job has a strong impact on compensation.

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By using the hkp/// group approach to fair pay analyses, we are not only able to calculate the compensation differences between female and male managers, but also to deliver explanations on additional factors which drive this difference in pay.

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Jennifer S. Schulz, Senior Manager hkp/// group



In the next step, the hkp/// group model also considers that males tend to work in higher-paid job families (such as finance and management board) than their female colleagues. This consideration further reduces the “gender” difference in compensation from 8.3% to 8.1%.

Not surprisingly, job value, or ‘job grade’, also has a substantial impact on compensation levels. hkp/// group uses its own grading system, hkp/// Executive Levels, (and translates and integrates all other common grading approaches) in order to make different jobs comparable among different companies on the basis of their value to the company. Including job value into the model reduces the gender-based differences in target direct compensation even further to 3.4%.

In the final step of the regression analysis, we cover company-specific differences. This step allows us to define the gender pay gap within the same company and eliminate company-specific characteristics such as industry or differences in compensation policies and market positioning. Taking into account all of the above-mentioned factors, the analysis results in an *adjusted gender pay gap* of 2.5% for Germany.

The data set represents an executive population, and as such the analysis is not representative of the totality of the working population of Germany. Nor does it claim to cover all possible factors. But it quantifies the impact of different factors on compensation and allows for a statistically valid comparative analysis across countries.

Gender Pay Gap Analyses in Selected Countries world-wide

Based on the methodology described above, the special analysis 2020 shows the adjusted gender pay gaps in selected countries world-wide.

With an adjusted gender pay gap of 2.5%, pay differences in Germany are at a similar level to those in most other Western European countries, including the UK, Belgium, France and Switzerland – which all range between approximately 2% and 3%. In the Netherlands, however, the gender pay gap appears to be slightly smaller: male managers only earn 1.2% more than female managers. In Italy, on the other hand, the gender pay gap of 5.7% is quite high in the Western European context.

Innovative gender pay gap analyses in selected countries world-wide

Compared to Europe, the USA shows a slightly lower target direct compensation differential, with a mere 1.8% between men and women. This rather low gender pay gap might be due to the fact that the USA was the first country to put this issue on the political agenda and adopted the *Equal Pay Act* in 1963 – aimed at abolishing wage disparity based on gender. Although there is no regulation on the national level which requires companies to disclose information on gender pay equality, several US states (e. g. New Mexico, New York) have implemented regulations that require disclosure of gender-specific wage differences under certain conditions. The early political attention that equal pay received in the USA may contribute to the comparably low pay differential between female and male managers found in our GEN survey database.

In Russia, as well as selected Asian countries, we see mixed results regarding the magnitude of the gender pay gap. In the case of Russia, results of the analysis are not statistically significant, and do not allow us to verify the existence of a gender pay gap. This, however, does not imply that equal opportunities pervade in Russia, as the unadjusted gap is still a very high 33% in favor of males.

As in last year's analysis, China exhibited a negative gender pay gap in favor of females. At the same time it revealed the highest proportion of females (43.6%) in management roles among all countries in the data set. Moreover, China implemented an explicit legislation with the *Law on the Protection of Women's Rights and Interests* (2005 Amendment).

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The stepwise regression analysis reveals that the main drivers of pay inequality are not the same in all countries. They range from simple age differences to the proportion of female managers in higher management levels.

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Verena Vandervelt, Manager hkp/// group



This law promotes equal pay between women and men and may have contributed to the inversion of pay differentials between female and male employees. The unadjusted gender pay gap (6.7%) still favors males however, a fact attributable primarily to the effects of the incumbents' age.

The lowest differential between an unadjusted and an adjusted gender pay gap – and in fact the lowest unadjusted gap of countries analyzed – can be observed in Japan (4.5% and 2.3% respectively) where we also see a high proportion of females in higher management levels.

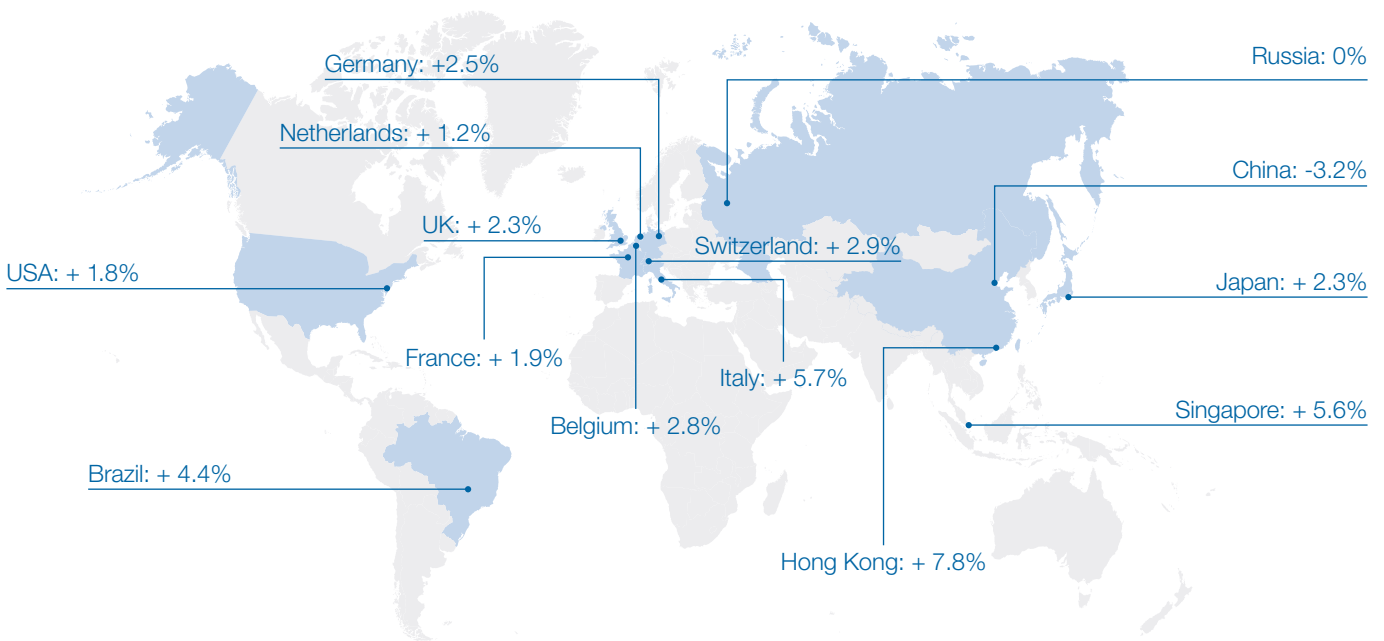


Fig. 2: Gender pay gaps in selected countries world-wide

Innovative gender pay gap analyses in selected countries world-wide

In all countries covered, except Russia, a significant adjusted gender pay gap could be identified. As of now, China is the only country where this pay differential runs in favor of females. The stepwise regression analysis reveals that the main drivers of pay inequality are not the same in all countries. They range from simple age differences to the proportion of female managers in higher management levels.

Background Information on GEN

The International Module

Globally competitive compensation is a key factor in attracting, motivating and retaining essential employees in companies present across the globe. Therefore, multinational corporations always strive to gain an insight into the compensation packages offered by their competitors. As part of the International Module, hkp/// group is pursuing an approach that, at relatively low data submission costs for participants, provides crucial evaluations for top and middle management positions in a variety of countries.

Chapter	Countries		
Americas Chapter	Argentina	Chile	USA
	Brazil	Columbia	Venezuela*
	Canada	Mexico	
Asia Chapter	Australia	Korea	Singapore
	China	Malaysia	Taiwan
	Hong Kong	Myanmar	Thailand
	India	New Zealand	Vietnam
	Indonesia	Pakistan*	
	Japan	Philippines	
European Chapter	Austria	Great Britain	Romania*
	Belgium	Hungary	Russia
	Croatia*	Ireland	Spain
	Czech Republic	Italy	Sweden
	Denmark	Luxembourg	Switzerland
	Finland	Netherlands	Turkey
	France	Norway	Ukraine
	Germany	Poland	
	Greece	Portugal	
MEA Chapter	Angola	Morocco	Saudi Arabia
	Egypt	Nigeria	South Africa
	Kazakhstan	Oman	UAE
	Kenya	Qatar	

* new in 2020

Fig. 3: Overview countries per Chapter

The data for the GEN survey is currently collected in 60 countries world-wide. New countries are included when sufficient data becomes available. The results are divided into four chapters, the Americas Chapter (North & South America), the

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The International Module provides compensation data from 60 countries world-wide, allowing for a review of the global competitiveness of executive compensation in global companies.

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Alena Vititneva, Consultant hkp/// group



Asian Chapter (Asia Pacific), the European Chapter (Europe) and the MEA Chapter (Middle East & Africa). The survey participants receive a comprehensive report for each chapter for which they have provided compensation data.

Job Families & hkp/// Executive Levels

The International Module covers top and middle management positions of multinational companies. This corresponds to a job value of hkp/// Executive Level 5 to 11³. The final report contains evaluations for all hkp/// Executive Levels and countries. A total of 11 different job families are analyzed. In addition to the market statistics per hkp/// Executive Level and country, the final report contains evaluations differentiated by job families.

General Management	Research	Customer Support & Distribution
Procurement	Finance	Production & Manufacturing
Marketing & Sales	Human Resources	Other
Information Technology	Legal & Intellectual Property	

Fig. 4: Overview job families

Survey Report

In order to enable a sound analysis of the compensation levels and structures, market data for base salary as well as annual and multi-year variable compensation per hkp/// Executive Level, job family and country are evaluated.

3) 566-3,020 Hay-Points; TW GG 14-21; Mercer IPE 56-71

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Benefits and pensions are not reported due to a lack of comparability across countries and regions. The variable compensation components are reported not only as absolute values but also as a percentage of base salary. For additional information regarding the interpretation of the compensation data, market statistics for the position-related data elements “age” and “job value” are displayed in the final report. The preparation of the compensation data within concise graphics enables a simple and efficient market analysis. The final report is available to survey participants with compensation data in both EUR and local currency and is written in English.

In addition to the survey report, a line-by-line “turnaround” excel table with individual market data for each submitted position world-wide as well as access to the hkp/// group

online tool “CompLive” for the European Chapter are available to survey participants.

Global ExecuNet Chapter Meetings

All participants in the International Module are invited to participate in selected Global ExecuNet Chapter meetings free of charge. These survey sessions, moderated by experienced hkp/// group experts, are attended exclusively by survey participants. In addition to the discussion of the survey results, the networks offer a distinct focus on current compensation trends in the respective region and serve to develop and expand your regional contact network. For instance, at the AsiaNet Meetings, specific issues related to pay in China or Southeast Asia are discussed.

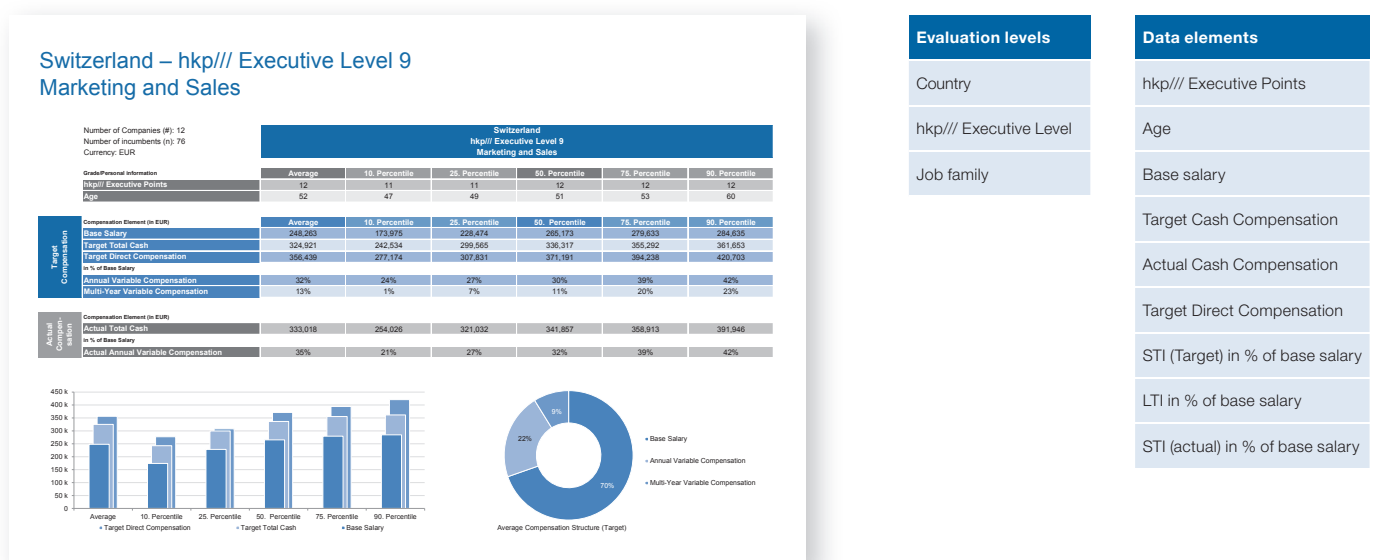


Fig. 5: Example of the final report and the data elements

Your benefits at a glance

- High-quality compensation data for 60 countries at an attractive participation fee.
- The final reports of the four regional chapters offer differentiated analyses as a basis for the regular review of the global competitiveness of executive remuneration in top and middle management.
- The composition of the database from both local and foreign-headquartered companies provides a highly relevant peer group for multinational companies based in Europe.
- The long-established hkp/// group methodology for collecting and evaluating national and international compensation data offers a direct link to the survey results of the DAX Top Executive and Top Management Surveys.
- The additional data collection effort for companies is marginal, as the international data can easily be submitted as part of the DAX Top Executive or Top Management Survey.
- Free participation in selected Global ExecuNet Chapter Meetings encourages dialogue on current compensation issues in each region and promotes the creation of a regional network.
- With servers based in the European Union and a secure online data exchange platform, hkp/// group meets the highest confidentiality and data security standards.

Your hkp/// group experts



Petra Knab-Hägele, Senior Partner, with more than 20 years of consulting experience, is among the leading experts in questions of the implementation of corporate strategies in suitable management and control systems for top management and executive personnel in the German-speaking area. After starting her profession in strategy consulting, Petra Knab-Hägele joined a large international HR management consulting company in 1995 in which she was a partner from 2003 on, acting in the most varied fields of responsibility, among others as a member of the German management and in the leadership of the executive compensation & rewards business division. She has had many years of experience, in particular in the fields of executive compensation, value-oriented company control and incentivisation, performance management as well as sustainable (also stock-based) variable remuneration. In addition to that, she has headed large international post-merger projects focussing on HR management.

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Jennifer S. Schulz, Senior Manager, is a respected expert in compensation and HR management with almost 20 years experience in both consulting and industry in Germany and the Netherlands. After graduating in Mathematics at the University of Freiburg she started her career as a consultant in executive compensation at an international consulting company. Holding specialist and management positions in compensation and benefits, functional evaluation, global mobility and as a Director HR and Organization in the energy sector she gained broad industry experience and was involved in several larger reorganization projects. Since 2016, Jennifer S. Schulz is leading the Compensation Insights & Technology practice at hkp/// group in Frankfurt.

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Verena Vandervelt, Manager, primarily accompanies projects on Top Executive compensation with a focus on compensation benchmarks, design of variable compensation systems and job grading. She is a senior expert for complex compensation data analyses, specializing in fair pay analyses. Furthermore, she leads international compensation surveys for Top Executives in DAX- and mid-sized companies as well as international studies on Executive und Non-Executive Director compensation in Europe. Verena Vandervelt studied Business Administration at the University of Cologne and completed an international double-degree program (CEMS), majoring in Human Resources Management and Finance. She spent her semesters abroad at the University of International Business and Economics in Beijing and at HEC Paris.

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Alena Vititneva, Consultant, completed her Master's degree in Business Administration majoring in Corporate Development and Behavioral Economics at The University of Cologne. She collected practical "Compensation & Benefits" related experience in several DAX-companies during her studies. Alena Vititneva joined hkp/// group in September 2016 and is mainly involved in projects concerning Compensation Insights & Technology topics. She is responsible for German as well as international top executives surveys, is an expert in the Executive Board compensation in Switzerland and specializes in the valuation of share based payments according to IFRS 2 reporting standard. She also conducts fair pay analyses at hkp/// group.

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Manuel Lenhardt, Analyst, did his Bachelor's in Mathematical Economics at the Friedrich-Schiller University of Jena with a focus on discrete optimization. In his master studies at the Philipps University of Marburg the focus shifted to statistics and deepened his interest and knowledge in machine learning. In November 2019 Manuel Lenhardt joined hkp/// group as a member of the Compensation Insights & Technology team. There he works at German Board of Directors Compensation studies and the valuation of company pension schemes. He is also an hkp/// expert in fair pay analysis.

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About hkp/// group

hkp/// group is a partner-led, international consulting firm. We are experienced in transformation and recognized innovation leader in HR, helping internationally active companies – from startups to large corporations – develop tailored, practical solutions.

The hkp/// group partners have many years of international experience in both consulting and industry. They are recognized experts for executive compensation, board services, performance & talent management, HR strategy & transformation, and HR & compensation benchmarking. They are also trusted advisors to our clients, which include supervisory and management boards, top managers as well as HR managers and experts.

Our ambition is to secure sustainable success for our clients in an increasingly dynamic world. We combine a profound understanding of corporate strategy, HR and financial know-how with outstanding industry expertise, especially for banks and insurance companies, automotive manufacturers and suppliers, the chemical and pharmaceutical industries, companies in transportation and logistics, oil and gas, real estate, IT and telecommunications as well as retail and wholesale businesses.

With more than 700,000 pieces of compensation data from more than 60 countries and all different industries at our disposal, hkp/// group is a leading supplier of compensation comparisons. In the area of board compensation alone, we offer access to remuneration data of 20,000 individuals in over 3,000 European companies (boardpay.com). We apply rigorous security standards, transmitting and analyzing data exclusively in Germany and the Netherlands.

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