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SPECIAL REPORTS

IMAGINE THERE'S NO BOX TO THINK INSIDE OR OUTSIDE OF? PLUS, WHY SOME BUSINESSES HAVE THE EDGE OVER COMPETITORS

DAVID BLACKBURN, CHIEF PEOPLE OFFICER - FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

{ KARMA POLICE }

"WE'RE FIRMLY SET IN THE FINANCIAL SERVICES ECOSYSTEM... THERE'S A VERY COMPELLING REASON FOR OUR EXISTENCE"

ALSO FEATURED IN THIS ISSUE

ORGANISATIONAL DEVELOPMENT Taking advantage of changing conditions relies on nurturing innovation and entrepreneurialism

EQUALITY, DIVERSITY & INCLUSION Diversity has no hierarchy - no one characteristic is more important - some are just easier to measure

REWARD & RECOGNITION Firms are already adding their "bots" to the headcount. How long before they are on the payroll too?

WHISTLEBLOWING Rather than NDAs to enforce codes of silence, organisations should take a steadfast approach to prevention

SET THE DELOREAN TO 2236 FOR EQUALITYVILLE

"Equal pay for equal work", is one of the EU's founding principles, initially introduced in 1957 as an article within the Treaty of Rome. Employees working in the EU have been legally protected for over fifty years in respect of fair pay. But, according to a report by the World Economic Forum, it will take another 217 years for disparities in the pay and employment opportunities of men and women to end.

ARTICLE BY TAMSIN SRIDHARA, SENIOR DIRECTOR, HUMAN CAPITAL & BENEFITS - WILLIS TOWERS WATSON

That progress towards equality is slow and that reward systems have been found wanting, are somewhat statements of the obvious. But it has been a very slow dawning of realisation that has seen many employers go right back-to-basics, to take a serious assessment of what R&R management represents. According to the survey *Getting Compensation Right*, less than 50 percent of UK reward leaders identified internal equity as a primary factor affecting base pay increases. Instead, market competitiveness (70 percent) and individual performance (60 percent), were seen as the most significant considerations. This position, however, is now being disrupted by a new wave of pay equity regulations. Forgive me for going over ground that readers will be well-versed in but, for context, it's important to frame the issue: The aim of the UK Government for these regulations, is to have more women in better paid roles - although the more immediate result is likely to be more women receiving equal pay for their current roles. This renewed focus is also extending overseas, as multinational companies are having to address growing regulatory activity across Europe and beyond. It also reaches beyond gender, to equity across and between different demographic groups. Concern by the EU as to whether employers are delivering on fair pay and equal opportunity led to the recommendation in 2014, that every Member State should take an extra step to ensure greater transparency on pay and progression. One recommended step was that each Member State give individual employees the right to request pay information. We have seen this reflected in new legislation in Germany, where employees can request the average monthly salary of peers of the opposite gender. Another recommendation was that Member States should require companies with more than 50 employees to publish a gender pay report, which we see reflected in the new UK, Irish and French regulations.

Cue widespread confusion between a gender pay gap and an equal pay gap, which has also forced reward leaders to face questions from board members, executives and employees on equal pay, as well as gender pay. Few have been able to say promptly and confidently that their pay programmes are delivering equal pay. Meanwhile, the focus on pay equity is also having an impact on longer-term trends, and four key factors stand out, if we are to have

rewards rights for now and the future. So, given the calls for greater fairness and greater transparency, what needs to be done now? In the face of the new wave of pay equity legislation, the immediate need has been to better understand the current state as quickly as possible through equal pay audits and broader pay analytics. While this may have led to base pay adjustments for some employees, one-off adjustments are not a long-term solution. Ensuring pay equity over the longer-term means making full use of HR technology to introduce greater data insights and checks through the pay management process without disrupting any move for greater manager ownership of team rewards. Technology is making a huge difference here. It is making the HQ-led, multiple-market reviews much easier and insightful, and allowing local manager checks to be included as part and parcel of the annual cycle. We are seeing companies being prompted to carry out detailed analytics in whichever markets are affected by the new fair pay-related regulations and when senior management see the unfamiliar and often worrying picture being reflected back to them, they then try to understand it across multiple markets, by gender, ethnicity and other demographic groups.

individual performance. All these are encouraging companies to re-evaluate and clarify the role of base pay and other pay elements. What the use of analytics shows time and again is the importance of having robust job architecture and levelling. These are the building blocks to equity and transparency. If you cannot identify the relative contribution of roles, how can you ensure internal consistency in terms of pay? Even when you have robust job architecture and global grading, the next consideration is your salary structure. For years, the focus on market competitiveness and individual contribution has led to the use of wide salary bands. It is then equally important that employees can be confident that managers are working consistently within these structures in order to strengthen their pay management processes. Poorly executed discretion and poorly managed pay for performance arrangements will inevitably undermine fair pay outcomes for employees.

Over half of employees in the survey said that they were not confident that base pay decisions were fair, with one survey respondent stating that "greater transparency would really help address employee concerns over fairness".

WHAT REMAINS TO BE SEEN IS THE IMPACT OF GREATER EQUITY ON TWO COMPETING LONG-TERM TRENDS - GREATER SIMPLICITY AND GREATER CUSTOMISATION. THIS IS WHERE IT BECOMES CLEAR THAT THE NOTION OF FAIRNESS IN REWARDS EXTENDS BEYOND EQUAL PAY TO BROADER VIEWS

Base pay is particularly problematic when it comes to pay equity. Benefits and incentive opportunities tend to be determined by level, but as we have tried to get base pay to do more (e.g. to reflect market rate, individual performance, criticality of the role, and future potential), so the opportunities for inconsistency have increased. This combines with other pressures on base pay, including limited budgets and minimum wage requirements. Only 15 percent of UK respondents to our survey said that their base pay arrangements are effective at differentiating pay and driving higher

Those organisations that do commit to providing greater clarity and confidence are finding themselves in a far stronger position to address a key long-term trend - greater transparency. This ranges from clear global statements on fair pay, and flagship programmes on equity, to clarity on pay levels through all levels of the organisation. Standard Chartered, for example, created waves in the financial services sector when it published its *Fair Pay Charter* in 2018. It sets out the principles, "that guide all of our reward and performance decision-making. One of these principles is our ongoing commitment to rewarding colleagues in a way that is free from discrimination on the basis of diversity, including gender". One of the most detailed examples of public sharing of pay ranges and average pay that I have come across is from the European Patents Office. Within its 88-page long *Social Report*, it sets out average monthly salaries by band, so voluntarily putting into the public domain information that employees in Germany would otherwise have to request. Xing, a new social networking site, also based in Germany, makes salary ranges available to employees and, within each range, they can see the distribution of individual salaries on an anonymised basis. Their goal is; "to guarantee competitive, market-based remuneration for our employees, and create transparency to enable a dialogue on an equal footing when employees talk with their managers". So, transparency to them is related to equity in pay and power. For each of these organisations, their transparency on pay is clearly about more than just pay fairness, and it sends signals about who they are and what they stand for to employees and prospective employees.

Until recently, benefits have not been part of this process. This, however, has noticeably changed in the last few months, which has seen a marked increase in the review of benefits programmes, to ensure that they are inclusive regardless of gender, gender identification, sexual orientation or age. This is against a background of a range of global companies launching flagship benefit programmes that signal to both existing and prospective employees their inclusive and fair approach. These include Diageo, which introduced in April 2019 a new parental leave policy, enabling male and female staff to receive 26 weeks of leave at full pay. According to Aviva, which launched a similar group-wide policy in 2017, this approach is key to its strategy in creating a; "diverse and inclusive working culture in which barriers to career progression are removed". What remains to be seen is the impact of greater equity on two competing long-term trends - greater simplicity and greater customisation. This is where it becomes clear that the notion of fairness in rewards extends beyond equal pay to broader views on fairness. ●

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