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Women earn less than men even when they set the pay

Emma Jacobs



That women earn less money than men is well known. But research has revealed that even when women start their own not-for-profit “social enterprises” they pay themselves less than their male peers.

The study, comprising 159 social entrepreneurs in the UK, showed an adjusted pay gap between the sexes of about 23 per cent. That is similar to the global difference in earnings between men and women. The International Labour Organisation estimates that to be about 23 per cent – meaning that, for every £1 men earn, women earn 77p.

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The reasons for the overall pay differential are various: women cluster in low-paid sectors; they prioritise family; they lack confidence; they fail to demand more money. Or they are discriminated against. But why does it happen even when women themselves are the paymasters?

The new research, by academics at London Business School, Aston University and the University of Antwerp, mirrors previous findings on the salaries earned by male and female founders of for-profit companies. A report on Goldman Sachs’ 10,000 Small Businesses programme, noted that female participants, on average, paid themselves 80 per cent of the salary of male participants.

Saul Estrin, visiting professor of strategy and entrepreneurship, London Business School, and co-author of the latest report, points out that the differences cannot be explained by discrimination since these chief executives set their own pay.

He looked at the entrepreneurs’ job satisfaction and found female social entrepreneurs to be more satisfied with their role than their male counterparts.

This provides the first evidence for a “contented female social entrepreneur” paradox, say the report’s authors. In other words, Prof Estrin says: “Women were happier being social entrepreneurs than men, despite paying themselves a lower salary.”

One big difference was that female-led social enterprises were generating less revenue than their male peers.

But is it not possible that women have internalised gender discrimination?

“My feeling is it’s pegged to performance,” he says. “Women are putting more emphasis on the social than commercial success and they are getting more out of the organisation than men.”

Ute Stephan, professor of entrepreneurship at Aston University, and co-author of the report, was surprised by the findings. She suggests that female social entrepreneurs may also opt to reinvest in the company than reward themselves. There is also the possibility that men are more likely to be the main breadwinner.

Nonetheless, Prof Stephan thinks that women entrepreneurs often prioritise autonomy over earnings.

Men are generally more likely to start a social venture than women; however the gender gap among social entrepreneurs is not as wide as with traditional start-ups, according to a report by the Global Entrepreneurship Monitor, published in 2011.

The new report’s findings resonate with Lidia Dumitrascu, a former City trader turned social entrepreneur, currently working on Ruah, a marketplace for budding entrepreneurs to access mentoring and funding resources across the European Union.

She says that her motivation for building the social enterprise is not short-term financial success. Rather, she hopes to create a connection between the 50-plus generation that has social and financial capital and the under-30s.

As part of a London-based syndicate of angel investors, she has observed a tendency among women to suggest lower salaries for

themselves when negotiating seed investments. “The social aspect is more important.”

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