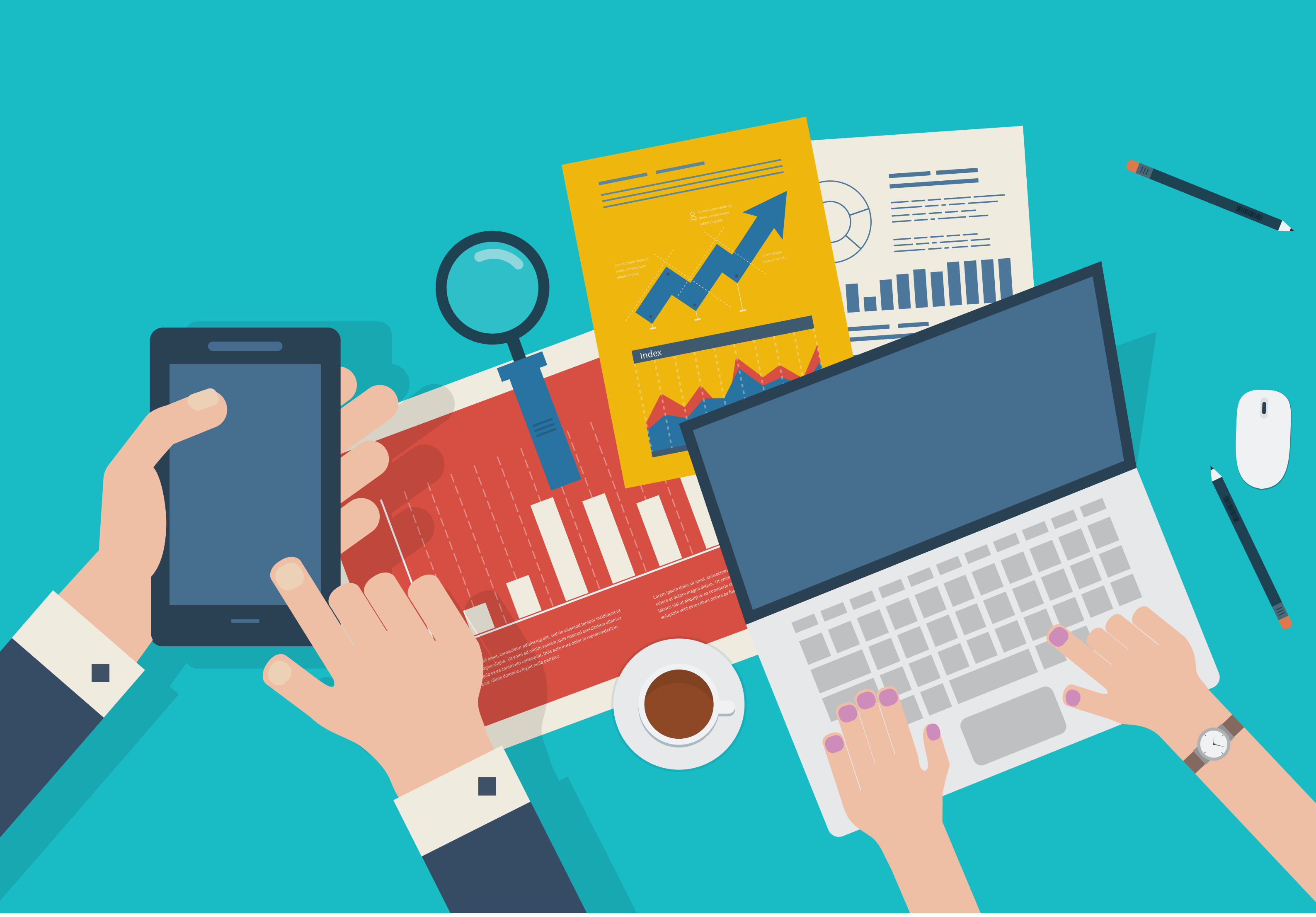

The Pay Equity Playbook That Will Pay Off for Your Business

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The Pay Equity Actions That Matter Most to Your Workforce

With increasing media attention and global regulations around the gender pay gap, it's no surprise that employees know and care—a lot—about pay equity. In fact, a 2019 beqom survey of 1,600 enterprise workers found that a remarkable 73% of respondents believe there should be a national law mandating companies to disclose gender pay gap figures.

While nearly all large organizations now say they are working to close the gender pay gap and increase diversity in their workforces, these steps are not seen as effective by their employees and, in many cases, are not seen at all. But there may be one action that's even more important to your employees than success in closing pay gaps: transparency (even when the news isn't altogether positive).

In this guide, we'll outline what your employees think about efforts to improve the gender pay gap, how much pay gap transparency and equality efforts really affect employee loyalty and retention, where employees think the burden to close the gender pay gap lies, and which employer actions are valued most by workers.

What's Inside

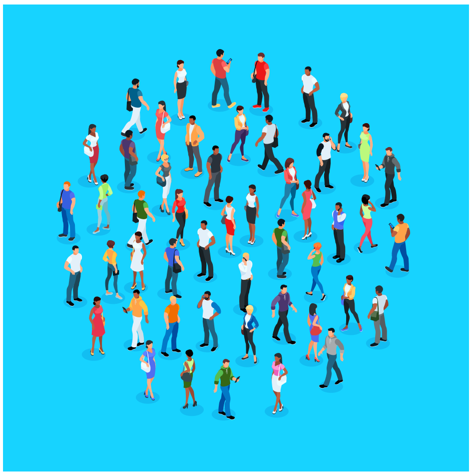
What Your Employees Are Saying About Pay Equity

The introduction of equal pay legislation in the UK, France, Germany, Iceland, and other countries has brought the issue to the forefront. In fact, figures from the Confederation of British Industry's (CBI) employment trends survey show that, as of 2018, 93% of businesses had taken action to close the gender pay gap and increase diversity in their workforces, compared with 62% who were asked a similar question in 2017.

In the United States, however, where pay gap reporting is not legally required, many organizations see it as a reputational risk to even find out if they have pay gaps. But based on what we've learned from enterprise employees, we know that inaction is not an option.

In 2019, beqom surveyed 1,600 actively employed adults in the U.S. and UK, who work at companies of 250 employees or more, to assess enterprise worker perception on progress to improve the gender pay gap, uncover perceptions about pay equity, and measure to what extent employees care about pay equity issues. Our respondents were evenly divided between men and women in the Finance and Insurance, Manufacturing, Retail, Software/Technology, and Telecommunications industries.

Overall, we found that three in four employees are aware of the pay gap disparity, with the highest awareness among finance and insurance industry workers (86%) and women (78%). What's more, a remarkable 73% told us they believe there should be a national law mandating companies to disclose gender pay gap figures, which climbs to a staggering 84% among Gen Z (those born after 1996) and 82% among women. In addition, three in five said they are more likely to support or advocate for a political candidate or government official that prioritizes pay equity.



Employees Want You to Fix Pay Gaps

Despite this overwhelming support, we found that, personally, most employees don't want to bear the burden of solving pay gaps. Only one in three (34%) enterprise workers say they would give up workplace perks, such as free lunches, unlimited vacation, and work from home options, if it meant that women were paid equally to men in their company; more than four in 10 (43%) would not.

In combination, these responses reveal that most workers strongly want pay equity to be addressed, but they expect the cost and burden of addressing pay equity to be borne by their employers and lawmakers.

When employees perceive a pay gap, regardless of whether their perceptions are correct, it has a direct, negative effect on employee retention resulting in a 16% decrease in intent to stay, according to Gartner. That's 50% worse than the typical impact of a pay freeze. Because most employees think the burden to fix pay gaps lies with the employer, this risk comes back to company leadership.

Employers have the opportunity to create a competitive recruiting and retention advantage by becoming outspoken advocates for pay equity, in messaging and in actions.

The perception of bias is most common among those in finance and insurance, where 31% of our survey respondents said they recognize a pay gap at their own employer. These responses align with perception of other industries' pay practices. When survey participants were asked in which industry men make more than women despite equal skill, performance, and experience, nearly a quarter (25%) pointed to financial services as having the most widespread pay inequity, second to technology and business services (29%). Especially in the finance industry, then, it becomes critical to transparently address pay equity efforts.

Your Efforts to Close Pay Gaps May Not Be Visible

The bad news is that the efforts you are already making may not be seen by your workforce. Half of our survey respondents said that the gender pay gap at their company has not changed in the last 12-18 months; more than a quarter said the gap has actually increased!

About a third (29%) of our survey participants reported that their employer was not taking any visible steps to close or prevent gender pay gaps, certainly a contrast to the 93% of companies that reported to the CBI that they were taking measures to close these gaps.

Worse, your employees may not think your pay equity efforts are sincere. Less than half of our survey respondents believe their employer takes closing the pay gap seriously. A third say they "don't know" if this is true. Millennials (24%) and women (22%) are most likely to believe their employers do not take closing the pay gap seriously.

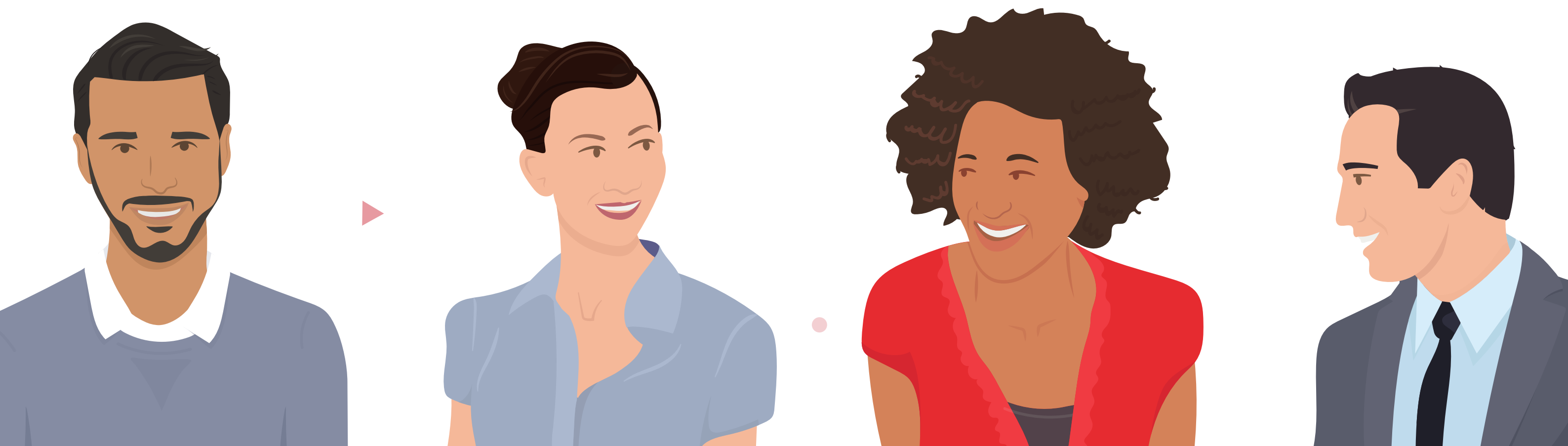
Transparency Is the Critical Piece of the Pay Equity Playbook

Because pay equity perceptions have such a strong influence on retention and employee morale, it's incumbent upon organizations to be more transparent and communicative with employees about their pay gaps and what they are doing to close them. However, fewer than 20% of organizations surveyed by Gartner said they communicate this information externally or to employees.

Less than 1 in 3 workers say they would seek a job at a company that disclosed a lower gender pay gap than the company they currently work for.

While almost two-thirds of the workers we polled said they would be more willing to work at a company that discloses its gender pay gap figures each year, only 32% said they would seek a job at a company that disclosed a lower gender pay gap than the company they currently work for, meaning companies can be rewarded simply for transparency

The path to transparency starts with commitment. If you're ready and committed to tackle pay equity, it has to be a shared conscious decision. Make your plan public, and make it transparent. That means you will have to admit to your employees where your problems are and, more importantly, how you plan to address them.



Find and Address Where Real Pay Gaps Exist

To effectively close pay gaps, you have to start with identifying where these gaps exist. Traditionally, companies have done this by comparing salaries of men vs women, but such a simple view is not enough and could actually create an inaccurate view about the reality of your pay equity. To find real gaps, it's important to compare peer groups and employees with similar attributes, such as tenure, skill sets, department seniority, performance history, and location. You may find, for example, concentrations of inequity with a particular department or manager that can be addressed directly.

Skill sets and other critical attributes may be hidden from traditional gender pay gap reports, but they matter in measuring pay equity. Analyzing these often-missing metrics is the only way to uncover real gaps so you can solve them.

Of course, finding the gaps is only the beginning. To create a path to equity, firms must also tackle the underlying causes openly. From the top, you must be willing to ask the hard questions, but you also need to be ready to involve your workforce in the conversations. Data can answer some of these questions for you, like whether men and women are receiving different performance scores or bonuses, but to really understand other aspects, you'll need to involve not just managers, but your entire employee population to know if your policies on family care and career progression are playing out as you intended.

Above all, don't be afraid to involve your workforce in the conversations. You'll create a culture of trust while building awareness around your efforts towards equity.

Ask:

- Do people get "stuck" at certain levels within your organization?
- Is there gender imbalance in your promotions?
- Are women more likely to be recruited into lower paid roles within your organization?
- Do men and women leave your organization at different rates?
- Do particular aspects of pay (such as starting salaries and bonuses) differ by gender?
- Do men and women receive different performance scores on average?
- Are you doing all that you can to support part-time employees to progress?
- Are you supporting both men and women to take on family care responsibilities?

Don’t Wait to Take Action

We know employees care about pay equity, and we know they expect employers to take the lead in achieving equity, but there is still resistance among corporate leadership to uncover pay gaps, and not only because companies fear it will expose them to reputational damage. There’s also some hesitation to take on pay equity because the reality is that fixing pay gaps comes at a cost.

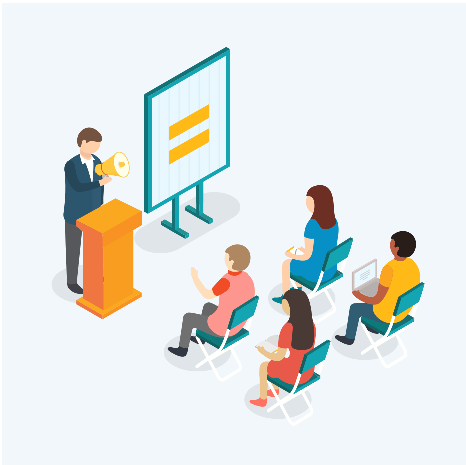
While there are some organizations who want to wait for federal regulations to force their hands at closing pay gaps, the time to act is now.

It will never be cheaper to achieve pay equity than it is today.

According to Gartner, role-to-role gaps are growing. The pay gap that remains unexplained is 7.4%: that is the discrepancy that can be ascribed to no other factor than gender. Ten years ago, that 7.4% figure was a full percentage point lower, and 10 years from now, it will be close to 10%. That means there will likely never come a time when it will cost less for companies to address pay equity than it does today.

For a typical large company, that cost is growing by as much as half a million dollars a year. The bigger the organization and its payroll, and the wider the gaps, the faster that cost is accelerating. Companies looking for a financial justification for addressing pay equity today need look no further than the fact that it will only get more expensive the longer they wait.

Embrace Pay Transparency



In 2020, especially among younger generations, pay secrecy is dead, and your employees will share details of their compensation regardless of your policies, which could create unjustified feelings of inequity. Coworkers comparing base salaries or bonuses, for example, may not be factoring in benefits like vacation time, commuting stipends, or equity.

Address this head on by helping your workforce understand that equity is not just about money. Every employee should understand their total rewards, through a full personal rewards statement for example, to understand the full picture. Create true visibility for employees into what they’re getting paid and why.

For the Benefits team, to ensure that personalized rewards are both effective and equal, you must understand the value of your rewards packages across regions and demographics so you can measure how they are distributed. To avoid the traps of inequity, extend benefits regardless of gender. Promote parental leave for mothers, fathers, and adoptive parents. If you offer flexible hours or work from home options, encourage all employees—not just mothers—to use them.

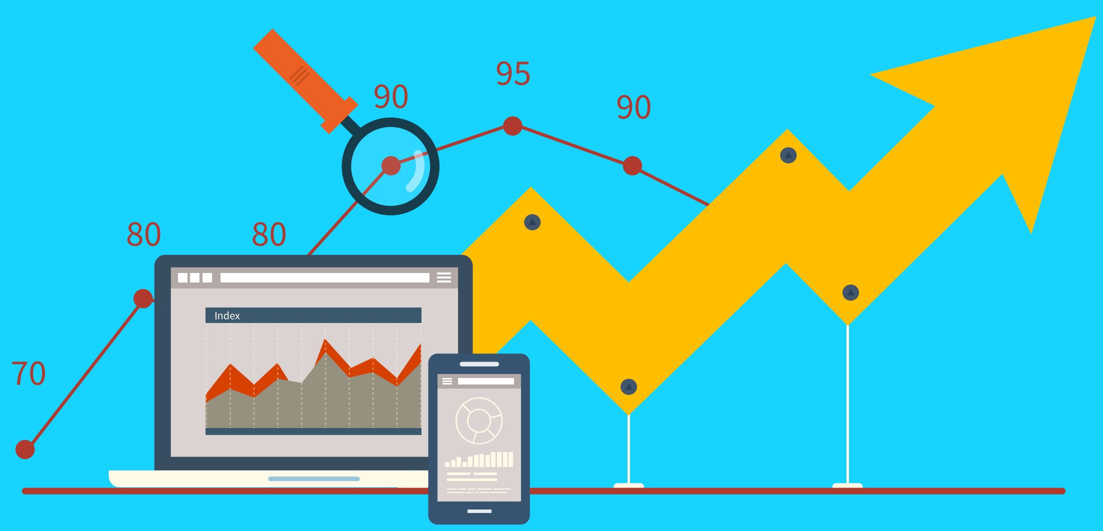
Make Comp Decisions Fair and Transparent

Workplace discrimination occurs perhaps most frequently through the result of implicit bias, the act of unconsciously associating positive or negative traits with a person's race, gender, or background.

To help remove the possibility of bias swaying employee pay decisions, companies are digitizing the process with the support of compensation management solutions. With technology that guides and automates pay and promotion tasks, you can make data-driven decisions when determining an employee's salary with assurance that the decision is fair.

This decision process starts with giving every employee clear, fair goals, where salary and bonus is tied directly to performance. Then, if two people are meeting the expectations of the role, they should be paid the same and have the same chance of promotion. When you give employees clear confirmation that their comp is fair, engagement and retention increase.

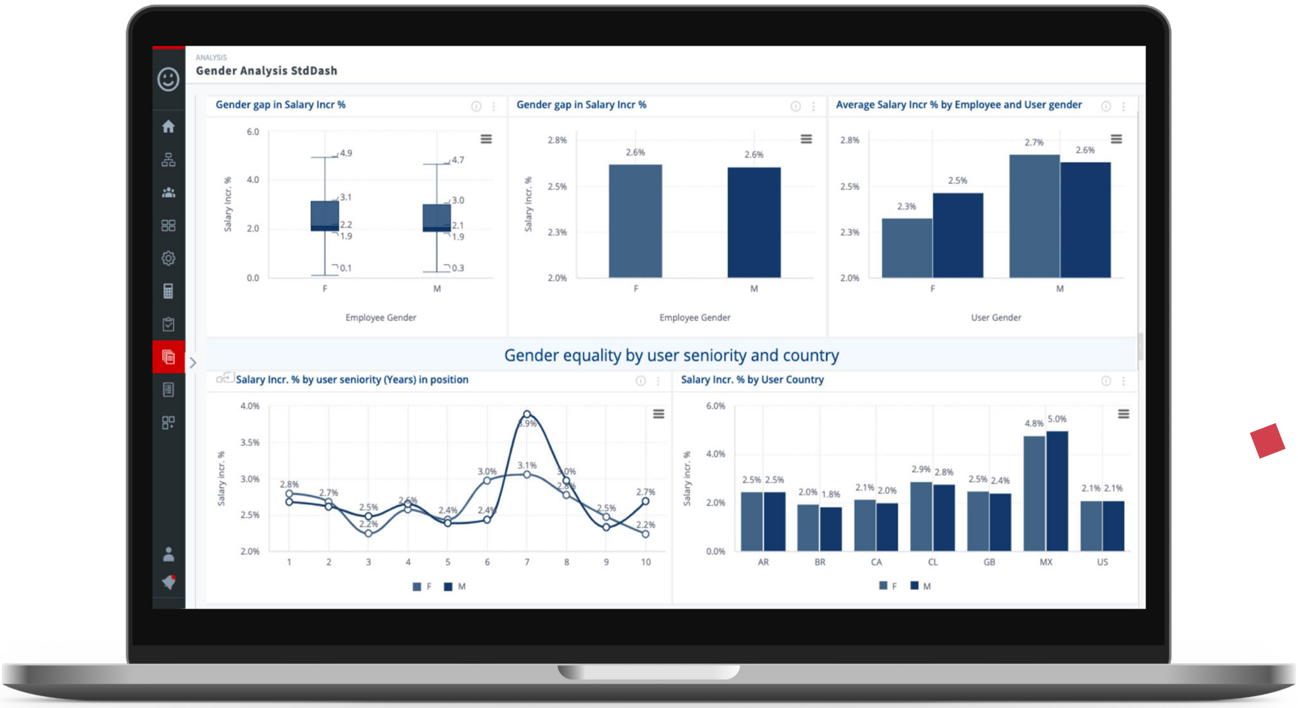
Compensation technology can help in other ways too, such as allowing you to leverage market data to create strategic comp plans and packages that attract the best talent, improve collaboration and communication across the organization to reduce comp disputes, and address comp plans for individuals or any number of groups, geographies, hierarchies, and rules.

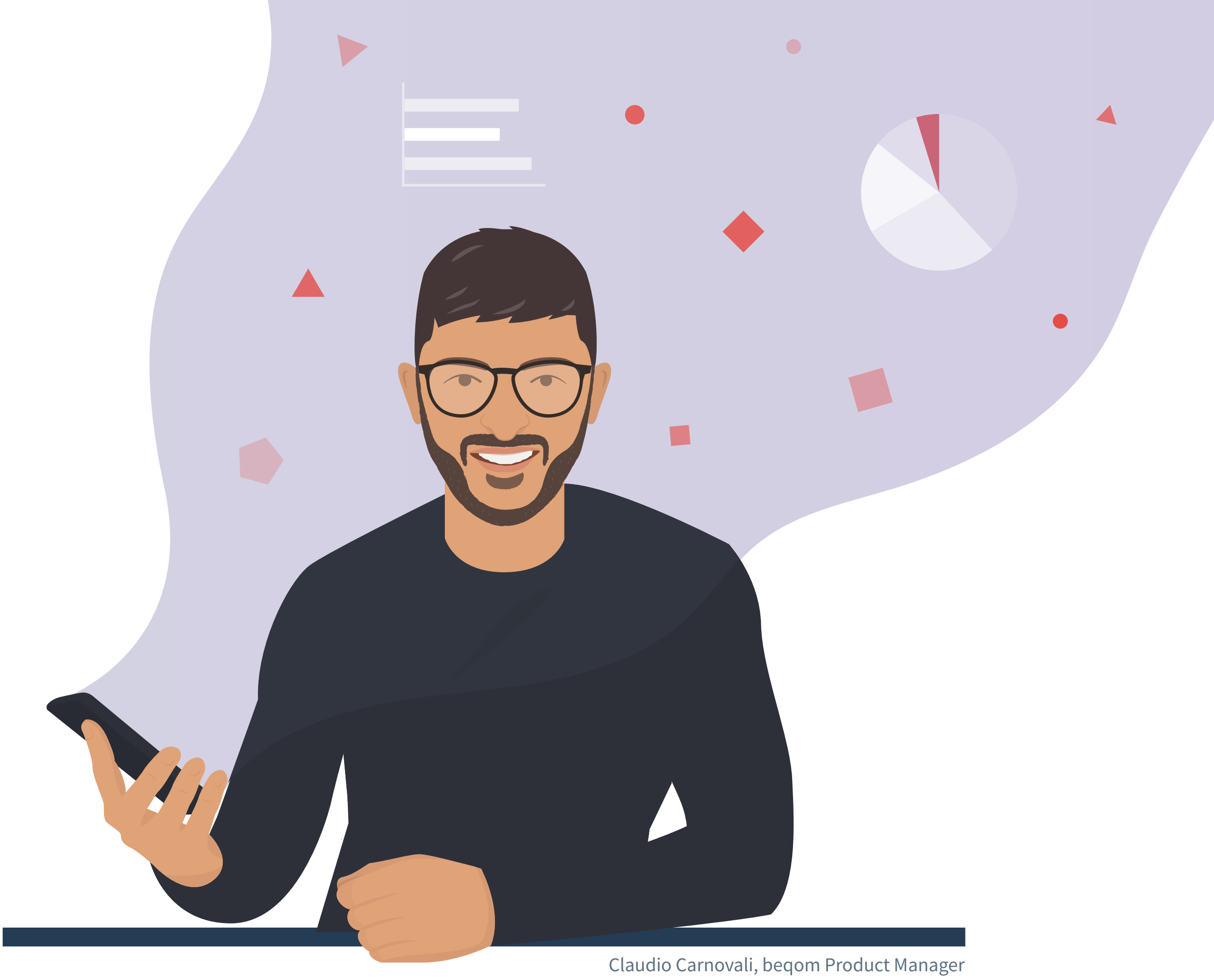


You Will Never Be “Done” with Pay Equity

Whether you are starting from near equity or far from it, you will never be able to consider pay equity to be complete. Track, analyze, and address your compensation data regularly to ensure pockets of disparity are identified and remedied. Conduct regular pay audits, calling in experts if needed.

Above all, communicate your progress, successes, and opportunities frequently and openly. Involving your employees at every stage will earn their trust and engagement and ultimately make you and your organization more successful.





Claudio Carnovali, beqom Product Manager

Happiness is the best driver for success

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HR, sales, and finance departments leverage our platform to drive performance, retention, cost optimization and... happiness among their people.

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