For women, early promotion is vital to reducing the gender pay gap

Getting promoted young is a virtuous circle that raises pay expectations for everyone, but especially women.



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The time taken to reach top positions plays a critical role in determining pay for both men and women, but especially for women, according to a new study by IESE's Marta Elvira and Isabel Villamor, with Cristina Quintana-Garcia.

The authors found that executives who had shown early promise and been promoted younger earned more than those who had followed a more typical timeline. And this "aging" effect

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was stronger for women than men.

While youth is rewarded, the reverse also applies: employee age negatively correlates with earnings and upward mobility. When promotions to executive positions occur later in life, women tend to receive less financial compensation than men. In other words, there's a penalty for women who are late professional bloomers.

The main culprit was variable compensation – performance-based remuneration that frequently makes up the lion's share of executive salaries. Variable compensation is largely subjective and lacks transparency, allowing bias to creep in.

Youth and success signal virtue

Early promotion works to counteract prejudices. A young manager stands out as unusual and sends a signal of outstanding performance. This is especially true in sectors like law and accounting, where age is venerated for the experience it brings. In such contexts, a young manager sends a strong signal of being something special.

Such thinking applies to women in particular because it overrides negative gender stereotypes. These positive perceptions can lead to further promotions, creating a virtuous circle: the early vote of confidence creating a cascade of subsequent, self-reinforcing success.

Cutting through the bias

Both men and women are subject to bias in the workplace, although in different ways. Younger women are viewed with caution – "what if she leaves to have a baby?" And when they are hired as managers, it is frequently to perform "aesthetic labor," i.e., to improve company optics in client-facing roles.

Men can face bias too, usually relating to commitment – "Is he already looking for his next job?" Still, this doesn't hurt their career prospects as much.

As leaders, recognizing these biases is important because of their impact on people's careers. Previous research has demonstrated that young men tend to be assigned to complex jobs quickly after graduation, setting them up for the virtuous circle and improving their salary expectations throughout their careers. The opposite is true for young women, especially in male-dominated fields, where they tend to be assigned to more clerical jobs within their teams, limiting their experiences at the time of promotion.

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Getting into the virtuous circle early is therefore key for women, in a world where they need to consistently go above and beyond to reach the top levels of management.

Becoming a premium leader

Though it seems a bleak picture – the gender pay gap in the United States today is estimated at 15%, and in the EU at almost 13% – there are some silver linings. The scarcity of women at the CEO and CFO level will likely create a greater demand for talented, driven women, placing upward pressure on pay. Women receive a premium in firms looking to achieve diversity targets, so an impressive early-career trajectory can even give them the edge in terms of compensation.

Leaders should be aware of biases in task assignments and early promotion decisions, increasing transparency of variable compensation and sticking to objective evaluation criteria. Mentorships and sponsorships could also be instrumental in helping – and keeping – women on the virtuous circle.

And to all motivated women reading: lean into those promotions as soon as you can. Positioning yourself for advancement now can have salary repercussions throughout your entire career.

About the research

The study used complete professional data from 803 executives from the ExecuComp database, focusing on public high-technology manufacturers in the U.S. – a sector with diversity challenges, a strong inclination toward youth and a history of ageism. The study was partially supported by the Santander Center for Corporate Social Responsibility at the University of Malaga (Spain) and the Chair of Family-Owned Business at IESE Business School.



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