

Importance of pay equity

Author: Nolwazi Mlala . June 2021

Pay equity is the practice of reducing compensation disparities among employees based on race, gender, and other factors. The developing pay equity platform promises to close income gaps across a variety of socio-political markers. The purpose of pay equity advocates is to build workplaces that inspire loyalty, passion, and trust between employees and their employers by creating a transparent and equal opportunity environment. Pay equity is the practice of reducing compensation disparities among employees based on race, gender, and other factors. The developing pay equity platform promises to close income gaps across a variety of socio-political markers. The purpose of pay equity advocates is to build workplaces that inspire loyalty, passion, and trust between employees and their employers by creating a transparent and equal opportunity environment.

Internal equity, or the practice of comparing pay across positions inside a company to guarantee equitable compensation for equal work and expertise, falls under the pay equity umbrella. Equal compensation for similar work is a common-sense concept, according to ethicists. The technique of enforcing this policy is through internal equity. While pay equity is a simple idea to grasp and argue for in theory, research suggests that it is often underutilized in practice. Implicit biases are present in all humans, and these biases are frequently brought to work.

Pay equity is an important topic because of overlapping structural consequences such as the gender pay gap, the racial wealth gap, and the lack of varied representation in the government and public office. Companies can use pay equity as a tactic to advance women into leadership positions. Companies can retain the finest personnel, increase women's involvement in the workforce, and promote a great company image by implementing an equitable pay system. It can also assist you to avoid damaging your reputation and facing legal action.

Conducting Pay Audits

Conducting a strategic, self-driven pay equity audit can be a time- and resource-consuming procedure. Employers may, however, conclude that the benefits of a conducted audit exceed the disadvantages, such as lowering the risk of a costly pay discrimination lawsuit. Pay audits, when done correctly, maybe handy tools in the pursuit of pay equity. There are various steps to follow to conduct a successful pay audit.

1. Plan Ahead

The audit's planning step is crucial. The first stage in every successful pay audit is to determine the audit's objectives or aims. For example, in some situations, your organization may be attempting to reduce your legal exposure by utilizing a state-mandated safe harbour. In other situations, your audit is conducted in response to shareholder demand for a "pay gap" examination. Alternatively, any organization may want to ensure that employees are paid fairly. The audit's goal will guide the procedure and technique. Therefore, setting goals at the start of the planning process is critical.

2. Examine company pay policies and practices.

Another critical phase in the audit process is evaluating or re-reviewing historical and present pay practices and policies to create the correct methodology for analyzing pay and analysing and explaining pay inequalities. It's essential to understand the many components of compensation, the criteria used by decision-makers in making pay decisions, and the level of discretion granted to those making compensation decisions. Experience has shown us that the solutions to these problems typically differ by division, department, or area within businesses, primarily if your company has grown through acquisition

3. Gather valuable information

After examining different aspects of pay and the criteria used to make pay decisions, you need to gather the data you will need to analyze pay. Companies should collaborate closely with local management, human resources, and payroll professionals to verify that the job information obtained is correct and reflects their employees' actual skill, effort, and job duties when preparing for a pay equity audit.

4. Determine which employees perform similar work

Comparing jobs necessitates a thorough examination of the job as a whole. While job titles and descriptions are helpful, they should not be used to determine comparability on their own. Likewise, don't assume that roles in separate business divisions or divisions are unrelated. It's necessary to see whether the tasks need different talents, responsibilities, and effort or if they're done in different environments. Other state-specific laws or recommendations for grouping employees should be considered depending on the state where the employees work.

5. Data Analysis

You can analyze the data once the employees have been divided into comparable work categories. The purpose of the study is to see if men and women in the organization are paid equally. Depending on the size of the group and the complexity of the compensation plan, the methods you employ to make that conclusion may differ. Regression, descriptive, discretionary review, and cohort analyses are the three most prevalent analysis tools. Their goals are to find pay inequalities, provide legitimate explanations for pay differences, and give information to remedy unexplained and problematic pay inequalities. Employers often utilize regression analysis for larger comparator job groups, while for smaller groups, they often utilize cohort analysis.

6. Assess whether salary differences are legally acceptable, and take some action against unjustified differences

Your analysis may uncover that employees performing similar tasks are not paid equally. This does not, however, imply that illegal conduct is taking place. It's fine to have disparities in grading based on seniority, merit, or any other factor. Adjust any inequalities that aren't justified, whether they're racial or gender-based.

Thinking beyond Audits

When designing workplace policies and processes, HR should keep pay equity in mind. Think about how the company decides on starting salary; merit raises, promotions, one-time raises, and incentives. Pay audits enable businesses to examine how and what people are paid and how those decisions are made. Companies can lower their chance of having to fight equal pay claims in the future if they address pay issues early on. In addition, companies might suffer substantial legal and reputational consequences if these issues were understood but not addressed.

Creating a Positive Culture

Pay equity must be established in your company's culture over time. Regular reviews can reveal how far your company has come in terms of achieving pay equity. They can also assist you to discover other areas, like recruiting, promotions, and performance evaluation methods that may need to be tweaked for your organization to achieve its goal of creating an equitable culture.

Employers should consider implementing some or all of the following Action Items to foster a pay equity culture inside their firm. However, these Action Items are not mandated by law, and some employers may not implement them. Adopting some or all, of these action items, on the other hand, may

help to create a positive culture in the workplace.

1. Expand the applicant pool's diversity.

Develop techniques to expand the diversity of an employer's candidate pool, especially in jobs with a male-dominated workforce. For example, it has been proven that having at least 25% female candidates in an applicant pool reduces the risk of unconscious gender bias and stereotyping, resulting in more female candidates being hired.

2. Getting Rid of Bias in the Hiring Process

Increase the number of women in positions of power, such as recruiting managers and interviewers. Employers should examine whether to make the initial pre-employment screening blind to the candidate's gender, race, or ethnicity, even if it is not required by law. In addition, employers should provide implicit bias training to employees who are involved in hiring decisions.

3. Training of supervisors and managers

Managers should be educated on how to foster a pay equity culture. Companies are advised to inform every supervisor or management who has input on employee pay about unconscious bias and the law's pay equity standards. In addition, managers and supervisors should be trained on making acceptable remuneration decisions or recommendations based on objective, job-related considerations rather than an employee's gender, race, or ethnicity. Managerial training improves job satisfaction and morale among employees in general, as well as lowering turnover.

4. Encourage Employee Communication

Encourage employees to ask inquiries regarding their compensation to their employers without fear of retaliation or disciplinary action. Similarly, businesses should encourage managers and supervisors who communicate compensation choices to employees to explain the rationale for any pay adjustments.

5. Paid Parental/Family Leave for both Women and Men

Provide paid parental/family leave to both men and women, and actively encourage both men and

women to take advantage of it. Smaller businesses should consider meeting employee requests for family leave when possible, although they may not have the resources to give paid parental/family leave.

References

1. Cowherd, D.M., and Levine, D.I., 1992. Product quality and pay equity between lower-level employees and top management: An investigation of distributive justice theory. *Administrative Science Quarterly*, pp.302-320.
2. International Labour Organization, (2015). *The motherhood pay gap: a review of the issues, theory and international evidence*. Geneva.
3. <https://everfi.com/blog/workplace-training/pay-equity-audits>/<https://blog.curocomp.com/getting-started-performing-pay-equity-audits>

Nolwazi Mlala is a Business Analytics Graduate Trainee at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

Phone +263 4 481946-48/481950/2900276/2900966

Cell number +263 779538172

Email: nolwazi@ipccconsultants.com or visit our website at www.ipccconsultants.com

<https://thehumancapitalhub.com/articles/importance-of-pay-equity>