What you need to know about; Pay Equity

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What is pay equity?

Pay equity is the method of reducing the differences in employee pay based on race, gender, and other factors. The rising pay equity movement seeks to address income inequalities through several indicators of sociopolitical identity. The goal of advocates for pay equity is to create workplaces that inspire loyalty, enthusiasm, and trust between employees and the organizations that employ them by creating an environment of transparency and equal opportunities (Lucidchart,2020).

Paycor (2018) refers to pay equity as a method of eliminating gender and race discrimination when establishing and maintaining wages. To date, many workers are separated into various jobs which are historically underpaid because of their gender or race. Federal pay equity laws have been in existence for decades, but over the past few years, states and local municipalities have begun to closely examine their laws as a way of trying to close the gender pay gap.

Paying women less than men has far-reaching consequences for society by contributing to the gender pay gap, lower pension contributions for women, and their higher relative rate of later life poverty. Pay is also one of the key factors affecting motivation and working relationships, ultimately contributing to your business success so it is important to fairly reward all employees.

Addressing pay equity should not be a zero-sum game. The proper application for pay equity can save your organization from unfortunate lawsuits and a soured reputation. It can also turn the company into a beacon of leadership and transparency — the type of enterprise that attracts top-notch talent.

Why is pay equity important?

Under the pay equity umbrella, the process of measuring salaries across positions within an organization to ensure equitable compensation for similar work and experience is internal equity. Ethicists argue that a common-sense policy is an equal pay between employees. The mechanism for safeguarding this strategy is internal equity. The convergence of structural results such as the disparity in ethnic wealth, the gender pay gap and the lack of diverse representation in the federal and public authorities all make pay equity a critical discussion.

From a research carried out by compensation data company PayScale, it reports that “women of color are 19% less likely to receive a raise than their white male peers (after controlling for job, industry, experience, etc.) and men of color are 25% less likely.” Opportunity for advancement is integral to talent development and retention. It should be a priority for any organization that understands the benefits of workplace diversity.

Pay systems that are transparent and reward the entire workforce fairly:

- send a positive message about your organisation’s values
- increase efficiency and productivity by attracting the best employees and reducing staff absence and turnover
- form a key part of your organisation's corporate social responsibility - increasingly important for many stakeholders

Providing equal pay for all employees will also reduce the risks of facing an equal pay claim and help avoid:

- Expensive legal fees which could cost thousands
- Lost productivity as management gather evidence and deal with tribunal hearings
- Damaged employee relations and low staff morale

- Cost of tribunal decisions - in addition to their own legal fees, employers who lose have to pay the claimant a financial award, which could include up to six years’ back pay and, in some circumstances, the claimant’s legal fees
- Loss of reputation with customers, shareholders and potential employees
- Possible further audits ordered by a tribunal

In addition to helping you meet your legal obligations on equal pay, performing an equal pay audit or analysis can have other beneficial effects. For example, it could expose other issues of equality within your organisation, such as under-representation or work discrimination of people with certain protected features.

What are the facts on pay equity?

Paycor (2018) states that numerous laws exist today to protect workers from wage discrimination. Two of the most significant are the Equal Pay Act of 1963 and Title VII of the Civil Rights Act of 1964. The

Equal Pay Act of 1963 states that men and women must be given equal pay for equal work in the same establishment. According to the Equal Employment Opportunity Commission (EEOC), it is job content, not job titles, that determines if jobs are equal. The Equal Pay Act (EPA) was created as an amendment to the Fair Labor Standards Act, and because the EPA is related to the FLSA's wage laws, most of the same coverage and exemption rules that apply to the FLSA also apply to the EPA.

Title VII of the Civil Rights Act of 1964 prohibits wage discrimination based on race, color, sex, religion, or national origin. Title VII is broader than the EPA, allowing claims for any type of discrimination, whereas the EPA is limited to unequal pay between men and women for substantially equal work. Additionally, a 1981 Supreme Court ruling established that claims for wage discrimination between men and women that did not quite fit under the EPA could be brought under Title VII. Title VII has "a more relaxed standard of similarity between jobs." However, unlike the EPA, Title VII requires proof of discriminatory intent (Paycor, 2018).

How to ensure Internal pay equity

Internal pay equity is another form of pay equity, the practice of comparing pay across positions within an organization to ensure equitable compensation for comparable work and experience. Ethicists argue that comparable pay amongst employees is a common-sense policy. Internal equity is the method of safeguarding this policy.

Bearing in mind external competition, you should evaluate outlying positions and workers in the wage systems of your company to see whether you are retaining internal pay equity. To that end, 13.7 percent of companies use survey data and internal analyses to ensure that pay is fair, and a further 12.2 percent follow a systematic review of compensation. Also, self-auditing HR professionals and periodically revisit those decisions to keep up with a fast-moving market and changing conditions within their organizations is often recommended. The survey carried out by Harrison(2019), shows that at least once a year, 10.7 percent of companies check external data and internal equities. Also, an additional 9.5 percent has a system in place to review pay decisions and approvals.

How to ensure external pay equity

A competitive wage is a sign of external pay equity. External equity is the perception that an employee is being paid the same as others working in a similar job at other companies. Salary competitiveness versus the market. According to Harrison (2019), it is impossible to ensure fair pay without using industry and regionally-specific market data to establish appropriate salary ranges for each position.

Through using HR-reported market data, the company can ensure that it keeps up with a fast-moving job market and is never short of fair compensation for any of its jobs. In the study done by Harrison (2019), approximately 17 percent of companies use market data to ensure that compensation is competitive. Additionally, 12.5 percent use market data to help determine pay levels for jobs within the overall wage structure of the business.

Harrison (2019) also recommends self-auditing HR professionals and the periodical revisit of those decisions to keep up with a fast-moving market and changing conditions within organizations. The survey shows that at least once a year, 10.7 percent of companies check external data and internal equities. Also, an additional 9.5 percent has a system in place to review pay decisions and approvals.

What is the status of pay equity for women?

According to Payscale (2020), women earn 81 cents for every dollar earned by men, in 2020. This statistic is indicative of the unregulated or "raw" gender wage gap that looks at both men and women's median salaries regardless of job type or worker seniority. In other words, male median wages are about 19 percent higher than female median wages. This figure represents a 2 percent improvement from 2019 and a 7 percent improvement from 2015 when the median salary for men was roughly 26 percent higher than the median salary for women.

When men and women with the same employment characteristics do similar jobs, women earn $0.98 for every dollar earned

, shrinking by only a fraction of one percent year over year. It has shrunk a total of $0.01 since 2015 (Payscale, 2020). Also assessing the impact of lost wages on lifetime earnings. By calculating presumptive raises given over a 40-year career, they found that women in the uncontrolled group stand to lose $900,000 on average over a lifetime. Lost earnings narrow to $80,000 for the controlled group, but this is still significant, especially if you consider how lost earnings due to the gender pay gap would grow with compound interest if invested each year for 40 years.

Pay equity statistics

Studies have shown that, over homogeneous teams, racially diverse workplaces have a 35 percent higher productivity return. A workforce benefiting from a wide net of experience is a workforce armed with wide-ranging solutions as well as wide opportunities. The uncontrolled gender pay gap, which takes the ratio of the median earnings of women to men without controlling for various compensable factors, has only decreased by $0.07 since 2015. In 2020, women make only $0.81 for every dollar a man makes. The controlled gender pay gap, which controls job title, years of experience, industry, location, and other compensable factors, has also decreased, but only by $0.01 since 2015. Women in the controlled group make $0.98 for every $1 a man makes.

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