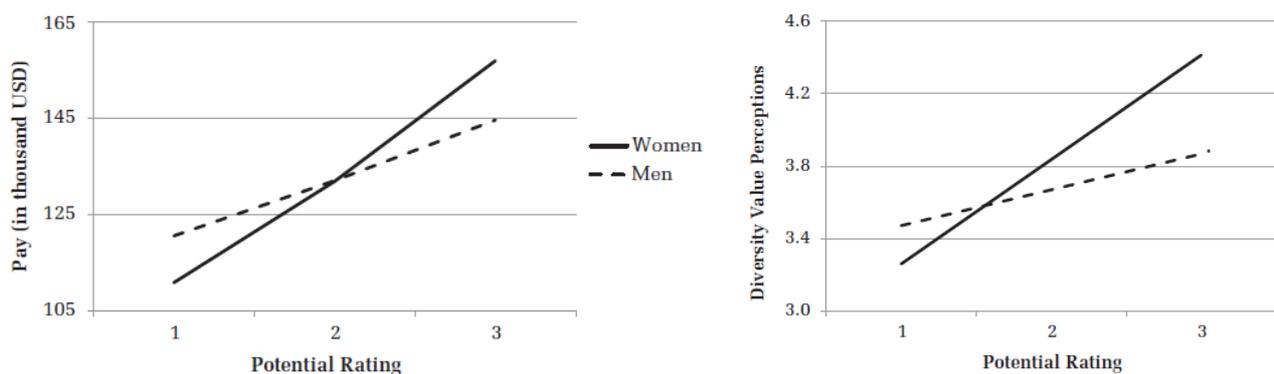


## Diversity Goals and the Pay Premium for High-Potential Women

**Key Finding:** The authors find that the gender gap reverses from a pay penalty for low-potential women into a pay premium for high-potential women due to diversity value perceptions.

**Executive summary:** The study is based on the idea that women are still underrepresented in the upper echelons of organizations and that high-potential women, who have the abilities to reach that part of the organization, are therefore perceived as higher in diversity value and thus receive a pay premium.



Note: Adapted from Leslie et al. (2017)

The authors further showed that the individual-level diversity value perceptions are rooted in organizational-level diversity goals. Hence, managers reward high-potential women with a pay premium because they believe them to have significant diversity value for the organization and that efforts to retain them are expected.

Nonetheless, high potential is a boundary condition for this pay premium and it is still outweighed by the overall female penalty. At the same time, the authors emphasize that a pay premium may be beneficial for your company as it can improve organizational performance and retain high-potential employees, but that it can also be problematic because it reverses pay equity and favors women over men which can also lead to legal complications.

### What are the practical implications for my organization?

- Carefully determine whether and how reward systems are used to enact strategic goals surrounding diversity since diversity value perceptions shape pay decisions.
- Discuss whether the potential benefits of a high-potential female premium outweigh the potential costs and clearly convey to managers whether diversity value is a legitimate or illegitimate factor to weigh in allocating pay and other rewards.
- Consider the prevailing assumption that women are uniformly disadvantaged in pay decisions and expand your knowledge about the positive and negative consequences of diversity goals and practices in your organization.

Summary of: Leslie, L.M., Manchester, C.F., & Dahm, P.C. (2017). Why and when does the gender gap reverse? Diversity goals and the pay premium for high potential women. *Academy of Management Journal*, 60(2), 402-432.